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, OCTOBER 15, 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, October 15, 2015, at 9:00 a.m.

CALL TO ORDER/ ROLL CALL

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

Present: Director Edwin Taira, Vice Chair
Director Rona Fukumoto, Secretary
Director Melvin Kahele
Director Audrey Abe
Director Milo Spindt

Executive Director Craig Hirai

Excused: Director Leilani Pulmano, Chair
Director Wesley Machida
Director Luis Salaveria

Staff Present: Sandra Ching, Deputy Attorney General
Janice Takahashi, Chief Planner
Darren Ueki, Finance Manager
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 An Inafuku, 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
Krystal Tabangcura, Procurement Specialist
Esa Pablo, Secretary to the Board

Guests: Thomas Fisher, Urban Housing Communities
Keith Kato, HICDC
Jeremy McComber, HICDC
Deepak Neupane, HCDA
Stacy Sur, HHF
Chris Oates, Stanford Carr Development
Makani Maeva, Vitus Group

QUORUM

A quorum was present.

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

Director Fukumoto moved, seconded by Director Abe

That the minutes of the Regular Meeting held on August 13, 2015 be approved as circulated.

The motion was unanimously approved.

The approval of the minutes of the Regular Meeting held on September 10, 2015 was postponed to the next Board Meeting.

II.B. APPROVAL OF MINUTES 9/10/15 Regular Meeting

The approval of the minutes of the Executive Sessions held on September 10, 2015 was deferred to later in the meeting.

II. C. APPROVAL OF MINUTES 9/10/15 Executive Session

Acting Chair Taira requested that agenda item III. E. be taken first on the agenda.

III.E. DISCUSSION AND/OR DECISION MAKING Approve Hale Kewalo, LP, or Other Successor Entity Approve by the Executive Director, as an Eligible Developer Pursuant to Section 15-307-24, Hawaii Administrative Rules, Exemptions from Statutes, Ordinances and Rules Pursuant to Section 201H-38, Hawaii Revised Statutes; and Execution of Development Documents for Approval Exemptions For the Hale Kewalo Family Rental Project Located in Kakaako,

With no objections, staff's recommendation was presented as follows:

> That the HHFDC Board of Directors approve the following for the Hale Kewalo affordable family rental housing project on approximately 31,952 square feet of land at 450 Piikoi Street and 1235 Kona Streets as well as 1226 Waimanu Street in Kakaako, Oahu, Hawaii, on TMK (1) 2-3-007: 026 and 049, as substantially described in this For Action:
>
> A. Hale Kewalo, LP, or other successor entity approved by the Executive Director, as an Eligible Developer pursuant to Section 15-307-24, HAR;
>
> B. Approval of the proposed exemptions from statutes, ordinances and rules of the City and County of Honolulu and the Hawaii Community Development Authority as recommended for approval herein, pursuant to Section 201H-38, HRS;
>
> C. Execution of any development agreement(s) and Restrictions for such exemptions as required by the Executive Director;
>
> D. Authorize the Executive Director to take all actions necessary to effectuate the purposes of this For Action;
>
> Subject to the following, unless otherwise approved at the sole discretion of the Executive Director:
>
> E. The Developer shall complete necessary asbestos and lead paint assessments done by State certified consultants for all existing improvements at the Property and all hazardous and regulated materials shall be managed and/or removed and disposed of in accordance with applicable local, State, and federal regulations, prior to demolition activities that may disturb these materials;
>
> F. The Developer shall obtain and submit to HHFDC "no further action" letters from the DOH UST Section, Drinking Water Branch and Hazard Evaluation and Emergency Response Office for soil and groundwater contamination prior to commencement of construction of the Project;
>
> G. Except for a resident manager's unit, all of the units in the Project shall remain affordable to households at 60% or below the AMI for 61 years from the date of the Certificate of Occupancy of the Project. Land use restrictions acceptable to the Executive Director shall be placed on the fee simple title to the Property to ensure that the units remain affordable for the period of affordability

(Restrictions);

H. Except to satisfy the reserved housing requirement of the Waihonua Project as described herein, the Project shall not be sold, transferred, or otherwise used to satisfy the reserved housing or affordable housing requirement for any other project at any other location;

I. Execution of a development agreement and Restrictions to reflect the requirements of this For Action as acceptable to the Executive Director, including recordation of the Restrictions at the Bureau of Conveyances, within six (6) calendar months of this For Action.

J. Commencement of construction of the Project by December 31, 2017, unless otherwise extended at the sole discretion of the Executive Director;

K. Completion of the Project by December 31, 2018, unless otherwise extended at the sole discretion of the Executive Director; and

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

Director Fukumoto moved, seconded by Director Abe

That staff's recommendation be approved.

Development Section Chief Stan Fujimoto stated the project facts of Hale Kewalo (Project), a proposed project of 128 family units, located in Kakaako, Oahu. The Project is requesting exemptions from certain statutes, ordinances and rules, pursuant to Section 201H-38, including exemptions of certain City and County of Honolulu (City) fees and HCDA planning and zoning requirements.

The City and HCDA comments were received and the Developer's response to the respective agencies are summarized in the For Action. None of the exemptions affects health and safety.

Currently the property is occupied with the following contamination issues, which is proposed to be demolished and addressed prior to construction, as follows:

- Previous discharge of spent photo processing solutions into two on-site cesspools;
- Heavy metal contaminants may be present in the soil and/or groundwater in the vicinity of two on-site cesspools;
- No closure reports for the removal of two underground storage tanks;
- Potential presence of a closed in-place hydraulic lift; and
- Buildings onsite were built prior to 1980, however no assessments for asbestos or lead paint were submitted.

Mr. Fujimoto opened for questions, along with Mr. Stanford Carr, on behalf of the Project, and Mr. Deepak Nuepane, with HCDA.

Mr. Carr apprised the Board of its Letter of Intent received from PNC Bank to purchase the Federal Tax Credits, being fully committed to the development.

With no questions from the Board, Mr. Carr thanked the Board for the opportunity and stated that he looked forward to continuing its collaboration with the HHFDC.

Director Abe expressed concern on the Environmental Assessment. Mr. Fujimoto stated that the Project would need to continue monitoring and addressing the contamination issues, ensuring compliance with all requirements of the Department of Health.

With no further discussion, the motion was unanimously approved.

RECESS
9:10 a.m.

Director Kahele asked for a short recess. Granted by Acting Chair Taira, the meeting was recessed at 9:10 a.m.

RECONVENE
9:13 a.m.

The meeting was reconvened at 9:13 a.m.

III. A. DISCUSSION AND/OR DECISION MAKING
Approve a Request to Conduct a Public Hearing on the Low-Income Housing Tax Credit Program's 2016/2017 Qualified Allocation Plan

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the following:

A. Authorize the Executive Director, or his designated representative, to conduct a public hearing on the proposed 2016/2017 QAP;

B. Authorize the Executive Director to take all action necessary to effectuated the purpose of this For Action.

Director Fukumoto moved, seconded by Director Abe

That staff's recommendation be approved.

Finance Manager Darren Ueki provided the Board with programmatic facts of the Low Income Housing Tax Credit Program, which provides Federal Tax Credits to qualified project owners who agree to maintain all or a portion of the project's units for low-income individuals or families.

Section 42 of the Internal Revenue Code (Section 42) requires that each state housing credit agency allocate LIHTC in accordance with a Qualified Allocation Plan (QAP), which sets forth the criteria to evaluate and allocated tax credits to projects, as well as monitor project for compliance with the LIHTC program.

In accordance with Section 42, the QAP must go through a public hearing process.

The proposed QAP is intended to be the allocation plan for the reservation and award of LIHTC for calendar years 2016 and 2017. Although a two-year approval is requested, comments are still considered and changes are made as necessary.

A summary of the revisions made to the 2015 QAP approved by the Executive Director in January 2015 are as follows:

1. Policy
   a. No more than one (1) acquisition/rehabilitation project may be awarded 9% (volume cap) LIHTC per calendar year.

2. Threshold 2 – Site Control
   a. HHFDC or State of Hawaii Leasehold properties will be required to provide evidence of site control in the form an executed lease or approval from the Board of Directors for an award of the lease. If an extension of the lease is required, the approval of the lease extension must be submitted.

Mr. Ueki noted for the record that number 3 should read as Threshold 11; not 12, as noted below.

3. Threshold ~~12~~ 11 – Minimum Threshold Score
    a. 4% LIHTC minimum threshold score lowered from 73 to 68.
    b. HHFDC may elect to elevate a 4% LIHTC applicant to the minimum threshold score if it feels that the project is in the best interest of affordable housing in the State of Hawaii, consistent with the QAP.

4. Criterion 1 – LIHTC and HHFDC Resource Efficiency
    a. Points will be awarded on a percentage of the subject applicant's ratio variation from the lowest ratio.
    b. Decrease maximum points available from 10 points to 9 points.

5. Criterion 2 – County Income Adjuster (up to 4 points)
    a. New criterion that awards points to the counties based on the Multifamily Tax Subsidy Project (MTSP) Income Limits determined by HUD.

6. Criterion 3 – Overall Project Feasibility
    a. Points will be awarded on a percentage of the subject project cost variation from the lowest cost.
    b. 4% (non-volume cap) LIHTC – High-rise projects will receive 2 points.
    c. Decrease maximum points available from 23 points to 22 points.

7. Criterion 6 – State/Local Government Support
    a. Points for lease from a Government Agency will be awarded on a percentage of the ratio of the square footage of the leased land to the total square footage of the project site.
    b. Points will continue to be awarded for the permanent below market loan or grant from a State or local government agency.

8. Criterion 8 – Project Location and Demand
    a. Increase total maximum points available from 5 points to 6 points.
    b. Projects may earn up to 2 points for availability of a mass transit station/stop within ½ mile. For Oahu, the term "mass transit" is exclusive to rail.

9. Criterion 10 – Project will provide low-income units for a longer period than is required under Section 42 IRC
    a. Decrease total maximum points available from 8 points to 7 points.

10. Criterion 13 - Project will provide a greater percentage of low-income units than required under Section 42 IRC.
    a. Decrease total maximum points available from 12 points to 10 points.

The 120 point total score is being maintained and major points of emphasis are broken down as follows:

- 40% of the points related to Development
- 40% of the points related to Financing
- 10% of the points related to the Applicant's development team
- 10% of the points related to project readiness

Following the public hearing, staff will prepare a recommendation to the Board for final approval of the QAP. If no major changes are received, the Executive Director will be allowed to finalize the QAP.

Potential program users will have an opportunity to provide comments to the Board.

Tentative timeline was noted as follows:

- October 23, 2015: Publish Notice of Public Hearing
- November 24, 2015: Conduct Public Hearing
- December 2015/January 2016: Recommend Final Approval of the QAP to the Board, dependent upon comments received.
- January/February 2016: Applications Available
- April 2016: Applications due
- July/August 2016: Recommendations to the Board

There will be a secondary round, anticipated to accept applications in late summer and recommendations anticipated at the end of calendar year 2016.

Mr. Ueki opened for questions.

Director Kahele asked the reasoning for the lower 4% LIHTC minimum threshold sore of 68. Mr. Ueki stated that based on internal discussions, the lowering of the threshold score would be more productive for the program long term.

Director Kahele asked if the lowering of the threshold would create more competition. Executive Director Hirai stated that although the lowering of the threshold would create less competition, the volume of units would be increased, being the policy when RHRF subsidies are available because the bond cap has not been an impediment up to this point.

Director Abe asked about Criteria 2. Mr. Ueki referred to page 11 of Exhibit B, stating that the Multi-Family Tax Subsidy Project (MTSP) income limits, disbursed by the U.S. Department of Housing and Urban Development (HUD), are used to determine the ratio of the highest income county (i.e., County of Honolulu). Points are then distributed accordingly based on the calculated methods for the counties of Hawaii, Kauai, and Maui. Borrowing capacity is solely based on the rent generated by the projects, which tend to be a challenge on the neighbor islands due to the lower income bracket. Although, Criteria 2 helps address the problem, staff will continue to work on actual costs.

Executive Director Hirai added that the ongoing issues are contributed to the higher building costs and lower income levels on the neighbor islands.

Acting Chair Taira asked about the QAP approval process. Mr. Ueki reiterated that today's approval would allow staff to hold a public hearing with the draft QAP. Once the public hearing is conducted, a matrix containing all comments will be reviewed and evaluated, with the final draft of the QAP being presented to the Board for approval. Once the QAP is approved, the consolidated application will be prepared for dissemination.

Concerning Criteria 2, Director Spindt expressed concern with Kauai being the second highest income county, impacting the amount of financing it can receive. Executive Director clarified that because Kauai has higher incomes it would be able to be financed more, conceptually.

Discussion ensued on the counties' incomes. Mr. Ueki stated that there is a standard way that HUD reviews the incomes, which do not take into account a specific portion of the population and is difficult to quantify. Mr. Ueki reiterated that the bigger challenge is finding the actual cost, which needs to be looked into further.

Director Fukumoto commented and referenced Threshold 11, b., "HHFDC may elect to elevate a 4% LIHTC applicant to the minimum threshold score if it feels that the project is in the best interest of affordable housing in the State of Hawaii, consistent with the QAP." Mr. Ueki clarified that the whole project could be elevated at the discretion of the Board or the Executive Director, and not by the changing of the score.

With no further discussion, the motion was unanimously approved.

III. B. DISCUSSION AND/OR DECISION MAKING
Approve: (1) Resolution No. 077, 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 Mohouli Heights Senior Neighborhood Phase 3 Project Located in Hilo, Hawaii, TMK No.: (3) 2-4-001: 184 (por.)

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the following:

A. Approve Resolution No. 077, attached as Exhibit F, which provides for official intent with respect to the issuance of revenue bonds up to $9,800,000 for the Mohouli Heights Senior Neighborhood Phase 3 project subject to the provisions recommended in Exhibits C and E.

B. Reserve up to $624,035 in annual Federal LIHTC and $312, 017 in annual State LIHTC from the non-volume cap pool (4% LIHTC) for the Mohouli Heights Senior Neighborhood Phase 3 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.

Director Fukumoto moved, seconded by Director Kahele

That staff's recommendation be approved.

Mr. Ueki provided the programmatic details of the Hula Mae Multi-Family (HMMF) Program and previous financial approvals for the proposed Mohouli Heights Senior Neighborhood Phase 3 (Project), consisting of 60 new elderly constructed units.

Project construction is anticipated to start in November 2016 with Project completion anticipated in January 2018.

The Inducement Resolution is a non-binding resolution that states HHFDC's intent to issue tax-exempt revenue bonds for a project, also recognizing expenditures made by the developer 60 days prior to approval of the Inducement Resolution that can be reimbursed from the bond proceeds and enables staff to commence formal discussions to determine the feasibility of financing.

Staff will make a final recommendation to the Board at a later date, subject to the approval by the Department of Budget and Finance and the Governor.

The recommendation to reserve LIHTC is in accordance with the current QAP.

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

With no further discussion, the motion was unanimously approved.

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

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the following:

A. A RHRF Project Award Loan of $10,079,027 to Hawaii Island Community Development Corporation on behalf of Mohouli Senior Phase 3 LLP or another limited liability partnership, limited

For the Mohouli Heights Senior Neighborhood Phase 3 Project Located in Hilo, Hawaii, TMK No.: (3) 2-4-001: 184 (por.)

liability company or limited partnership to be formed by the purposes of developing, owning, and operating Mohouli Heights Senior Neighborhood Phase 3, 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 $1,360,000.

6. Availability of RHRF program funds.

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

Director Fukumoto moved, seconded by Director Abe

That staff's recommendation be approved.

Mr. Ueki stated that this is a second For Action relating to the Mohouli Heights Senior Neighborhood Phase 3 (Project), requesting a Rental Housing Revolving Fund RHRF Project Award Loan of $10,079,027.

Staff's recommended RHRF loan terms are as follows:

A. Recommendation (Loan Terms)

1. Loan Amount: $10,079,027

2. Interest Rate:

a) 0.00% Years 1 through 3

b) 0.25% 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: 53 Years

   a) 3 Years – Interim /Construction Phase

   b) 50 Years – Permanent Phase

5. Repayment: (Annual) Years 1 through 3 – No Payments

   Years 4 through maturity – 90% 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. Keith Kato, on behalf of the Project.

With no further discussion, the motion was unanimously approved.

III. D. DISCUSSION AND/OR DECISION MAKING

Approve U00660 Hilo, L.P., or Other Successor Entity Approved by the Executive Director, as an Eligible Developer Pursuant to Section 15-307-24, Hawaii Administrative Rules, Set Aside of the Project Site to Hawaii Housing Finance and Development Corporation, Issuance of Amended and Restated Ground Lease to the Existing Lessee, and Consent to Assignment of Restated Ground Lease to the Developer for the Kamana Elderly Apartments Project Located in Hilo, Hawaii, TMK No. (3) 2-4-056: 022

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the following for the Kamana Elderly Apartments affordable rental housing project for seniors and disabled persons on approximately 7.16 acres of land at 145 Kamana Street in Hilo, Hawaii, on TMK (3) 2-4-056: 022, substantially as described in this For Action:

A. U00660 Hilo, L.P., or other successor entity approved by the Executive Director, as an Eligible Developer pursuant to Section 15-307-24, HAR;

B. Set aside of the Project site from BLNR to HHFDC;

C. Insurance of a new amended and restated ground lease for 65-years at $1.00/year to the Current Owner, Kamana, Inc., or other entity approved by the Executive Director;

D. Consent to the assignment of the new Restated Ground Lease from Kamana, Inc., to U00660 Hilo, L.P., or other entity approved by the Executive Director; and

E. Authorize the Executive Director to take all actions necessary to effectuate the purposes of this For Action;

Subject to the following, unless otherwise approved at the sole discretion of the Executive Director;

F. The Project is approved for an exemption from Chapter 343, HRS, or the Developer shall be responsible for compliance with Chapter 343, HRS;

G. Except for a foreclosure exception and except for a manager's unit, all the units in the Project shall remain affordable for the term of the Restated Ground Lease;

H. Execution of the Restated Ground Lease shall be subject to HHFDC's satisfaction that the Project will comply with abatement requirements for asbestos and lead paint;

I. The restated Ground Lease shall contain a provision that in the event of a foreclosure, should the affordability restriction be removed from any of the units, the base lease rent of $1.00/year shall be increased to market lease rent at 8% of the fair market value of the Property per year, prorated based upon the number of units not used as affordable units;

J. The restated Ground Lease shall contain a provision that should the affordability restriction be removed from any of the units, if HHFDC approves any GET exemptions for rehabilitation of the Project, HHFDC reserves the right to recapture from the Developer and/or the Project a prorated portion of any exemptions from GET approved by HHFDC;

K. The Restated Ground Lease shall include a provision that, subject to a foreclosure exception, the lessee shall not benefit financially from any conveyance or refinancing of the Project, unless approved in writing by the lessor, except for the following:

   1. The sales price of the lessee's leasehold interest in the Project shall be subject to the following:

      a. The lessee shall be permitted to recapture documented advances made for the Project; and

      b. Any excess proceeds of any sale shall be placed in escrow or other mutually agreeable vehicle or mechanism and used to create additional affordable housing in the State of Hawaii;

   2. Lessee's reserves for the Project will be identified and transferred to any transferee of the Project; and

   3. HHFDC reserves the right to impose less, different or additional conditions to any extensions to the Restated Ground Lease.

L. The Project shall not be sold, transferred, or otherwise used to satisfy the reserved housing or affordable housing requirement for any other project at any other location;

M. The Restated Ground Lease shall contain a provision that lessee shall pay additional lease rent of 20% of all rent lessee collects, other than rent from affordable units;

N. The Restated Ground Lease shall contain the minimum insurance requirements as discussed herein;

O. Plans and specifications for renovation of the Project shall be submitted to the Disability and Communication Access Board for approval in with Section 103-50, HRS;

P. Payroll affidavits for renovation of the Project shall be submitted to HHFDC in compliance with Chapter 104, HRS;

Q. Approval as to form of necessary documents by the Department of Attorney General and execution by the Executive Director;

R. Commencement of construction of the Project by December 31, 2017, unless otherwise extended at the sole discretion of the Executive Director;

S. Completion of the Project by December 31, 2018, unless otherwise extended at the sole discretion of the Executive Director; and

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

Director Fukumoto moved, seconded by Director Abe

That staff's recommendation be approved.

Development Section Chief Stan Fujimoto stated that the Kamana Elderly Apartments (Project) is an existing 62 senior unit rental housing project on 7.16 acres owned by the State of Hawaii. U00660 Hilo, L.P. (Developer) is requesting that HHFDC request to the Board of Land and Natural Resources (BLNR) for a set aside of the Property, issue the Current Owner a new amended and restated ground lease for 65 years at $1/year, which will supersede General Lease No. S-4610 (Restated Ground Lease), and consent to the Current Owner's assignment of the Restated Ground Lease to the Developer, for repair and renovation and continued operation of the Project.

Mr. Fujimoto opened for questions along with Mr. Thomas Fisher, on behalf of the Project.

Director Kahele asked who sets the Developer's Fee. Mr. Fujimoto stated that it is within the proposal of the developer.

Vice Chair Taira asked if Mr. Fisher wanted to say anything. Mr. Fisher stated that he is fine with where they are today.

Vice Chair Taira asked if the transferring of lands from DLNR is a new state policy. Mr. Fujimoto responded that it was not, stating that under a set aside, DLNR retains title but transfers operational jurisdiction of the land to another State or County agency for a public purpose.

Vice Chair asked about the U00660 Hilo, L.P. name. Mr. Fisher stated that its counsel determines the name of the limited partnerships.

In reference to Director Kahele's question on the Developer's Fee, Director Abe asked for the reasoning on the various developer fee percentages. Mr. Fisher stated that an acquisition/rehabilitation will always have a higher percentage to the total cost that a new construction, as set by the Section 42, IRS program. Furthermore, a developer's fee is often deferred and used to create basis, which drives tax credits and more equity for the project.

Director Abe asked on the period of deferral. Mr. Fisher stated that its developer fee would be deferred about 13 years, being determined by the Code. If the developer fee is not paid out before year 15, it is susceptible to recapture.

Mr. Ueki added that this project came in before the current QAP's capped fee under the LIHTC program. However, the National Council of State Housing Agencies recognizes a developer's fee of up to 15% as the cap.

Director Abe asked what the current cap is. Mr. Ueki stated the following:

<u>9% LIHTC</u>:

New construction: 10 % of the total development cost or $2.5 million, whichever is less.

Acquisition/Rehab: 5% of the acquisition cost and 15% of the rehabilitation cost or $2.5 million, whichever is less.

<u>4% LIHTC</u>:

New construction: 12% of the total development cost or $5 million, whichever is less.

Acquisition/Rehab: 5% of the acquisition cost and 15% of the rehabilitation cost or $5 million, whichever is less.

In response to Director Abe, Mr. Ueki stated that this information can be found on page 8 of Exhibit B of the QAP For Action.

Director Milo asked about the contingency fee for the proposed Project Budget. Mr. Fisher stated that the contingency fee is part of the eligible basis and needs to be used in the Project or it will reduce the amount of equity by recapture of the tax credits.

The motion was unanimously approved.

III. F. DISCUSSION AND/OR DECISION MAKING

Approve the Fee Simple Acquisition of a Portion of the Liliha Street Right-of-Way From the State of Hawaii, Department of Transportation Located Between King Street and Vineyard Boulevard at Honolulu, Oahu, Hawaii, TMK: (1) 1-7-026: Portion of the Right-of-Way

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors:

A. Approve the fee simple acquisition of a portion of Liliha Street Right-of-Way from the State of Hawaii, Department of Transportation located between King Street and Vineyard Boulevard at Oahu, Hawaii, TMK: (1) 1-7-026: Portion of right-of-way, and

B. Authorize the Executive Director to take all actions necessary to effectuate the acquisition, substantially as discussed in this For Action.

Director Fukumoto moved, seconded by Director Abe

That staff's recommendation be approved.

Mr. Fujimoto stated that the remnant parcel is located within the urban core adjoining the existing Kukui Gardens and Waena projects. HHFDC requested that the Department of Transportation (DOT) allow HHFDC to subdivide the Liliha Street right-of-way for affordable housing and public purposes.

The DOT will agree to HHFDC's request subject to seventeen (17) conditions, including DOT obtaining approval from the Federal Highways Administration, DOT obtaining approval from BLNR, HHFDC must obtain approval from Land Court and the City and County of Honolulu, Department of Planning and Permitting for the subdivision.

A budget for necessary planning studies and other estimated expenses will be requested in a separate For Action in the future.

Director Kahele asked about the remnant parcel. Executive Director Hirai stated that it is leftover land that is part of the right-of-way under DOT.

Director Abe asked if the 15 feet reserved by DOT would include the sidewalk and street widening. Mr. Fujimoto concurred, stating that the sidewalk is normally part of the right-of-way.

Director Abe asked about parking. Executive Director stated that there have been discussions on increasing the density of Kukui Gardens.

In his experience at DLNR, Director Milo questioned the fee ownership of the right-of-way by DOT. He stated his understanding, in a similar situation, was that a State entity would not have to purchase a state asset unless it is a fee ownership by DOT itself, using the executive order process to transfer the management right to the other State agency, unless the land was purchased by DOT during the development process.

Executive Director Hirai stated that it is his understanding that the HHFDC will not be charged for the transfer.

Director Milo then questioned why the HHFDC needed to pay for an appraisal if we are not purchasing the land. Executive Director Hirai stated that he is unsure, but believed it was one of the requirements.

Director Milo suggested that it may be worth investigating and determining from the title abstract whether the parcel is a State owned property or purchased by DOT before paying for an appraisal, which can be costly.

Discussion ensued on the $1,500 owed to the DOT for defrayment of administration costs (Exhibit C) and whether the appraisal would need to be done before then.

Mr. Fujimoto stated that the DOT letter had a deadline of 30 days for HHFDC's acceptance and suggested that the Board go ahead with the approval, so that HHFDC could accept DOT's letter before DOT's deadline and evaluate all of DOT's conditions and determine how it should proceed with any studies or budget going forward.

The motion was unanimously approved.

IV. REPORT OF THE EXECUTIVE DIRECTOR

Executive Director Hirai reported on the following:

- There have been discussions with the new State Homeless Coordinator Scott Morishige, on the homeless situation on Oahu, Maui, and Kauai. Current efforts are currently focused on Lima Ola, located on Kauai.

- Staff has met with Forest City on the progress made with the Kamakana project. A status report is anticipated to be provided next month.

- There have been ongoing discussions with the Administration and Legislature on housing policies.

In terms of the HHFDC receiving additional monies from the Legislature, Vice Chair Taira asked about staffing. Mr. Ueki stated that the Finance Branch's search is ongoing and resources are sufficient for what is need at this time. Executive Director Hirai stated that the Board will be updated next month on the staffing need of HHFDC.

Acting Chair Taira stated that with the limited resources of the Legislature and the issue with homelessness becomes more prominent, the HHFDC will need to be well staff in order to push out in a timely manner to avoid backups.

Executive Director Hirai stated that the HHFDC would like to get more involved with the TOD; however, the implementation aspects of the TOD will impact the operations of the HHFDC.

Acting Chair Taira stated that a Strategic Planning Subcommittee be establish to look at how HHFDC moves forward in increasing and preserving the supply of workforce and affordable housing statewide. The purpose of the subcommittee will be to investigate and recommend policies and strategies to be undertaken by HHFDC to expeditiously facilitate housing production and preservation.
Members of the Strategic Planning Subcommittee will include Chair Pulmano, who will chair the subcommittee; and Directors Machida, Fukumoto, and Taira.

Director Abe asked how homelessness ties in with HHFDC's affordable rental housing. Executive Director Hirai stated that the end goal is to provide more affordable permanent housing for them, which includes the HHFDC and/or public housing.

Director Kahele concurred with Acting Chair Taira's recommendation for the Strategic Planning Subcommittee and the concerns of staffing and budgeting.

Director Fukumoto stated that she is excited to serve on the Subcommittee to find strategies of getting housing at the level of the homeless that do have income, can afford, ensuring that we have the right housing for all the needs.

Discussion ensued on the increase of the homeless issue and the shortage of housing.

Deputy Sandra Ching clarified that once the Strategic Planning Subcommittee has been formed and given its duties, any findings and recommendations will be presented to the Board at a subsequent meeting. If the Board decides to adopt the recommendations, if any, made by the Subcommittee, they may do so at another subsequent meeting. (a minimum 3 meeting rule)

Deputy Sandra Ching stated that a subcommittee should include less than a quorum, having four (4) members for a nine (9) member Board.

Director Milo asked that once the Subcommittee comes up with their objectives, as a Board member, would he be given the opportunity to talk to the County of Kauai. Executive Director Hirai concurred, stating after a month due to the 3-meeting rule as stated by Deputy Attorney Ching. (e.g., If the Subcommittee reports in November, no action is taken until December.)

Acting Chair Taira stated that discussions should be done now rather than when the objectives are determined to be able to receive new ideas and perspectives.

In response to Acting Chair Taira, Executive Director Hirai stated that the Legislative Session will start in January 2016.

Director Fukumoto moved, seconded by Director Abe

EXECUTIVE SESSION
10:39 a.m.

> 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 approval of the minutes of the Executive

Sessions held on September 10, 2015.

The motion was unanimously approve.

The Board reconvened in Regular Session at 11:03 a.m.

RECONVENED
11:03 a.m.

Acting Chair Taira stated that the minutes of the Executive Sessions held on September 10, 2015 were approved in executive session.

V. ADJOURNMENT
11:04 p.m.

With no further business on the agenda, Director Fukumoto moved, seconded by Director Abe

That the meeting be adjourned at 11:04 a.m.

The motion was unanimously approved.

RONA FUKUMOTO
Secretary