

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

MINUTES OF THE REGULAR MEETING
OF THE HAWAII HOUSING FINANCE AND DEVELOPMENT
CORPORATION
HELD AT THEIR OFFICE AT 677 QUEEN STREET, SUITE 300,
ON THURSDAY, AUGUST 13, 2015
IN THE CITY AND COUNTY OF HONOLULU, STATE OF HAWAII

The Board of Directors (Board) of the Hawaii Housing Finance and Development Corporation (HHFDC) met for a regular meeting at 677 Queen Street, on Thursday, August 13, 2015, at 9:00 a.m.

Chair Leilani Pulmano called the meeting to order at 9:00 a.m. Those present and excused were as follows:

**CALL TO
ORDER/
ROLL CALL**

Present: Director Leilani Pulmano, Chair
Director Edwin Taira, Vice Chair
Director Rona Fukumoto, Secretary
Director Melvin Kahele
Director Audrey Abe
Director Wesley Machida
Designee Mary Alice Evans for Director Luis Salaveria

Executive Director Craig Hirai

Staff Present: Colette Honda, Deputy Attorney General
Janice Takahashi, Chief Planner
Darren Ueki, Finance Manager
Rick Prahler, Development Branch Chief
Stan Fujimoto, Development Section Chief
Ann Nakagawa, Chief Financial Officer
Stuart Kritzer, Asset Management
Marlene Lemke, Sales and Counseling Section Chief
Patrick Inouye, Housing Finance Specialist
Jocelyn Iwamasa, Housing Finance Specialist
Lawrence Pulido, Housing Finance Specialist
Ken Takahashi, Housing Development Specialist
Christopher Woodard, Property Management Coordinator
Lorna Kometani, Housing Sales Coordinator
Lorraine Egusa, Budget Analyst
Kent Miyasaki, Housing Information Specialist
Esa Pablo, Secretary to the Board

Guests: Gary Furuta, GSF LLC
Jeff Furuta, GSF LLC
Keith Kato, HICDC
Jeremy McComber, HICDC
Paul Fortino, Southport Financials
Monika Mordasini, Michaels Development
Rod Maile, Administrative Director of the Courts
Dee Dee Letts, Coordinator of the Office of Project Management

A quorum was present.

Designee Evans moved, seconded by Vice Chair Taira

That the minutes of the Regular Meeting held on July 9, 2015 be approved as circulated.

The motion was unanimously approved.

Chair Pulmano deferred approval for the minutes of the Executive Session Meeting held on July 9, 2015.

QUORUM

**II. A.
APPROVAL
OF MINUTES
7/9/15
Regular
Meeting**

**II. B.
APPROVAL**

Vice Chair Taira moved, seconded by Designee Evans

That the HHFDC Board of Directors approve the following:

A. The Approved Project List for the FY2015 funding round for Project Awards, subject to the following provisions and conditions:

1. Approval of the Approved Project List does not obligate HHFDC to make an award to any applicant on the Approved Project List;
2. Applicants on the Approved Project List shall not construe approval as an indication or guarantee of receiving an award or any other funding from HHFDC;
3. HHFDC may elect to select, reject, or defer an applicant's request, if HHFDC judges such action to be in the best interest of the RHRF program;
4. The amount of an award is subject to availability of RHRF Program funds;
5. HHFDC is not obligated to approve or fund the full amount of an applicant's request;
6. The actual form, terms, and conditions of each award shall be determined by HHFDC and is subject to negotiation between the applicant and HHFDC, and the completion of all appropriate legal documentation satisfactory to HHFDC and its legal counsel;
7. The approval of each award and the disbursement of funds is subject to the final approval by the Governor of the State of Hawaii;
8. The applicants agree to abide by all terms and conditions that may arise due to the use of public funds; and

B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Finance Manager Darren Ueki stated that thirteen (13) application were received, reviewed, and evaluated for the Fiscal Year (FY) 2015 Funding Round for the Rental Housing Revolving Fund (RHRF; formerly known as the Rental Housing Trust Fund). No projects were placed on the Rejected List.

Availability of program funds was noted to be approximately \$62,561,239.

Based upon statutory funding priorities, the following projects were categorized accordingly:

First Priority for funding:

1. Ainahau Vista II
2. Kamakana Villages Family Phase I (4%)
3. Kamakana Villages Family Phase I (9%)
4. Kamakana Villages Senior
5. Meheula Vista II
6. Mohouli Heights Senior Phase II (4%)

**III. A.
DISCUSSION
AND/OR
DECISION
MAKING**

Adopt the Approved and Rejected List for the Rental Housing Revolving Fund Project Awards for the FY 2015 Funding Round

7. Mohouli Heights Senior Phase II (9%)

Second Priority for funding:

1. East Kapolei II LDA 2 – Family Phase I (4%)
2. East Kapolei II LDA 2 – Family Phase I (9%)
3. Hale Kewalo
4. Hale Mahaolu Ewalu
5. Meheula Vista III
6. Na Lei Hulu Kupuna

Recommendations for Project Awards and additional project details will be provided in separate For Actions.

The Approved Project List shall remain in effect until the awards are made to the projects or until a new Approved Project List is approved.

In response to Director Machida, Mr. Ueki stated that with the limited resources of the RHRF, projects on the first priority list are typically approved. The thirteen projects total approximately \$55 million in requests of the \$62.5 million program funds available.

In response to Executive Director Hirai, Mr. Ueki stated that the estimated \$62.5 million amount includes conveyance tax received through July 31, 2015, but does not include the \$40 million Legislative appropriation.

In response to Designee Evans, Mr. Ueki stated that the projects on the Approved List received Section 8 Rental Assistance through the counties.

With no further discussion, the motion was unanimously approved.

Chair Pulmano proceeded to agenda item III. B.

Vice Chair Taira moved, seconded by Designee Evans

That the HHFDC Board of Directors approve the following:

- A. A RHRF Project Award Loan of \$405,754 to Hawaii Island Community Development Corporation on behalf of Mohouli Senior Phase 2 LLLP or another limited liability partnership, limited liability Company or limited partnership to be formed by them for purposes of owning and operating the Project, as approved by the Executive Director, with the terms and conditions as shown in Section III(G) of this For Action, and the issuance of the Letter of Intent subject to the following:
 1. Authorization and approval by the governor of the proposed project and the release of RHRF program funds as mandated under Chapter 15-311, Hawaii Administrative Rules.
 2. Execution of documentation satisfactory to the HHFDC outlining the terms and conditions of the Project Award. The documents shall specify the standard terms and conditions as required in order to meet all statutory requirements of the RHRF program and the specific terms and conditions that are applicable to the Applicant's request for Project Award funds.
 3. Completion of all documentation necessary and required to secure the release of RHRF funds.
 4. Certification of the applicant to comply with all applicable statutory and Program requirements, including, but not limited to, Chapters 343, 103D, §103-50 and §104, Hawaii Revised Statutes, as they may relate to the use of State funds.

**III. B.
DISCUSSION
AND/OR
DECISION
MAKING**
Approve a Rental
Housing Revolving
Fund Project Award
for the Mohouli
Heights Senior
Neighborhood Phase 2
Project Located in
Hilo, Hawaii, TMK
No.: (3) 2-4-001: 184
(por.)

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5. Total fees paid to the Developer, including, but not limited to, Developer Overhead, Developer Fees, Consultant Fees, and Project management Fees, for the project shall not exceed \$495,000.
 6. Availability of RHRF program funds.
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Mr. Ueki stated that the proposed Mohouli Heights Senior Neighborhood Phase II (Project) would consist of 30 newly constructed elderly units in Hilo, Hawaii. A subsequent Phase III is under consideration.

The Project anticipates starting construction in the 4th Quarter of 2015, with Project completion anticipated in the 1st Quarter of 2017.

In negotiations with the Developer, the recommended loan terms are as follows:

1. Loan Amount: \$405,754
2. Interest Rate:
 - a) 0.00% Years 1 through 3
 - b) 1.00% Years 4 through Maturity
 - c) 0.00% for the first three (3) years recommended as (i) Project operations have not commenced, (ii) eliminates the need to establish and track an interest reserve and (iii) allows time for the Project to stabilize
3. Loan Fee: None

Term/Maturity: 40 Years

Repayment Years 1 through 3 – No Payments (Annual)

Years 4 through maturity – 75% of Available Cash Flow after payment of expenses, senior debt service, and other recognized expenses.
4. Collateral: Junior Mortgage on Project's leasehold interest.

Other Terms:
 - a) The Project's loan to value ratio (on the RHRF loan and all debt senior to the RHRF loan) shall not exceed 100%.
 - b) No disbursement of Developer's Fee until satisfactory completion of the Project.
 - c) The RHRF Project Award is subject to the availability of funds.

Mr. Ueki opened for questions, along with Mr. Keith Kato, on behalf of the Project.

In response to Director Machida, Mr. Kato stated that the Project is providing a 75-year lease, approximately four years in.

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In response to Vice Chair Taira, Mr. Kato stated that the State has done an executive order for the Project.

Chair Pulmano asked if Mr. Kato wanted to share anything about the Project. Mr. Kato stated that there is a big need for affordable housing within the Hilo area and that the Project received \$1.2 million in HOME funds by the Hawaii County.

With no further discussion, the motion was unanimously approved.

Chair Pulmano proceeded to agenda item III. C.

Vice Chair Taira moved, seconded by Designee Evans

That the HHFDC Board of Directors approve the following:

- A. A RHRF Project Award Loan of \$7,000,000 to Catholic Charities Housing Development Corporation on behalf of Meheula Vista II LP or another limited liability partnership, limited liability Company or limited partnership to be formed by them for purposes of owning and operating the Project, as approved by the Executive Director, with the terms and conditions as shown in Section III(G) of this For Action, and the issuance of the Letter of Intent subject to the following:
1. Authorization and approval by the governor of the proposed project and the release of RHRF program funds as mandated under Chapter 15-311, Hawaii Administrative Rules.
 2. Execution of documentation satisfactory to the HHFDC outlining the terms and conditions of the Project Award. The documents shall specify the standard terms and conditions as required in order to meet all statutory requirements of the RHRF program and the specific terms and conditions that are applicable to the Applicant's request for Project Award funds.
 3. Completion of all documentation necessary and required to secure the release of RHRF funds.
 4. Certification of the applicant to comply with all applicable statutory and Program requirements, including, but not limited to, Chapters 343, 103D, §103-50 and §104, Hawaii Revised Statutes, as they may relate to the use of State funds.
 5. Total fees paid to the Developer, including, but not limited to, Developer Overhead, Developer Fees, Consultant Fees, and Project management Fees, for the project shall not exceed \$1,570,000.
 6. Availability of RHRF program funds.
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Mr. Ueki stated that the proposed Meheula Vista II (Project) would consist of 75 newly constructed elderly units in Mililani, Oahu. A Phase III application is currently under review with an anticipated Phase IV forthcoming in the future.

The Project anticipates starting construction in the 3rd Quarter of 2016, with Project completion in the 4th Quarter of 2017.

In negotiations with the Developer, the recommended loan terms are as follows:

1. Loan Amount: \$7,000,000

**III. C.
DISCUSSION
AND/OR
DECISION
MAKING**
Approve a Rental
Housing Revolving
Fund Project Award
for the Meheula Vista
II Project Located in
Mililani, Oahu, TMK
No.: (1) 9-5-002-060:
002

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2. Interest Rate:
 - a) 0.00% Years 1 through 3
 - b) 0.50% Years 4 through Maturity
 - c) 0.00% for the first three (3) years recommended as (i) Project operations have not commenced, (ii) eliminates the need to establish and track an interest reserve and (iii) allows time for the Project to stabilize
3. Loan Fee: None
4. Term/Maturity: 45 Years
5. Repayment: Years 1 through 3 – No Payments (Annual)

Years 4 through maturity – 75% of Available Cash Flow after payment of expenses, senior debt service, and other recognized expenses.
6. Collateral: Junior Mortgage on Project's leasehold interest.
7. Other Terms:
 - a) The Project's loan to value ratio (on the RHRF loan and all debt senior to the RHRF loan) shall not exceed 100%.
 - b) No disbursement of Developer's Fee units satisfactory completion of the Project.
 - c) The RHRF Project Award is subject to the availability of funds.

Mr. Ueki opened for questions, along with Mr. Gary Furuta, on behalf of the Project.

Director Fukumoto recused herself from the vote due to her affiliation with Catholic Charities.

Director Machida asked about the collateral of the junior mortgage. Mr. Ueki stated that each project is reviewed individually on a case-by-case basis. The mission and intent of the corporation is to take a soft position to ensure a project is successful while stewarding well state resources received.

In response to Director Abe, Mr. Ueki clarified that repayment expenses would also include operating expenses and the first mortgage.

Chair Pulmano asked Mr. Furuta if he wanted to add anything about the Project. Mr. Furuta thanked the Board for their continued consideration, noting that there has been an increase in calls from the public regarding the Project and reiterated its bond application for Phase III.

The motion was approved, with the recusal of Director Fukumoto.

Chair Pulmano proceeded to agenda item III. D.

Vice Chair Taira moved, seconded by Director Kahele

That the HHFDC Board of Directors approved the following:

**III. D.
DISCUSSION
AND/OR
DECISION
MAKING**
Approve a Rental

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Housing Revolving Fund Project Award for the Kamakana Villages – Senior Rental Located in Kailua-Kona, Hawaii TMK No.: (3) 7-4-021: 038 (por.)

- A. A RHRF Project Award Loan of \$2,880,000 to Kamakana Senior LLC or its successors for the benefit of the Kamakana Villages – Senior Rental project, as approved by the Executive Director, with the terms and conditions as shown in Section III(G) of this For Action, and the issuance of the Letter of Intent subject to the following:
1. Authorization and approval by the governor of the proposed project and the release of RHRF program funds as mandated under Chapter 15-311, Hawaii Administrative Rules.
 2. Execution of documentation satisfactory to the HHFDC outlining the terms and conditions of the Project Award. The documents shall specify the standard terms and conditions as required in order to meet all statutory requirements of the RHRF program and the specific terms and conditions that are applicable to the Applicant's request for Project Award funds.
 3. Completion of all documentation necessary and required to secure the release of RHRF funds.
 4. Certification of the applicant to comply with all applicable statutory and Program requirements, including, but not limited to, Chapters 343, 103D, §103-50 and §104, Hawaii Revised Statutes, as they may relate to the use of State funds.
 5. Total fees paid to the Developer, including, but not limited to, Developer Overhead, Developer Fees, Consultant Fees, and Project management Fees, for the project shall not exceed \$1,241,041.
 6. Availability of RHRF program funds.
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Mr. Ueki stated that the proposed Kamakana Villages Senior Rental (Project) would consist of 85 elderly units in Kailua-Kona, Hawaii.

The Project anticipates to start construction in January 2016, with Project completion anticipated in August 2017.

In negotiations with the Developer, the recommended loan terms are as follows:

1. Loan Amount: \$2,880,000
 2. Interest Rate:
 - a) 0.00% Years 1 through 2
 - b) 1.00% Years 3 through Maturity
 - c) 0.00% for the first two (2) years recommended as (i) Project operations have not commenced, (ii) eliminates the need to establish and track an interest reserve and (iii) allows time for the Project to stabilize. Additionally, the Developer's proposed 3.00% permanent loan rate did not provide for any principal reduction during the loan term.
 3. Loan Fee: None
- Term/Maturity: 38 Years

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Repayment: Years 1 through 2 – No Payments
(Annual)

Years 3 through maturity – 75% of Available Cash Flow after payment of expenses, senior debt service, and other recognized expenses.

6. Collateral: Junior Mortgage on Project’s leasehold interest.

Other Terms: a) The Project’s loan to value ratio (on the RHRF loan and all debt senior to the RHRF loan) shall not exceed 100%.

b) No disbursement of Developer’s Fee until satisfactory completion of the Project.

c) The RHRF Project Award is subject to the availability of funds.

Mr. Ueki opened for questions, along with Ms. Monika Mordasini on behalf of the Project.

Discussion ensued on the determining factors of the interest rate, maturity term, repayment, and developer fee. Mr. Ueki noted the following:

- Typically, a zero percent interest rate is given during the construction period.
- The loan terms of the application is provided as the starting point for staff to underwrite and determine whether a term may need to be extended out or pulled back. Each project is reviewed and determined individually on a case-by-case basis.
- Under the 2015 Qualified Allocation Plan (QAP) Developer’s fees are capped and held as a threshold item; however, no threshold ceiling has been place.
- The average repayment goal is to recover approximately 71% - 75% of the principal over the term of the loan.

Ms. Mordasini thanked the Board and emphasized the importance of the RHRF, which she believes provides the necessary gap financing for all developers to produce new inventory of affordable housing statewide. She further added that the Project would have a unique universal ground floor design, being adaptable for accessibility as senior residents age.

Chair Pulmano asked if the 24-month construction period would be enough time for rent stabilization. Ms. Mordasini stated that the 24-month construction period is subject to its Place and Service deadline in which all construction is needed to be complete.

In response to Director Abe, Ms. Mordasini stated that the property management conducts regular fire drills with the residents.

With no further discussion, the motion was unanimously approved.

Designee Evans moved, seconded by Director Fukumoto

That the HHFDC Board of Directors approve the following:

- A. A RHRF Project Award Loan of \$15,618,240 to The Michaels Development Company 1, L.P. on behalf of Kamakana Family Phase 1, LLC or another limited liability partnership, limited liability Company or

**III. E.
DISCUSSION
AND/OR
DECISION
MAKING**
Approve a Rental
Housing Revolving
Fund Project Award

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limited partnership to be formed by them for purposes of owning and operating the Project, as approved by the Executive Director, with the terms and conditions as shown in Section III(G) of this For Action, and the issuance of the Letter of Intent subject to the following:

for the Kamakana Villages – Family Rental Phase I Project Located in Kailua-Kona HI, TMK. No.: (3) 7-4 -021: 038 (por.)

1. Authorization and approval by the governor of the proposed project and the release of RHRF program funds as mandated under Chapter 15-311, Hawaii Administrative Rules.
2. Execution of documentation satisfactory to the HHFDC outlining the terms and conditions of the Project Award. The documents shall specify the standard terms and conditions as required in order to meet all statutory requirements of the RHRF program and the specific terms and conditions that are applicable to the Applicant’s request for Project Award funds.
3. Completion of all documentation necessary and required to secure the release of RHRF funds.
4. Certification of the applicant to comply with all applicable statutory and Program requirements, including, but not limited to, Chapters 343, 103D, §103-50 and §104, Hawaii Revised Statutes, as they may relate to the use of State funds.
5. Total fees paid to the Developer, including, but not limited to, Developer Overhead, Developer Fees, Consultant Fees, and Project management Fees, for the project shall not exceed \$1,300,300.
6. Availability of RHRF program funds.

B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Mr. Ueki stated that the proposed Kamakana Villages-Family Rental Phase I (Project) would consist of 85 family units in Kailua-Kona, Hawaii.

Construction is anticipated to start in January 2016, with Project completion anticipated in August 2017.

In negotiations with the Developer, the recommended terms are as follows:

1. Loan Amount: \$15,618,240
2. Interest Rate:
 - a) 0.00% Years 1 through 2
 - b) 0.75% Years 3 through Maturity
 - c) 0.00% for the 1st two (2) years recommended as (i) Project operations have not commenced, (ii) eliminates the need to establish and track an interest reserve and (iii) allows time for the Project to stabilize. Additionally, the Developer’s proposed 3.00% permanent loan rate did not provide for any principal reduction during the loan term.
3. Loan Fee: None

Term/Maturity: 38 Years

Repayment: Years 1 through 2 – No Payments

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(Annual)

Years 3 through maturity – 75% of Available Cash Flow after payment of expenses, senior debt service, and other recognized expenses.

- 6. Collateral: Junior Mortgage on Project’s leasehold interest.
- Other Terms:
 - a) The Project’s loan to value ratio (on the RHRF loan and all debt senior to the RHRF loan) shall not exceed 100%.
 - b) No disbursement of Developer’s Fee until satisfactory completion of the Project.
 - c) The RHRF Project Award is subject to the availability of funds.

Mr. Ueki opened for questions along with Ms. Mordasini, on behalf of the Project.

In response to Vice Chair Taira, Ms. Mordasini stated that the local management office is located in Kalihi. However, there would be an on-site manager once the Project is constructed.

In response to Designee Evans, Ms. Mordasini stated that operational costs tend to run lower on the senior property as opposed to the family projects where there are larger unit sizes.

Ms. Mordasini stated that they are very excited about the two projects being the first developments within the Kamakana Villages mixed-use community and having Section 8 contracts for both properties.

Designee Evans asked if the wastewater plan remains to be subject to the National Park Services. Ms. Mordasini stated that she believes the issue had been resolved; however, she will follow up with Forest City on that matter.

With no further discussion, the motion was unanimously approved.

Chair Pulmano proceeded to agenda item III. F.

Vice Chair Taira moved, seconded by Director Kahele

That the HHFDC Board of Directors approves the following:

- A. A RHRF Project Award Loan of \$8,000,000 to Hawaii Housing Development Corporation on behalf of Ainahau Vista II LP or another limited liability partnership, limited liability Company or limited partnership to be formed by them for purposes of owning and operating the Project, as approved by the Executive Director, with the terms and conditions as shown in Section III(G) of this For Action, and the issuance of the Letter of Intent subject to the following:
 - 1. Authorization and approval by the governor of the proposed project and the release of RHRF program funds as mandated under Chapter 15-311, Hawaii Administrative Rules.
 - 2. Execution of documentation satisfactory to the HHFDC outlining the terms and conditions of the Project Award. The documents shall specify the standard terms and conditions as required in order to meet all statutory requirements of the RHRF program and the specific terms and conditions that are applicable to the Applicant’s request for Project Award funds.

**III. F.
DISCUSSION
AND/OR
DECISION
MAKING**
Approve a Rental Housing Revolving Fund Project Award for the Ainahau Vista II Project Located in Honolulu, Oahu, TMK Nos.: (1) 2-6-024: 071 and 070

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3. Completion of all documentation necessary and required to secure the release of RHRF funds.
 4. Certification of the applicant to comply with all applicable statutory and Program requirements, including, but not limited to, Chapters 343, 103D, §103-50 and §104, Hawaii Revised Statutes, as they may relate to the use of State funds.
 5. Total fees paid to the Developer, including, but not limited to, Developer Overhead, Developer Fees, Consultant Fees, and Project management Fees, for the project shall not exceed \$1,495,000.
 6. Availability of RHRF program funds.
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Mr. Ueki stated that the proposed Ainahau Vista II (Project) would consist of 62 elderly units in Waikiki, Oahu.

Construction is anticipated to start in October 2015, with Project completion anticipated in August 2017.

In negotiations with the Developer, the recommended loan terms are as follows:

1. Loan Amount: \$8,000,000
2. Interest Rate:
 - a) 0.00% Years 1 through 3
 - b) 0.25% Years 4 through Maturity
 - c) 0.00% for the 1st three (3) years recommended as (i) Project operations have not commenced, (ii) eliminates the need to establish and track an interest reserve and (iii) allows time for the Project to stabilize
3. Loan Fee: None
4. Term/Maturity: 50 Years
5. Repayment: Years 1 through 3 – No Payments (Annual)
Years 4 through maturity – 85% of Available Cash Flow after payment of expenses, senior debt service, and other recognized expenses.
6. Collateral: Junior Mortgage on Project’s leasehold interest.
7. Other Terms:
 - a) The Project’s loan to value ratio (on the RHRF loan and all debt senior to the RHRF loan) shall not exceed 100%.
 - b) No disbursement of Developer’s Fee until satisfactory completion of the

Project.

- c) The RHRF Project Award is subject to the availability of funds.

Mr. Ueki opened for questions, along with Mr. Gary Furuta, on behalf of the Project.

In response to Designee Evans, Mr. Ueki clarified that there is no direct correlation between the 0.25% interest rate and the 85% of Available Cash Flow. The 85% of Available Cash Flow would allow the Corporation to obtain its average repayment-recovering goal of 71% of the principal over the term of the loan.

In response to Director Machida, Housing Finance Specialist Patrick Inouye stated that the investment income of a 25 basis point increase would be dependent upon the principal amount.

Discussion ensued on the determining factors of the loan terms. Mr. Ueki noted the following:

- Shorter loan terms would allow quicker repayment to turn around and give out new loans as opposed to keeping the liability on the books for another 10 years.
- The Program as opposed to the financing and actual structuring of the loan terms sets the minimum requirements.
- Income levels served will determine the rents a project can charge and the amount of cash it receives, equaling the amount of debt the project can carry. Income levels may also be influenced by the QAP. (e.i., encouraging developers to serve below 60% of the area median income)

Chair Pulmano asked Mr. Furuta if there was anything he wanted to share. Mr. Furuta stated that there is a strong demand for affordable housing in Waikiki and that he looked forward to providing the additional 62 units.

Designee Evans noted that federal funds were received through the City and County for this Project.

With no further discussion, the motion was unanimously approved.

Designee Evans moved, seconded by Director Kahele

That the HHFDC Board of Directors approve the following:

- A. Approve Resolution No. 074, attached as Exhibit F, which provides for official intent with respect to the issuance of revenue bonds up to \$9,450,000 for the Kaneohe Elderly project subject to the provisions recommended in Exhibits C and E.
- B. Reserve up to \$512,340 in annual Federal LIHTC and \$256,170 in annual State LIHTC from the non-volume cap pool (4% LIHTC) to the Kaneohe Elderly project subject to the provisions recommended in Exhibits D and E.
- C. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Mr. Ueki stated that the Kaneohe Elderly (Project) is an existing affordable rental project consisting of 44 elderly units.

**III. G.
DISCUSSION
AND/OR
DECISION
MAKING**

Approve: (1)
Resolution No. 074,
Which Provides for
Official Intent with
Respect to the Issuance
of the Hula Mae Multi-
Family Tax-Exempt
Revenue Bonds and (2)
Reservation of Low
Income Housing Tax
Credits for the Kaneohe
Elderly Project Located
in Kaneohe, Oahu,
TMK No.: (1) 4-5-028:
008

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Construction is anticipated to start in December 2015, with Project completion anticipated in April 2016.

The approval of Resolution No. 074 would enable staff to continue discussions and recognized expenses related to the bonds; however, does not commit or obligate the HHFDC to provide funds to the Developer.

If the bond issue is determined feasible, staff will return to the Board for final approval for the issuance, sale, and delivery of the Bonds, subject to the approval by the Department of Budget and Finance and the Governor.

Being that the Project has a remaining affordability commitment under the HUD Section 8 Program (expiring in 2021), as well as HMMF and LIHTC (expiring in 2028), the need for additional HHFDC resources were questioned by staff. However, the Partnership reiterated its need for project rehabilitation.

The Applicant has agreed to waive their right to request a qualified contract under Section 42 of the Internal Revenue Code, in which the HHFDC would be obligated to find a buyer if the applicant decided to later sell the project.

Mr. Ueki opened for questions, along with Mr. Paul Fortino and Mr. Makani Maeva, on behalf of the Project.

Designee Evans asked about the acquisition cost and the 12.53% developer's fee being a substantial amount of the total project budget. Mr. Ueki stated that the \$10 million is the actual acquisition cost of the Project and the 10% developer fee is a threshold item within the current QAP, which did not exist at the time the application was received. Therefore, the HHFDC was not in a position to enforce the current developer fee cap of 10%.

Designee Evans asked if the new developer fee cap of 10% could be reflected within the final approval For Action to the Board. Mr. Ueki stated that detail would need to be negotiated with the applicant before approval at today's meeting.

Designee Evans asked the Partnership if they would consider a 10% Developer's Fee. Ms. Maeva and Mr. Fortino respectively did not concur, stating the importance of policy and program, which was abided by and followed on their part. Ms. Makani stated that she felt the request was unfair and noted that another gap financing would need to be placed in order to cover the lower developer fee amount.

Chair Pulmano asked about the project renovations. Ms. Maeva and Mr. Fortino respectively stated that there would be extensive greening external and internal energy-efficient renovations done, which would include a PV installation recently approved by HECO in hopes of reducing operating expenses.

In response to Director Machida, Mr. Ueki stated that there would be an estimated \$400,000 difference between the proposed 12.5% and 10% Developer's Fee.

Discussion ensued on Developer Fee percentages. Mr. Ueki reiterated that staff had questioned the Applicant's developer fee, but no agreement could be obtained or enforced on the reduction of the percentage.

In response to Director Fukumoto, Mr. Ueki stated that the affordability rules for the project is required under the existing commitments with HUD.

Vice Chair Taira asked what happens if the Board does not approved this. Mr. Ueki stated that the project would continue to remain affordable under its current commitments through 2028.

The Board continued to discuss its concern of the majority of state resources

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

going towards high acquisition costs and developer’s fee, for the minimal amount of affordability.

Ms. Maeva and Mr. Fortino discussed the importance of bonds and tax credit resources that leverage affordable housing, which they agreed to uphold as affordable. Ms. Maeva added that the affordability period would be extended out to 61 years should the City Council grant the Project a lease extension.

Executive Director Hirai asked when the lease extension approval was expected by the City Council. Ms. Maeva responded in mid-October.

Executive Director Hirai suggested that wording be placed within the For Action to reflect the 61-year affordability period extension.

Designee Evans concurred, stating that extending the affordability period would help address her concerns.

Discussion ensued on the amended wording to the For Action.

In response to Mr. Ueki, the Board agreed that in the event the City Council does not approve, the affordability period would proceed with 33 years.

In concurrence with the Applicants,

Designee Evans moved, seconded by Director Fukumoto

That staff’s recommendation be amended and read as follows:

That the HHFDC Board of Directors approve the following:

- A. Approve Resolution No. 074, attached as Exhibit F, which provides for official intent with respect to the issuance of revenue bonds up to \$9,450,000 for the Kaneohe Elderly project subject to the provisions recommended in Exhibits C and E.
- B. Reserve up to \$512,340 in annual Federal LIHTC and \$256,170 in annual State LIHTC from the non-volume cap pool (4% LIHTC) to the Kaneohe Elderly project subject to the provisions recommended in Exhibits D and E.
- C. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.
- D. Provided that if the City Council grants the Project a lease extension, the Applicant agrees to extend the affordability period to be conterminous with the lease, as extended.

The motion was unanimously approved.

The main motion was unanimously approved, as amended.

The Board recessed at 10:40 am.

RECESS
10:40 a.m.

The Board reconvened the meeting at 10:53 am.

RECONVENED
10:53 a.m.

Vice Chair Taira moved, seconded by Director Kahele

That the HHFDC Board of Directors approve the following:

- A. The memorandum of Agreement between the Hawaii Housing Finance and Development Corporation and the Hawaii State

III. H. DISCUSSION AND/OR DECISION MAKING
Approve a First Amendment to

Judiciary.

- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Chief Planner Janice Takahashi introduced Mr. Rod Maile, Administrative Director of the Courts and Dee Dee Letts, Coordinator of the Office of Project Management.

The Memorandum of Agreement (MOA) between the HHFDC and the Judiciary, to develop a mixed use residential and Juvenile Facility with parking on Alder Street was discussed, setting forth the roles and responsibilities of the Parties.

The 2015 Legislature appropriated \$1.7 million for the plans and design of the Alder Street project, which included a provision that HHFDC shall not expend the funds until a revised MOA is executed by the Parties to allow for the development in two or more phases.

The proposed amendments were noted and discussed as follows:

- Adding the language “in two or more phases” for the development and construction of the multi-use residential and juvenile center with parking.
- Deletes the option for a stand-alone juvenile center and parking facility on site and adds a description of the project phasing and uses within each phase.
- Modifies the provisions for the automatic termination of the MOA in the event HHFDC is unable to obtain CIP funds for the project from the end of the 2016 Legislative Session to 2018.

Ms. Takahashi opened for questions, along with Mr. Maile and Ms. Letts.

In response to Vice Chair Taira, Ms. Takahashi stated that both Parties are in the process of planning the site and agree that the likelihood of completing the project is greater if integrated as opposed to a stand-alone project.

Executive Director Hirai stated that this is the model for development on state land, near rail stations, in collaboration with other state agencies.

Designee Evans added that the Transit Oriented Development (TOD) is a priority for the State and County on Oahu, providing an opportunity for multiple agencies to work together to achieve their missions, which she believed would have a positive impact well beyond this project.

Designee Evans asked if Mr. Maile could comment on the amendment and proposed project.

Mr. Maile stated that this is a unique project and opportunity for the youth shelter center and workforce housing.

In terms of the amendments, Mr. Maile stated that although the Judiciary is not able to expend the funds for construction in one lump sum, the amended MOA reflects the Judiciary’s support of the project.

Chair Pulmano thanked Mr. Maile and stated that she looks forward to working with the Judiciary, hoping it was the first of many.

With no further discussion, the motion was unanimously approved.

Memorandum of Agreement with the Judiciary for the Development of a Mixed-Use Affordable Rental Housing and Juvenile Services/ Shelter Facility Located At 902 Alder Street, Honolulu, Hawaii
TMK: (1) 2-3-012: 019

Designee Evans moved, seconded by Director Fukumoto

That the HHFDC Board of Directors approve the request of the additional uses of the Repurchase Fund as described in III. A., 1, 2, 3, and 4, above.

Subject to:

1. That the Executive Director shall be authorized to take all actions necessary to effectuate the purpose of this For Action.

Real Estate Service Section Chief Marlene Lemke noted and discussed the Repurchase Fund, originally created by the HHA Commission in October 1976, to cover costs of acquisition, interest, rehabilitation, and selling expenses related to the repurchasing of dwelling units sold by HHA and subject to the repurchase restriction.

The current balance of the Repurchase Fund is approximately \$12,276,507.32 as of July 2015. Current uses of the Repurchase Fund were noted and discussed.

Additional uses proposed, in accordance with Sections 201H-9 and 201H-191, HRS, are as follows:

1. Allow HHFDC to use funds to purchase a property in foreclosure that is an HHFDC leasehold property where the property is no longer subject to the Buyback and SAE Program restrictions.
2. Allow HHFDC to use funds to renovate a property returned to HHFDC as Lessor where Lessee is unable to keep the property even though the 10-Year Buyback or SAE restriction program have expired or no longer encumber the property. By improving the property, HHFDC could sell the property in leasehold subject to the 10-Year Buyback restriction and the SAE Program restriction to another affordable buyer.
3. Allow HHFDC to use funds to demolish the building on a property returned to HHFDC as Lessor where the Lessee is unable to keep the property. This means that HHFDC could replace the demolished building with a new building under HHFDC's Resale Program (i.e. Hui Koolau). The property would then be made available to an eligible buyer in leasehold under HHFDC's Resale Program.
4. Allow HHFDC to obtain a gifted or deeded property to HHFDC by a private party such as a lessee's heirs who do not want to take over the HHFDC lease. In this case, the property could be renovated and resold under HHFDC Resale Program.

Ms. Lemke stated that the additional uses of the Repurchase Fund would allow HHFDC to take a more active role in providing affordable resale properties on a case-by-case basis.

In response to Designee Evans, Ms. Lemke stated that HHFDC has approximately 800 leasehold properties, with the majority located on Oahu.

Vice Chair Taira asked if the policy of HHFDC should be to sell the leaseholds as opposed to the fee. Ms. Lemke stated that individual leasehold properties are marketable; however, existing leasehold properties of HHFDC have too short of a lease term to attract lenders and an affordable mortgage would need to be obtained.

In response to Director Kahele, Ms. Lemke explained that the 10-year buyback allows a homeowner of a restricted home to have the option to offer it back to the State before the 10-year term is up. An analysis is done to determine whether the

**III. I.
DISCUSSION
AND/OR
DECISION
MAKING**

Approve Additional
Uses of the Repurchase
Fund, Originally
Approved by HHA
Commission's For
Action dated October 8,
1976 to Include
Approved Costs for
Properties Under a
Lease with HHFDC

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owner or the state will resell the property and/or the remaining term, with the next purchaser having to meet the same qualifying criteria of the program.

In response to Director Abe, Ms. Lemke stated that there is still a demand for leasehold properties.

With no further discussion, the motion was unanimously approved.

Designee Evans moved, seconded by Vice Chair Taira

That the Board of Directors of the HHFDC convening in executive session pursuant to Section 92-5(a)(3), Hawaii Revised Statutes to negotiate the acquisition of public property and pursuant to 92-5-(a)(4), Hawaii Revised Statutes, to consult with the board’s attorney on questions and issues pertaining to the board’s powers, duties, privileges, immunities, and liabilities, as it relates to the proposed sale of the Kekuilani Gardens and Nani O Puna Affordable Rental Housing Projects.

The motion was unanimously approved.

The Board convened in Executive Session at 11:24 a.m.

The Board reconvened in Regular Session at 12:12 p.m.

Director Fukumoto was excused at 12:13 p.m.

Executive Director Hirai called upon Mr. Ueki to provide an update on the QAP to the Board.

Mr. Ueki stated that staff is in the process of rewriting the QAP according to discussions with the Financing Policy Subcommittee, redistributing points to include mixed-use projects, TOD, and implementation of comments received last year from applicants.

A Financing Policy Subcommittee Meeting is to be held before coming back to the Board for approval of the 2016 Draft QAP anticipated in September 2015.

Discussion ensued on the comments made by the applicants. Mr. Ueki stated that comments were mainly regarding consistency and transparency of the QAP.

In response to Vice Chair Taira, Mr. Ueki stated that the changes made to the QAP have not lowered the interest of Developers.

There being no further business to come before the Board, Vice Chair Taira moved, seconded by Designee Evans

To adjourn the meeting at 12:20 p.m.

The motion was unanimously approved.



RONA FUKUMOTO
Secretary

III. J. DISCUSSION AND/OR DECISION MAKING
Discussion Regarding the Status of the Proposed Sale of Kekuilani Gardens and Nani O Puna Affordable Rental Housing Projects via Long Term Leasehold Interest to the Vitus Group

EXECUTIVE SESSION
11:24 a.m.

RECONVENED
12:12 a.m.

IV. REPORT OF THE EXECUTIVE DIRECTOR

V. ADJOURNMENT
12:20 p.m.