

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, SEPTEMBER 8, 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, September 8, 2016, at 9:00 a.m.

Chair Leilani Pulmano called the meeting to order at 9:02 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
Director Rodrick Becker (for Wesley Machida)
Designee Mary Alice Evans (for Director Luis Salaveria)

Executive Director Craig Hirai

Staff Present: Sandra Ching, Deputy Attorney General
Janice Takahashi, Chief Planner
Darren Ueki, Finance Manager
Rick Praher, Development Branch Chief
Kristi Maynard, Chief Financial Officer
Marlene Lemke, Sales and Counseling Section Chief
Patrick Inouye, Housing Finance Specialist
Jocelyn Iwamasa, Housing Finance Specialist
Dean Sakata, Housing Finance Specialist
Christopher Woodard, Property Management Coordinator
Kent Miyasaki, Housing Information Specialist
Esa Pablo, Secretary to the Board

Guests: Robby Field, Aina Nui Corporation
Paul Fortino, Northport Financial
Ben Park, WAM
Aedward Los Banos, HCDA
Jeff Furuta, CCHDC
Gary Furuta, CCHDC
Andrew Reenders, CBRE
Dana Peiterson, CBRE

A quorum was present.

QUORUM

Vice Chair Taira moved, seconded by Director Spindt

That the minutes of the Regular Meeting held on August 11, 2016 be approved, as circulated.

**II. A.
APPROVAL
OF MINUTES
8/11/16
Regular
Meeting**

Upon unanimous vote, the motion was carried.

Chair Pulmano deferred approval of the Executive Session minutes held on August 11, 2016, to later in the meeting.

**II. B.
APPROVAL
OF MINUTES
8/11/16**

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the following:

- A. Extend the deadline to issue HMMF Bonds for the Meheula Vista III project to September 30, 2017; 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 Abe

That staff's recommendation be approved.

Director Fukumoto recused herself from the discussion and voting on this item.

Finance Manager Darren Ueki stated that the Board approved up to \$15 million from the Hula Mae Multi-Family (HMMF) Bond Program, \$643,268 in annual Federal and \$321,634 in annual State Low Income Housing Tax Credits (LIHTC), and \$7,096,933 million in Rental Housing Revolving Funds (RHRF) for the proposed 75 elderly units at Meheula Vista III (Project), located in Mililani, Oahu.

The \$15 million HMMF intended tax-exempt bond amount is larger than what is reflected within the proposed Financing Structure as a precautionary measure in the event there are increased project costs.

Project construction is anticipated to start in September/October 2017, with project completion in December 2018.

Based on progress made in site control, zoning approvals, and financial commitments, staff is recommending a 12-month extension to September 30, 2017.

The Project continues to work with the Disability and Communications Access Board (DCAB) on its Final Review Letter, the City and County of Honolulu (C&C) Department of Planning and Permitting (DPP) on the approval of its building permits, with the Bank of Hawaii on its construction and permanent financing, and Hawaii Housing Finance LLC on its LIHTC Equity.

Staff will present a subsequent resolution to the Board for the actual issuance, sale, and delivery of the bonds at a future meeting, subject to the availability of funds as well as the approval of the Department of Budget and Finance, and the Governor.

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

In response to Designee Evans, Mr. Ueki reiterated that that the Project's building permits and Final Review Letter are pending approval with the C&C DPP and DCAB, respectively.

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

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the following:

- A. Extend the deadline to issue HMMF Bonds for the Waipahu Hall project to September 30, 2017; and
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

III. A. DISCUSSION AND/OR DECISION MAKING

Approve an Extension to Resolution No. 076, Which Provides for Official Intent with Respect to the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds for the Meheula Vista III Project Located in Mililani, Oahu TMK No.: (1) 9-5-002: 060 CPR 0003

III. B. DISCUSSION AND/OR DECISION MAKING

Approve an Extension to Resolution No. 075, Which Provides for Official Intent with Respect to the

Vice Chair Taira moved, seconded by Director Kahele

That staff's recommendation be approved.

Finance Manager Darren Ueki stated that the Board approved up to \$11.4 million from the HMMF Bond Program, \$574,621 in annual Federal and \$287,310 in annual State LIHTC for Waipahu Hall (Project) for the rehabilitation of an existing 72 elderly unit (includes 1-manager unit) project, located in Waipahu, Oahu.

Improvements consists of 1-three story residential building with multiple wings and one-story common building.

Project construction is anticipated in September 2016, with Project completion in April 2017.

Based on progress made in site control, zoning approvals, and financial commitments, staff is recommending a 3-month extension to December 31, 2016 as a precautionary measure against unforeseen delays with pending approvals on the Project's DPP building permits and DCAB, which are anticipated in September 2016.

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

Designee Evans asked whether the Project was within the City and County of Honolulu's (C&C's) Transit Oriented Development (TOD) district for the Waipahu station. Mr. Fortino stated that he did not know.

In response to Designee Evans' follow up question on the current landowner of the Project, Mr. Ueki stated that Mr. David Page is the current landowner.

Upon unanimous vote, the motion was carried.

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the following:

- A. Resolution No. 092, attached as Exhibit D, which authorizes a tax-exempt issuance of up to \$11,400,000 from the HMMF Bond Program, subject to the provisions and conditions recommended in Exhibit C 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.

In conjunction with the previous For Action and anticipated approval of the building permits in September 2016, Finance Manager Darren Ueki stated that staff is recommending approval of the actual issuance, sale, and delivery of the Bonds for the Project .

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

Chair Pulmano asked when the building permits were submitted to the C&C DPP. Mr. Fortino stated that the filed submission was approximately 6 months ago. Director Abe asked what part of the building permit has been approved. Mr. Fortino stated that everything except for the fire section, remains under review.

III. C. DISCUSSION AND/OR DECISION MAKING

Approve Resolution No. 092, Authorizing The Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds for the Waipahu Hall Project Located in Waipahu, Oahu, TMK No.: (1) 9-4-002: 039

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

Upon unanimous vote, the motion was carried.

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the following:

- A. Cancellation of Fiscal Year 2017 RHRF (Funding Round 1) Application Cycle scheduled for October 19, 2016;
- 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 Kahele

That staff's recommendation be approved.

Mr. Ueki stated that in March 2016, the Board approved the following Funding Rounds for the RHRF Program:

- 1. Funding Round: FY2016 (Funding Round 2; Funding Round 1 was held on August 19, 2015)
Application Due: June 15, 2016
- 2. Funding Round: FY2017 (Funding Round 1)
Application Due: October 19, 2016

Eleven applications were received on June 15, 2016 for the FY2016 (Funding Round 2) that is currently under review, totaling \$101,965,025 in RHRF requests. Recommendations to the Board are anticipated to be in October 2016 for the 9% LIHTC and in the first quarter of 2017 for the HMMF Bonds and 4% LIHTC.

Delays with substantial changes made to the revised Qualified Allocation Plan (QAP) is believed to have been a result of the incomplete applications received during the FY2016 (Funding Round 2) in June 2016, further delaying the review process and future funding rounds. Therefore, staff is proposing that the FY2017 (Funding Round 1) be canceled in order to allow for the preparation of the 9% LIHTC anticipated for February 2017.

Director Fukumoto recused herself from discussing and voting on this item.

In hopes of efficiently and effectively utilizing the RHRF monies appropriated by the Legislature, Director Iseri-Matsubara asked for the average timeframe of the review process. Mr. Ueki stated that the average review process is approximately 3 months, depending upon the amount of applications received.

With the increase of resources, Vice Chair Taira asked whether there was sufficient staff capacity for the review process. Mr. Ueki stated that there is sufficient staff to review. However, although the expansion of staff would improve the efficiency of the reviewing process, it will not necessarily speed up the timelines of the various funding programs.

In response to the incomplete applications received for the FY2016 (Funding Round 2), Director Abe questioned whether more guidance was needed on how to fill out the application. Mr. Ueki believed that although a complicated application, the incompleteness of the applications may have been due to careless rushing to meet the QAP deadlines as opposed to a lack of guidance.

Director Iseri-Matsubara thanked staff for all that they do and encouraged Executive Director Hirai to evaluate what further resources were needed in order to satisfy the Governor's priority in maximizing financing tools to help address the acute supply of housing.

**III. D.
DISCUSSION
AND/OR
DECISION
MAKING**
Approve the
Cancellation of
Fiscal Year 2017
(Funding Round 1)
Application Cycle
for the Rental
Housing Revolving
Fund Program

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

Mr. Ueki stated that although Executive Director Hirai has been supportive in getting additional staff, there have been turnover challenges with the human resource (HR) management position. However, with the HR management currently filled, the hiring process has continued and will be strategically addressed.

Chair Pulmano asked whether there would be developers opposed to canceling the FY2017 (Funding Round 1) in October 2016. Mr. Ueki stated that although there may be a few, staff's proposal to cancel the funding round is believed to be the best for the overall program as well as benefit a greater portion of the program users.

Chair Pulmano asked whether those in opposition could be identified. Mr. Ueki said no, however, inquiring callers could be tracked. Director Iseri-Matsubara concurred, stating that she too would want to know who would be affected.

The Board had a full discussion on the impacts of keeping the FY2017 (Funding Round 1) in October 2016, which would further affect the deadline timeframes of the various funding programs and closing of awards.

Director Iseri-Matsubara reiterated that the average application processing time be looked at to ensure financial tools were being streamlined and maximized to the fullest.

Discussion ensued on the comparison of last year's QAP applications and those received in June 2016. It was questioned as to whether the loosening of the thresholds were the result of the less focused and detailed oriented structure of the applications received. The cause and effects of the QAP's revisions would need to be further discussed with the Board at a future meeting.

The Board requested that a simple diagram of the application process be provided.

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

Chair Pulmano asked for a recess at 9:59 a.m.

RECESS
9:59 a.m.

The meeting was reconvened at 10:12 a.m.

RECONVENED
10:12 a.m.

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve Memorandum of Agreement with Aina Nui Corporation for the construction of the Kapolei Water Tank No. 2, substantially as discussed in this For Action, and authorize the Executive Director to take all actions necessary to effectuate the purpose of this For Action, subject to compliance with all HHFDC rules and regulations and such other terms and conditions as may be required by the Executive Director and approval as to form by the Attorney General's Office.

**III. E.
DISCUSSION
AND/OR
DECISION
MAKING**
Approve a Memorandum of Agreement (MOA) with Aina Nui Corporation (Aina), Successor in Interest to the Trustees Under the Will of James Campbell, Deceased (Campbell Estate), for the Construction of the Kapolei Tank No. 2 as Originally Agreed to Under the Second Farrington Main Water Facilities Agreement Dated December 1, 1992 Between the Campbell Estate, the Housing Finance and Development Corporation (HFDC),

Chair Taira moved, seconded by Director Kahele

That staff's recommendation be approved.

Development Branch Chief Rick Prahler reported on the Second Farrington Main Water Facilities Agreement and outlined the list of events that have led up to the Aina Nui Corporation's request to negotiate an updated Memorandum of Agreement (MOA) for the development of a second water storage tank estimated at \$5,000,865. He further stated that approximately \$1.8 million would be transferred from a \$5 million-line item within the Kapolei Master Plan Budget for the Fort Barrette Widening that had been put on hold by the Department of Transportation indefinitely. Furthermore, a request to increase the budget account

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

for ongoing repair and maintenance of the Villages of Kapolei project and to fund near term dedication projects would be forthcoming for Board consideration.

Mr. Prahler opened for questions, along with Housing Development Coordinator Leo Domingo and Mr. Robby Field, on behalf of Campbell Estate.

Designee Evans asked whether Tank No. 2 would add additional water capacity for TOD projects in the Kapolei region and whether the Campbell Estates were looking to develop affordable housing on the various sites.

Mr. Field stated that the tanks were sized in accordance with the original water master plan to provide sufficient resources, before the TOD was introduced. However, allocations for TOD designated sites in Kapolei continue to be worked on with the development of affordable housing as required in the unilateral agreement dependent upon the market.

Upon unanimous vote, the motion was carried.

Planner Lisa Wond provided a summary of the Consolidated Annual Performance and Evaluation Report (CAPER), citing the goals and accomplishments for the HOME Investment Partnerships (HOME), Emergency Solutions Grant (ESG), and Housing Opportunities for Persons with AIDS (HOPWA) programs. The Neighborhood Stabilization Plan (NSP) grants are pending closeout by U.S. Department of Housing and Urban Development (HUD). Upon submittal to HUD, the final CAPER would be available for public review on HHFDC’s website.

In response to Vice Chair Taira, Ms. Wond concurred, stating that HHFDC anticipates similar funding amounts in the future.

In response to Designee Evans, Ms. Wond noted the following:

- Hale Ulu Hoi I and II - rehabilitation
- West Hawaii Micro-Unit Housing project (new construction) - although canceled under the HOME program, other funding was found to complete the project.
- Mohouli Heights Senior Neighborhood Phase II - new construction
- Kamakoa Nui Self Help (new construction) - canceled due to concerns over possible unexploded ordnances from World War II.

With no further discussion Chair Pulmano asked that the Board proceed to agenda item V.

Vice Chair Taira moved, seconded by Designee Evans

That the HHFDC Board of Directors:

- A. Approve the Affordable Rental Housing Portfolio Restructuring and Preservation Subcommittee’s recommendation; and
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action, including but not limited to the entry into a contract with CBRE, Inc. for real estate consulting and brokerage services.

That staff’s recommendation be approved.

Property Management Coordinator Chris Woodard summarized the Subcommittee’s recommendations and HHFDC’s priorities for the restructuring and preservation of the Rental Housing System (RHS) Bond Fund portfolio, such priorities being to:

Palailai Associates, and Finance Realty Company, Limited, for the Villages of Kapolei Located in Kapolei, Oahu, TMK Nos.: (1) 9-1-16:35 (por); (1) 9-1-16:170-175; (1) 9-1-58 and (1) 9-1-16:88

III. F. DISCUSSION AND/OR DECISION MAKING Information on the Consolidated Annual Performance And Evaluation Report for Program Year 2015 (July 1, 2015 – June 30, 2016)

V. APPROVE THE RECOMMENTATIONS OF THE HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION’S AFFORDABLE RENTAL HOUSING PORTFOLIO RESTRUCTURING AND PRESERVATION SUBCOMMITTEE

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

1. Redeem the full amount of outstanding revenue bonds;
2. Minimize residential tenant displacement (including full protection of Pohulani Elderly residents living at the property as of the transaction closing from displacement);
3. Preserve the long-term affordability of residential unit rental rates at levels consistent with the original intent for the projects; and
4. Correct deferred maintenance and preserve the building improvements for the long-term.

Mr. Woodard reported that the restructuring and preservation of the RHS Bond Fund portfolio should be accomplished through the execution of long-term ground leases with private-sector owner-operators. The net proceeds received would be used to redeem the outstanding bonds and fund future RAP subsidies for the portfolio. Subject to confirmation of financial feasibility, HHFDC should endeavor to structure the ground leases to limit annual rent increases for existing residents for a period and restrict the rental of residential units at the 80% and 100% AMI levels, entering into long-term RAP contracts with the new leasehold property owner upon the transaction closing. Any excess net proceeds from the preservation and restructuring should be used to fund new affordable rental housing; however, this should not be a primary motivation of the RHS Bond Fund portfolio restructuring and preservation.

Mr. Woodard opened for questions along with Mr. Dana Peiterson and Mr. Andrew Reenders, on behalf of CBRE.

Vice Chair Taira asked about the negotiation of the lease agreement of the Pohulani/HHFDC Office. Executive Director Hirai stated that it has not been determined whether this space would be leased or retained as a condominium property regime.

Discussion ensued on possible lease provisions, which Mr. Woodard stated that outside counsel is anticipated to be hired to assist with the structuring of the leases, purchase agreements and land use restrictions. HHFDC's position would be that under no circumstance would the lease go to market, however, that would be determined by what the debt markets require at execution. Furthermore, should the ground lessee default on their mortgage, HHFDC would attempt to exercise its right to terminate the ground lease and retake the property.

In response to Chair Pulmano's questions, Mr. Woodard noted the following:

- Other management-intensive assets of the HHFDC include the Nani O Puna project in Pahoa, Hawaii, Kulia I Ka Nu'u (formerly Kahikolu) in Waianae, Oahu, and Waiahole Valley.
- Education and counseling services would be part of the RFP, presumably as a subcontracted service at the property.
- A communications plan has been put in place. The next step would be to schedule informational meetings for residents at the properties.
- If CBRE's Phase I evaluation is deemed feasible, staff will return to the Board for review and approval of a possible RFP and, later, the selection of a buyer.

The Board discussed in full and decided that after results and recommendations are received from CBRE, the Subcommittee will be tasked with reviewing the terms and conditions of a possible RFP and will then bring their recommendations to the full Board, after which time the Subcommittee will disband and terminate.

Deputy Attorney Sandra Ching informed the Board that a subcommittee cannot go on indefinitely and needs to be specifically tasked.

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

Chair Pulmano stated the Subcommittee will consist of the same members – Directors Luis Salaveria, Rona Fukumoto, Milo Spindt, and Denise Iseri-Matsubara.

With no further discussion, the motion was unanimously carried.

Chair Pulmano thanked staff and the Subcommittee for all their hard work.

Chair Pulmano asked for a motion to 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 pertains to agenda item IV. Executive Session, “Approve Term Sheet and Authorize Negotiation of a Development Agreement for a Mixed-Use Development at 690 Pohukaina Street Located in Kakaako, Oahu, TMK No. (1) 2-1-051: 041.”

**IV.
EXECUTIVE
SESSION**
10:58 a.m.

Vice Chair Taira moved, seconded by Director Fukumoto

That the Board convene in Executive Session at 10:58 a.m.

By unanimous vote, the motion was carried.

The Board reconvened in Regular Session at 12:24 p.m.

RECONVENED
12:24 p.m.

Vice Chair Taira moved, seconded by Director Kahlele

That action be deferred on agenda item IV. A.

By unanimous vote, the motion was carried.

Executive Director Hirai stated that he had nothing to report.

**VI.
REPORT
OF THE
EXECUTIVE
DIRECTOR**

Vice Chair Taira moved, seconded by Director Kahlele

To adjourn the meeting at 12:25 p.m.

**VII.
ADJOURNMENT**
12:25 p.m.

By unanimous vote, the motion was carried.



RONA FUKUMOTO
Secretary