

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, NOVEMBER 10, 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, November 10, 2016, at 9:00 a.m.

Chair Leilani Pulmano called the meeting to order at 9:01 a.m. Those present and excused were as follows:

**CALL TO  
ORDER/  
ROLL CALL**

Present: Director Leilani Pulmano, Chair  
Director Rona Fukumoto, Secretary  
Director Melvin Kahele  
Director Audrey Abe  
Director Milo Spindt  
Director Denise Iseri-Matsubara  
Director Scott Kami (for Director Wesley Machida)

Executive Director Craig Hirai

Excused: Director Edwin Taira, Vice Chair  
Director Luis Salaveria

Staff Present: Sandra Ching, Deputy Attorney General  
Colette Honda, 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  
Marlene Lemke, Sales and Counseling Section Chief  
Patrick Inouye, Housing Finance Specialist  
Jocelyn Iwamasa, Housing Finance Specialist  
Dean Sakata, Housing Finance Specialist  
Beth Malvestiti, Housing Development Specialist  
Christopher Woodard, Property Management Coordinator  
Lorraine Egusa, Budget Analyst  
Kent Miyasaki, Housing Information Specialist  
Esa Pablo, Secretary to the Board

Guests: Jon Pang, Case Lombardi & Pettit  
Greg Kawakami, Waipono Investment Corporation  
June Yip, Waipono Investment Corporation  
Steve Miller, Ka Hale A Ke Ola  
Monique Yamashita, Ka Hale A Ke Ola  
Paul Fortino, Northport  
Kevin Carney, EAH Housing  
Dann Carlson, Department of Education  
Kaione Crabb, Colliers International  
Jon Wallenstrom, Forest City  
Cayenne Pe'a, Forest City  
Joanne Lui, Forest City  
Andrew Gomes, StarAdvertiser

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A quorum was present.

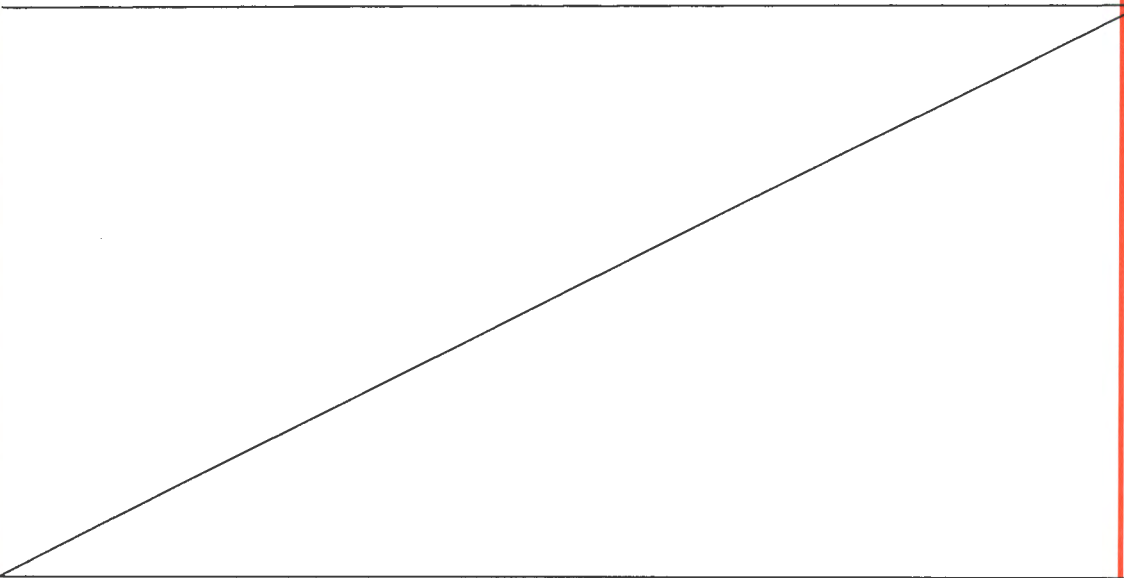
Chair Pulmano deferred approval of all meeting minutes of the Regular and Executive Sessions held on October 13, 2016 to the next Board Meeting.

QUORUM

II. A.  
APPROVAL  
OF MINUTES  
10/13/16  
Regular  
Meeting

II. B.  
APPROVAL  
OF MINUTES  
10/13/16  
Executive  
Session

II. C.  
APPROVAL  
OF MINUTES  
10/13/16  
Executive  
Session



Director Fukumoto moved, seconded by Director Abe

That staff's recommendation be approved as follows:

That the HHFDC Board of Directors approve the following:

- A. Approve amendments to terms of the RHRF loan as presented in Section III D of this For Action.
- B. Approve amendments to the terms of the LIHTC award as presented in Section III E of this For Action.
- C. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposed of this For Action.

Director Fukumoto moved, seconded by Director Abe

That staff's recommendation be approved.

Finance Manager Darren Ueki stated that in April 2016, the Hale Makana O'Waiale (Project) submitted a request for a modification to the terms of the Rental Housing Revolving Fund (RHRF) loan to relieve the Project of further financial burdens of monthly fixed debt service payment. The modification would also enable the project to fund major capital replacement and complete necessary repairs on the property.

Mr. Ueki noted that on page 2, III. A., 2<sup>nd</sup> sentence be corrected to read:

The project consists of thirty (30) residential buildings.

Staff recommended amendment of the RHRF loan terms, as follows:

- An Interest Rate of 0.50% as opposed to the Project's request of 1.0% per annum
- A Term of 37 years (An extension of 7 years) as opposed to the Project's request of 40 years
- Repayment of 80% of Available Cash Flow as opposed to the Project's request of 75%.

Staff also recommends waiving the LIHTC award requirement of restricting rents below the maximum allowed by the LIHTC program. The Project's maximum

III. A.  
DISCUSSION  
AND/OR  
DECISION  
MAKING  
Approve Amendments  
to the Rental Housing  
Revolving Fund Loan  
And Low Income  
Housing Tax Credit  
Award for the Hale  
O'Waiale Project  
Located in Wailuku,  
Maui, TMK No.:  
(2) 3-8-046: 021

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rent was established at the project's inception in 1997 based on a ratio of the rents charged at the time to the LIHTC maximum rent. If this waiver is approved, the Project's rent will continue to be restricted by the maximum rents required by the LIHTC and RHRF programs.

Mr. Ueki opened for questions, along with Mr. Steve Miller and Mrs. Monique Yamashita, on behalf of the Project.

In response to Designee Kami, Mr. Ueki reiterated that staff is recommending to waive the LIHTC award requirement in efforts to alleviate the Project from further financial strain, enabling the Project to fund major capital replacement and complete necessary repairs on the property.

Designee Kami asked what is the current rent ratio percentage and to what percent would it go up to. Housing Finance Specialist Dean Sakata stated that he would check on the percentage. In terms of the targeted AMI, Mr. Ueki stated that he would suspect that percentage to be within the 50% range.

With no further discussion, the motion was unanimously carried.

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the following:

- A. A renewal of an existing RHRF Loan of \$3,705,000 to Palehua Apartments LP for the benefit of the Palehua Terrace Phase I project under the terms and conditions as show in Section III (D) of this For Action subject to the following:
  - 1. Preparation and execution of documentation satisfactory to HHFDC outlining the terms and conditions of the renewal.
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Director Fukumoto moved, seconded by Director Abe

That staff's recommendation be approved.

Finance Manager Darren Ueki stated that in September 2016, the Palehua Terrace Phase I (Project) submitted a request to renew the terms of the RHRF.

Mr. Ueki noted that on page 2, III. A. 1., be corrected to read:

Both Declaration of Restrictive Covenants (Declaration) for the RHRF and LIHTC programs restricts all 83 residential units to rents and tenancy at or below 60% Area Median Gross Income (AMGI).

Staff recommended renewal of the RHRF loan terms, as follows:

- An Interest Rate of 0.50% as opposed to the Project's request of 0.75% per annum
- A Term of 15 years as opposed to the Project's request of 30 years
- Repayment of 75% of available Cash Flow as opposed to the Project's request of 50%

Mr. Ueki opened for questions, along with Mr. Greg Kawakami, Ms. June Lui, and Mr. John Pang, on behalf of the Project.

Chair Pulmano noted that the last 3-digits of the TMK numbers reflected on the For Action did not coincide with the TMK numbers on the agenda and asked which TMK number is the correct one.

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

Approve a Renewal of a Rental Housing Revolving Fund Loan to the Palehua Terrace Phase I Project Located in Makakilo, Oahu, TMK No.: (1) 9-2-019: 033

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The Board recessed at 9:13 a.m. and reconvened at 9:14 a.m.

**RECESS**  
9:13 a.m.

**RECONVENED**  
9:14 a.m.

In response to Chair Pulmano, Mr. Ueki stated that the correct TMK number should be: TM No.: (1) 9-2-019: 081. Changes to the agenda are to be made.

With no further discussion, the motion was unanimously carried.

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the following:

- A. Resolution No. 093, attached as Exhibit D, which authorizes a tax-exempt issuance of up to \$9,250,000 from the HMMF Bond Program, subject to the provisions and conditions recommended in Exhibit C and
- B. Authorizes the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Director Mel Kahele moved, seconded by Director Fukumoto

That staff's recommendation be approved.

Mr. Ueki stated that Resolution No. 93 authorizes the issuance, sale, and delivery of Hula Mae Multi-Family (HMMF) Bonds in a principal amount not to exceed \$9,250,000 for the purpose of making a mortgage loan to provide construction and permanent financing support to the Pauahi Apartments Partners LP for the River Pauahi Apartments (Project), an existing 49-unit affordable rental housing facility targeted for families. The HMMF Bond is a private placement with the Bank of Hawaii.

A Tax Equity and Fiscal Responsibility Act hearing was conducted on Wednesday, September 7, 2016, receiving no written or oral testimony and members of the general public.

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

Designee Kami commented that Exhibit A, item 4., b., i., "All Developer Fees (excluding overhead) are deferred during construction. Correspondingly, Developer Fee does not supplement contingency," and Exhibit C, item 11, "The owner shall not pay or disburse Developer Fees until satisfactory project completion. The owner agrees that the Developers Fees shall be made available as contingency until satisfactory project completion, should the need arise," appeared to be conflicting and asked how would one know which one would prevail.

Housing Finance Specialist Patrick Inouye explained that the language within Exhibit A states the current status of what the budget is; while Exhibit C is the "boilerplate" language that states the expectation of the developers.

Designee Kami asked whether the resolution language should be clarified, accordingly.

Executive Director Hirai asked whether there was a conflict. Mr. Ueki stated that although he did not believe there was a conflict, staff could discuss the matter with its Bond Counsel on whether any changes would be needed.

With no further discussion, by unanimous vote, the motion was carried.

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

Approve Resolution No. 093, Authorizing the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds for the River Pauahi Apartments Project Located in Honolulu, Oahu, TMK No.: (1) 1-7-004: 034

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Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the following for a mixed-use development on approximately 2.167 acres of State land at 690 Pohukaina Street, Kakaako, Oahu, Hawaii, on TMK (1) 2-1-051: 041, substantially as described in this For Action:

- A. Alakai Development LLC, or other successor entity approved by the Executive Director, as an Eligible Developer pursuant to Section 15-307-24, HAR;
- B. Request for the set aside of the Property to HHFDC for educational and affordable housing purposes, subject to the existing unrecorded General Lease No. 6097; which will include the negotiation and execution of a Memorandum of Agreement with DLNR for annual payments of the lease premium to DLNR;
- C. Negotiation and execution of a Development Agreement with the Developer for Phase 1 of the Project;
- D. Creation of spatial units under a condominium property regime for the leasehold ownership of the Workforce, Educational and Tax Credit Components and appurtenant parking, and amendments thereto;
- E. Issuance of 75-year ground leases at \$1/year to the Developer for each of the Workforce, Educational and Tax Credit Components at the closing of financing for the Phase 1 improvements;
- F. Purchase of the ground leases for the Educational and Tax Credit Components at the completion of Phase 1 by DOE and HHFDC, respectively, at prices acceptable to Development, DOE and HHFDC;
- G. Authorize the Executive Director to take all actions necessary to effectuate the purposes of this For Action;

Subject to the following:

- H. Cancellation of the HCDA RFP for the Property;
- I. Set aside of the Property to HHFDC by DLNR;
- J. Payment of a one-time lease premium by Developer to HHFDC for the benefit of DLNR for the ground lease to Developer for the Workforce Component;
- K. Approval of the Project by the County.
- L. Compliance with HRS Chapter 343;
- M. Execution of the Development Agreement with DOE and the Developer within one calendar year of approval of this For Action, unless otherwise extended at the sole discretion of the Executive Director;
- N. Approval as to form of necessary documents by the Department of Attorney General and execution by the Executive Director; and
- O. Compliance with all rules, regulations and such other terms and conditions as may be required by the Executive Director.

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

Approve Alakai Development LLC, or Other Successor Entity Approved by the Executive Director, as an Eligible Developer Pursuant to Section 15-307-24, Hawaii Administrative Rules, Request for Set Aside of the Property to HHFDC, Negotiation and Execution of a Development Agreement with the Eligible Developer, Creation of and Amendments to Spatial Units Under a Condominium Property Regime, Issuance of Ground Leases for Spatial Units, and Purchase of Ground Leases at Completion of Phase I of a Mixed-Use Development at 690 Pohukaina Street Located in Kakaako, Oahu, TMK No.: (1) 2-1-051: 041

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Director Fukumoto moved, seconded by Director Abe

That staff's recommendation be approved.

Development Section Chief Stan Fujimoto stated that the For Action seeks approval to proceed with negotiations and execute a Development Agreement with Forest City for a two-phase development of the proposed 690 Pohukaina Street (Property) project, in the event that HCDA's RFP is terminated.

Major terms are as follows:

- The land would be set aside to HHFDC from the Department of Land and Natural Resources (DLNR).
- The Developer of Phase I would be Alakai Development LLC, an affiliate of Forest City.
- The Developer would create spatial units under a CPR for the leasehold ownership of the leasehold components and a dollar a year for 75 years with HHFDC as the Lessor. The Developer would be the ground lessee of the Phase I Component.
- The Department of Education (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 Phase I residential units would be affordable to families at 140% or below the HUD Area Median Income for the duration of the ground lease.
- The Developer will pay to HHFDC, subject to a Memorandum of Agreement (MOA) between HHFDC and DLNR for annual payments to DLNR, a one-time lease premium of the appraised value of the Developer's leasehold interest of the lot coverage of the Phase I residential tower with setbacks, as restricted by its affordability requirement, and also a prorated portion of the lot coverage of the garage and common driveway with setbacks, based on the number of stalls in the garage for phase I tower relative to the total number of stalls in the garage.
- The roof of the parking structure will be reserved for the Developer to install PV panels to provide electricity to the phase I tower.
- After Phase I is completed, HHFDC would development Phase II under an RFP for the Educational and Tax Credit Rental Components.
- The Educational Component would be in accordance with programs requirements specified by DOE and funded by CIP appropriations.
- The Tax Credit Rental Component would be affordable to families at 60% and below the AMI for the duration of the ground lease.

Mr. Fujimoto opened for questions, along with Mr. Jon Wallenstrom, Ms. Cayenne Pe'a, and Ms. Joanne Lui, on behalf of Forest City; Mr. Deepak Neupane, HCDA; and Mr. Dann Carlson, DOE.

Chair Pulmano asked whether HCDA's RFP had been canceled. Mr. Fujimoto stated that he has not yet been notified. Mr. Neupane stated that cancelation of HCDA's RFP is pending the decision of the HHFDC Board.

In reference to Exhibits B and C, Chair Pulmano and Director Abe asked about

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the project renderings in terms of Phase I and the existing public park. Mr. Wallenstrom stated that the intention would be that the taller building would be Phase I, with the smaller tower being the 60% tax credit deal, and the school on the ground floor. Buildings would not be intended to be taller than any other building in Kakaako. Executive Director Hirai stated that further discussions would need to be done with the City and County of Honolulu in regards to the public park and the school components.

Chair Pulmano asked what are the market rates in Honolulu. Mr. Wallenstrom stated that based on the market studies done and high demand for housing, all rent levels are needed.

Director Fukumoto commented that although she would like to see lower pricing, the rents appear to be about right for this area of town.

With no further discussion, the motion was unanimously approved.

Chair Pulmano called for a recess at 9:36 a.m. and reconvened at 9:46 a.m.

**RECESSED**  
9:36 a.m.

**RECONVENED**  
9:46 a.m.

As the co-chair of the Hawaii Interagency Council for TOD, Executive Director Hirai stated that areas being looked at for possible infrastructure are UH West Oahu, the stadium, and Iwilei/Kapalama complex area. The TOD Council will be meeting with members of the City Council on November 21, 2016 to see what can be done to expedite the planning process.

**IV.**  
**REPORT**  
**OF THE**  
**EXECUTIVE**  
**DIRECTOR**

Executive Director Hirai noted that at the December 8, 2016 Board meeting, staff will be asking the Board for consideration of authorization to testify on bills of the Legislature and adoption of positions for administrative hearings.

The Executive Director will also seek board counsel for clarification on the executive director's role under Acts 130 and 131.

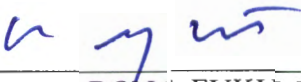
With no further discussion, Chair Pulmano asked for a motion to adjourn.

Director Kahele moved, second by Director Fukumoto

To adjourn the meeting at 9:55 a.m.

**V.**  
**ADJOURNMENT**  
9:55 a.m.

By unanimous vote, the motion was carried.

  
\_\_\_\_\_  
RONA FUKUMOTO  
Secretary