

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 ON
THURSDAY, JANUARY 12, 2017,
IN THE CITY AND COUNTY OF HONOLULU, STATE OF HAWAII

The Board of Directors of the Hawaii Housing Finance and Development Corporation met for a regular meeting at their office located at 677 Queen Street, on Thursday, January 12, 2017, at 9:00 a.m.

With a quorum present, the meeting was called to order by Chair Pulmano.

I. CALL
TO ORDER/
ROLL CALL

Those present and excused were as follows:

Directors: Director Leilani Pulmano, Chair
Director Edwin Taira, Vice Chair
Director Rona Fukumoto, Secretary
Director Melvin Kahele
Director Audrey Abe
Director Denise Iseri-Matsubara
Director Scott Kami (for Director Wesley Machida)

Executive Director Craig Hirai

Excused: Director Luis Salaveria
Director Milo Spindt

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
Jocelyn Iwamasa, Housing Finance Specialist
Ken Takahashi, Housing Development Specialist
Beth Malvestiti, Housing Development Specialist
Christopher Woodard, Property Management Coordinator
Jason Takata, Property Management Coordinator
Lorraine Egusa, Budget Analyst
Kent Miyasaki, Housing Information Specialist
Kazuko Honda, Accountant
Marian Tanouye, Accountant
Esa Pablo, Secretary to the Board

Others: Sean Nakamura, Accuity LLP
Monika Mordasini Rossen, Michaels Development
Elizabeth Char, Michaels Development
Stacy Sur, Hawaii Housing Finance
Randy Hiu, Ikaika Ohana
Doug Bigley, UHC Communities
Charlie Lorenz, Feeding Hawaii Together
Diana Lorenz, Feeding Hawaii Together
Glenn Okino, Mitsunaga Construction Inc.
Paul Fortino, Northport
Gary Furuta, GSF LLC
Jeff Furuta, GSF LLC
Deepak Neupane, HCDA
Marian Gushiken, EAH
Samantha Magistro, Bronx Pro Group LLC
Andrew Gomes, StarAdvertiser

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

The minutes of the Regular Meeting held on December 8, 2016, was deferred.

The minutes of the Executive Session Meeting held on December 8, 2016, was deferred.

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors accept the audited financial statements for Nani 'O Puna Project for fiscal year ending June 30, 2016.

Vice Chair Taira moved, seconded by Director Kahele

That staff's recommendation be approved.

Fiscal Management Officer Kristi Maynard reported on the completed audit of Nani 'O Puna that was issued a clean opinion without comments and sent to the U.S. Department of Agriculture as required by the loan agreement and extended deadline of October 31, 2016.

In reference to pages 3 and 4 of the HHFDC Nani 'O Puna Project Statements of Net Position and Statements of Revenues, Expenses, and change in Net Position, Years Ended June 30, 2016 and 2015, it was noted that the total assets decreased by \$52,000 to \$1,031,000 as of June 30, 2016 as compared to \$1,083,000 at June 30, 2015. The decrease resulted primarily from a net operating loss of \$60,000.

Ms. Maynard introduced Mr. Sean Nakamura, of Accuity, LLC, for questions.

In reference to the Statements of Revenues, Expenses, and change in Net Position handout, Director Abe asked the reason for the difference in depreciation between 2016 (\$91,752) and 2015 (\$177,111). Response was deferred.

There being no further discussion, the motion was carried unanimously.

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors accept the audited financial statements for fiscal year ending June 30, 2016.

Vice Chair Taira moved, seconded by Director Kahele

That staff's recommendation be approved.

Ms. Maynard reported on the completed audit of the Corporation that was issued a clean opinion without comments. An attached CD of the entire audit was cited within the board meeting packets.

It was noted that the Corporation's total assets and deferred outflows of resources increased by \$83.3 million to \$1098.6 million at June 30, 2016 as compared to \$1,015.3 million at June 30, 2015. The increase and decreases resulted primarily from the net effect of activities in the Rental Housing Revolving Fund, Dwelling Unit Revolving Fund, Single Family Mortgage Revenue Bond Fund, Multi-Family Housing revenue Bond Fund, and the General Obligation Bond Fund.

Ms. Maynard opened for questions, along with Mr. Nakamura.

**II. A.
APPROVAL
OF MINUTES**
12/8/16
Regular
Meeting

**II. B.
APPROVAL
OF MINUTES**
12/8/16
Executive
Session

**III. A.
DISCUSSION
AND/OR
DECISION
MAKING**
Accept the Audited
Financial Statements
of the Nani 'O Puna
Project for the Fiscal
Year Ended June
30, 2016

**III. B.
DISCUSSION
AND/OR
DECISION
MAKING**
Accept the Audited
Financial Statements
of the Hawaii
Housing Finance
and Development
Corporation for the
Fiscal Year Ended
June 30, 2016

By suggestion of Executive Director Craig Hirai, the Board agreed that an analysis of the Corporation's balance sheet and income statements on a fund-by-fund basis would be helpful over the course of the next two meetings.

There being no further discussion, the motion was carried unanimously.

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 East Kapolei II LDA 2 – Family Rental Phase 1 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 Kahele

That staff's recommendation be approved.

Finance Manager Darren Ueki presented the For Action and stated that in addition to subsequent extensions made, Michaels Development Company I, L.P. (Awardee) submitted a request to extend Resolution No. 081 for an additional 12 months to January 31, 2018. However, to coincide with the expiration date of the Rental Housing Revolving Fund (RHRF) Letter of Intent (LOI), staff is recommending an 8-month extension to September 30, 2017.

Mr. Ueki further stated that the Inducement Resolution does not authorize the sale of tax-exempt bonds for the Project. If deemed feasible, a subsequent resolution for the actual issuance, sale, and delivery of the bonds will be presented to the Board for consideration, subject to availability of volume cap and approvals by the Department of Budget and Finance and the Governor.

Mr. Ueki opened for questions, along with Ms. Monika Mordisini Rossen, on behalf of the Project.

Director Kami asked for the reason of the multiple extension requests. Ms. Mordisini Rossen stated that the 201H approval process was postponed to reflect the 20-unit increase requested by the City and County of Honolulu.

In response to Director Kami's follow up question, Mr. Ueki stated that the additional 20-unit increase is not reflected within Phase 1 of the Project. Ms. Mordisini Rossen clarified that the overall development will consist of 300 units with the 20 additional units added within Phases 2, 3, and 4.

Mr. Ueki noted that such extension requests are common. However, if project acceleration is desired, further discussions with the Board would be needed.

Director Iseri-Matsubara commented that with the current economic challenges, the Board should be supportive of obstacles and/or delays that developers may encounter in its attempts to meet the Governor's priority of unit production.

In response to Chair Pulmano, Ms. Mordisini Rossen stated that its 201H application includes all phases within the Project. Ms. Liz Chun, with Michaels Development, further stated that its 201H application would be submitted today and thanked the Corporation for its assistance.

Director Abe inquired on obstacles faced at the City's Department of Planning and Permitting level. Ms. Chun stated that a lot of time was taken to incorporate the input from the various agencies. However, considering its close dealings with the City, Ms. Mordisini Rossen stated that an expedited 201H approval process is

**III. C.
DISCUSSION
AND/OR
DECISION
MAKING**
Approve an
Extension
to Resolution No.
081, Which Provides
For Official Intent
with Respect to the
Issuance of Hula
Mae Multi-Family
Tax-Exempt
Revenue Bonds for
the East Kapolei II
LDA 2 – Family
Rental Phase I
Project Located in
Ewa Beach, Oahu,
TMK No.:
(1) 9-1-017: 109

anticipated.

With no further discussion, the motion was carried unanimously.

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the following:

- A. Resolution No. 094 attached as Exhibit F, which provides for official intent with respect to the issuance of revenue bonds up to \$24,000,000 for the Kahului Lani I project, subject to the provisions and conditions recommended in Exhibits C and E.
- B. Reserve up to \$1,240,940 in annual Federal LIHTC over a 10-year period and \$1,240,940 in annual State LIHTC over a 5-year period from the non-volume cap pool (4% LIHTC) for the Kahului Lani I project, subject to the provisions and conditions recommended in Exhibits D and E.
- C. 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 participating on this item.

Mr. Ueki presented the For Action, stating that on June 15, 2016, Kahului Lani I LP (Applicant) submitted an amended consolidated application and stated that the requested \$24 million issuance amount is in excess of the tabled \$19,565,422 HMMF Bond amount to cover potential budget increases with respect to the 50% Test requirement. Project construction is anticipated to start in the 2nd Quarter of 2018, with Project completion in the 1st Quarter of 2020.

Mr. Ueki further stated that the Inducement Resolution is a non-binding resolution that states HHFDC's intent to issue tax-exempt revenue bonds for a project and acknowledges eligible reimbursable expenditures made by the developer 60 days prior to the approval of the Inducement Resolution, further allowing discussions and negotiations between involved parties to determine the feasibility of a project.

If deemed feasible, a subsequent resolution for the actual issuance, sale, and delivery of the bonds will be presented to the Board for consideration, subject to availability of volume cap and approvals by the Department of Budget and Finance and the Governor.

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

Chair Pulmano asked Mr. Furuta about the community aspect of the Project and how it would service the families there.

A site map board of the Project was set up for viewing. Mr. Furuta discussed the centralized location of the Project and surrounding amenities, which included theaters, grocery and pharmacy stores, restaurants, banks, public library, hospital, and a multi-purpose facility. The multi-purpose facility would be in conjunction with Phase I with possible build outs based on the determined usage.

In response to Director Abe, Mr. Furuta stated that the Project holds adequate parking for seniors, however, discussions with the Maui County to reduce its parking requirement down from 2 stalls to 1 stall per unit is being considered.

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

Approve: (1) Resolution No. 094, Which Provides for Official Intent with Respect to the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds and (2) Reservation of Low Income Housing Tax Credits for the Kahului Lani I Project Located in Kahului, Maui, TMK Nos.: (2) 3-7-005: 003, 011 and 023 (pending new TMK)

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

In response to Chair Pulmano, Mr. Ueki and Mr. Inouye clarified the following:

- Project Reserves are held by a project for the use of any work that needs to be done.
- Contingency reserves would be used for over costs that a project may encounter during the construction period.
- Other reserve uses would include project operations and maintenance. Banks may also require a debt service reserve account that are funded through the operations.
- The 14% in Exhibit A, Financing and Costs, is based on hard cost, whereas the 8.37% contractor's profit is based on the total project budget.

The motion was carried, with Director Fukumoto recusing herself from the vote.

Staff's presentation was presented as follows:

That the HHFDC Board of Directors approve the following:

- A. A RHRF Project Award Loan of \$14,500,000 to Kahului Lani I LP for the benefit of the Kahului Lani I 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 proposed project and the release of RHRF program funds as mandated under Chapter 15-311, Hawaii Administrative Rules.
 2. Execution of documentation satisfactory to the HHFDC outlining the terms and conditions of the Project Award. The documents shall specify the standard terms and conditions as required in order to meet all statutory requirements of the RHRF program and the specific terms and conditions that are applicable to the Applicant's request for Project Award funds.
 3. Completion of all documentation necessary and required to secure the release of RHRF funds.
 4. Certification of the applicant to comply with all applicable statutory and Program requirements, including, but not limited to, Chapters 343, 103D, §103-50 and §104, Hawaii Revised Statutes, as they may relate to the use of State funds.
 5. Total fees paid to the Developer, including, but not limited to, Developer Overhead, Developer Fees, Consultant Fees, and Project management Fees, for the project shall not exceed \$2,050,000.
 6. Availability of RHRF program funds.
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Vice Chair Taira moved, seconded by Director Kahele

That staff's recommendation be approved.

III. E. DISCUSSION AND/OR DECISION MAKING

Approve a Rental
Housing Revolving
Fund Project Award
For the Kahului Lani
I Project Located in
Kahului, Maui, TMK
Nos.: (2) 3-7-005:
003, 011 and 023
(pending new TMK)

Director Fukumoto recused herself from participating on this item.

Mr. Ueki stated that the For Action requests the approval of a \$14.5 million RHRF loan for the Kahului Lani I (Project) and in comparison with the request made by the Kahului Lani I LP (Applicant), staff's recommended loan terms are as follows:

- Term Maturity: 60 years (Applicant recommended 37 years)
- Repayment: Years 1 through 3 – No Payments
After Year 3 – 90% (Applicant recommended 87% in Years 4 - 37) of Available Cash Flow after payment of expenses, senior debt service, and other recognized expenses.

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

The motion was carried, with Director Fukumoto recusing herself from the vote.

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the following:

- A. Resolution No. 095 attached as Exhibit F, which provides for official intent with respect to the issuance of revenue bonds up to \$12,360,000 for the Kaiaula O Waikoloa project, subject to the provisions and conditions recommended in Exhibits C and E.
- B. Reserve up to \$964,554 in annual Federal LIHTC over a 10-year period and \$964,554 in annual State LIHTC over a 5-year period from the non-volume cap pool (4% LIHTC) for the Kaiaulu O Waikoloa project, subject to the provisions and conditions recommended in Exhibits D and E.
- C. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Mr. Ueki stated that in June 2016, the Kaiaulu O Waikoloa (Project) submitted an amended application and anticipates starting construction in October 2017, with project completion anticipated in December 2018.

Mr. Ueki further stated that the Inducement Resolution is a non-binding resolution that states HHFDC's intent to issue tax-exempt revenue bonds for a project and acknowledges eligible reimbursable expenditures made by the developer 60 days prior to the approval of the Inducement Resolution, further allowing discussions and negotiations between involved parties in determining the feasibility of a project.

If deemed feasible, a subsequent resolution for the actual issuance, sale, and delivery of the bonds will be presented to the Board for consideration, subject to availability of volume cap and approvals by the Department of Budget and Finance and the Governor.

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

In response to Vice Chair Taira, Mr. Ueki stated that he believes the project site was not affected by the unexplored ordinances issue. Mr. Bigley concurred.

Chair Pulmano asked Mr. Bigley to provide the Board with a short presentation on the Project.

III. F. DISCUSSION AND/OR DECISION MAKING
Approve: (1) Resolution No. 095, Which Provides for Official Intent with Respect to the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds; and (2) Reservation of Low Income Housing Tax Credits for the Kaiaulu O Waikoloa Project Located in Waikaloa, Hawaii TMK No.: (3) 6-8-003: 028

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Presentation packets were distributed to the Board for review. Mr. Bigley stated that its development projects are focused on quality, sustainability, and fits the uniqueness of its surrounding community.

Director Abe asked about activities that would be serviced at the community center. Mr. Bigley stated that services have not yet been determined as input from service providers continue to be collected.

Director Kami asked whether the Project's anticipated budget and tax credit equity reflects the uncertainty of the market. Mr. Bigley stated yes, as its Federal tax credits were priced 3 to 5 cents below market, with no change on its State LIHTC. Mr. Bigley further stated that at the Federal level, when corporate rates go down, State credits become more valuable as it is written off the Federal tax return.

With no further discussion, the motion was carried unanimously.

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the following:

- A. A RHRF Project Award Loan of \$9,900,000 to K00674 Waikoloa, L.P. for the benefit of Kaiaulu O Waikoloa 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 proposed project and the release of RHRF program funds as mandated under Chapter 15-311, Hawaii Administrative Rules.
 - 2. Execution of documentation satisfactory to the HHFDC outlining the terms and conditions of the Project Award. The documents shall specify the standard terms and conditions as required in order to meet all statutory requirements of the RHRF program and the specific terms and conditions that are applicable to the Applicant's requires 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, Chapter 343, 103D, §103-50 and §104, Hawaii Revised Statutes, as they may relate to the use of State funds.
 - 5. Total fees paid to the Developer, including, but not limited to, Developer Overhead, Developer Fees, Consultant Fees, and Project management Fees, for the project shall not exceed \$1,356,354.
 - 6. Availability of RHRF program funds.
- 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.

III. G. DISCUSSION AND/OR DECISION MAKING

Approve a Rental
Housing Revolving
Fund Project Award
for the Kaiaulu O
Waikoloa Project
Located in Waikoloa,
Hawaii, TMK No.:
(3) 6-8-003: 028

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

Mr. Ueki stated that the For Action requests the approval of a \$9.9 million RHRF loan for the Kaiaulu O Waikoloa (Project) and in comparison with the request made by the K00674 Waikoloa, L.P. (Applicant), staff's recommended loan terms are as follows:

- Interest Rate: b) 0.25% After Year 3 (Applicant recommended 0.00%)
- Term Maturity: 60 years (Applicant recommended 65 years)
- Repayment: After Year 3 – 80% (Applicant recommended 45% in Years 3 - 63) of Available Cash Flow after payment of expenses, senior debt service, and other recognized expenses.

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

With no questions, the motion was carried unanimously.

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approved the following:

- A. Resolution No. 096 attached as Exhibit F, which provides for official intent with respect to the issuance of revenue bonds up to \$12,789,000 for the Kaiwahine Village project, subject to the provisions and conditions recommended in Exhibits C and E.
- B. Reserve up to \$999,021 in annual Federal LIHTC over a 10-year period and \$999,021 in annual State LIHTC over a 5-year period from the non-volume cap pool (4% LIHTC) for the Kaiwahine Village project, subject to the provisions and conditions recommended in Exhibits D and E.
- C. 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 on June 15, 2016, A0578 Kihei, LP, (Applicant) submitted an amended consolidated application and anticipates to start construction in October 2017, with project completion anticipated in December 2018.

Mr. Ueki further stated that the Inducement Resolution is a non-binding resolution that states HHFDC's intent to issue tax-exempt revenue bonds for a project and acknowledges eligible reimbursable expenditures made by the developer 60 days prior to the approval of the Inducement Resolution, further allowing discussions and negotiations between involved parties in determining the feasibility of a project.

If deemed feasible, a subsequent resolution for the actual issuance, sale, and delivery of the bonds will be presented to the Board for consideration, subject to availability of volume cap and approvals by the Department of Budget and Finance and the Governor.

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

Chair Pulmano asked for a brief presentation on the Project.

Mr. Bigley stated that the Project is the first phase out of a 120-unit project and

**III. H.
DISCUSSION
AND/OR
DECISION
MAKING**
Approve: (1)
Resolution No. 096,
Which Provides for
Official Intent with
Respect to the
Issuance of Hula Mae
Multi-Family Tax-
Exempt Revenue
Bonds and; (2)
Reservation of Low
Income Housing Tax
Credits for the
Kaiwahine Village
Project Located in
Kihei, Maui, TMK
No.: (2) 3-8-004: 028

centrally located near surrounding amenities, workforce, and has a community component under consideration. Townhome units are anticipated to be equipped with energy efficiency items, hardwood flooring, and consists of 2 and 3 bedrooms.

Chair Pulmano asked what is the marketing efforts of the Project to sell its affordable component. Mr. Bigley stated that he believes where there are problems selling, those units should be rented out (i.e., 80% and below).

Director Iseri-Matsubara commended the Project's team and the Board's support to increase projects statewide.

With no further questions, the motion was carried unanimously.

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the following:

- A. A RHRF Project Award Loan of \$10,240,000 to A0578 Kihei, L.P. for the benefit of the Kaiwahine Village Project with the terms and conditions as show in Section III (G) of this For Action, and the issuance of the Letter of Intent subject to the following:
 - 1. Authorization and approval by the governor of the proposed project and the release of RHRF program funds as mandated under Chapter 15-311, Hawaii Administrative Rules.
 - 2. Execution of documentation satisfactory to the HHFDC outline 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 condtions 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 Fees, Consultant Fees, and Project management Fees, for the project shall not exceed \$1,403,375.
 - 6. Availability of RHRF program funds.
- 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 the For Action requests the approval of a \$10.24 million RHRF loan for the Kaiāula O Waikoloa (Project) and in comparison with the request made by the A0578 Kihei, L.P. (Applicant), staff's recommended loan

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

Approve a Rental
Housing Revolving
Fund Project Award
For the Kaiwahine
Village Project
Located in Kihei,
Maui, TMK No.:
(2) 3-8-004: 028

terms are as follows:

- Interest Rate: a) 0.00% Years 1 through 3 (Applicant recommended 0.00% Year 1)
b) 0.00% for the first three (3) (Applicant recommended 0.00% Years 2 through 65)
- Term Maturity: 60 years (Applicant recommended 65 years)
- Repayment: Year1 through 3 – No Payments (Applicant recommended Year 1)

After Year 3 - 75% (Applicant recommended 45% in Years 2 - 65) of Available Cash Flow after payment of expenses, senior debt service, and other recognized expenses.

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

In response to Vice Chair Taira, Mr. Ueki stated that a project’s rents are not impacted by the renegotiated loan terms.

With no further questions, the motion was carried unanimously.

Chair Pulmano recessed the meeting at 10:10 a.m. and reconvened at 10:21 a.m.

Staff’s recommendation was presented as follows:

That the HHFDC Board of Directors approved the following:

- A. Resolution No. 097 attached as Exhibit F, which provides for official intent with respect to the issuance of revenue bonds up to \$27,000,000 for the Nohona Hale project, subject to the provisions and conditions recommended in Exhibits C and E.
- B. Reserve up to \$1,761,769 in annual Federal LIHTC over a 10-year period and \$1,761,769 in annual State LIHTC over a 5-year period from the non-volume cap pool (4% LIHTC) for the Nohona Hale project, subject to the provisions and conditions recommended in Exhibits D and E.
- C. 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 on June 15, 2016, the 630 Cooke Street Partnership LP (Applicant) submitted an amended consolidated application and anticipates Project construction to start in May 2018, with Project completion in January 2020.

Mr. Ueki further stated that the Inducement Resolution is a non-binding resolution that states HHFDC’s intent to issue tax-exempt revenue bonds for a project and acknowledges eligible reimbursable expenditures made by the developer 60 days prior to the approval of the Inducement Resolution, further allowing discussions and negotiations between involved parties in determining the feasibility of a project.

RECESS
10:10 a.m.
RECONVENED
10:21 a.m.

III. J.
DISCUSSION
AND/OR
DECISION
MAKING
Approve: (1)
Resolution No. 097,
Which Provides for
Official Intent with
Respect to the
Issuance of Hula Mae
Multi-Family Tax-
Exempt Revenue
Bonds; and (2)
Reservation of Low
Income Housing Tax
Credits for the
Nohona Hale Project
Located In Honolulu,
Oahu, TMK No.:
(1) 2-1-051: 014

If deemed feasible, a subsequent resolution for the actual issuance, sale, and delivery of the bonds will be presented to the Board for consideration, subject to availability of volume cap and approvals by the Department of Budget and Finance and the Governor.

Mr. Ueki opened for questions, along with Samantha Magistro and Marian Gushiken, on behalf of the Project.

Chair Pulmano asked Ms. Magistro to provide a brief presentation on the Project.

A project handout was distributed to the Board. Ms. Magistro discussed the Bronx Pro Group and its interest in providing quality homes that are safe, sustainable, and community based. Ms. Magistro further stated its view on micro-units as an innovated tool for affordable housing development that provides flexibility in terms of meeting the different needs of a specific community. With an efficient layout, included amenities, and community space, residents would have the opportunity for a vibrant community life with each unit being fully equip with its own kitchen and bathroom. Possible layouts and rental options for the communal space continue to be looked at.

Vice Chair Taira asked whether the assumption is that residents will be utilizing the mass transit. Ms. Magistro concurred, stated that the Project would be near to the new transit being built.

Director Kami stated that a type of car rental program was proposed at its HCDA Board Meeting in regards to the concern raised on parking and asked whether the this option was still being considered. Ms. Magistro stated that a type of zip car service remains under consideration.

Although there was consideration of moped and bicycle stalls, discussion ensued on parking issues, which Ms. Magistro stated would be further looked at with its development team.

Director Fukumoto asked for the reason of its choice to target families. Ms. Magistro stated that the micro-units would probably lend itself to single individuals, with a maximum of 2 persons. Mr. Ueki clarified that within its applications a project is either “senior” or “family.”

Based on his experience, Director Kahele stated that the average contractor cost is approximately \$30 - \$33 per square foot, and questioned the \$56.73 per square foot amount submitted by Swinerton Builders. Ms. Magistro stated that the square footage costs consisted of both schematic designs as well as construction costs and that a more clarified breakdown of pricing could be obtained.

Chair Pulmano commented on the prices being reasonable within the given location and the number of micro-units being built.

Chair Pulmano asked what types of furniture/fixtures would be installed within the micro-units. Ms. Magistro stated that its current design did not include additional built-in furniture; however, innovated firms that do furniture such as murphy beds, could be looked at.

Director Kahele expressed concern on the bidding process not being used to obtain competitive pricing. HPHA Planning Director Deepak Neupane stated that in comparison to the average price within the Honolulu area being approximately \$400 - \$600 per square foot, Swinerton Builders’ pricing was considered reasonable. Mr. Ueki stated that with the bidding process not being a requirement, obtaining a development team is often the route chosen, with project costs also being reviewed by the Development staff to determine cost reasonableness.

Chair Pulmano asked about appliances within the units. Ms. Magistro stated that

each unit will be fully functional and ADA compliant with kitchen appliances and bathroom. Installation of a dishwasher within the units is under consideration.

In response to Director Abe, Ms. Magistro stated that each unit is separately metered, with utility allowances removed from the base rent of the resident and sized accordingly.

Chair Pulmano asked whether having no parking within the Project would violate any ADA requirements. Director Fukumoto stated that she believes it would only be required if a project offered parking stalls. Response was deferred.

In reference to the Qualified Allocation Plan (QAP), Director Kahele asked whether staff monitors the construction sites on progress met. Finance Housing Specialist Patrick Inouye clarified that the QAP is use to allocate LIHTC; not for compliance monitoring. However, after the completion of a project, Mr. Ueki stated that HHFDC does monitor project affordability through annual financial audits from a project, while construction monitoring is coordinated with its lenders.

Chair Pulmano asked that discussion on the QAP be deferred to the Report of the Executive Director.

With no further discussion, the motion was carried unanimously.

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the following:

- A. A RHRF Project Award Loan of \$21,881,809 to 630 Cooke Street Partnership LP for the benefit of the Nohona Hale 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 proposed project and the release of RHRF program funds as mandated under Chapter 15-311, Hawaii Administrative Rules.
 2. Execution of documentation satisfactory to the HHFDC outlining the terms and conditions of the Project Award. The documents shall specify the standard terms and conditions as required in order to meet all statutory requirements of the RHRF program and the specific terms and conditions that are applicable to the Applicant's request for Project Award funds.
 3. Completion of all documentation necessary and required to secure the release of RHRF funds.
 4. Certification of the applicant to comply with all applicable statutory and Program requirements, including, but not limited to, Chapters 343, 103D, §103-50 and §104, Hawaii Revised Statutes, as they may relate to the use of State funds.
 5. Total fees paid to the Developer, including, but not limited to, Developer Fees, Consultant Fees, and Project management Fees, for the project shall not exceed \$4,500,000.
 6. Availability of RHRF program funds.

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

Approve a Rental Housing Revolving Fund Project Award for the Nohona Hale Project Located in Honolulu, Oahu, TMK No.: (1) 2-1-051: 014

- 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.

Mr. Ueki stated that the For Action requests the approval of a \$21,881,809 million RHRF loan for the Nohona Hale (Project) and in comparison with the request made by 630 Cooke Street Partnership LP (Applicant), staff's recommended loan terms are as follows:

- Interest Rate: a) 0.00% Years 1 through 3 (Applicant requested 0.00% Years 1 through 2.5)
0.00% for the first three (3) years recommended as (i) Project operations have not commenced, (ii) eliminates the need to establish and track an interest reserve, and (iii) allows time from Project stabilization.
- b) 0.25% After Year 3 (Applicant requested 0.25% Years 2.5 through 62.5)
- Term/Maturity: 60 years (Applicant requested 62.5 Years)
- Repayment: Years 1 through 3 - No Payments (Applicant requested 2.5) After Year 3 - 75% (Applicant requested 3.5 through 62.5 – 70%) of Available Cash Flow after payment of expenses, senior debt service, and other recognized expenses.

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

With no further discussion, the motion was carried unanimously.

Feeding Hawaii Together (FHT) Executive Director Charlie Lorenz updated the Board on the result of a structural assessment done by Tanimura & Associates, Inc. Based on the structural assessment, the property was deemed to be adequate for temporary use, such as for an “Ohana drop” if certain repairs are made. Mr. Lorenz described the required repairs and informed the Board of FHT’s planned upcoming fundraising campaign.

Deputy Attorney General (DAG) Colette Honda reported that at the January 2017 HCDA Board Meeting, HCDA Board members considered the HRS 201E-13, consultation process complete and agreed to extend the demolition date of 620 Coral Street property to December 2018.

Chair Pulmano asked whether the open space concept was still required. DAG Honda stated yes, that the open space requirement is a condition of HCDA rules and conditions of the development permit. As reported at the December 2016 HHFDC Board Meeting, Property Management Coordinator Chris Woodard stated that a proposal from Belt Collins, to provide services for the demolition and site redevelopment project was received and a contract should be finalized within the next few weeks.

Mr. Woodard further noted that free storage space is being provided to FHT at the Kamakee Vista Building and that FHT has fulfilled HHFDC’s conditions of the storage agreement thus far.

**III. L.
DISCUSSION
AND/OR
DECISION
MAKING**
Presentation by
Feeding Hawaii
Together (FHT)
and Discussion
Regarding FHT’s
Possible Lease of 620
Coral Street, Honolulu,
Hawaii, TMK No.:
(1) 2-1-051: 018 for
the Public Purpose of a
Food Pantry

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

Mr. Woodard distributed a proposed redevelopment schedule for the 620 Coral Street site to the Board.

DAG Honda stated that because the transfer of the permit was done in a formal matter, the HCDA Board had found it prudent that a formal transfer document be made, which is forthcoming.

Chair Pulmano asked if there were any discussions made by the HCDA Board on the proposed occupancy of the 620 Coral Street property. DAG Honda confirmed there were no discussions on that matter.

Mr. Woodard stated that the redevelopment will take approximately a year and a half to complete, assuming that the contract is executed within the next month. No physical construction would occur until January 2018.

In response to Vice Chair Taira’s question, Mr. Woodard stated that insurance would be required from the contractor undertaking the demolition. Discussions with board counsel will be held later today in preparations for possible non-compliance of the eviction notice issued to the current tenants by the February 28, 2017 deadline.

In consideration of the Board’s concerns on the health and safety of the building, Mr. Woodard stated that he would proposed that: (1) A short term lease be offered to FHT, set to expire when construction/demolition is anticipated to start, in January 2018; and (2) that FHT would be required to obtain a property condition assessment according to ASTM standards for HHFDC to review and verify the safety of the building for occupancy.

Mr. Woodard clarified that preparation of the Property Condition Assessment report and liability insurance would be the responsibility of FHT to provide. The Property Condition Assessment will outline any required/immediate improvements and cost estimates on work required to be done by a licensed contractor and that a building permit would also need to be obtained.

In response to Chair Pulmano’s question, Mr. Woodard stated that Reedesign, Inc. has a broker, but was not made aware on whether a new location had been found for that business.

Chair Pulmano asked whether staff would return next month for the Board’s consideration on a short-term lease agreement for FHT. Mr. Woodard stated yes, but was not necessary, considering the Board had delegated such authority to its Executive Director.

Executive Director Hirai commented that given the current discussions with the Board, perhaps an update should be provided next month. DAG Honda concurred, suggesting that the Board take action on any potential lease.

Mr. Woodard proposed that in the event payment of the short-term lease rent becomes an issue, HHFDC might consider adjusting the rent payment in consideration of FHT funds used to obtain a Property Condition Assessment report.

With no further discussion, Chair Pulmano called for a recess at 11:36 a.m. and reconvened at 11:45 a.m.

Chief Planner Janice Takahashi provided a brief overview on the items reviewed and discussed by the Loan Subcommittee at its first December 22, 2016 subcommittee meeting.

Ms. Takahashi reported that since 1995, HHFDC awarded RHRF for 73 projects totaling approximately \$365 million (as of December 31, 2016) to support the

RECESS
11:36 a.m.
RECONVENED
11:45 a.m.

IV. REPORT BY
THE LOAN
SUB-
COMMITTEE –
FINDINGS AND
RECOM-
MENDATIONS

development and preservation of 5,880 rental housing units. Of this, 61 loans totaling approximately \$292 million has been disbursed.

Ms. Takahashi compared the loans awarded in 2015 and 2016 to the applications received in 2016. She stated that of the 12 loans awarded in 2015 and 2016, the total development costs, loan amounts, and loan terms are lower than the pending applications received in June 2016, while the estimated percentage of the pending applications of the loan paid at maturity were higher for loans awarded in 2015 and 2016.

Furthermore, the pending applications were not leveraging the RHRF to the same extent as the previous awards. Potential reasons attributed to the reduction in leveraging were believed to be the increase in legislative appropriations and conveyance tax collections compared to previous years; removal of the RHRF from the "LIHTC resource efficiency use and leverage" criterion in the 2016/2017 Qualified Allocation Plan (QAP); higher construction costs; and limited availability of other funding sources.

Based on these findings, the Subcommittee recommends that:

- RHRF funds should be deployed expeditiously to increase the rental housing supply, while balancing the responsible stewardship of the RHRF by having HHFDC staff continue to (1) monitor loans for compliance; and (2) underwrite loan requests that evidence repayment of principal and interest. A reasonable outside underwriting guideline is the ability of a project to evidence current interest payments and repayment of approximately 50 percent of the initial principal balance by year 50. This, along with other existing underwriting criteria including a maximum LTV ratio of 100 percent and a debt coverage ratio of no less than 1.15x on debt service requirements senior to the RHRF loan, should protect the RHRF from inordinate risk.
- Assess and, if needed, revise existing scoring criteria and point system to ensure they strategically align with current policies.

Director Kami disclosed for the record that he is a member of the Pacific Housing Assistance Corporation Board and asked counsel whether it was necessary for him to recuse himself from the discussion. With no legal conflict of interest determined, Deputy Attorney General Sandra Ching did not believe a recusal was necessary. No recusal was made.

Vice Chair Taira commented that with the current uncertainty of the economy and potential of losing more federal programs, the loan terms appeared to be counterproductive to the original intent of the RHRF and would negatively impact the way project deals are structured in terms of resources and timing.

In response to Vice Chair Taira, staff stated that the RHRF continues to provide equity gap financing for the development of affordable rental housing as a "loan of last resort." Furthermore, the intent of the structured loan terms was to provide affordable housing developers better management and flexibility on its debt restructuring, while balancing the Corporation's social mission and fiduciary duty to statutorily meet the repayment requirements set forth under the programs.

Vice Chair Taira commented that the Corporation should look at its underwriting criteria and plan on how the Corporation will respond to the changing economic and financial conditions in a timely manner. Chair Pulmano concurred.

Mr. Ueki stated that with the uncertainty, such planning would be part of a larger discussion that may involve amending the program on a policy level or creation of a new one. However, Mr. Ueki stated that awareness is key in potentially solving the problems with the tools the Corporation currently has.

Director Iseri-Matsubara echoed Vice Chair Taira's concern in terms of the uncertainty on the federal level and asked that any revision to the scoring or underwriting criteria be done in conjunction with the community and that if any project is adversely impacted, to bring it before the Board.

Mr. Ueki stated that potential amendments made by the Corporation are in the best interest of the program and while staff works with the development community to explain its purposes for a change, such amendments are usually done without public input.

Vice Chair Taira commented that looking at financing averages do not reflect the true repayment ability on a loan. Each project is different, especially projects on the neighbor islands that tend to have higher construction and operating costs.

Mr. Ueki stated that project costs are determined on a case-by-case basis by the Development Branch, while financing averages are more of a formality used to simplify and provide a benchmark.

Director Kami asked for clarification on Mr. Bigley's comment regarding the federal tax deduction boosting the worth of the state credits. Mr. Ueki stated that staff will follow up on Mr. Bigley's explanation.

Director Kahele asked about the Point System being referred to. Mr. Ueki clarified that there is a scoring mechanism for the RHRF that is used as a threshold, which needs to be updated. There is also a scoring system within the QAP that is used for allocating LIHTC.

Director Kahele asked that if a maximum amount of units for the least amount of money is being sought, should a project not go through the bidding process. Mr. Ueki reiterated that although the program does not require a project to go through the bidding process, the cost per unit, on a construction basis, is reviewed by the Development Branch on a case-by-case basis.

Discussion ensued on the pros and cons of the bidding process and the RHRF. Chair Pulmano asked for the comments of developers Paul Fortino and Makani Maeva.

Developers felt that while the bidding process is good, getting a qualified contractor who is experienced in affordable housing would save a lot of time and money, ensuring a more efficient design in the long run.

The RHRF loan terms, especially with repayment, were viewed as problematic, negatively impacting long-term maintenance and quality of a project by a lack of incentive within its private-public relationship deals.

Mr. Ueki stated that in its discussions with the State Auditor's Office, loans on the books with no principal pay down would raise questions and would place the fund in jeopardy.

Director Kami raised concern on the function of the RHRF being called a loan and ending up as a grant.

(Vice Chair Taira was excused at 1:07 p.m.)

Ms. Maeva suggested that perhaps the issue could be addressed under the loan forgiveness stated within the State's LIHTC loan program, provided that the affordability test is met at the end of the loan term. Mr. Ueki pointed out that, unlike the RHRF, the State LIHTC loan program is not a revolving fund.

Ms. Takahashi stated that the benefit of a revolving fund is that it is self-sustaining and funding does not have to be requested by the Legislature every biennium.

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

Mr. Ueki stated for the record that neither developer has utilized RHRF monies.

Although the Board and staff would like to look ahead proactively to respond quickly to the financial and economic situations, there is not much clarity. Therefore, staff will continue to monitor the situation and react to a project on a case-by-case basis.

With no further discussion, Chair Pulmano proceeded to the Report of the Executive Director, which was deferred.

With no further business on the agenda, Chair Pulmano asked for a motion to adjourn.

Director Kahele moved, seconded by Director Fukumoto

That the meeting be adjourned at 1:10 p.m.

The motion was carried unanimously.



RONA FUKUMOTO
Secretary

**IV.
REPORT
OF THE
EXECUTIVE
DIRECTOR**

**V.
ADJOURNMENT**
1:10 p.m.