# 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, SEPTEMBER 10, 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, September 10, 2015, at 9:00 a.m.

**CALL TO ORDER/ ROLL CALL**

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

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

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
Glori Ann Inafuku, Housing Finance Specialist
Lawrence Pulido, Housing Finance Specialist
Ken Takahashi, Housing Development Specialist
Beth Malvestiti, Housing Development Specialist
Christopher Woodard, Property Management Coordinator
Lorna Kometani, Housing Sales Coordinator
Lorraine Egusa, Budget Analyst
Kent Miyasaki, Housing Information Specialist
Krystal Tabangcura, Procurement Specialist
Esa Pablo, Secretary to the Board

Guests:
C. Ching, Kamehameha Schools
Luigi Kai, Kamehameha Schools
Tom Fisher, UHC
Brent Gaulke, GED
Jeb Koerner, GED
Carol Fukunaga, City Council
Chris Delaunay, Office of Councilmember Carol Fukunaga
Paul Fortino, Southport Financial Services
Timothy Chi, Samkoo Pacific, LLC
Vernon Inoshita, Design Partners
Alex Yoon, Samkoo Pacific, LLC
Johnny Lum, Design Partners
Karen Piltz, Chun Kerr
Paula Tadaki, Kakaako Resident
Kathy Dean, Kakaako Resident
Francis Morikawa, Kakaako Do it Right

Clara Morikawa, Kakaako Do it Right
Caroline Kishida, Kakaako Do it Right
Gerald Chun, Kakaako Do it Right
Lina Chun, Kakaako Do it Right
Pam Wood, Kakaako Do it Right
John Wood, Kakaako Do it Right
Lia Powers, MJF Development
Franco Mola, MJF Development
R. Scawalbach, Kakaako Do it Right
John Kobelansky, Jr., Kakaako Do it Right
Marian Gushiken, EAH
Rick Stack, Catholic Charities Housing Development
Gary Furuta, Catholic Charities Housing Development
Andrew Gomes, Honolulu Star-Advertiser
Tyler Dos Santos Tam, Hawaii Construction Alliance

**QUORUM**

A quorum was present.

Chair Pulmano introduced and welcomed Mr. Milo Spindt, the new Kauai Director of the HHFDC Board, and asked him to share a little about himself. Mr. Spindt stated his background in real estate and with the Department of Land and Natural Resources as the district land agent for Kauai.

**II. A. APPROVAL OF MINUTES** 8/13/15 Regular Meeting

Approval of the minutes of the Regular Meeting held on August 13, 2015 was postponed to the next Board Meeting.

**II. B. APPROVAL OF MINUTES** 8/13/15 Executive Session

Approval of the minutes of the Executive Session Meeting held on August 13, 2015 was deferred to later in the meeting.

**III. I. DISCUSSION AND/OR DECISION MAKING** Approve the Certification of Eight Zero Three Waimanu, or Other Successor Entity Approved by the Executive Director, as an Eligible Developer Pursuant to Section 15-307-24, Hawaii Administrative Rules, and a Dwelling Unit Revolving Fund Interim Loan for the Proposed 803 Waimanu For Sale Condominium Project, Located in Kakaako, Oahu, TMK Nos.: (1) 2-1-049: 050, 070, and 072

With the public present for discussion on the 803 Waimanu project, Chair Pulmano asked that the Board proceed to agenda item III. I.

Staff's recommendation was presented as follows:

> That the HHFDC Board of Directors approve Eight Zero Three Waimanu, LLC, or other successor entity approved by the Executive Directors, as an Eligible Developer pursuant to Section 15-307-24, HAR, and a Dwelling Unit Revolving Fund interim loan of up to a total of $9,190,000 for the proposed 803 Waimanu affordable for sale condominium project, located in Kakaako, Oahu, TMK No.: (1) 2-1-049: 050, 070, and 072, substantially as described in this For Action, subject to the following:
>
> A. Availability of DURF funds;
>
> B. Approval and release of funds by the Governor;
>
> C. Approval and execution of necessary loan documents by the Executive Director;
>
> D. Developer shall provide to HHFDC (prior to closing of the DURF loan) an appraisal acceptable to HHFDC, which shall include estimates of the completed retail value and the bulk sales value of the completed Project. The LTV of the DURF interim loan and all mortgages and payments with priority before the DURF loan shall not exceed 87.79% of the appraised bulk value prior to closing, unless otherwise approved by the Executive Director.

E. Closing of the DURF interim loan shall be concurrent with the closing of the primary construction financing, unless otherwise approved by the Executive Director;

F. Compliance with all rules and regulations, and such other terms and conditions as may be required by the Executive Director; and

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

Vice Chair Taira moved, seconded by Designee Evans

That staff's recommendation be approved.

Housing Development Specialist Ken Takahashi described the proposed 803 Waimanu (Project) and stated that MJF Development Corporation (Developer) submitted an application for a Dwelling Unit Revolving Fund (DURF) interim loan of up to $9,190,000 to finance a portion of the construction for the Project.

Under the Operating Agreement, the Developer will manage the overall Project and List International Realty Inc. will serve as the exclusive real estate broker for all residential sales.

American Savings Bank (ASB) is providing the Developer with a senior secured construction loan in the amount of $26.1 million with a presale requirement that the Borrower shall have entered into non-contingent binding sales contracts with pre-approved buyers, providing no less than $37.3 million of gross sales proceeds. Affordable and market rate unit sales must each be at least 65% of presales and the 62 studio units without parking shall be 100% pre-sold.

After closing costs, senior debt and DURF loan are paid off, approximately $10.2 million will remain to pay equity principal and profit, equating to 22% of net sales revenue.

An appraisal of the Project will be required as a condition prior to closing of the DURF loan to determine the loan-to-value ratio of the DURF interim loan and senior loan, not to exceed 87.79%.

The Developer intends to apply for exemptions from GET taxes for the development of the Project pursuant to Section 201H-36, HRS, and Chapter 15-306, HAR. Should the Developer default on the DURF loan, GET exemptions for the Project shall cease and previous GET exemptions approved by HHFDC shall be subject to recovery.

Based on staff's discussion and risk assessment for the loan request, HHFDC finds the Borrower to be qualified as an eligible developer and its request meets the minimum proposal requirements pursuant to Section 15-307-26, HAR.

Comments were received from the residents at the Imperial Plaza and Councilmember Carol Fukunaga. The staff recommendation was that the loan agreement include provisions requiring the Borrower to prepare any updated Traffic Impact Analysis Report (TIAR) and to perform sewer and drainage infrastructure improvements, as may be required by the City and County of Honolulu for the Project.

Mr. Takahashi opened for questions, along with Mr. Franco Mola, on behalf of Project.

Executive Director Craig Hirai called upon Councilmember Carol Fukunaga.

Councilmember Fukunaga thanked the Board and stated her concerns regarding the

issued September 8, 2015 Finding of No Significant Impact (FONSI), timing of the Project's TIAR preparation, and pending litigation of asserted land ownership claims of the surrounding private roads. Due to the uncertainties associated with the State and County, she requested that an updated TIAR be conducted and compliance with sewer and infrastructure requirements be completed. Photos were provided, illustrating the shared narrow space between the 803 Waimanu and Imperial Plaza residents.

Director Kahele asked how the pending litigation would impact the Board's approval for what is being recommended today. Councilmember Fukumoto stated that if development of the Project should proceed, the Developer should be prepared to assume the obligations of additional infrastructure improvements by the state and county once the private road issue is resolved.

Chair Pulmano asked if the intent of the City and County of Honolulu (City) is to acquire the private road. Councilmember Fukunaga stated that she cannot speak for the City Administration, however, the City has generally maintained the roads and although continued efforts are being made to secure parking leases for payment, if the roads are deemed private, further maintenance in the area from the City and law enforcement by the Honolulu Police Department may be discontinued.

Designee Evans asked what would be the mechanism by which a new TIAR might be required. Mr. Takahashi stated that it is his understanding that prior to submittal of construction drawings, the City Department of Planning and Permitting Traffic Review Branch will review circulation, access and parking requirements, and may require an updated TIAR at that time.

Designee Evans asked if the number of parking stalls within the project meet the requirements of the City. Mr. Takahashi clarified that the project's parking meets the requirements of HCDA, which does not require parking for the Central Kakaako District, but does require one parking stall per HCDA reserved housing unit.

Discussion ensued on parking for the Project. Mr. Mola stated that the 91 units will be allocated for HCDA reserved housing and market rate units. The remaining 60 HHFDC units would not have onsite parking.

Chair Pulmano open the floor for public testimony, as follows:

Ms. Pamela Wood, a resident of the Imperial Plaza, stated her concerns on the uncertainty of future infrastructure improvements costs for the 803 Waimanu Street buyers, suggesting that the infrastructure issues be resolved prior to occupancy rather than assessed in the cost of the improvements. A petition signed by 144 of Imperial Plaza residents were provided to the Board.

Mr. John Kobelansky, Jr., a resident of Kakaako, provided a picture of a 100-year flood ruptured sewer line in Boulder, Colorado to the Board and stated his concerns on the existing sewer lines being inadequate to support the surrounding projects, suggesting that funds for the Project be suspended until infrastructure improvements can be identified and completed.

Mr. Ron Schwalbach, a resident of the Imperial Plaza, stated his concerns regarding the Project's parking system design not being traditional and therefore, could be costly to maintain should the system break down and would be susceptible to flooding since a portion of it is underground.

In response to the Board, Mr. Mola discussed the proposed 3 level parking system, Car Matrix, made by a company in Chicago. Locations of other active systems noted were in Berkley, Portland, and Seattle.

Director Kahele asked about the traffic and infrastructure issues raised by Councilmember Fukunaga and the public. Mr. Mola stated that this is just the

financing stage. The Project will still need to submit its plans in compliance with all requirements of HCDA and will need to address any sewer and drainage infrastructure and traffic issues through the entitlement process with the City.

Chair Pulmano asked if the traffic and infrastructure issues are conditions of the HCDA. Mr. Mola responded no, stating that these issues will need to be dealt with when its Project drawings are submitted to the City.

Designee Evans asked if Mr. Mola would agree to amend staff's recommendation to include that closing on the DURF interim loan would be contingent on meeting all of the HCDA requirements that are appropriate prior to closing on the DURF loan. Mr. Mola concurred.

Discussion ensued on the specific conditions under the HCDA entitlement process. Mr. Mola reiterated that the Project has gone through a public process and will need to continue through the City's process, addressing sewer, water, and traffic issues.

Chair Pulmano requested that the summary of the DURF loan balance be presented at this time. Development Section Chief Stan Fujimoto discussed various aspects of the current DURF loan balance and how the balance would be impacted by the three DURF loan requests.

In response to Director Spindt, Mr. Fujimoto stated that reserve of the $10 million minimum balance is not statutory, but rather guidance provided to staff from the Financing Policy Subcommittee.

A full discussion on the pending litigation ensued. Councilmember Fukunaga stated that anytime a claim of ownership evolves, the City has maintained in the public interest. However, the City has cited high costs as one of the factors that would preclude the City from doing title searches. She questioned whether or not the quit claim deed allows a private entity to establish ownership rights for the sides of the street, consequently including some of the oldest sewer and water lines. The litigation is currently in State Court and would clarify and establish the owners of those roads.

In response to Director Kahele, Councilmember Fukunaga concurred that the City usually determines the infrastructure and traffic conditions; however, she felt that because the State determines the financing and zoning, it would seem appropriate for the State to implement such conditions, being ministerial at the City level.

Discussion ensued on an amendment to include Councilmember Fukunaga's and the public's concerns within staff's recommendation.

Director Taira moved, seconded by Director Kahele

> That staff's recommendation be amended to include an updated TIAR and sewer and drainage infrastructure requirements, as may be required by the City and HCDA conditions of the development permit.

Director Spindt asked if the Board could further discuss the amendment.

Discussion ensued on the responsibility between the City and State and whether the amendment is necessary, having the same conditions of HCDA and the City.

**EXECUTIVE SESSION**
10:12 a.m.

Chair Pulmano asked for a motion to go into Executive Session.

Designee Evans moved, seconded by Director Fukumoto

> That the Board convene in Executive Session pursuant to Section 92-5(a)(4) 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 subject matter.

The motion was unanimously approved.

The Board convened into Executive Session at 10:12 a.m.

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The Board reconvened in Regular Session at 10:36 a.m.

**RECONVENED**
10:36 a.m.

Vice Chair Taira withdrew his amendment to the motion, and moved that staff's recommendation be amended as follows:

> That the HHFDC Board of Directors approve Eight Zero Three Waimanu, LLC, or other successor entity approved by the Executive Directors, as an Eligible Developer pursuant to Section 15-307-24, HAR, and a Dwelling Unit Revolving Fund interim loan of up to a total of $9,190,000 for the proposed 803 Waimanu affordable for sale condominium project, located in Kakaako, Oahu, TMK No.: (1) 2-1-049: 050, 070, and 072, substantially as described in this For Action, subject to the following:
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> C. Approval and execution of necessary loan documents by the Executive Director;
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> D. Developer shall provide to HHFDC (prior to closing of the DURF loan) an appraisal acceptable to HHFDC, which shall include estimates of the completed retail value and the bulk sales value of the completed Project. The LTV of the DURF interim loan and all mortgages and payments with priority before the DURF loan shall not exceed 87.79% of the appraised bulk value prior to closing, unless otherwise approved by the Executive Director.
>
> E. Closing of the DURF interim loan shall be concurrent with the closing of the primary construction financing, unless otherwise approved by the Executive Director;
>
> F. Compliance with all rules and regulations, <u>including any relevant provisions of the HCDA Development Permit, any updated Traffic Impact Analysis Report and sewer and drainage infrastructure requirements that may be required by the City and County of Honolulu</u>, and such other terms and conditions as may be required by the Executive Director; and
>
> G. The Executive Director shall be authorized to take all actions necessary to effectuate the purpose of this For Action.

The motion was unanimously approved.

The main motion was unanimously approved, as amended.

Chair Pulmano proceeded to agenda item III. A.

**III. A. DISCUSSION AND/OR DECISION MAKING**
Information on the Consolidated Annual Performance and Evaluation Report for Program Year

Planner Lisa Wond stated that the Consolidated Annual Performance Evaluation Report (CAPER) required by U.S. Department of Housing and Urban Development (HUD), assesses the State's performance in administering the HOME Investment Partnerships (HOME) Program, Emergency Solution Grant (ESG) Program, and Housing Opportunities for Persons with AIDS (HOPWA) program, also including activities for the Neighborhood Stabilization Program (NSP).

2014 (July 1, 2014 – June 30, 2015)

Program Year 2014 marks the third year of HHFDC's rotation between the three counties and the final year of the 5-Year Consolidated Plan.

Although rotation of the funds between the counties helps to accelerate the disbursement of HOME funds to projects, concerns remain with the HOME set-aside for Community Housing Development Organizations (CHDO). Staff will work closely with the counties to ensure the CHDO funds are committed and used in a timely manner.

Ms. Wond opened for questions, stating that the full CAPER is available for review.

In response to Vice Chair Taira, Ms. Wond stated that the new 5-Year Consolidated Plan and 2015 Annual Action Plan was approved by the Board and submitted to HUD in May 2015.

In response to Designee Evans, Ms. Wond stated that the County of Hawaii received funds for the current Program Year 2015, with 2016 Program funds being received by the County of Kauai.

In response to Director Abe, Ms. Wond stated that the City and County of Honolulu (C & C) receives its own HOME, ESG, and HOPWA funds. Designee Evans further explained that because the C & C is deemed as a major metropolitan area, it receives separate grant awards from HUD as opposed to the smaller neighbor island counties, in which the state acts as a financial umbrella.

**III. B. DISCUSSION AND/OR DECISION MAKING**
Presentation by U00660 Hilo, L.P. and Discussion Regarding its Request to HHFDC for a New 65-Year Lease for the Proposed Acquisition/ Rehabilitation of Kamana Elderly Apartments Located in Hilo, Hawaii, TMK No.: (3) 2-4-056: 022

With no further questions, Chair Pulmano proceeded to agenda item III. B.

On behalf of the developer, Mr. Thomas Fisher thanked the Board for the opportunity and thanked the Finance and Development Branches for their work. Mr. Fisher discussed their request for a 65-year land lease extension and concern with the development fee and sale price limitation of the HHFDC's lease terms being applied to the Kamana Elderly Apartments (Project) at the current point of the transaction.

Designee Evans stated that she would prefer that the Board wait until further information was provided by staff before proceeding into a full discussion on the developer's request.

In response to Chair Pulmano, Mr. Fujimoto stated that background information could be provided to the Board.

In reference to Designee Evans' request, Executive Director Hirai cautioned further discussion, pointing out that the developer's request focuses on the leases of State land and how any gain from the sale of those projects should be dealt with. He further reiterating deferral of further discussion until staff can provide the Board with its position.

In response to Vice Chair Taira, Mr. Fisher stated that timing is an issue concerning project costs.

Chair Pulmano stated that the Board is unable to make a decision today due to the agenda. However, staff will need to return to the Board with a recommendation at a later date.

Staff will continue discussions with the developer in efforts to address concerns.

With no further discussion, Chair Pulmano proceeded to agenda item C.

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

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the following:

Approve an Extension to the Rental Housing Revolving Fund Letter of Intent for the Ewa Villages Phase III Project Located in Ewa Beach, Oahu, TMK No.: (1) 9-1-163: 002

A. Extend the LOI dated March 20, 2014, for the RHRF Loan for the Ewa Villages Phase II project to March 31, 2016, subject to the requirements as set forth in the For Action dated March 13, 2014; and

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

Vice Chair Taira moved, seconded by Director Fukumoto

That staff's recommendation be approved.

Finance Manager Darren Ueki stated that the Ewa Villages Phase III (Project) is requesting an extension to its Rental Housing Revolving Fund (RHRF) Letter of Intent (LOI) to allow additional time to finalize loan documents for all financing sources.

The Project was awarded an $800,000 HOME Award from the City and County of Honolulu, which will be used to cover increased project costs. An updated budget is in progress.

Project construction is anticipated to start in November 2015 with Project completion being in November 2016.

With no further discussion, the motion was unanimously approved.

Chair Pulmano proceeded to agenda item D.

**III. D. DISCUSSION AND/OR DECISION MAKING**
Approve: (1) Resolution No. 076 Which Provides for Official Intent with Respect to the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds; and (2) Reservation of Low Income Housing Tax Credits for the Meheula Vista III Project Located in Mililani, Oahu, TMK No.: (1) 9-5-002: 060 CPR 003

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the following:

A. Approve Resolution No. 076, attached as Exhibit F, which provides for official intent with respect to the issuance of revenue bonds up to $15,000,000 for the Meheula Vista III project subject to the provisions recommended in Exhibits C and E.

B. Reserve up to $643,268 in annual Federal LIHTC and $321,634 in annual State LIHTC from the non-volume cap pool (4% LIHTC) for the Meheula Vista III 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.

Vice Chair Taira moved, seconded by Director Abe

That staff's recommendation be approved.

Director Fukumoto abstained from voting.

Mr. Ueki provided the programmatic details of Hula Mae Multi-Family (HMMF) Bond Program, the Low Income Housing Tax Credit (LIHTC) Program, and the Qualified Allocation Plan (QAP). The proposed Meheula Vista III (Project) would consist of 75 new elderly units, being the third of four phases. The Meheula Vista III LP (Partnership) will acquire, rehabilitate, own, and operate the Project.

Construction is anticipated to start in the Third Quarter of 2016, with Project completion set in the First Quarter of 2018.

The Inducement Resolution is a non-binding resolution that states HHFDC's intent

to issue tax-exempt revenue bonds for a project.

Staff conducted a preliminary review and the Project appears to meet the requirements for the tax-exempt bond financing. Upon submitted of other information requested, staff will return to the Board for final approval for the issuance, sale, and delivery of the bonds, subject to the approval of the Department of Budget and Finance as well as the Governor.

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

Executive Director Hirai asked that the agenda be amended to reflect Resolution No. 76 for the Meheula Vista III and Resolution No. 075 for the Waipahu Hall Project.

Vice Chair Taira moved, seconded by Director Abe

That the agenda reflect the change.

The motion was unanimously approved.

With no further discussion, the motion was approved, with Director Fukumoto abstaining.

**III. E. DISCUSSION AND/OR DECISION MAKING**
Approve a Rental Housing Revolving Fund Project Award for the Meheula Vista III Project Located in Mililani, Oahu, TMK No.: (1) 9-5-002: 060 CPR 0003

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approved the following:

A. A RHRF Project Award Loan of $7,096,933 to Meheula Vista III LP for the benefit of the Meheula Vista III project, 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 the 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 $1,635,000.

6. Availability of RHRF program funds.

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

Vice Chair Taira moved, seconded by Designee Evans

That staff's recommendation be approved.

Director Fukumoto abstained from voting.

Mr. Ueki stated that the Meheula Vista III LP submitted a consolidated application for a $15 million tax-exempt bond cap from the HMMF Bond Program, $643,268 in annual 4% Federal LIHTC, $321,634 in annual 4% State LIHTC, and a Rental Housing Revolving project award loan of $7,096,933 for the Meheula Vista III (Project).

Staff is recommending the following loan terms:

1. Loan Amount: $7,096.933

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: 48 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 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. Mr. Rick Stack was noted to have been present earlier, but had another obligation to attend.

Designee Evans asked what happens with a shorter maturity period and a higher interest rate. Mr. Ueki stated that there would be a higher outstanding principal balance remaining at the maturity point of the loan.

In response to Chair Pulmano, Mr. Furuta stated his concurrence with the proposed loan terms.

With no further discussion, the motion was approved, with Director Fukumoto

abstaining.

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the following:

A. Approve Resolution No. 075, attached as Exhibit F, which provides for official intent with respect to the issuance of revenue bonds up to $11,400,000 for the Waipahu Hall project subject to the provisions recommended in Exhibits C and E.

B. Reserve up to $574,621 in annual Federal LIHTC and $287,310 in annual State LIHTC from the non-volume cap pool of (4% LIHTC) to the Waipahu hall 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.

**III. F. DISCUSSION AND/OR DECISION MAKING**
Approve: (1) Resolution No. 075, Which Provides for Official Intent with Respect to the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds; and (2) Reservation of Low Income Housing Tax Credits for the Waipahu Hall Project Located in Waipahu, Oahu, TMK No.: (1) 9-4-002: 039

Vice Chair Taira moved, seconded by Designee Evans

That staff's recommendation be approved.

Mr. Ueki stated that PF Waipahu LLC (Applicant) submitted a consolidated application on January 20, 2015 for $11.4 million in tax-exempt bond cap from the HMMF Bond program, $574,621 in annual Federal LIHTC and $287,310 in annual State LIHTC from the non-volume cap pool (4% LIHTC). Waipahu Hall (Project) is an existing 72 elderly unit housing facility. Construction improvements are anticipated to start in February 2016 with Project completion in September 2016.

The Inducement Resolution is a non-binding resolution that states HHFDC's intent to issue tax-exempt revenue bonds for a project.

Staff conducted a preliminary review and the Project appears to meet the requirements for the tax-exempt bond financing. Upon submitted of other information requested, staff will return to the Board for final approval for the issuance, sale, and delivery of the bonds, subject to the approval of the Department of Budget and Finance as well as the Governor.

The need for HHFDC resources were questioned by staff due the Project's remaining affordability commitment under its initial participation in the HMMF and LIHTC programs set to expire in 2027. However, the Applicant reiterated its need for project rehabilitation.

The following were negotiated and added to the HMMF and LIHTC application:

1. Waive the right to request a Qualified Contract under Section 42 of the Internal Revenue Code

2. Increase in the affordability period to 40 years from 30 years.

Mr. Ueki opened for questions, along with Mr. Paul Fortino, on behalf of the Project. Ms. Makani Maeva was noted to have been present earlier, but had another obligation to attend.

Designee Evans asked the reasoning for waiving the right to request a qualified contractor under Section 42. Mr. Ueki stated that by waiving that right the Project owner would not return to HHFDC and have the Corporation find a buyer for the Project. Currently, the Finance Branch is not staffed to undertake those types of actions of finding a buyer.

In response to Executive Director Hirai, Mr. Ueki concurred that the Project is a 4%

LIHTC project and was received before the issuance of the 2015 QAP.

Designee Evans stated that the rehabilitation costs are significantly lower than the acquisition cost of the project and therefore, asked if the Developer would be willing to consider a longer term of affordability, if approved. Mr. Fortino concurred, stating that the goal of the sellers and himself are to keep the Project as an affordable property.

In response to Chair Pulmano, Mr. Fortino stated that rehabilitation would include the roof, parking lot, windows, and interior flooring, appliances, and paint.

Chair Pulmano asked on the positioning of the tenants during rehabilitation of the Project. Mr. Fortino stated that temporary placement is provided for tenants, usually taking about 2 days.

Executive Director Hirai asked if the proposed lease term would be for 65 years. Mr. Fortino concurred.

Vice Chair Taira asked on the Developer's Fee being higher than the actual rehabilitation of the Project. Mr. Fortino stated that the Financing Structure shows the amount of fee included in eligible basis, being from the calculation of the tax credits. Therefore, the deferred developer fee would be $2,330,800 less than the $694,849, which is paid out over time through the operating cashflow.

Designee Evans stated that although the affordability extension and clarification on the deferred developer's fee provides some comfort, concerns with acquisition costs being higher than the actual rehabilitation is something she hoped staff would take a harder look at going forward.

Mr. Ueki reiterated that this application was not received under the current QAP. Although there were discussions with the Financing Policy Subcommittee proposing not to finance the acquisition cost through the program, there were no indications to move in that direction. Mr. Ueki requested that further guidance be provided by the Board.

Designee Evans moved, seconded by Director Fukumoto

That the Length of Affordability be extended from 40 years to 65 years.

The motion was unanimously approved.

The main motion was unanimously approved, as amended.

**III. G. DISCUSSION AND/OR DECISION MAKING**
Approve Douglas Emmett Residential 2014, LLC, or Other Successor Entity Approved by the Executive Director, as an Eligible developer pursuant to Section 15-307-24, Hawaii Administrative Rules, and a Dwelling Unit Revolving Fund Interim Loan for the Rehabilitation of Waena Apartments Rental Housing Project Located in

Staff's recommendation was presented as follows:

The HHFDC Board of Directors approve Douglass Emmett Residential 2014, LLC, or other entity approved by the Executive Director, as an Eligible developer pursuant to Section 15-307024, HAR, and a DURF loan up to $1,000,000 for the Waena Apartments Rental Housing Rehabilitation project at 1317 Aala Street and 401 North Vineyard Boulevard, Honolulu, Oahu, Hawaii TMK (1) 1-7-026: 013 and 054, as substantially described in this For Action.

The Executive Director shall be authorized to take all actions necessary to effectuate the purpose of this For Action, subject to the following:

A. Availability of DURF funds;

B. Approval and release of funds by the Governor;

C. Approval as to form of necessary loan documents by the Department of Attorney General;

Honolulu, Oahu, TMK Nos.: (1) 1-7-026: 013 and (1) 1-7-026: 054

D. Approval and execution of necessary loan documents by the Executive Director;

E. All of the units in the Project shall remain affordable to households at or below 140% of the AMI until December 17, 2062, per the Regulatory Agreements as described herein;

F. Submittal of annual rent roll and Developer's certification that the rents and household incomes of the units are in compliance with the Project's affordability requirements, in a form and content as may be requested by HHFDC;

G. HHFDC shall have the right, but not the obligation, to cure any default of the first mortgage lender;

H. Conditions prior to closing of the DURF loan, unless otherwise approved by the Executive Director;

1. HHFDC's satisfaction that the rehabilitation work shall comply with necessary abatement requirements for asbestos and lead based paint;

2. Receipt of an irrevocable letter of credit acceptable to HHFDC as security for the repayment of the DURF interim loan; and

3. Amendment to the Regulator Agreements to include a reasonable annual compliance monitoring fee to be charged by HHFDC to the Project for administrative expenses;

4. Receipt of a building permit and DCAB approval of the proposed rehabilitation work.

I. Commencement of construction of the proposed rehabilitation work by December 31, 2016, unless otherwise extended at the sole discretion of the Executive Director;

J. Completion of construction of the proposed rehabilitation work by December 31, 2017, unless otherwise extended at the sole discretion of the Executive Director; and

K. Compliance with all rules, regulations, and such other terms and conditions as may be required by the Executive Director.

Vice Chair Taira moved seconded by Director Abe

That staff's recommendation be approved.

Mr. Fujimoto stated that Douglas Emmett Residential 2014, LLC (Developer) submitted an application dated April 17, 2015 for a $1 million DURF loan for the Waena Apartments (Project).

The proposed loan terms are as follows:

| | |
|---|---|
| Borrower: | Douglas Emmett Residential 2014, LLC, or other successor entity approved by the Executive Director |
| Loan Amount: | Up to $1,000,000 in financing |
| Interest Rate: | 3.0% per annum |

| | |
|---|---|
| Loan Fee: | 1% Origination Fee |
| Loan Term: | Eighteen (18) months, with one (1) six-month extensions, at the sole discretion of the Executive Director, at an extension fee of one-half percent (0.5%) of the total loan amount. |
| Mortgage Priority: | Not Applicable (the security is an irrevocable letter of credit). |
| Collateral: | Irrevocable Letter of Credit. Non-recourse loan. |

Estimated proposed scope of the rehabilitation work is estimated to be approximately $2.5 million and includes sewage line replacement, testing and repair of electrical panels and switchgear, repair and upgrades to elevators, repair of exterior concrete/slurry seal, repair and maintenance of balcony decks and walkways, repairs to trash enclosures, and repair/maintenance of units and stairways.

The source of repayment of the DURF loan will be through the Developer's equity.

The Developer's Parent is Douglas Emmett, Inc., a publicly traded REIT on the New York Stock Exchange.

Mr. Fujimoto opened for questions along with Karen Piltz, on behalf of the Developer.

In response to Designee Evans, Executive Director Hirai stated that the nature of these loans are to qualify the Project for the general excise tax exemption attached to the Regulatory Agreement.

Designee Evans asked if the proposed loans would keep rents affordable. Executive Director Hirai concurred, stating that without the DURF loan, one would have to pay the GET out of the rents that they are allowed to collect.

The motion was unanimously approved.

**III. H. DISCUSSION AND/OR DECISION MAKING**
Approve GE Hawaii Block A2, LLC, or Other Successor Entity Approved by the Executive Director, as an Eligible developer pursuant to Section 15-307-24, Hawaii Administrative Rules, and a Dwelling Unit Revolving Fund Interim Loan for the Proposed Keauhou Lane Rental Housing Project Located in Kaka'ako, Oahu, TMK No.: (1) 2-1-030: 001

Staff's recommendation was presented as follows:

> That the HHFDC Board of Directors approve GE Hawaii Block A2, LLC, or other entity approved by the Executive Director, as an Eligible Developer pursuant to Section 15-307-24, HAR, and a DURF loan of up to $5,000,000 for the Keauhou Lane rental project at 555 South Street, Honolulu, Oahu, Hawaii, TMK (1) 2-1-030: 001, as substantially described in this For Action.
>
> The Executive Director shall be authorized to take all actions necessary to effectuate the purpose of this For Action, subject to the following:
>
> A. Availability of DURF funds;
>
> B. Approval and release of funds by the Governor;
>
> C. Approval as to form of necessary loan documents by the Department of Attorney General;
>
> D. Approval and execution of necessary loan documents by the Executive Director;
>
> E. The units shall remain affordable for 30 years from the date of the Certificate of Occupancy of the last residential building in the Project, as agreed to by HHFDC;
>
> F. Submittal of annual rent roll and Developer's certification that the

rents and household incomes of the units are in compliance with the Project's affordability requirements, in a form and content as may be requested by HHFDC;

G. The Developer may use all of the units in the Project to satisfy the Reserved Housing requirement for other projects in Kakaako;

H. HHFDC shall have the right, but not the obligation, to cure any default of the first mortgage construction lender;

I. The Developer shall not be paid profit (excluding project overhead, developer's fee or project management) prior to repayment of the DURF loan;

J. The Developer shall comply with Chapter 343, HRS, to the satisfaction of HHFDC prior to funding of the DURF loan;

K. Conditions prior to closing of the DURF loan, unless otherwise approved by the Executive Director:

1. Recordation of the affordability requirement of the Project as required by HHFDC as land use restrictions on the fee simple title and acknowledged in the Ground Lease for the Project;

2. Concurrent or prior closing of the first mortgage construction loan;

3. Review of the final equity investment agreement and verification that the Developer and/or the Developer's partners have committed to contribute equity of at least 19% of the Total Project Budget ($17,100,000). Equity may consist of cash value or land value;

4. Submittal of a current appraisal of the proposed Project verifying that the loan-to-value ratio of the DURF loan and all priority mortgages and payments before the DURF loan do not exceed 75% of the "As Stabilized" appraised value;

5. Receipt of foundation or building permit and DCAB approval of the Project plans; and

6. ALTA Lender's title insurance with a mechanics' lien endorsement acceptable to HHFDC insuring the priority of the DURF loan behind the primary construction lender and mezzanine lender and against statutory liens for labor or material for the improvement of the Property caused by the visible commencement of operations prior to closing of the DURF loan;

L. Commencement of construction of the Project by December 2016, unless otherwise extended at the sole discretion of the Executive Director;

M. Completion of the Project by March 2018, unless otherwise extended at the sole discretion of the Executive Director; and

N. Compliance with all rules, regulations, and such other terms and conditions as may be required by the Executive Director.

Vice Chair Taira moved, seconded by Designee Evans

That staff's recommendation be approved.

Mr. Fujimoto stated that the request before the Board is for a $5 million DURF interim loan for the construction of the proposed Keauhou Lane (Project) rental housing.

All units will remain affordable to households at 100% below the Area Median Income (AMI) for the first 15 years from the issuance of the Certificate of Occupancy of the Project and then 120% and below the AMI for the next 15 years, for an aggregate affordability period of 30 years.

Parking for the Project will be available within the adjacent Keauhou Place for sale condominium project for an additional charge.

Tenant rents will include all utilities and electrical.

The Project is consistent with the supplemental Environmental Impact Statement for the HCDA's mauka area plan and is in the process of verifying whether a new Environmental Assessment will be required from OEQC.

The DURF loan terms are as follows:

| | |
|---|---|
| Borrower: | GE Hawaii Block A2, LLC, or other successor entity approved by the Executive Director |
| Loan Amount: | Up to $5,000,000 in interim financing |
| Interest Rate: | 4.0% per annum |
| Loan Fee: | 1 point payable at closing |
| Administrative Fee: | $500/unit payable at closing |
| | Thirty-six (36) months, with two (2) six-month extensions, at one-half percent (0.5%) of the total loan amount per extension, subject to extension conditions described in Section III.B. below. The total term of the DURF loan shall not exceed four (4) years from closing. No Pre-payment penalty. |
| Mortgage Priority: | Third Mortgage behind the first-priority senior construction loan and Mezzanine loan. |
| Collateral: | Leasehold interest in the Property. Non-recourse loan |

The DURF loan is subject to two (2) six-month extensions at the sole discretion of the Executive Director at one-half percent of the total loan amount per extension, subject to conditions precedent.

Commencement of construction is anticipated by December 31, 2016, with Project completion by June 30, 2018.

Mr. Fujimoto opened for questions along with Mr. Brent Gaulke of Gerding/Edlen and Luigi Kai of Kamehameha Schools.

Vice Chair Taira asked what is a mezzanine loan. Mr. Gaulke stated that it is like a second mortgage without the record on the title.

Designee Evans disclosed for the record that DBEDT was an ex-officio member of the HCDA Board on March and April 2014, when she may have voted on the Project.

Discussion ensued on the HCDA reserve housing requirements. Mr. Fujimoto stated that normally 20% is required to satisfy the affordable reserve requirements

of HCDA with an affordability period of 15 years. Executive Director Hirai added that they are receiving GET exemptions based on the 30-year affordability period required under the new GET law. Furthermore, this Project would satisfy the conditions of surrounding projects proposed.

Designee Becker asked whether another 30 years should be added in addition to the 15 years, since 15 years is what is already required. Executive Director Hirai stated that would require a policy change.

Chair Pulmano asked about the rental fee for parking from the adjoining project. Mr. Gaulke stated that the rental fee is estimated to be approximately $100/month, however, pricing will be depended upon the Kakaako market. Executive Director Hirai added that the Project would also be right across from the planned civic center station.

Chair Pulmano reiterated the Board's concern on having adequate parking, which the Project does not provide and furthermore, even with the location of the Project being near a civic center station, the station may not be available for another 10 years.

Discussion ensued on parking. Mr. Gaulke stated that the overall garage will consist of approximately 1,000 parking stalls. The Project's parking stalls will be located on the first, second and third floors, with the bottom of the garage being reserved for visitors, renters, and people using the transit, having a separate access for condo owners.

With no further discussion, the motion was unanimously approved.

**III. J. DISCUSSION AND/OR DECISION MAKING**
Approve the Certification of SamKoo Pacific, LLC, or Other Successor Entity Approved by the Executive Director, as an Eligible Developer and the Proposed Kapiolani Residence Project, Located in Ala Moana, Oahu, TMK Nos.: (1) 2-3-041: 009 and 006, Including the Developer's Proposed Exemptions, for Processing Under the Provisions of Chapter 201H, Hawaii Revised Statutes

Staff's recommendation was presented as follows:

> That the HHFDC Board of Director approve the following for the Kapiolani Residence Project, in Ala Moana, Oahu, Hawaii, TMK: (1) 2-3-041: 009 and 006, substantially as discussed in this For Action:
>
> A. Certification of SamKoo Pacific, LLC, or other successor entity approved by the Executive Director, as an Eligible Developer pursuant to Section 15-307-24, HAR;
>
> B. Development of the Kapiolani Residence Project with the proposed exemptions from statutes, ordinances and rules of the City and County of Honolulu as recommended for approval, pursuant to Section 201H-38, HRS;
>
> C. Execution of a development agreement required for such exemptions as approved by the Executive Director; and
>
> D. Authorize the Executive Director to take all actions necessary to effectuate the purpose of this For Action.
>
> Subject to compliance with all rules and regulations and such other terms and conditions as may be required by the Executive Director.

Vice Chair Taira moved, seconded by Director Abe

> That staff's recommendation be approved.

Mr. Takahashi stated that the proposed Kapiolani Resident (Project) is a residential and commercial mixed-use project consisting of 485 residential units and commercial space, located in the Ala Moana neighborhood. Parking will be provided in a 9-story free standing parking structure consisting of 701 parking stalls.

Samkoo Pacific, LLC, (Developer) a single asset limited liability company, will own and develop the Project.

The Project received a confirmation letter from the City's Department of Planning and Permitting, that its 201H application would not meet the City's eligibility requirements.

A Final Environmental Assessment with the Finding of No Significant Impact was published in the September 8, 2015 issue of the environmental notice.

Application information on the requested exemptions were forwarded to agencies, organizations, and individuals for review and comment. None of the requested exemptions affects health and safety, nor contravenes any safety standards, TARIFs, rates and fees approved by Public Utilities Commission.

The major concerns included the proposed density, views, relations to the Ala Moana Neighborhood TOD plan, park dedication, and set back requirements, as well as the amount of affordable housing and other community benefits being proposed.

The Developer believes the requested exemptions and deferral are necessary to achieve and maintain the financial feasibility of the Project. Furthermore, provisions of affordable housing for families and individuals at this high-value, and convenient location is a significant contribution and community benefit. Furthermore, the Project would yield more total units and more affordable units than what would be allowed under the current BMX-3 zoning, larger affordable unit floor areas, widened sidewalk facilities, a public plaza, and public bicycle storage facilities.

A letter of support for the Project was provided by Council Chair Ernest Y. Martin.

The estimated total Project budget is approximately $225.5 million.

Project construction is anticipated to start in May 2016 with Project completion in April 2018.

Upon approval of the For Action, HHFDC will enter into an agreement with the Developer, subject to the conditions, terms, and covenants listed on pages 6 and 7 of the For Action.

Mr. Takahashi opened for questions along with the Developer's Development Team.

In response to Vice Chair Taira, Mr. Takahashi stated that 201H applicants must apply with the City first and if they do not meet the City's eligibility requirements then they would come to HHFDC. In this case, the affordability levels of the City were lower than HHFDC.

In response to Vice Chair Taira, Mr. Takahashi called upon Mr. Vernon Inoshita, Design Partners, who stated that the Project's parking does not meet all LUO parking ratios, but exceed the TOD parking ratios (close to half of what the Project is providing). The 3-bedroom units will have 2 stalls, Studio units will have 1 stall, 2-bedrooms will have 1, and there will be a purchase option of a second stall. Commercial parking will be located on the ground floor consisting of 24 guest parking, which is all a standard City ratio used for family project parking.

In response to Director Kahele, Mr. Inoshita stated that the Project drawings are not completed; however, the two general contractors in consideration are Hawaii Dredging and Nordic PCL.

In response to Vice Chair Taira, Mr. Inoshita stated that with bus transportation still available, the Project would not be significantly impacted should the anticipated rail

stations be delayed.

Discussion ensued on the Project amenities and efforts in keeping maintenance fees low. Mr. Inoshita stated that there will be a rooftop recreation deck on a portion of the top level of the parking garage with a pavilion and bbq pits. The Project's maintenance fees will be kept low by using energy conservation items and having simple amenities. (e.g., no swimming pool).

Designee Evans asked what is the estimated maintenance fee to the buyers. Mr. Inoshita stated that the maintenance fees have not yet been determined.

Designee Evans stated that she will be voting in support of the proposal and believed that the exemptions provided are intended to incentivize production of more affordable units.

The motion was unanimously approved.

**III.K. DISCUSSION AND/OR DECISION MAKING**
Approve a Dwelling Unit Revolving Fund Advance to the Kekuilani Gardens Project to Bring Current the U.S. Department of Agriculture – Rural Development Loan Replacement Reserve Account and Rental Housing Revolving Fund Loan

Vice Chair Taira moved, seconded by Director Kahele

> That the Board convene in Executive Session pursuant to Section 92-5(a)(4) 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 subject matter.

The motion was unanimously approved.

**EXECUTIVE SESSION**
12:45 p.m.

The Board convened in Executive Session at 12:45 p.m.

* * * * * * * * * * *

**RECONVENED**
1:05 p.m.

The Board reconvened in Regular Session at 1:05 p.m.

**III. L. DISCUSSION AND/OR DECISION MAKING**
Approve Proposed Settlement in Hawaii-Laieikawai Assoc. v. Pac. Cultural Insit., Hawaii Housing Finance and Dev. Corp., et. al. (Civ. No. 09-1-2101-09)

Vice Chair Taira moved, seconded by Director Kahele

> That the Board convene in Executive Session pursuant to Section 92-5(a)(4) 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 subject matter.

The motion was unanimously approved.

**EXECUTIVE SESSION**
1:05 p.m.

The Board convened in Executive Session at 1:05 p.m.

* * * * * * * * * * *

**RECONVENED**
1:32 p.m.

The Board reconvened in Regular Session at 1:32 p.m.

Chair Pulmano stated that the Executive Session meeting minutes held on August 13, 2015 was approved in Executive Session.

**IV. REPORT OF THE**

Executive Director Hirai discussed staff's proposed Legislative requests for 2016, which will include mixed-use residential development and the executive director

salary bill.

**EXECUTIVE DIRECTOR**

With no further business on the agenda, Vice Chair Taira moved, seconded by Designee Becker

**V. ADJOURNMENT**
1:34 p.m.

That the meeting be adjourned at 1:34 p.m.

The motion was unanimously approved.

for RONA FUKUMOTO
Secretary