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, MARCH 9, 2017, IN THE CITY AND COUNTY OF HONOLULU, STATE OF HAWAII

I. CALL TO ORDER/ ROLL CALL

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, March 9, 2017, at 9:00 a.m.

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

Those present and excused were as follows:

Present:	Director Leilani Pulmano, Chair Director Edwin Taira, Vice 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 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 Kristi Maynard, Chief Financial Officer Stan Fujimoto, Development Section Chief Marlene Lemke, Sales and Counseling Section Chief Christopher Woodard, Property Management Coordinator Patrick Inouye, Housing Finance Specialist Jocelyn Iwamasa, Housing Finance Specialist Dean Sakata, Housing Finance Specialist Paige Ishida, Housing Finance Specialist Lorraine Egusa, Budget Analyst Kent Miyasaki, Housing Information Specialist Esa Pablo, Secretary to the Board
Guests:	Deputy William Aila, Jr., Department of Hawaiian Home Lands Stewart Matsunaga, Department of Hawaiian Home Lands Kaleo Manuel, Department of Hawaiian Home Lands Stacy Ellamar, Pacific Resource Partnership Stacy Sur, Hawaii Housing Finance, LLC Liz Char, Michaels Development Corporation Keith Kato, Hawaii Island Community Development Corp Jeremy McComber, Hawaii Island Community Development Corp Makani Maeva, Ahe Group Stanford Carr, Stanford Carr Development Jeff Furuta, GSF LLC Andrew Furuta, GSF LLC Mitch Michelle, Coastal Rim Properties Lia Powers, Coastal Rim Properties

II. A. APPROVAL OF MINUTES
2/9/17
Executive Session

Chair Pulmano deferred approval of the Executive Session meeting minutes of February 9, 2017 to the next Board of Directors Meeting.

III. A. DISCUSSION AND/OR DECISION MAKING
Approve the Use of Dwelling Unit Revolving Fund for the Villages of Leiali'i in Lahaina, Maui, TMK Nos.: (2) 4-5-021:003, 004 (por.), 005 (por.), 013, 018, 019, 020, 021, 022 (por.), 023 (por.); (2) 4-5-028: 070 and 081; (2) 4-5 -036: 001 and 112 Pursuant to Memorandum of Understanding Between the Hawaii Housing Finance and Development Corporation (HHFDC) and the Department of Hawaiian Home Lands (DHHL) Relating to Potable Water Infrastructure

Staff's recommendation was presented as follows:

> That the HHFDC Board of Directors approve the following for water infrastructure improvements pursuant to an MOU between HHFDC and DHHL for the Villages at Leiali'i in Lahaina, Maui, substantially as described in this For Action:
>
> A. Up to $10 million in DURF funds, as approved by the Executive Director; and
>
> B. Authorize the Executive Director to take all actions necessary to effectuate the purpose of this For Action;
>
> Subject to the following:
>
> C. Compliance with Chapter 343, HRS, regarding Environmental Assessments prior to the use of the DURF funds for the Honokowai Well Improvements; and
>
> D. Availability of DURF funds;
>
> E. Approval of release of DURF funds by the Governor;
>
> F. 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 presented the For Action, providing an overview of the proposed conceptual agreement between HHFDC and DHHL for the use of DURF funds for potable water infrastructure for DHHL and HHFDC projects in the Villages of Leiali'i.

Mr. Fujimoto further stated that based on DHHL's 2013 Honokowai Water Master Plan, water infrastructure improvements were estimated to be $8.5 million (now possibly over $10 million).

DHHL test results indicated that the Honokowai Well had the capacity of a million gallons per day, which is equivalent to approximately 560 units, based upon the Department of Water Supply's (DWS) dedication requirements described in the Villages of Leiali'i Final EIS.

HHFDC would finance the first $10 million of the Honokowai Well improvements for entitlement to half of the available water capacity of the Honokowai Well, subject to the availability of DURF funds.

Mr. Fujimoto opened for questions, along with Mr. William Aila Jr., Mr. Stewart Matsunaga, and Mr. Kaleo Manuel, on behalf of DHHL.

Chair Pulmano asked whether the proposed 250,000-gallon reservoir could service a larger capacity than Village 1B. Mr. Fujimoto stated that the size of the reservoir would depend upon the concept chosen. Current water capacity studies did not include additional projects beyond Village 1B.

Vice Chair Taira asked whether the 12-inch transmission line would be enough transmission capacity to support a million-gallon reservoir. Mr. Fujimoto stated that although it should, such details would need to be worked out when sizing the reservoir in collaboration with DHHL and DWS.

With no further discussion, the motion was carried unanimously.

III. B. DISCUSSION AND/OR DECISION MAKING
Approve an Extension to Resolution No. 083, Which Provides for Official Intent with Respect to the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds for the Hale Kewalo Project Located in Honolulu, Hawaii TMK Nos.: (1) 2-3-007: 049 and 026

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 hale Kewalo 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, stating that the Hale Kewalo (Project) extension request was evaluated on progress made in site control, zoning approvals, and financial commitments.

The Project continues to work with the Department of Planning and Permitting (DPP) for the approval of its building permits and tax credit syndicators to obtain favorable financing.

Mr. Ueki further stated that Inducement Resolution No. 083, does not authorize the sale of tax-exempt bonds for the Project, but sets forth HHFDC's intent to issue Multi-Family Housing Revenue Bonds to undertake the financing of 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 the availability of volume cap and approvals by the Department of Budget and Finance and the Governor.

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

With no questions, the motion was carried unanimously.

III. C. DISCUSSION AND/OR DECISION MAKING
Approve an Extension to the Rental Housing Revolving Fund Letter of Intent for the Meheula Vista III Project Located in Mililani, Oahu, TMK No.: (1) 9-5-002: 06 CPR 0003

Staff's recommendation was presented as follows:

> That the HHFDC Board of Directors approve the following:
>
> A. Extend the LOI dated September 18, 2015, for the RHRF Loan for the Meheula Vista III project to September 30, 2017, subject to the requirements as set forth in the For Action dated September 10, 2015; 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

Director Fukumoto recused herself from voting on this item.

Mr. Ueki presented the For Action, stating that the Meheula Vista III (Project) extension request was evaluated based on progress made in site control, zoning approvals, and financial commitments.

The Project continues to work with DPP and the Disabilities and Communication Access Board (DCAB) on the approval of its building permits; with Bank of Hawaii on its construction financing; and Hawaii Housing Finance, LLC on its LIHTC equity.

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

Chair Pulmano asked whether there was a difference between the designs of its buildings that attributed to the lengthy review process of the building permits. Mr. Furuta stated that the smaller buildings require separate building permits, therefore, taking additional time.

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

III. D. DISCUSSION AND/OR DECISION MAKING
Approve a Change in the Land Tenure to Leasehold from Fee Simple for the Waipahu Tower Project, which has been Granted Official Intent to Issue Hula Mae Multi-Family Tax-Exempt Revenue Bonds and Reserve Low Income Housing Tax Credits, Located in Waipahu, Oahu, TMK No.: (1) 9-4-039: 048

Staff's recommendation was presented as follows:

> That the HHFDC Board of Directors approve a change in the land tenure to Leasehold from Fee Simple for the Waipahu Tower Project, which has been Granted Official Intent to Issue Hula Mae Multi-Family Tax-Exempt Revenue Bonds and receive a reservation of Low Income Housing Tax Credits.
>
> A. The fee simple owner of the land underlying the project and the Project owner shall pledge their respective real estate interest in the Project to the LIHTC and HMMF affordability commitments approved by the HHFDC Board of Directors for the Project.
>
> 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 presented the For Action, stating that the Waipahu Tower (Project) is requesting to change its acquisition from fee simple to a 65-year leasehold interest in the Project for $5,662,236 in order to reduce the General Partner's exit fee payment to the tax credit investor after the 15-year minimum compliance period and recognized lease rent payments as a taxable expense.

Although no impacts are anticipated to the originally approved affordability commitment, HHFDC will remain a neutral party in regard the exit fee calculations negotiated between the General Partner and Tax Credit Investor.

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

Vice Chair Taira asked the reason for the timing of the change. Ms. Maeva stated that that the change was attributed to the current tax climate, to avoid returning at year 15 to reorganize its debt to pay out the limited partner, and to control long-term affordability on the land.

Chair Pulmano expressed concern on setting a negative precedence for last minute changes.

Ms. Maeva concurred and explained that submission of a leasehold structure allows the Project to response to the conditions in the market while still achieving its mission to keep affordable housing affordable and meeting its deadlines.

Director Iseri-Matsubara thanked Ms. Maeva on her explanation and stated that the Board should be flexible and recognize the changes occurring at the Federal level and how it will impact the development in Hawaii. Director Abe concurred.

Director Kami questioned negotiations not being set for the 15-year exit term. Ms. Maeva stated that although there are guidelines set, negotiation interpretations may vary at year 15. Therefore, language is continuously being tightened over time.

With no further discussion, the motion was carried unanimously.

Mr. Ueki noted that although there was a down pricing on the Waipahu Tower's tax credit equity, the Project did have the ability to take on additional tax credits to address the shortfall. However, affordability was maintained.

In respect to Director Iseri-Matsubara's comment on flexibility, Executive Director Craig Hirai commented that in his attendance at the NCSHA Legislative Conference in Washington, D.C., discussions ensued on the possibility of tax credits reversing itself and that future projects could retain more value going forward.

Mr. Ueki stated that staff will continue to work with its bond counsel and deputy attorney general on the lease structure and real estate.

III. E. DISCUSSION AND/OR DECISION MAKING
Approve Resolution No. 099, Authorizing the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds for the Waipahu Tower Project Located in Waipahu, Oahu, TMK No.: (1) 9-4-039: 048

Staff's presentation was presented as follows:

That the HHFDC Board of Directors approve the following:

A. Resolution No. 099, attached as Exhibit D, which authorizes a tax-exempt issuance of up to $11,500,000 from the HMMF Bond Program, subject to the provisions and conditions recommended in Exhibit C; and

B. Authorized 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 this For Action requests the approval of Resolution No. 099, which satisfies the requirement to accomplish the HMMF Bond sale and allow staff to complete the Bond sale for the Waipahu Tower (Project).

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

Director Kami asked about the sale of the acquisition proceeds. Ms. Maeva stated that the Project is not entitled to make any proceeds from the sale of the transaction under the HUD program. Any residual benefits are to be donated to another non-profit with a similar affordable housing commitment determined by the board of the co-op.

With no further discussion, the motion was carried unanimously.

III. F. DISCUSSION AND/OR DECISION MAKING
Approve: (1) Resolution No. 100, Which Provides for Official Intent with Respect to the Issuance of Hula

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the following:

A. Resolution No. 100 attached as Exhibit F, which provides for official intent with respect to the issuance of revenue bonds up to $24,500,000 for the Mohouli Heights Senior Neighborhood Phase 3 project, subject to the provisions and conditions recommended in Exhibits C and E.

Mae Multi-Family Tax-Exempt Revenue Bonds; and (2) Reservation of Low Income Housing Tax Credits for the Mohouli Heights Senior Neighborhood Phase 3 Project Located in Hilo, Hawaii, TMK No.: (3) 2-4-001: 184 (portion)

B. Reserve up to $1,518,991 in annual Federal LIHTC over a 10-year period and $1,518,991 in annual State LIHTC over a 5-year period from the non-volume cap pool (4% LIHTC) for the Mohouli Heights Senior Neighborhood Phase 3 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 the Mohouli Heights Senior Neighborhood Phase 3 (Project) submitted a Consolidated Application in June 2016, increasing the number of units to be developed from 60 units (Awarded Financing on October 15, 2015) to 93 units, targeted for the elderly.

If awarded financing, the existing RHRF Project Award would be returned and the existing October 15, 2015 Awards and Resolution No. 077, for the issuance of the HMMF bonds, would be canceled.

The approval of Resolution No. 100 would facilitate further discussions and negotiations between the various parties to determine the feasibility of the contemplated Project.

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

Director Kahele asked about the rent amounts not reflecting the AMGI percentages. Mr. Ueki explained that rents amounts are the same; however, because the Project has a Rental Assistance Contract (RAC), a qualifying tenant would only pay the equivalent of their income group, with the remaining rent balance covered by the rent subsidies under the RAC. (i.e., those earning 30% AMGI only pay 30% of their income)

Discussion ensued on various rent mix scenarios verses 100% of the units set at a 30% AMGI percentage. Mr. Ueki explained that under the RHRF a project is required to have 5% of the units set at 30% AMGI and below, with the remainder set at a tax credit maximum of up to 60% AMGI. However, a project owner would need to operate off of the rents it collects and the RAP subsidies may not always be available. Therefore, 100% of the units set at 30% AMGI without RAP subsidies would not be feasible. Compliance monitoring is done by HHFDC on an annual basis.

With no further discussion, the motion was carried unanimously.

III. G. DISCUSSION AND/OR DECISION MAKING
Approve a Rental Housing Revolving Fund Project Award for the Mohouli Heights Senior Neighborhood Phase 3 Project Located In Hilo, Hawaii, TMK No.: (3) 2-4-001: 184 (portion)

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the following:

A. A RHRF Project Award Loan of $15,751,725 to Mohouli Senior Phase 3-92 LLLP for the benefit of the Mohouli Heights Senior Neighborhood Phase 3 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 the 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 $2,700,000.

6. Availability of RHRF program funds.

7. The return of the $10,079,027 RHRF Project Award Loan approved by the Board on October 15, 2015.

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 this For Action seeks the approval of a RHRF Project Award Loan in the amount of $15.75 million for the Mohouli Heights Senior Neighborhood Phase 3 (Project). Staff's changes to the requested loan terms were noted as follows:

- Interest Rate: 0.25 % (Applicant requested 0.50%)
- Term of Maturity: 55 years (Applicant requested 53 years)

At the time of maturity, approximately 65% - 70% of the Loan is anticipated to be paid.

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

Vice Chair Taira asked about the plans of the Project to cover possible shortfalls within its tax credit equity. Mr. Kato stated that its investor proposed to decrease its investment by 5% than its previous deal, which was believed to be reasonable.

In response to Executive Director Hirai, Mr. Kato stated that an increased price adjustment has not been considered.

Mr. Ueki added that at the point a project is ready to close, the decision to reopen negotiations will ultimately be the decision of the developer.

With no further discussions, the motion was carried unanimously.

Chair Pulmano asked for a recess.

RECESSED 10:15 a.m.

The Board recessed at 10:15 a.m. and reconvened at 10:25 a.m.

RECONVENED 10:25 a.m.

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the following:

A. Resolution No. 101 attached as Exhibit G, which amends Resolution No. 071 by increasing the intended issuance amount of $29,818,000 of revenue bonds up to $43,291,103 from $29,818,000 for the Kulana Hale at Kapolei project:

1. Subject to provisions and conditions for Exhibit D & F; and

2. All other terms and condition of Resolution No. 071 and the intended tax-exempt issuance from the HMMF Bond Program approved by the HHFDC Board of Directors on December 11, 2014, remain the same.

B. Increase the annual Federal LIHTC over a 10-year period to $2,285,505 from $1,602,490 and the annual State LIHTC over a 10-year period from the non-volume cap pool (4% LIHTC) to $1,142,752 from $801,245 for the Kulana Hale at Kapolei project:

1. Subject to the provisions and conditions of Exhibit F and G; and

2. All other terms and conditions of the Federal and State LIHTC reservation approved by the HHFDC Board of Directors on December 11, 2014, remain the same.

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 presented the For Action, stating that the budget of the Kulana Hale at Kapolei (Project) increased by $18,273,345 (40.6%) primarily attributed to higher construction costs ($14,708,545 – 49.5%) relating to the parking structure and land acquisition. Such increases are anticipated to be absorbed by a $12,275,579 increase in 4% LIHTC equity and a $6,589,166 increase in permanent Hula Mae Multi-Family (HMMF) Bond/Senior Loan.

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

Vice Chair Taira asked how the Project plans to cover possible shortfalls within its tax credit equity. Mr. Mola stated that the Project would withhold its Developer's Fee payment and invest its own monies to address any additional short falls.

Mr. Mola further distributed print outs of the Project's Phasing (Phase 1 – Senior tower component, Phase 2 – Multi-Family/Tax Credit tower component, and Phase 3 – retail component) to the Board.

In response to Vice Chair Taira, Mr. Ueki concurred, stating that the Project was mandated by the Board to provide a direct access through Phase 1 of its parking structure which resulted in the increase of cost and the number of parking stalls.
Mr. Mola commented that in a lot of its senior projects the parking lots often become storage spaces due to family concerns and other means of transportation services available (i.e., The Bus, Rail, and Uber services).

III. H. DISCUSSION AND/OR DECISION MAKING
Approve: (1) Resolution No. 101, Which Amends Resolution No. 071 by Increasing the Intended Issuance Amount of the Revenue Bonds; and (2) a request from the Developer to Increase the Low Income Housing Tax Credit Reservation for the Kulana Hale at Kapolei Project Located in Kapolei, Oahu, TMK Nos.: (1) 9-1-088: 021 CPR 0001, 0003, 0004, 0005, 0006, 0007, and 0008

In response to Director Kami, Mr. Mola stated that the Project would be utilizing PVs considering the high sunlight exposure in the area.

Director Abe asked how would the PV expenses be monitored. Mr. Mola stated that the PV would feed into the common areas and any excess would be paid by the tenant, which would further be used for operating costs.

Chair Pulmano asked how are construction costs submitted to staff. Staff explained that estimated construction costs are provided within the application submitted by the developer. Mr. Mola further stated that as project sketches are refined, pricing updates are provided.

Development Branch Chief Rick Prahler stated that the Development staff also reviews and compares construction pricing with other reasonable projects. On average, construction costs have been increasing approximately 1% per month, over the last several years, particularly with high-rise construction.

Chair Pulmano asked whether negotiations are affected by its estimated construction costs being displayed publicly. Mr. Mola stated that it does not leave room for much flexibility in terms of negotiations, especially when the time of submission is not taken into consideration (e.g., takes about a year before coming to the board).

Chair Pulmano asked agenda item "I" be addressed after the Loan Subcommittee Report.

IV. APPROVE THE RECOMMENDATIONS OF THE HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION'S LOAN SUBCOMMITTEE

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors:

A. Approve the Loan Subcommittee's recommendations.

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 Spindt

That staff's recommendation be approved.

Chief Planner Janice Takahashi thanked the Loan Subcommittee members, Chair Pulmano and Directors Abe, Kami, and Spindt, for their leadership, guidance, and time. The purpose of the Subcommittee was to investigate and recommend policies and parameters for making loans from the Rental Housing Revolving Fund (RHRF). The Subcommittee had to balance the Corporation's fiduciary duty to administer the RHTF with the need to expend funds quickly to develop more rental housing during a changing political/economic climate.

Recommendations were summarized as follows:

- To safeguard the RHRF, HHFDC staff shall 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 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.

- Funding rounds: (1) Assess whether the revised Consolidated Application results in a more efficient application/award process. If so, set a third funding round subject to the availability of funds; and (2) Consult with the Office of the Attorney General if HHFDC may undertake a separate application process, outside of a funding round, for projects that may require additional RHRF due to downward pricing of LIHTC or increases in interest rates.

Ms. Takahashi opened for questions.

Discussion ensued on the funding round process and how HHFDC would address financing gaps for projects which were previously awarded LIHTC as timing is critical and HHFDC's resources are limited. An additional concern was expressed that large, TOD projects could use most of HHFDC's resources, leaving little for smaller projects on the neighbor islands. Staff stated that discussions with its AG are ongoing as to what the Corporation can and cannot do to resolve financing gaps while complying with our statute and administrative rules. Big projects may need a special appropriation of funds from the Legislature. Furthermore, given the uncertainty of the economic climate, staff will wait to see proposals brought forth by developers and address the situation accordingly with resources available.

With Hawaii ranking high in housing costs, Director Kahele asked whether lowering the AMGI would be a possible solution. Executive Director Hirai stated that lowering the AMGI would cost more in subsidies and result in less units. Ms. Takahashi explained that the strategy is to increase quickly the supply of housing, targeting AMGI levels that HHFDC's programs serve (i.e., 60% - 100% AMI) as opposed to the very low AMGI levels that are handled by the Hawaii Public Housing Authority.

In reference to the 2008-2016 DBEDT statistical report shared by staff, Vice Chair Taira commented that high housing costs are a result of the percentage of production capacity lost to satisfy a demand for housing from buyers from outside of Hawaii.

Discussion ensued on possible strategic measures which the Corporation should be looking at in order to deliver affordable housing when the economy is in a downturn. Funds are often raided by the Legislature during such low economic climates.

Director Fukumoto asked whether an "abbreviated" application would be acceptable as opposed to a "full" application, in an additional funding round to fill a gap. Mr. Ueki stated that an "abbreviated" application is something staff could look at moving forward. Directors Spindt and Kami reiterated the importance of providing direction for staff and developers and that HHFDC guidelines are flexible to adjust to changing political and economic times.

With no further discussion, the motion was carried unanimously.

III. I. DISCUSSION AND/OR DECISION MAKING
Review of the Hawaii Housing Finance and Development Corporation Audited Financial Statements

Chief Financial Officer Kristi Maynard distributed the Statement of Net Position (or balance sheet) report to the Board, stating that the balance sheet is a snapshot of the Corporation's financial position at any one time; and provided a brief overview of the purpose, assets, and liabilities of each of the Corporation's major Proprietary and Government funds.

In regard to postemployment benefit and pension liabilities, Director Spindt asked whether specific positions were allocated to each fund. Ms. Maynard stated that all staff salaries are allocated to the various funds based on how much time is spent on each activity, and the pension benefit liabilities are allocated accordingly.

Director Kami asked how the capital assets are valued. Ms. Maynard stated that capital assets are valued at original cost, less depreciation. If the properties were instead to be recorded at market value, a higher value potentially would be reflected; however, because of affordability restrictions and dollar-a-year leases, the actual value would be less than the market value would be without those restrictions.

Director Kami asked that staff look into the Multi-Family Housing Revenue Bond fund bonds payable being reflected as a liability as the HHFDC is only a conduit for the bonds and does not guarantee payment. Executive Director Hirai stated that footnotes to the financial statements adequately disclose the nature of the conduit bonds.

With no further discussion, Ms. Maynard stated that the next presentation would be on the Corporation's net income and expense.

V. REPORT OF THE EXECUTIVE DIRECTOR

In reference to the NCSHA Legislation Conference in Washington, D.C., Executive Director Hirai distributed a NCSHA news update – "Senators Cantwell and Hatch Introduce Legislation to Enhance and Strengthen the Housing Credit" to the Board, stating that there were discussions on changing the name of the LIHTC to Affordable Housing Credit, under the Affordable Housing Credit Improvement Act of 2017, S. 548, that would increase the housing credit authority by 50 percent over a five-year period and enact approximately 20 modifications to the program.

Executive Director Hirai further encouraged support in domestic discretionary expenditures which the Trump Administration is looking to cut down, such as HOME, CDBG, and Section 8 programs.

Chair Pulmano asked for an updated on Legislation. Ms. Takahashi reported on the following:

- No funding was received for the Alder Street project
- $25 million was received for the RHRF
- $25 million was received for DURF
- Approximately $30 million was received in conveyance taxes
- Due to loan reserve concerns raised by DCCA, revisions will be made to the Downpayment Loan Program.

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

VI. ADJOURNMENT
12:15 p.m.

Vice Chair Taira moved, seconded by Director Kahele

That the meeting be adjourned at 12:15 p.m.

The motion was carried unanimously.

RONA FUKUMOTO
Secretary