

## 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 13, 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, October 13, 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 Melvin Kahale  
Director Audrey Abe  
Director Milo Spindt  
Director Denise Iseri-Matsubara  
Designee Mary Alice Evans (for Director Luis Salaveria)

Executive Director Craig Hirai

Excused: Director Rodrick Becker (for Wesley Machida)

Staff Present: Sandra Ching, Deputy Attorney General  
Janice Takahashi, Chief Planner  
Darren Ueki, Finance Manager  
Rick Prahler, Development Branch Chief  
Stan Fujimoto, Development Section Chief  
Kristi Maynard, Chief Financial Officer  
Stuart Kritzer, Asset Manager  
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: Ken Masden, DOE  
Paul Fortino, Northport  
David Page, Southport  
Stacy Ellamar, Pacific Resource Partnership  
Roy Katsuda, Hale Mahaolu  
Candis Wilkinson, Hale Mahaolu  
Libby Behn, Hale Mahaolu  
Stacy Sur, HHF, LLC  
Jeremy McComber, Hawaii Island Community Development Corporation  
Chris Delaney, PRP  
Jon Wallenstrom, Forest City & Alakai  
Joanne Lui, Forest City & Alakai  
Cayenne Pe'a, Forest City & Alakai

A quorum was present.

#### QUORUM

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Vice Chair Taira moved, seconded by Director Spindt

That the minutes of the Regular Meeting held on September 8, 2016 be approved, as circulated.

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.

Chair Pulmano deferred approval of the Executive Session minutes held on September 8, 2016, to later in the meeting.

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the following at the Villages of Leiali'i in Lahaina, Maui, Hawaii, Tax Map Key Nos.: (2) 4-5-021: 010, 015, 018, 019, and 4-5-036: 112, substantially as described in this For Action.

- A. Ground Lease of the Vacant Civic Center Lots to the County of Maui at \$1/year for 65 years;
- B. Dedication of Leiali'i Parkway to the County of Maui;
- C. Subdivision and dedication of the Leiali'i Parkway Entrance to the County of Maui;
- D. Authorize the Executive Director to take all actions necessary to effectuate the purpose of this For Action;

Subject to the following:

- E. Compliance with HRS Chapter 343 by the County for the proposed uses at the Vacant Civic Center Lots.
- F. Approvals by DLNR, DHHL and other applicable parties for the subdivision and dedication of Leiali'i Parkway Entrance to the County;
- G. Legislative approval of dedication of Leiali'i Parkway and Leiali'i Parkway Entrance in fee simple to the County pursuant to Section 171-64.7, HRS;
- H. Approval and execution of conveyance documents by the Department of Attorney General and the Executive Director; and
- I. Compliance with all laws and rules, and such other terms and conditions as may be required by the Executive Director.

Vice Chair Taira moved, seconded by Director Kahele

That staff's recommendation be approved.

Development Section Chief Stan Fujimoto stated the County of Maui has been using approximately 20 acres (Vacant Civic Center Lots) of HHFDC's 1100-acre master planned community in Lahaina, Maui, for overflow parking. Therefore,

**II. A.**  
**APPROVAL OF MINUTES**  
9/8/16  
Regular Meeting

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

**II. C.**  
**APPROVAL OF MINUTES**  
9/8/16  
Executive Session

**III. A.**  
**DISCUSSION AND/OR DECISION MAKING**  
Approve the Issuance of Ground Leases to the Vacant Civic Center Lots, Dedication of a Portion of Leiali'i Parkway, and Subdivision and Dedication of the Leiali'i Parkway Entrance to the County of Maui, at the Villages of Leiali'i in Lahaina, Maui, TMK Nos.: (2) 4-5-21:010, 015, 018, 019, and 4-5-036: 112

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the County of Maui is requesting for the acquisition of the Vacant Civic Center Lots.

The HHFDC proposes to issue a ground lease to the County of Maui at a dollar a year for 65 years, for any purpose permitted by law, including, but not limited to public parking, based yard purposes, and expansion of County facilities for the purpose of carrying out the responsibilities of County departments and agencies.

The Vacant Civic Center Lots are ceded lands and the ground lease shall be subject to additional lease rent of 20% of all rent the County collects, other than rent from affordable housing, for use of the ceded land.

Other agreeable terms by the County of Maui are as follows:

- To be responsible for any claims from the Office of the Hawaiian Affairs (OHA) resulting from the County's use of the Vacant Civic Center Lots under the ground lease.
- The County of Maui shall be responsible for compliance with HRS Chapter 343 for purposed use(s) at the Vacant Civic Center Lots.
- The County of Maui is agreeable to work with HHFDC to accept dedication of the existing subdivided portion of Leiali'i Parkway fronting Villages 1A and 1B, the subdivisions and dedication of the Leiali'i Parkway entrance at Honoapiilani Highway and the extension of Leili'i Parkway to the future Bypass Highway as indicated in the County of Maui letter dated August 30, 2016.

Mr. Fujimoto opened for questions, along with Maui Mayor Alan Arakawa and his Executive Assistant Jock Yamaguchi.

Maui Mayor Arakawa stated that it is imperative that everyone works together to find the best ways of utilizing its assets to further expand its services that will directly benefit all, as opposed to doing everything separately, which would end up costing more and be much more difficult.

Director Evans thanked the Mayor for coming and asked whether the County of Maui sees affordable housing as a compatible use for the 20-acre parcel. Maui Mayor Arakawa concurred, stating that expansion and construction of affordable housing in the area would greatly help the overall housing demand to be satisfied.

Director Evans asked if the County still had cash in lieu for affordable housing credits and whether the County would consider partnering with HHFDC to create additional affordable housing on the parcels adjacent to this. Maui Mayor Arakawa stated that he is not familiar with the affordable housing credit program. However, he stated that the County has been working with various entities where credits have been granted and honored.

Executive Director Craig Hirai stated that HHFDC is working with the County to see what can be done in the lower portion of Leiali'i.

Chair Pulmano thanked the Maui Mayor Arakawa for coming, stating that she too believes this is a good partnership.

In response to Chair Pulmano's comment, Maui Mayor Arakawa stated that it is only by working together that things will be accomplished.

The motion was unanimously carried.

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Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the Award of Federal and State 9% LIHTC to the following Projects in accordance with the QAP and subject to the conditions specified in Exhibit H of this For Action.

A. The Hale Mahaolu Ewalu Phase I project:

1. Allocation of up to \$744,000 of annual Federal and \$372,000 of annual State 9% LIHTC; subject to the terms as described in Section II, Subsection D and the following project specific conditions:
  - a. 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 \$487,900.

B. The Uluniu Maluniu Apartments project:

1. Allocation of up to \$1,100,000 of annual Federal and \$550,000 of annual State 9% LIHTC; subject to the terms as described in Section II, Subsection D and the following project specific conditions:
  - a. 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 \$1,048,635.

Vice Chair Taira moved, seconded by Director Kahale

That staff's recommendation by approved.

Finance Manager Darren Ueki stated that the deadline for applications requesting 2016 9% Low Income Housing Tax Credits (LIHTC) was on June 15, 2016, which 4 applications were received, reviewed, and scored under the criteria and guidelines of the 2016/2017 Qualified Allocation Plan (QAP). Total requests equate to \$2,320,203 in Federal LIHTC and \$1,160,101 in State LIHTC.

Based upon the scoring under the Criteria Point System, project feasibility, and housing interests in the State of Hawaii, 9% LIHTC awards are being recommended for:

- Hale Mahaolu Ewalu Phase I
- Uluniu Maluniu Apartments

HHFDC did not recommend a 9% LIHTC award for Nani O Puna based on its low LIHTC pricing quote of \$0.35/Federal LIHTC and \$0.25/State LIHTC attributed to its perceived lava risk. Na Lei Hulu Kupuna withdrew its application in lieu of a City and County of Honolulu Affordable Housing Fund grant and therefore, no recommendation was made.

Following the recommended awards of 9% LIHTC, HHFDC shall carryover the remaining 9% LIHTC balance of \$1,638,872 in Federal and \$819,436 in State for future allocation in 2017.

Applicants that did not receive an award may choose to re-apply in a future identified funding round for future 9% LIHTC consideration.

Mr. Ueki introduced Mr. Roy Katsuda, on behalf of the Hale Mahaolu Ewalu Phase I project and Ms. Makani Maeva on behalf of the Uluniu Maluniu

**III. B.  
DISCUSSION  
AND/OR  
DECISION  
MAKING**  
Approve an Award  
of Federal and State  
Low Income Housing  
Tax Credits from the  
State's 2016 Volume  
Cap to: (1) Hale  
Mahaolu Ewalu Phase  
I Located in Pukalani,  
Maui, TMK Nos.:  
(2) 2-3-066:019 and  
020; and (2) Uluniu  
Maluniu Apartments  
Located in Kailua,  
Oahu, TMK Nos.:  
(1) 4-3-052:001 and  
058

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Apartments project.

Vice Chair Taira asked what will happen to the Nani O Puna project. Mr. Ueki stated that HHFDC will continue to own and operate the project until further notice as it was a part of a packaged deal with the sale of the Kekuilani Gardens project. The developer will continue to pursue purchase of the project and look for alternative financing.

Discussion ensued on project specifications of the Nani O Puna project and transaction deal with the Kekuilani Gardens.

Director Evans asked what is the reason for the difference in fees between the two projects being awarded.

Mr. Ueki stated that the developer's fees are presented in the application process by the applicant. Without Board policy, staff continues to use criterions set forth by the National Council of State Housing Agencies, which declares 15% as reasonable.

Director Evans commented that she thought a policy of a maximum 12% had been adopted last year. Mr. Ueki stated that he believes there were discussions on it, but will look into the matter.

Chair Pulmano asked how does last year compare in terms of applicants. Mr. Ueki stated that applicants for the 9% LIHTC was down substantially as compared to previous years of where it had been oversubscribed by twice the amount of credits the Corporation had. Mr. Ueki further stated that reasons for the decrease may have been the major changes made to the Qualified Allocation Plan (QAP) to meet the goals of the current Administration and delay in distribution.

Mr. Ueki stated that the QAP will not be changed for 2017, as staff would like to see it through a normal round. However, possible changes are anticipated to be made for the 2018 QAP, which staff would like to discuss with the Board.

Director Abe asked what is the carry over process and for how many terms. Mr. Ueki stated that the credits are only allowed to be carried over for a one-year period to be allocated on a first-in/first-out basis. To date, staff has never had a problem in previous years; however, the Corporation will receive a new tranche for 2017.

Director Kahele asked how does the modified QAP effect the objectives of the Governor. Mr. Ueki stated that the QAP was modified to reflect the direction of the Administration of unit production rather than longer terms of affordability, energy efficiency, and certain scoring thresholds.

Mr. Ueki reiterated that staff would like to address the Board on how it can achieve the goals of the Administration, while keeping its program as efficient as possible.

Director Iseri-Matsubara stated that the Governor's priorities are to maximize the utility of its financing tool and streamlining its process to utilize funding received from the Legislature as efficiently as possible and increase inventory.

In response to Chair Pulmano, Mr. Ueki stated that the carryover is the largest amount he has seen in his 15 years of administering the program.

Chairman Pulmano asked whether Nani O Puna should be reconsidered for funding seeing that there is a large amount being carried over. Mr. Ueki reiterated staff's perspective and reason for not awarding the project; however, stated that the decision is ultimately up to the Board.

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Director Evans commented that she believes the use of the credits would be better utilized for new units as opposed to acquisition/rehabilitation.

Executive Director Hirai stated that the Corporation does have a Letter of Intent on Nani O Puna, which can be extended to continue work on. Ms. Maeva confirmed her purchase of the project, stating that she is also agreeable to extending the Letter of Intent to continue her efforts to find financing.

Discussion ensued on the reconsideration of the Nani O Puna project and whether the tax credit equity pricing could be renegotiated. Executive Director Hirai stated that to reconsider the project could conflict with the approval of future funding rounds, resulting in a timing issue and require reconsideration of other projects.

Mr. Ueki clarified for the record that higher pricing of the credits would not impact the feasibility of the Nani O Puna project, but rather make the project better. Furthermore, in its efforts to be good stewards of its resources staff has recommended accordingly and strongly urged the Board not to defer action on the awarding of the other two projects.

Discussion ensued on whether the motion should be amended for the reconsideration of the Nani O Puna project.

Chair Pulmano asked for a motion to go into 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.

Vice Chair Taira moved, seconded by Director Spindt,

That the HHFDC Board of Directors convene in Executive Session at 9:43 a.m.

By unanimous vote, the motion was carried.

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The Board reconvened into Regular Session at 10:23 a.m.

Chair Pulmano called for the vote to approve staff's recommendation, as stated.

By unanimous vote, the motion was carried.

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approves the following:

- A. The application cycle for the FY2017 LIHTC program as noted in Section III (A);
- B. The application cycle for the FY2017 RHRP Project Award program as noted in Section III. (B). All requests will be subject to the available of funds in the RHRP program;
- C. Authorize staff to begin marketing of the FY2017 RHRP Project Award application cycle;
- D. Authorize the Executive Director to approve an additional FY2017 application cycle for the RHRP Project Award program subject to the availability of funds and resources; and
- E. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

**EXECUTIVE SESSION**  
9:43 a.m.

**RECONVENED**  
10:23 a.m.

**III. C.  
DISCUSSION  
AND/OR  
DECISION  
MAKING**  
Approve the Fiscal Year 2017 Application Cycle for the Low Income Housing Tax Credit Program and the Rental Housing Revolving Fund Program and Authorize the Executive Director to Approve an Additional Application Cycle for the Rental Housing Revolving Fund Program

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Mr. Ueki stated that for the Fiscal Year (FY) Rounds of 2017, applications are anticipated to be available on December 1, 2016, and due by February 26, 2017.

Recommendations for the RHRF are anticipated in May/June of 2017, with LIHTC awards being available in December 2016. The 2016/2017 Qualified Allocation Plan (QAP) will be utilized for applications received for the FY2017 funding round.

It was noted that the RHRF had a Capacity Grant as well as a Pre-Development Loan programs, which were suspended indefinitely in 2003 by the HCDCH Board due to a lack of program funds and focus on the production of affordable rental units. Reinstatement of the program can be done via the Board.

A NOFA is scheduled to be published on October 25, 2016 subject to approval of this For Action.

Mr. Ueki opened for questions.

Director Fukumoto asked whether the Capacity Building Grant and Pre-Development Loan programs would need to be approved at the time of the funding round request. Mr. Ueki concurred, stating that it should be announced with the funding round.

Chair Pulmano asked for the purpose of the programs. Mr. Ueki explained that the Capacity Building Grant program allowed developers to receive money for things such as training and legal work to establish non-profits or companies. However, the challenge was finding a tangible return on the Corporation's investment.

Director Fukumoto commented that although there are a lot of resources now, there may be a situation where the Corporation could use the Capacity Building Grant and Pre-Development Loan programs as a tool for developers on a smaller scale.

Mr. Ueki stated that a calculable return on what is provided would need to be determined. However, today's pool of developers that the Corporation works with is much larger than what they first started off with.

With no further discussion, the motion was carried.

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the following:

- A. The Approved Project List for the FY2016 Funding Round 2 for Project Awards, subject to the following provisions and conditions:
  1. Approval of the Approved Project List does not obligate HHFDC to make an award to any applicant on the Approved Project List;
  2. Applicants on the Approved Project List shall not construe approval as an indication or guarantee of receiving an award or any other funding from HHFDC;
  3. HHFDC may elect to select, reject, or defer an applicant's request, if HHFDC judges such action to be in the best interest of the RHRF program;
  4. The amount of an award is subject to availability of RHRF Program funds;

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

Adopt the Approved and Rejected List for the Rental Housing Revolving Fund Project Awards for the FY 2016 Funding Round 2

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5. HHFDC is not obligated to approve or fund the full amount of an applicant's request;
  6. The actual form, terms, and conditions of each award shall be determined by HHFDC and is subject to negotiation between the applicant and HHFDC, and the completion of all appropriate legal documentation satisfactory to HHFDC and its legal counsel;
  7. The approval of each award and the disbursement of funds is subject to the final approval by the Governor of the State of Hawaii;
  8. The applicant agrees to abide by all terms and conditions that may arise due to the use of public funds; and
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Vice Chair Taira moved, seconded by Director Kahele

That staff's recommendation be approved.

Director Fukumoto recused herself from the vote.

Mr. Ueki stated that for FY 2016 Funding Round 1 the Corporation received 8 applications totaling 774 units and a request of \$101,965,025. The Kapolei Mixed Use Development Phase 2 project was rejected for failing to meet submittal requirements, resulting in 7 acceptable applications.

Approval of the Approved Project List is not obligated or guaranteed that an applicant will receive funding and the corporation may elect to select, reject, or defer an applicant's request based on the best interest of the RHRP program.

Recommendations for project awards will be brought to the Board at a future meeting.

The Approved List shall remain in effect until the awards are made to projects on the Approved List or until a new approved list is approved by the Board, whichever is earlier.

Projects can move from tier 2 to tier 1 if they gain resources, such as tax credits, HUD, or USDA subsidies during the process.

Mr. Ueki opened for questions.

In response to Director Evans, Mr. Ueki stated that the number of neighbor island projects received is of the norm.

With no further discussion, 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. A RHRP Project Award Loan of \$3,000,000 to Hale Mahaolu Ewalu LP 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

III. E.  
DISCUSSION  
AND/OR  
DECISION  
MAKING  
Approve a Rental  
Housing Revolving  
Fund Project Award  
for the Hale Mahaolu  
Ewalu Phase I Project  
Located in Pukalani,  
Maui, TMK Nos.:  
8

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proposed project and the release of RHRF program funds as mandated under Chapter 15-311, Hawaii Administrative Rules.

(2) 2-3-066: 019 and  
020

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 \$487,900.
  6. Availability of RHRF program funds.
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes if this For Action.

Vice Chair Taira moved, seconded by Director Kahele

That staff's recommendation be approved.

Mr. Ueki stated that the Hale Mahaolu Ewalu Phase I is a 39-unit affordable rental housing facility targeted for elderly families located in Pukalani, Maui.

Mr. Ueki noted a correction on page 2 of 5, Section E, which should read:

RHRF Uncommitted Taxable Funds	\$38,059,321
RHRF Uncommitted Tax Exempt Funds	<u>\$10,507,466</u>
Total	\$48,566,787

Future phases are being proposed and is anticipated to include 22 additional units, a senior center, and adult day care facility.

Project construction is set to begin in December 2016, with project completion in July 2018.

Recommended LIHTC loan terms were noted as follows:

Term/Maturity: 52 years  
Repayment: Years 1 through 2 – No Payments

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

Mr. Ueki noted that all though the loan term is for 52 years, its financial proforma shows a full loan repayment within 47 years from the start of the project.

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Furthermore, all developer's fees are capped. For this project, the developer's fee is capped at 2.7% or \$487,900.

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

Vice Chair Taira asked for the reason for 2-bedroom units. Mr. Katsuda explained that 2-bedroom units were requested by the elderly for various reasons (i.e., snoring issues, two unrelated elderly persons, two sisters, two brothers), which the project has taken into consideration to experiment with.

Chair Pulmano asked if there was any additional information that Mr. Katsuda wanted to provide on the Project.

Mr. Katsuda stated that difficulty of site work and meeting all ADA requirements are the result of increased costs. The Project looks to incorporate a Senior Center (extended from 5 days a week to 7 days) which is very affordable due to Project Based funds received from the County and a commercial kitchen to provide meals (average 600 meals, 7 days a week). Mr. Katsuda expressed his appreciation to the Board for their consideration.

Director Abe asked if shuttle service would be provided for those who cannot drive. Mr. Katsuda stated that there is the Maui Bus, with a planned Kaiser clinic to be across the street, Longs Drugs, and other small business type offices nearby.

In reference to Mr. Ueki's comment made on the carryover of the tax credits, Mr. Katsuda suggested that the carried over credits be exchanged with the RHRF, providing more state funding for disposal to meet the use of the Federal tax credits – being a win-win for everyone.

With no further discussion, the motion was carried.

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 Mohouli Heights Senior Neighborhood Phase 3 project to October 31, 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 Kahale

That staff's recommendation be approved.

Mr. Ueki stated that the Mohouli Heights Senior Neighborhood Phase 3 project is a 60-unit elderly project located in Hilo, Hawaii. At its October 2015 Board Meeting, the Board approved the issuance of Tax Exempt Revenue Bonds of up to \$9.8 million from the Hula Mae Multi-Family Bond program, \$624,035 in Federal and \$312,017 in annual State 4% LIHTC, and \$10,079,027 in RHRF.

Project construction is set to start in February 2018, with project completion in February 2019.

Based on staff's evaluation, A FONSI was approved in May 2009, with DCAB's Final Review letter and County of Hawaii Building permits pending approval.

In June 2016, the Project submitted an application for HMMF Bonds, 4% LIHTC, and RHRF to increase the total units in the project from 60 to 92. If the project is awarded funding with this application, the existing award will be returned.

### III. F. DISCUSSION AND/OR DECISION MAKING

Approve an Extension to Resolution No. 077, Which Provides for Official Intent with Respect to the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds for the Mohouli Heights Senior Neighborhood Phase 3 Project Located in Hilo, Hawaii, TMK No.: (3) 2-4-001: 184

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The Inducement Resolution does not authorize the sale of tax-exempt bonds for the Project, but allows for further discussions and capture certain costs.

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

With no questions by the Board, the motion was carried.

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors:

- A. Approve proposed amendments to and compilation of Chapter 15-307, HAR, subject to approval as to form by HHFDC's Deputy Attorney General, and to the Governor's approval, and authorize the Executive Director, or designated representative(s), to conduct a public hearing on the adoption of said amendments to and compilation of Chapter 15-307, HAR;
- B. Authorize the Executive Director to make any necessary non-substantive amendments to the draft rule amendments following the public hearing; and
- C. Subsequent to the public hearing, authorize the Executive Director to transmit Chapter 15-307, HAR, as amended and compiled, to the Governor for final approval if no additional substantive amendments are required.

Vice Chair Taira moved, seconded by Director Fukumoto

That staff's recommendation be approved.

Planner Mavis Masaki stated that Chapter 13-207, Hawaii Administrative Rules governs most of HHFDC's development programs. Rule amendments are needed to implement Acts 131 and 132, Session Laws of Hawaii 2016, both part of the Administration's housing strategy.

Act 131 broadens HHFDC's ability to develop mixed use developments and facilitates broader scaled interagency partnerships with State and County departments and agencies for housing developments, including mixed-use developments, on state and county lands.

Act 132 authorizes the creation of Regional State Infrastructure Improvements Subaccounts within DURF and the use of DURF to provide loans and grants to finance regional state infrastructure improvements that will support development in areas of planned growth.

Other amendments are needed to existing programs are proposed, including substantive amendments relating to HHFDC's authority to make permanent DURF loans and to HHFDC's Real Estate Services programs.

Ms. Masaki noted the following corrections to be made:

- Exhibit A, page 307-70, Section 15-307-248 in Subsection A, should read:

“(a) The administrator and ~~eligible developer, state departments or agencies, counties, or private developers~~, upon approval by the board, may enter into an agreement, including a loan agreement, development agreement, or regulatory agreement, evidencing the eligible developer's obligation to develop the project in a manner that carries out the intent and purpose of this program.”

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

Approve Proposed Amendments to and Compilation of Chapter 15-307 "State-Assisted Land and Housing Development," Hawaii Administrative Rules, to implement the provisions of Act 131 and 132, Session Laws of Hawaii 2016, relating to mixed-use developments and establishing a Regional Infrastructure Project Loan program, respectively; to authorize the issuance of permanent Dwelling Unit Revolving loans; to updated household size guidelines; and to make other conforming, housekeeping, and technical amendments.

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- Exhibit B, page 1 of 4, Section 15-307-1, Subchapter 1, Description and 3<sup>rd</sup> to the 5<sup>th</sup> paragraphs, should read:

Adds in references to Acts [130] 131 and [131] 132 to purpose of Chapter 15-307, HAR.

Adds new definition of mixed-use developments” to conform to Act 1301.

Adds new definition of mixed-use transit-oriented developments” to conform to Act 1301.

Adds new definition of “regional infrastructure improvement” to conform to Act 1342.

Adds new definition of “subaccount” to effectuate Act 1342.

The next steps in the rulemaking process were noted as follows:

1. Governor approval of the request to conduct a public hearing on the proposed rule amendments, via the Department of Budget and Finance and the Development of Business, Economic Development and Tourism’s Small Business Regulator Review Board;
2. Statewide publication of notice of the public hearing no later than 30 days prior to the hearing date;
3. The public hearing; and
4. Submission of a request for the Governor’s final approval of the proposed rule amendments. The request will include a summary of all public comments on the proposed rules.

If at any step in the above process, it becomes necessary to make substantive amendments to the proposed rule amendments, staff will return to the Board for further discussion and approval.

Ms. Masaki opened for questions, along with Chief Financial Officer Kristi Maynard, Development Branch Chief Rick Prahler, and Chief Planner Janice Takahashi.

Director Kahele asked whether the proposed amendments would be for the upcoming Legislative Session. Executive Director Hirai clarified that the proposed amendments are a result of the Acts just passed by the Legislature in 2016 and not for the upcoming Legislative Session.

Director Iseri-Matsubara commended the Department for their good work on Legislation, especially in the area of infrastructure. Chair Pulmano concurred.

Chair Pulmano asked whether Act 132 purpose was to support development or affordable housing development. Ms. Masaki clarified that it is for all developments, not just HHFDC.

In response to Chair Pulmano’s subsequent questions regarding Exhibit A, page 307-10, definition of mixed-use development and page 307-11, Regional Infrastructure Improvements, Ms. Takahashi clarified that all definitions come from the Acts.

In reference to page 307-66, Subchapter 14, Regional Infrastructure Subaccounts, Chair Pulmano asked whether the intent would only be for a county government to request for funding. Executive Director Hirai clarified that he believes the county would have to request to set up a subaccount; not necessarily for funding.

In response to Chair Pulmano, Ms. Masaki concurred that a county would first request for the subaccount for a set aside and then the project would later come in to request for funding.

## HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

With no further discussion, the motion was carried.

Development Section Chief Stan Fujimoto presented the For Information, and stated that after a competitive request for proposal (RFP) process in January 2013, Forest City Hawaii, LLC (Forest City) was selected by Hawaii Community Development Authority (HCDA) to develop a mixed-use market and affordable residential apartment project at 690 Pohukaina Street (Property).

To enable a 75-year leasehold development, HCDA and Forest City collaborated with HHFDC and the Department of Education (DOE) for development of the project in two phases.

Phase I would be developed by Forest City and would consist of a residential tower of about 390 units and a separate structure for parking for both phases I and II.

Phase II would be developed by HHFDC with DOE, under an RFP and would consist of an educational component and a tax credit housing component. Ownership of each component would be leasehold of CPR units.

In September 2016, the HCDA and HHFDC Boards respectively deferred actions to approve a term sheet of this arrangement.

Discussion ensued on HHFDC's consideration of negotiating a development agreement with Forest City for the development of the Property in the event that HCDA's RFP is canceled. The general terms of the project were noted as follows:

- The land would be set aside to HHFDC from DLNR.
- The developer of Phase I would be Forest City's affiliate Alakai Development, LLC.
- Alakai would create spatial units under a CPR for the leasehold ownership of the 3 components at a dollar a year for 75 years, with HHFDC as the lessor.
- Alakai would be the ground lessee of the Phase I component. DOE would be the ground lessee of the educational component and the tax credit developer would be the ground lessee of the tax credit rental component.
- At least 60% of the Phase I residential units will be affordable to families at 140% and below the HUD area median income for the duration of the ground lease.
- Alakai will pay to HHFDC, subject to an MOA between HHFDC and DLNR a one-time lease premium of the appraised value of its leasehold interest of the lot coverage of the Phase I residential tower with set back as restricted by its affordability requirement, and pro rata portion of the lot coverage of the garage and common driveway with setbacks based on the number of stalls in the garage for the Phase I building relative to the total number of stalls in the garage.
- The roof of the parking structure will be reserved for Alakai to install PV panels to provide electricity to the Phase I tower.
- After Phase I is completed, HHFDC would develop Phase II under an RFP for the education and the tax credit rental components.
- The educational component would be in accordance with program requirements specified by DOE and funding by CIP appropriations.
- The tax credit rental component would be affordable to families at 60% and below the AMI.

Mr. Fujimoto opened for questions, along with Mr. Jon Wallenstrom, Ms.

**III. H.  
DISCUSSION  
AND/OR  
DECISION  
MAKING**  
Information and  
Discussion on  
HHFDC's  
Consideration to  
Negotiate a  
Development  
Agreement for a  
Mixed-Use  
Development at  
690 Pohukaina  
Street Located in  
Kakaako, Oahu,  
TMK No.:  
(1) 2-1-051: 041

## HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

Cayenne Pe'a and Ms. Joanne Lui, on behalf of Forest City and Alakai; and Mr. Kenneth Masden, on behalf of the DOE.

Mr. Wallenstrom stated that Forest City is excited to move forward on this project to accomplish what they believe are of significant importance - affordable housing, school, and Transit-Oriented Development (TOD).

Director Evans asked what is the relationship between Forest City and Alakai. Mr. Wallenstrom explained that Alakai is an affiliate of Forest City, a locally owned development company in Hawaii.

In response to Director Kahele, Mr. Wallenstrom stated that parking for both staff and residents will be provided. Discussion on parking rent are ongoing with the DOE.

Director Kahele asked for the purpose of having a school at that location. With the development growth of Kakaako, Mr. Masden stated that studies show there is a need for an elementary school in the area as well as an opportunity to create a new vertical school model. Mr. Wallenstrom commented that he believes the idea of having a school and residential housing in such proximity is a marvelous idea from a lifestyle perspective.

Director Kahele expressed concern on additional costs that would be imposed on a developer. Executive Director Hirai clarified that the DOE would be funding the school.

Mr. Masden concurred that the DOE would be funding the school and stated that studies of all adjacent schools in the McKinley complex and continuous development of the Kakaako area shows that student enrollment will be increased and that the proposed school would be filled quickly.

Director Abe asked what is the enrollment capacity of the school. Although in its beginning stages of discussion, Mr. Masden stated that approximately 750 elementary students are anticipated, in a square footage area of approximately 100,000 square feet.

Director Abe asked if there would be a loading and unloading zone. Mr. Masden stated that the area next to the Mother Waldron Park is being look at for that purpose.

Director Evans asked whether the McKinley area complex is being considered for an elementary school. Based on the studies generated, Mr. Masden stated that the McKinley complex area would need to grow for the use of the increased high school students; not elementary.

Director Evans asked why develop an elementary school at 690 Pohukaina before looking at the McKinley complex that the DOE would already have title to. Mr. Masden stated that if it is found that the DOE cannot accommodate everything that is needed at McKinley the opportunity for a school may be lost.

Director Evans asked whether 2 and 3 bedroom units are being envisioned for the project. Mr. Wallenstrom stated that smaller 1 and 2-bedroom family units are being looked at. No studios.

Director Kahele expressed concern with the extra money being used to build a new school that may be eventually filled over time instead of using the money to build additional classrooms to address current capacity issues with existing schools in the State.

In response to Director Kahele's concern, Director Iseri-Matsubara asked Mr. Masden to inform the Board of other schools that are in the area and its enrollment capacity.

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Mr. Masden stated that he did not have that data on hand, but could provide the Board with that information.

Mr. Masden further stated that capacity is an issue and the DOE is trying to balance that against the other needs across the State. However, if the DOE does not react in the urban core the problem could get worse.

Director Fukumoto stated that from her perspective, having a school in the building would benefit the low income families by minimizing transportation expenses.

Director Abe asked if there would be a playground area for the school. Mr. Masden stated that the Mother Waldron's Park would be the intended green space for the school.

Director Abe expressed concern of the green area being a public park where safety could be an issue with the mixture of various activities and the homeless. Mr. Masden stated that there have only been tentative discussions as the project is trying to get to the next phase with the development agreement. However, the intent of the DOE is to ensure the security of the students.

Chair Pulmano asked if there were other models for a vertical school that were been looked at outside of the State. Mr. Masden stated that although the DOE has not looked explicitly at models outside this State, discussions are ongoing with its designers, using the typology to go to other campuses where greater density is needed and perhaps consider a possible vertical middle school and high school.

Discussion ensued on the McKinley complex area and how the DOE considers its placement of elementary, middle, and high schools.

Director Spindt commented that although McKinley sounds like an opportunity that exists now, this is also a good opportunity to build a school and keep another school's infrastructure available for future development and allowing the State to use its resources to fulfil the multiple roles of affordable housing and education in one location.

Chair Pulmano asked if there was an estimated scheduled for Phase II. Executive Director Hirai stated that it is uncertain as to whether there are possible procurement issues and there are still details that are being worked on.

Director Evans asked how many of the different unit type are being considered for the rental units. Mr. Wallenstrom stated that a total of 390 - 1 and 2 bedroom units are anticipated at this point.

With no objections by the Board, Executive Director Hirai stated that a For Action will be presented at its next Board Meeting for the Board's consideration.

With no further discussion, the Chair proceeded to the next item on the agenda.

Mr. David Page, General Partner of the entity that owns Hale O'Hauoli (Project), stated that in its request of an extension to its ground lease, HHFDC stated that their request would be considered only in the context of a tax credit application that would recapitalize the asset. However, late in the process, it was determined that there was a conflict with potential TOD development and the extension was denied.

Mr. Page further stated that because the Project is unable to obtain a ground lease extension (in excess of 50 years), they are ineligible for acquisition credits and is unable to sell the property to a new entity substantially below its market value.

Further implications would be having to nullify its intentions of providing new appliances, elevators, flooring, and cabinets to its tenants.

**III. I.  
DISCUSSION  
AND/OR  
DECISION  
MAKING**  
Presentation by  
Hale O'Hauoli  
Elderly Associates  
and Discussion  
Regarding  
Purchaser's Request  
to HHFDC for an  
Extended Lease for  
a Proposed  
Acquisition/

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With 30 years left on the property, he asked the Board if there would be another way to recapitalize the asset.

Chair Pulmano asked for background information on the Project. Mr. Page stated that the Project is a 100-unit elderly tower in Pearl City and is 100% Project Based Section 8, with the ground lease set to expire in 2046.

Rehabilitation of  
Hale O'Hauoli  
Senior Rental  
Project Located  
in Pearl City, Oahu,  
TMK No.:  
(1) 9-7-094: 021

Director Abe asked what is the market value price. Mr. Page stated that it was approximately \$11 million.

Chair Pulmano asked for staff's position on the matter.

A Hawaii Interagency Council for Transit-Oriented Development plan handout and a State and County Map of the Pearl Highlands Station Area was distributed to the Board.

Executive Director Hirai explained that the Corporation does not wish to extend the ground lease at this time, until some direction of the TOD's redevelopment is determined and necessary amendments are made to the lease to align such directed plans. (i.e., widening of a road or subdivision of land)

Director Spindt asked what is the urgency on the recapitalization on the Project. Mr. Page stated that this process has been going on for three years and it was only recently that a decision was made by the Executive Director to not support the extension.

Executive Director Hirai stated that the reason for the sudden change was due to Act 130, which was just passed this year, requiring the Executive Director of HHFDC to co-chair the TOD Council, requiring the master planning of State and City lands in TOD areas.

Director Iseri-Matsubara added that the TOD Council was something that had come out of Legislation and has just started to meet on its plans with coordination with the counties, city, and state government, in order to map out what it wants to do. Although the timeframe is uncertain, Director Iseri-Matsubara stated that she felt it was necessary to take a holistic view of what they have to do in the future and what that may involve, suggesting that the Board support the work of the Council in mapping those plans out for the good of the state and the city. Director Evans concurred.

Executive Director Hirai reiterated that once the TOD Council has a better idea of its direction, an extension of the ground lease can be considered accordingly.

Mr. Ueki clarified that the financing application submitted was underwritten and was being brought before the Board for approval when the issue of the Project's site control and the ability to have the lease extended surfaced.

Director Iseri-Matsubara reiterated Executive Director Hirai's willingness to continue to meet and work with the project on this matter.

Executive Director Hirai stated that it is more of a timing issue of the Office of Planning, as far as planning timelines are concerned.

Mr. Page stated that the risk for him would be increased rates that would require additional State resources and therefore, the deal would need to be done today.

Executive Director Hirai resated that at this time the Corporation does not wish to extend until TOD plans for the area can be identified.

Chair Pulmano thanked Mr. Page and asked for a recess at 12:11 p.m.

RECESS  
12:11 p.m.

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The meeting reconvened at 12:25 p.m.

**RECONVENED**  
12:25 p.m.

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

Vice Chair Taira moved, second by Director Spindt

**IV.**  
**EXECUTIVE**  
**SESSION**  
12:26 p.m.

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 relates to the Stipulation Resolving Claims Objections for In Re: WL Homes LLC, et al, No. 09-10571 (BLS) (Bankr. D Del), with George L. Miller, Chapter 7 Trustee for Estates of WL Homes, et. al. ("Bankruptcy Trustee").

The motion was unanimously carried.

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The Board reconvened in Regular Session at 12:44 p.m.

**RECONVENED**  
12:44 p.m.

Executive Director Hirai stated that HHFDC will seek assistance from Deputy Attorney General Sandra Ching on the executive director's interrelationship as the co-chair of the TOD Council and HHFDC executive director. (e.g., ground lease extension for the Hale O'Hauoli Elderly project in Pearl City).

**V.**  
**REPORT**  
**OF THE**  
**EXECUTIVE**  
**DIRECTOR**

Director Evans commented that the proposed rules just passed allows the Corporation to have the ability to do mixed use development and has a broader view of infrastructure.

In reference to the Hale O'Hauoli Elderly project, Director Spindt commented that he did not see the urgency for a decision to be made today on the ground lease. Director Evans concurred.

Denise Iseri-Matsubara commented that the Board needs to look at the whole plan and what the Agency needs to do in order to be prudent in what is the best interest of the State long-term.

Executive Director Hirai asked for clarification on Chair Pulmano's and Director Iseri-Matsubara's request for a diagram and timeframe of the application process for financing assistance, stated at the September 12, 2016 Board meeting.

Chair Pulmano stated that she would find it helpful to have a flow chart of the application process from start to finish and the major milestones of the LIHTC application or consolidation application when received.

Executive Director Hirai distributed the following books to the Board: Beginner's Guide to The Housing Credit, Beginner's Guide to the Fair Housing Act, and Beginner's Guide to Tax-Exempt Bonds for Affordable Housing. It was noted that the application process could be found on page 27 of the Beginner's Guide to The Housing Credit.

Mr. Ueki stated that he believes the lower quality of the applications received were due to the late distribution of the QAP and its major changes. Being undersubscribed, staff took the time to work with the individual applicants, taking a longer turnaround time as opposed to a typical round of approximately 3 to 4 months.

Director Abe asked if developers are notified of the distribution of applications. Mr. Ueki stated that staff does notify a large list of interest parties via email, which consist of developers, property managers, and all others interested in doing an affordable housing.

Director Abe asked whether further assistance is needed. Mr. Ueki stated that

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other than the consultants that are out there, HHFDC does have an open door policy and that staff continues to work on streamlining its application further by having an autofill feature for items such as the intended target, financing type, and number of units.

In response to Chair Pulmano's request, Mr. Ueki went over the application process and stated that he will work with her on providing something for the Board.

Vice Chair Taira moved, seconded by Director Spindt

To adjourn the meeting at 12:55 p.m.

By unanimous vote, the motion was carried.

**VI.  
ADJOURNMENT**  
12:55 p.m.

  
RONA FUKUMOTO  
Secretary