

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, APRIL 14, 2016  
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, April 14, 2016, at 9:00 a.m.

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

**CALL TO  
ORDER/  
ROLL CALL**

Present: Director Leilani Pulmano, Chair  
Director Edwin Taira, Vice Chair  
Director Rona Fukumoto, Secretary  
Director Audrey Abe  
Director Milo Spindt  
Director Melvin Kahele  
Director Denise Iseri-Matsubara

Executive Director Craig Hirai

Excused: Director Luis Salaveria  
Director Rodrick Becker (for Director Wesley Machida)

Staff Present: Sandra Ching, Deputy Attorney General  
Janice Takahashi, Chief Planner  
Darren Ueki, Finance Manager  
Rick Prahler, Development Branch Chief  
Kristi Maynard, Chief Financial Officer  
Stuart Kritzer, Asset Management  
Marlene Lemke, Sales and Counseling Section Chief  
Stan Fujimoto, Development Section Chief  
Patrick Inouye, Housing Finance Specialist  
Jocelyn Iwamasa, Housing Finance Specialist  
Dean Sakata, Housing Finance Specialist  
Ken Takahashi, Housing Development Specialist  
Christopher Woodard, Property Management Coordinator  
Elaine Goma, Housing Sales Coordinator  
Lorna Kometani, Housing Sales Coordinator  
Lorraine Egusa, Budget Analyst  
Esa Pablo, Secretary to the Board

Guests: Greg Handberg, Artspace  
Kathleen Kvern, Artspace  
Roy Katsuda, Hale Mahaolu  
Marian Gushiken, EAH  
Katie Mineo, Office of Planning  
Andrew Gomes, StarAdvertiser

A quorum was present.

Vice Chair Taira moved, seconded by Director Abe

That the minutes of the Regular Meeting held on March 10, 2016 be approved as circulated.

Upon unanimous vote, the motion was approved.

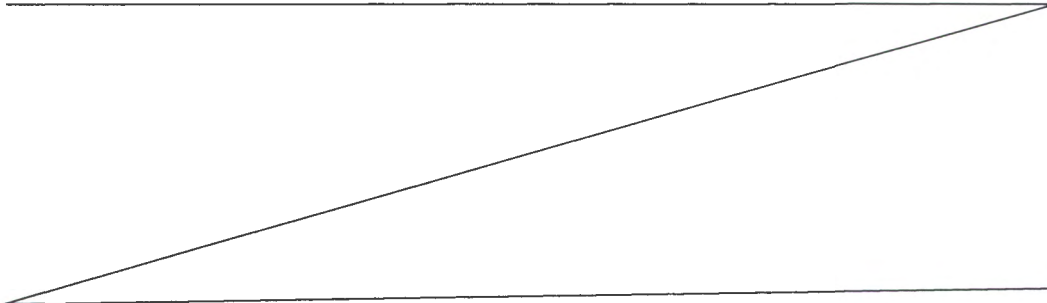
**QUORUM**

**II. A.  
APPROVAL  
OF MINUTES**

03/10/16  
Regular  
Meeting

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

Chair Pulmano stated that items II. B., and C., will be deferred to Executive Session, with item III. E. deferred to the next Board Meeting, held on May 12, 2016.



Staff's recommendation was presented as follows:

That the HHFDC Board of Directors:

- A. Approve Resolution No. 084, attached as Exhibit D, which concurs with the County of Hawaii and Petitioner regarding the manner in which Hilo One, Inc. will satisfy the State Land Use Commission's affordable housing condition for Docket No. A92-676.
- 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 Abe

That staff's recommendation be approved.

Chief Planner Janice Takahashi presented the For Action, stating the purpose of this For Action is to seek the Board's concurrence with: (1) the reclassification condition of the Land Use Commission, which requires a mutual agreement between Hilo One, Incorporated, the HHFDC, and the County of Hawaii; and (2) the affordable housing requirement, which requires residential developers to include affordable housing in their project or contributed to affordable housing off site.

Pursuant to the proposed Agreement between RJL, LLC (Developer) and the County of Hawaii, the Developer proposes to develop 29 single family lots (instead of the 41 lots) and will satisfy the County's affordable housing requirement as follows:

- 1. Offer not less than twelve (12) affordable finished lots in the Waiakea Fairways Subdivision, Phase 1, which is within a 15-mile radius of the project site, for sale to eligible households earning no more than 100% of the area median income (AMI).

Ms. Takahashi noted that the sale of each affordable finished lot to a household earning 100% AMI would generate 0.5 credits. Therefore, the twelve (12) affordable finished lots will earn six (6) affordable housing credits to satisfy the County's affordable housing requirement.

- 2. The marketing and sale of the affordable finished lots will be in compliance with the County of Hawaii's Affordable Housing Policy.
- 3. Subject to the approval of the Hawaii County Office of Housing and Community Development, the Developer may satisfy the affordable housing requirement by implementing any option or combination of options provided for in Section 11-5 of the County of Hawaii's Affordable Housing Policy.

**II. B.  
APPROVAL  
OF MINUTES**  
03/10/16  
Executive  
Session

**II. C.  
APPROVAL  
OF MINUTES**  
03/10/16  
Executive  
Session

**III. A.  
DISCUSSION  
AND/OR  
DECISION  
MAKING**  
Approve Resolution  
No. 084, Which  
Concurs with the  
Manner in Which  
Hilo One,  
Incorporated Will  
Satisfy the  
Affordable Housing  
Condition Imposed  
by the State Land  
Use Commission,  
Docket No. A92-  
676, Paukaa,  
South Hilo,  
Island and County  
of Hawaii, State  
of Hawaii, TMK  
No.: (3) 2-7-040:  
001 -013

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Ms. Takahashi opened for questions.

Director Kahele asked for the price of the lots. Ms. Takahashi stated that at 100% AMI, the lots would be approximately \$150,000, with the construction of a unit estimated at \$165,000, resulting in an overall affordable home price of approximately \$315,000.

Director Spindt asked whether there was a ratio for the 100% AMI to the amount of credit received. Ms. Takahashi stated that at 100% AMI, a developer would receive a half credit and at 80% AMI, a developer would receive a full credit.

Director Spindt asked whether the affordable home lots were in a good location and in close proximity to areas of employment. Director Taira stated that the project site is near the golf course and within a good school district.

Upon unanimous vote, the motion was approved.

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the following:

- A. The Memorandum of Agreement between the Hawaii Housing Finance and Development Corporation and Hale Mahaolu.
- 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 Abe

That staff's recommendation be approved.

Ms. Takahashi presented the For Action, stating that the purpose of the Memorandum of Agreement (MOA) with Hale Mahaolu is to encumber the \$4 million CIP appropriation to avoid the lapse on June 30, 2016, subject to the following conditions:

1. Hale Mahaolu shall obtain the necessary financing commitments, including Section 8 project-based vouchers, to improve the financial viability of the Hale Mahaolu Ewalu senior rental housing project.
2. Hale Mahaolu's financing application for the Hale Mahaolu Ewalu project shall meet HHFDC's threshold and scoring criteria in order to qualify for the reservation and award of LIHTC and/or other financing provided by the HHFDC for calendar year 2016 to complete the financing for the project.
3. HHFDC shall obtain the approval of the various state agencies to encumber the funds.

The MOA would be effective for one year and may be extended for up to two additional one-year terms.

Ms. Takahashi opened for questions, along with Mr. Roy Katsuda, on behalf of the project.

Upon unanimous vote, the motion was approved.

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the following:

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

Approve a Memorandum of Agreement with Hale Mahaolu Ewalu Senior Housing Project Located in Pukalani, Maui, Hawaii, TMK No.: (2) 2-3-066: 020

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

Approve: (1)

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

- A. Approve Resolution No. 085, attached as Exhibit F, which provides for official intent with respect to the issuance of revenue bonds up to \$27,000,000 for the Ola Ka ‘Ilima Artspace Lofts project subject to the provisions recommended in Exhibits C and E.
- B. Reserve up to \$1,951,925 in annual Federal LIHTC and \$975,925 in annual State LIHTC from the non-volume car pool (4% LIHTC) for the Ola Ka ‘Ilima Artspace Lofts project subject to the provisions recommend in Exhibits D and E.
- C. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Resolution No. 085, 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 Ola Ka ‘Ilima Artspace Lofts Project Located in Honolulu, Hawaii, TMK No.: (1) 2-3-003: 040

Vice Chair Taira moved, seconded by Director Abe

That staff’s recommendation be approved.

Finance Manager Darren Ueki presented the For Action, stating that the proposed Ola Ka ‘Ilima Artspace Lofts (Project) is a 84-unit affordable rental housing facility targeted for families with a preference for tenants involved in artistic or literary activities in accordance with Section 42, Internal Revenue Code.

Construction is anticipated to start in November 2016, with project completion in May 2018.

Approval of Resolution No. 085 will enable staff to commence more formal discussions will all parties to determine the feasibility of financing the Project and recognize eligible expenditures made 60 days prior to the approval that may be reimbursed from the bond proceeds. If deemed feasible, staff will return to the Board with a final recommendation for the issuance, sale, and delivery of the Bonds, subject to the approval by the Department of Budget and Finance and the Governor.

Mr. Ueki opened for questions, along with Mr. Greg Handberg and Ms. Marian Gushiken, on behalf of the Project.

In response to Director Kahele, Mr. Handberg stated that the General Contractor for the Project will be Unlimited Construction Services, Inc.

Director Abe asked about repayment of the bonds and if there were problems in obtaining permanent loans. Mr. Ueki stated that the Corporation acts as a financing conduit by issuing the bonds on behalf of a project; however, all repayment of the bonds is the responsibility of the financed project and its owner. Thus far, there has not been any problems with a project obtaining permanent loans because the bonds typically stay in as the first mortgage and is paid down from the equity divided by the sale of the loan from the Low Income Housing Tax Credits. Other sources may be used to take down the original bond amount, such as revenues from the rents generated by the project.

Chair Pulmano asked if the Project has received their building permits, being that the For action timeline indicated March 2016. Mr. Handberg stated that due to the Project’s restructuring of its finances, its building permits were held back and is now anticipated to be issued in July/August 2016. Changes to the estimated timeline were noted within the For Action.

Upon unanimous vote, the motion was approved.

Staff’s recommendation was presented as follows:

That the HHFDC Board of Directors approve the following:

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

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

- A. Approve a RHRF Project Award Loan of \$7,750,000 to the Ola Ka ‘Ilima Lofts LLLP or its successors for the benefit of the Ola Ka ‘Ilima Artspace Lofts project, as approved by the Executive Director, with terms and conditions as shown in Section III(H) 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 \$5,000,000.
  6. Availability of RHRF program funds.
  7. The return of the \$4,500,000 RHTF Project Award Loan approved by the Board on August 14, 2016 to the HHFDC.
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Approve a Rental Housing Revolving Fund Project Award for the Ola Ka ‘Ilima Artspace Lofts Project Locate in Honolulu, Hawaii, TMK No.: (1) 2-3-003: 040

Vice Chair Taira moved, seconded by Director Kahele

That staff’s recommendation be approved.

Mr. Ueki stated that this is the second half to the financing request of the Ola Ka ‘Ilima Artspace Lofts (Project), relating to the Rental Housing Revolving Fund Project Award of \$3.25 million in addition to the previously awarded \$4.5 million.

Mr. Ueki asked that the estimated timeline within the For Action be changed to reflect the new anticipated date of July/August 2016 for building permits.

Mr. Ueki noted that due to the Board’s request for a certain return on its investments, staff is recommending that the interest rate be 0.5% in years 3 through maturity, with a loan term of 55 years. Approximately 75% of available cash flow, after recognized expenses, will be recaptured, having approximately 90% of the principal of the loan paid by the time of maturity.

Mr. Ueki pointed out that staff felt approving one loan in the amount of \$7.75 million would be cleaner as oppose to having two separate loans. Therefore, staff is requesting that the Board consider the return of the \$4.5 million RHTF Project Award.

## HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

In response to Vice Chair Taira, Mr. Ueki noted that staff's recommendation, A., (7), be changed as follows:

The return of the \$4,500,000 RHTF Project Award Loan approved by the Board on August 14, 201[6]4.

Director Abe asked whether staff has ever considered an option to increase the interest rate in Years 20 - 30. Mr. Ueki stated that increasing the interest rates have not been contemplated by staff, due to its efforts to ensure interest rates are at a level that a project can carry. Furthermore, within a 55-year term, repayment is not seen until years 25 – 30.

Director Spindt asked how often projects return for capital improvement funds and/or resale with in the 55-year term. Mr. Ueki stated that within the 20 years that the program has been active, only a handful of projects have returned, which has allowed project affordability as well as health and safety to be continued; however, it is ultimately at the discretion of the owner. Executive Director Craig Hirai noted that this Project in particular is on State land, having a 61-year affordability period on a 65-year lease.

Director Iseri-Matsubara commented that she is happy to see rentals at this level, especially in the Kakaako area, to address the 20,000 rental units that are needed statewide.

Director Kahele asked about the percentage of the Developer's Fee being based on the actual cost of the project as opposed to the total project cost. Mr. Ueki stated that it is a matter of how the numbers are presented. Between the time an application is received and gets into the ground, there are increased costs that are often covered by another sources or their Developer's fee, which could serve as the actual project cost at the end of the day.

Upon unanimous vote, the motion was approved.

Chair Pulmano proceeded to the Report of the Executive Director.

Executive Director Hirai reported on the following Bills in Exhibit C, House Bills Status Report:

- House Bill (HB) 1527 evaluates certain tax credits and exemptions, including general excise tax-exemption for affordable housing.
- The Corporation is concerned with the way this bill is drafted, referring to a potential repeal of various exemptions in 2019, which is believed to adversely impact the underwriting of projects that apply for the general excise tax exemptions during that period.
- HB 1700 relates to the Budget, as follows: RHRF - \$25 million from the House and \$50 million from the Senate; DURF - \$12.5 million from the House and \$33 million from the Senate; Waiahole Water System - \$6.5 million; and LIHTC loan program - \$5 million
- HB 2293 gives authority to HHFDC to do mixed-use development and collaborate with State and County agencies.
- HB 2305 authorizes the creation of State infrastructure improvement subaccounts within DURF.

Director Iseri-Matsubara noted that within the Governor's Budget is also a \$15 million request for Alder Street. If it is not funded, the Alder Street project will not be able to move forward with an RFP, holding up the project.

## V. REPORT OF THE EXECUTIVE DIRECTOR

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- HB 2744/Senate Bill (SB) 2833 is a State LIHTC enhancement bill, which shortens the tax credit recovery period from 10 years down to 5 years.
- SB 2561 authorizes a special action team to establish a goal for developing at least 22,500 affordable rental housing units within a 10-year period.
- SB 2563 authorizes HPHA projects certain priority for HHFDC funds (i.e., If there was a tie, HPHA would go first).
- SB 2566 transfers excess monies from the Rental Assistance Revolving Fund to the Rental Housing Revolving Fund.
- SB 2724 relates to payroll and wages. HHFDC’s concern is how this will adversely affect all lessees, especially the small lessees with individual home lots if having to add or rebuild their homes if destroyed. Chair Pulmano asked whether proposed language to address and clarify these issues would be worked on. Executive Director Hirai stated that is the hope of staff.
- SB 2823 relates to the Executive Director salary, which is still alive.
- SB 2303 is the Administration’s LIHTC vehicle.
- SB 3077 incorporates the Administration’s proposal for transit-oriented development. (i.e., various State land owners along the rail lines)

In response to Director Abe, Executive Director Hirai stated that he is unaware of any REIT bills that are alive.

Director Kahele asked for clarification on the votes within the “Cross Over” and “Second” columns. Executive Director Hirai stated that the first number is in favor of, with the second number being against.

In response to Director Iseri-Matsubara, Executive Director Hirai stated that he believed all the bills mentioned were heading into conference.

Executive Director Hirai noted that training for the Board is anticipated to commence sometime after the Legislative Session.

Pursuant to Section 92-5(a)(4), Chair Pulmano asked for a motion to convene in Executive Session, 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 short-sale transaction for: (1) Kekuilani Villas #502, 91-1058-E Kekuilani Loop, Kapolei, HI 96797, TMK No.: (1) 9-1-16-107 CPR 34; and (2) Hawaii Community College Phase XII (Waiakea Houselots) #11-A-4, 1519 Maunakai Street, Hilo, HI 96720, TMK No.: (3) 2-4-26-51.

Vice Chair Taira moved, seconded by Director Abe

That the Board convene in Executive Session at 10:03 a.m.

Upon unanimous vote, the motion was approved.

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The Board reconvened in Regular Session at 10:28 a.m.

Upon unanimous vote, Chair Pulmano announced that items II. B. and C, and V. A., were approved in Executive Session.

IV.  
EXECUTIVE  
SESSION  
10:03 a.m.

RECONVENED  
10:28 a.m.

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

Chair Pulmano called for a motion to adjourn the meeting.

Director Iseri-Matsubara moved, seconded by Director Fukumoto

That the meeting be adjourned at 10:29 a.m.

Upon unanimous vote, the motion was approved.

VI.  
ADJOURNMENT  
10:29 a.m.

  
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RONA FUKUMOTO  
Secretary