

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, APRIL 13, 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, April 13, 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 Luis Salaveria
Director Denise Iseri-Matsubara
Director Scott Kami (for Director Wesley Machida)

Executive Director Craig Hirai

Excused: Director Milo Spindt

Staff Present: 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
Russel Yamashita, Housing Development Specialist
Beth Malvestiti, Housing Development Specialist
Loreen Kawewehi, Land Ownership Specialist
Holly Osumi, HHFDC Corporate Controller
Lorraine Egusa, Budget Analyst
Krystal-Lee Tabangcura, Procurement Specialist
Kent Miyasaki, Housing Information Specialist
Esa Pablo, Secretary to the Board

Guests: Kevin Carney, EAH
Aaron Eberhardt, EAH
Liz Char, Michaels Development Corporation
Colin Gray, JSM
Jim Morley, JSM
Makani Maeva, Ahe Group
Dana Peiterson, CBRE
Andrew Reenders, CBRE
Lindsey Doi, HCDA

I.
CALL TO
ORDER/
ROLL CALL

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Vice Chair Taira moved, seconded by Director Kahele

That the meeting minutes of the Regular Meeting held on January 12, 2017 be approved, as circulated.

The motion was carried unanimously.

Vice Chair Taira moved, seconded by Director Kahele

That the meeting minutes of the Regular Meeting held on February 9, 2017 be approved, as circulated.

The motion was carried unanimously

Chair Pulmano deferred approval of the meeting minutes of the Executive Session held on February 9, 2017, to a later time.

Finance Manager Darren Ueki presented the For Action, stating staff's recommendation as follows:

That the HHFDC Board of Directors approve the following:

- A. Approve the Initial Approved and Rejected List for the FY2017 funding round for Project Awards, subject to the following provisions and conditions:
 - 1. The approval of the Initial Approved and Rejected List does not obligate or guarantee that any and all applicants on the Initial Approved Project List will receive funding;
 - 2. HHFDC may elect to select, reject, or defer an applicant's request, if HHFDC judges such action to be in the best interest of the Program;
 - 3. The amount of the award is subject to the availability of Program funds. HHFDC is not obligated to approve or fund the full amount of the applicant's request;
 - 4. The actual form, terms, and conditions of each award shall be determined by HHFDC and are subject to negotiation between the applicant and HHFDC, and the completion of all appropriate legal documentation satisfactory to HHFDC and its legal counsel;
 - 5. The approval of each award and the disbursement of funds are subject to the final approval of the Governor of the State of Hawaii;
 - 6. The applicants will agree to abide by all the terms and conditions that may arise due to the use of public funds; and
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Vice Chair Taira moved, seconded by Director Kahele

That staff's recommendation be approved.

**II. A.
APPROVAL
OF MINUTES
1/12/17
Regular
Session**

**II. B.
APPROVAL
OF MINUTES
2/9/17
Regular
Session**

**II. C.
APPROVAL
OF MINUTES
2/9/17
Executive
Session**

**III. A.
DISCUSSION
AND/OR
DECISION
MAKING**
Adopt an Initial Approved and Rejected List for the Rental Housing Revolving Fund Project Award FY2017 Funding Round Based on Priorities Set by the Executive Director in Accordance with Chapter 201H, Hawaii Revised Statutes, the Hawaii Administrative Rules, and the Rental Housing Revolving Fund Procedural Manual

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Finance Manager Darren Ueki stated that there were fourteen (14) applications received on February 15, 2017 for the FY 2017 Funding Round for Rental Housing Revolving Fund (RHRF) Project Awards, totaling \$181,463,644 in requests.

Primarily due to the current conditions of the economy and downward pricing of Low Income Housing Tax Credits, the Executive Director has elected to first address projects that have previously received a project award from HHFDC and are not restructuring its financing (i.e., not changing from 9% to 4% LIHTC or from public to private). Therefore, the Hale Kewalo and Ola Ka Ilima Artspace Lofts projects are being placed on the initial Approved List for further review. The remaining twelve (12) applications are not being rejected, but rather deferred for possible future consideration.

Mr. Ueki opened for questions.

Director Abe asked whether there were any statistics on the downward pricing of the LIHTC equity affecting the development of affordable housing in Hawaii. Mr. Ueki stated that although he was unable to speak on the exact numbers, no investor has walked away from a project thus far. Furthermore, the lower corporate tax rates are a national issue and with the reduction on the investment recapture term from a 10-year period to a 5-year period, state credit pricing may have increased, helping to offset the downward pricing on the federal side.

Chair Pulmano asked for the anticipated reviewing timeframe for the remaining 12 applications being deferred. Mr. Ueki stated that staff anticipates returning to the Board with LIHTC recommendations in June 2017 and RHRF Awards in July/August 2017.

In response to Director Iseri-Matsubara, it was confirmed that with additional conveyance tax monies anticipated, there would be sufficient funds available to account for the total request of \$181, 463,644.

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. 102 attached as Exhibit F, which provides for official intent with respect to the issuance of revenue bonds up to \$14,000,000 for the Hausten Gardens project, subject to the provisions and conditions recommended in Exhibits C and E.
- B. Reserve up to \$552,284 in annual Federal LIHTC over a 10-year period and \$552,284 in annual State LIHTC over a 5-year period from the non-volume cap pool (4% LIHTC) for the Hausten Gardens Apartment 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 presented the For Action, stating that on November 30, 2016, the Hausten Gardens Apartments LP submitted a consolidated application (as amended and corrected) for a 50-unit elderly project, located in Honolulu, Oahu: (1) Tax-exempt issuance of \$14 million from the Hula Mae Mutli-Family (HMMF) Bond Program; and (2) \$552,284 in annual 4% Federal LIHTC over a

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

Approve: (1) Resolution No. 102, 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 Hausten Gardens Apartments Project Located in Honolulu, Oahu, TMK No.: (1) 2-7-009: 016

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10-year period and \$552,284 over a 5-year period in annual 4% State LIHTC.

The Project anticipates receiving its building permits in August 2017, start construction in September 2017, and have the project completed by July 2018.

The approval of the Inducement Resolution by the Board may be viewed as the first official action being undertaken by the Corporation and does not authorize the sale of the tax-exempt bonds for the Hausten Gardens Apartments (Project), but rather facilitates further discussions and negotiations between appropriate parties to determine the feasibility of the contemplated project.

If deemed feasible, staff will return at a later date to seek the Board’s final approval for the issuance, sale, and delivery of the bonds, subject to the approval by the Department of Budget and Finance and the Governor.

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

In response to the Board, Ms. Maeva stated that the Project was owned by a small family trust. In its efforts to preserve the Project, a 45-year affordability term is being added, with a 20-year extension to its Section 8 Contract. Renovations would include concrete construction, updated elevators, plumbing fixtures, toilets, electrical, cabinets, counter tops, and flooring. Units were noted to be approximately 600 square feet and although parking is limited, the Project site is located in an ideal location.

Director Kami asked for clarification on the language within Exhibit D, the Inducement Resolution, item 10, in regard to a lottery system or waitlist. Mr. Ueki stated that is a boilerplate language within the provisions and conditions.

Director Kami suggested that the language be reviewed as it did not appear to apply to an acquisition/rehabilitation project. Director Salaveria concurred.

Director Kami asked for clarification between Deferred Developer Fee (\$467,831) within the proposed Financing Structure table and the Developer’s Fee (\$2,237,336) within the Proposed Budget and Use of Funds.

Mr. Ueki stated that the \$467,831 is what will be deferred out of the \$2.2 amount, which would be recovered through the revenues generated by the Project over a period of time through operations that are repaid. Housing Finance Specialist Patrick Inouye stated that the Developer’s Fee amount is a combination of the developer and overhead fees. However, a detailed breakdown of the developer fee and overhead is reflected within Exhibit A. It was further stated that the analysis is reviewed and becomes part of an additional contingency fee if there is financing to cover it. If the Developer Fee is deferred upfront, it becomes part of the financing and does not add to the contingency fee.

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. Extend the deadline to issue HMMF Bonds for the Ola Ka ‘Ilima Artspace Lofts project to October 31, 2017; and
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Vice Chair Taira moved, seconded by Director Kahele

Mr. Ueki presented the For Action, stating that Ola Ka ‘Ilima Artspace Lofts

**III. C.
DISCUSSION
AND/OR
DECISION
MAKING**
Approve an Extension to Resolution No. 085, Which Provides for Official Intent with Respect to the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds for the Ola Ka ‘Ilima Artspace

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(Project) is an 84-unit family project with a preference for tenants who are involved in artistic or literary activities.

The original approval date was in April 2016, in which \$27 million in Hula Mae Multi-Family (HMMF) Bonds, \$1,951,925 in annual 4% federal LIHTC, and \$975,962 in annual 4% state LIHTC were approved for the Project. The Project also received a RHRF loan of up to \$7.75 million.

In addition to its RHRF loan request, an additional \$3.05 million RHRF request was submitted and is currently under review.

Construction is set to begin in August 2017, with project completion in March 2019.

Staff evaluated the 6-month extension request (October 31, 2017) based on progress made in site control, zoning approvals, and financing commitments.

Mr. Ueki opened for questions, along with Mr. Aaron Eberhardt and Mr. Kevin Carney, on behalf of the Project.

Director Salaveria asked about the previous extensions provided. Mr. Ueki stated that prior extensions were made by the Executive Director through authorization given by the Board. However, such extensions are typical and are used as check points to evaluate a project's progress. If no progress is made, an extension request is reevaluated and discussed accordingly. This would be the first extension approved by the Board.

Director Abe asked why was the additional \$3,050,000 RHRF amount being requested. Mr. Ueki stated that the additional request is due to the downward pricing in the tax credit equity, as a result of the anticipated tax reform.

Discussion ensued on the downward pricing. Mr. Eberhardt stated that most investors are pricing the corporate tax rate at approximately 20%.

Director Kami asked for the reasons of the extensions to further evaluate how the Board could address potential issues. Mr. Eberhardt stated that it is in conjunction with many factors, with financing being a key to make a project go. It was further noted that the City's authorization process for a Notice to Bid resulted in a 2 1/2-month delay.

Executive Director Hirai asked whether steps are being taken to have the perpetuity provision removed. Ms. Maeva stated that the rules have not yet been established.

The motion was carried unanimously.

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the amendments to the Project proposal previously approved by HHFDC, impacting total unit count, unit mix, site and building plans, phasing, timing of the Phase 2 lease premium, and development period, for the East Kapolei II, LDA 2, Family Rental Housing Project Located on Keahumoa Parkway in East Kapolei, Honouliuli, Ewa, Oahu, TMK No.: (1) 9-1-17:109, substantially as discussed in this For Action, subject to the following:

- A. Execution of amendments to the development agreement as approved by the Executive Director;
- B. Any increase in the unit count for the Property shall not impact the sewer and water capacity limits allotted to other properties under the East Kapolei II Development Master Plan.

Lofts Project
Located in Honolulu,
Oahu, TMK No.:
(1) 2-3-003: 040

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

Approve Amendments to the Project Proposal Previously Approved by HHFDC, Impacting Total Unit Count, Unit Mix, Site and Building Plans, Phasing, Timing Of the Phase 2 Lease Premium, and Development period, for the East Kapolei II, LDA 2, Family Rental Housing Project Located on Keahumoa

- C. Approval of the amendments to the Project proposal does not obligate HHFDC to make an award for any of its financing programs, such as LIHTC, RHRF, and DURF;
- D. Authorize the Executive Director to take all actions necessary to effectuate the purpose of this For Action; and
- E. 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 Branch Chief Rick Prahler presented the For Action, stating that the City accepted the Michaels Development Company I, LP's (Developer's) 201H Application, which asked for an increased density of 20 units, bringing the total project unit count to 320 units.

Mr. Prahler summarized the amendments made to the December 2014 Development Agreement (DA), which involved: (1) changes to the unit count, unit mix, and parking count; (2) site and building plan changes; (3) change to Project phasing; (4) timing of the Phase 2 lease premium; and (5) changes to the Phase 1 financial closing date and development period.

Staff finds the amended DA favorable and substantially consistent with the Developer's proposal previously approved by HHFDC on December 12, 2013, with no procurement issues.

In addition to the increased unit count, there are no impacts to the sewer and water capacity limit allotted to the other properties, such as DHHL, under the East Kapolei 2, Development Master Plan. Additional infrastructure capacity was reserved by the City.

Furthermore, approval of the property does not obligate HHFDC to make an award for any of its financing programs such as LIHTC, RHRF, and DURF.

Mr. Prahler opened for questions along with Ms. Elizabeth Char, on behalf of the Developer.

A prior project design was distributed to the Board. The new design concept was compared and discussed, as follows:

- The new design concept provides more open space than the old design, with additional neighboring parks near the property site.
- Even with an increased density, unit sizes are still slightly larger in comparison to projects within the area, such as the Ko'oloa'ula project.
- Majority of the units will be single-level, with some two-level three-bedroom units (1100 square feet).
- The Project is working with Hawaii Electric on its PV design concept for the common areas in efforts to keep maintenance fees down.
- The Project site does not fall within the TOD rail station radius.
- It was clarified that only Phase 1 had requested additional bond

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capacity, 4% tax credits, and DURF (\$2.9 million) funding. No changes were being sought for the recent financing requests submitted for Phases 2, 3, and 4.

With no further discussion, the motion was carried unanimously.

The Board recessed at 10:22 a.m. and reconvened the meeting at 10:32 a.m.

Staff's presentation was presented as follows:

That the HHFDC Board of Directors approve the following:

- A. The Executive Director to enter into a Memorandum of Agreement with the HCDA to act as HCDA's Buyback Designee in the repurchase of HCDA Reserved Housing Units in the Kakaako Community Development District and resell said housing units in accordance with the HHFDC's Repurchase Program under Chapter 15-307, HAR;
- B. The use of HHFDC's Repurchase Fund to purchase, renovate as necessary, and sell the Reserved Housing Units; and
- C. 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.

Chief Planner Janice Takahashi introduced Ms. Linsey Doi, HCDA Asset Manager, to the Board.

Ms. Takahashi provided an overview of HCDA's Reserved Housing Rules pursuant to Section 15-22-186 and Section 15-218-35, Hawaii Administrative Rules (HAR), and HHFDC's Repurchase Program under Chapter 15-307, HAR.

A "Repurchase Fund" was established by the Hawaii Housing Authority (HHA), a predecessor of HHFDC, in October 1976, which has since been approved for additional uses, in August 2015, by the HHFDC Board, in accordance with Sections 201H-9 and 201H-191, Hawaii Revised Statutes (HRS).

Five million dollars from the DURF is restricted for the Repurchase Fund. (Current balance is estimated at \$12 million)

In efforts to address HCDA staff limitations and lack of experience in administering a buyback program, discussions between HCDA and HHFDC commenced for a possible partnership to extend the affordability period of reserved housing units in Kakaako by authorizing HHFDC to serve as HCDA's Buyback Designee, starting with the first two reserved housing units in Rycroft Terrace. Authorization for HCDA's Executive Director to negotiate and enter into an agreement with HHFDC on the first two units was approved at its April 5, 2017 Board Meeting.

With HHFDC's Repurchase Fund being limited, staff is requesting authorization from the Board to: (1) expand the use of its Repurchase Fund to purchase, renovate as necessary, and sell the Reserved Housing Units; and (2) enter into a Memorandum of Agreement (MOA) with HCDA to serve as HCDA's Buyback Designee in the purchasing of HCDA Reserved Housing Units in the district and resell the housing units in accordance with its Buyback and SAE provisions. If successful, staff will return to the Board to broaden its agreement beyond just the

RECESSED
10:22 a.m.
RECONVENED
10:32 a.m.

III. E.
DISCUSSION
AND/OR
DECISION
MAKING

Authorize: (1) the Executive Director to Enter into a Memorandum of Agreement with the Hawaii Community Development Authority (HCDA) to Act as HCDA's Buyback Designee in the Repurchase of HCDA Reserved Housing Units in the Kakaako Community Development District and Resell Said Housing Units in Accordance with the Hawaii Housing Finance and Development Corporation's (HHFDC) Repurchase Program Under Chapter 15-307, Hawaii Administrative Rules; and (2) the Use of HHFDC's Repurchase Fund to Purchase the Reserved Housing Units

two units.

Ms. Takahashi opened for questions, along with Ms. Doi.

Discussion ensued on HCDA's Buyback provisions. Ms. Doi explained that although the Legislature lifted its prohibition from reselling its properties in 2014, all unit occupants would wait until their regulated term (2-10 years) was expired in order to sell at market value, as opposed to selling its unit at the buyback price. The two units in Rycroft Terrace would be the first to go through HCDA's buyback process, hence, the partnership being requested with HHFDC.

The Buyback summary of costs were discussed and referenced to be on last page of Exhibit C. Ms. Doi noted a revision to the Resale Prices for Unit A and B, to read as follows:

- Rycroft Terrace Unit A (1-Bedroom with 1 parking stall)
 - o Resale Price (assuming same monthly fixed costs and 5% interest rate)
 - 80% AMI = \$237,658
 - 100% AMI = \$327,716

- Rycroft Terrace Unit B (Studio with 1 parking stall)
 - o Resale Price (assuming same monthly fixed costs and 5% interest rate)
 - 80% AMI = \$224,254
 - 100% AMI = \$294,299

Ms. Doi further noted that the price would differ based on the targeted buyer. The original sales price was cited in Exhibit C, on page 2, of the HCDA staff report.

Although HCDA has public facilities dedication fund and a reserve housing account that could be used for repurchasing, additional costs would be incurred for solicitation and procurement services of a realtor/broker.

Discussion ensued on whether HHFDC would have sufficient funding within its Repurchase Fund should there be an increase in requests. Mr. Prahler stated that additional short-term funding could be authorized by the Board, if necessary. It was further noted that no repurchases have been done by HHFDC within the last 10 years.

Although the partnership was felt to create positive efficiencies, the Board discussed the need for flexibility within HHFDC's funding sources to create more affordable housing.

Ms. Doi stated that should HHFDC do its due diligence and reject a repurchase, HCDA would: (1) waive its buyback right; or (2) solicit and procure a realtor/broker.

Ms. Takahashi stated that HHFDC would purchase the unit under HCDA's reserved housing program and resell it under HHFDC's buyback program.

With no further discussion, the motion was carried unanimously.

This item was deferred to a future meeting.

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

Review of the Hawaii
Housing Finance and
Development
Corporation Audited
Financial Statements

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Mr. Colin Gray, JSM, asked that the Board to reconsider its Consolidated Application for LIHTC and RHRF financing for the development of a 104-unit affordable project that is needed in the Hilo area. Mr. Gray further stated that although a “guaranteed delivery” was received, a mechanical malfunction with the UPS plane resulted in its application to arrive one day late. Mr. Gray further stated that examples of boards who have accepted late applications due to unforeseen circumstances could be provided to the Board.

Director Kahele asked for Counsel’s opinion on the legalities of its program’s procedures. Deputy Attorney General (DAG) Colette Honda advised that the Board convene in Executive Session to further discuss.

Vice Chair Taira moved, seconded by Director Kahele

That the Board convene in executive session at 11:10 a.m., pursuant to 92-5(a)(4), Hawaii Revised Statutes, to consult with the board attorney on questions or issues regarding the board’s powers, duties, privileges, immunities, and liabilities as it relates to the matter.

The motion was carried unanimously.

The Board convened reconvened in regular session at 11:51 a.m.

Chair Pulmano asked for a motion requested by Hualalai Affordable, LP, to accept its consolidated application for volume cap LIHTC and RHRF funds due February 15, 2017, for the Hualalai Courts project, located in Hilo, Hawaii, TMK No.: (3) 2-4-028: 009.

Vice Chair moved, seconded by Kahele

That the Board accept Hualalai Affordable, LP’s request.

Chair Pulmano thanked Mr. Gray for coming, stating that in consideration of the extensive rules established within the QAP and the facts provided, the Board finds its consolidated application to be incomplete and untimely.

The motion failed. (Aye: 0; Nay: 8)

Director Salaveria encouraged Mr. Gray to resubmit his application in a future round and hoped that this did not discouraged him from looking at these types of projects within the 30-60% AMI.

With no further discussion, Chair Pulmano proceeded to the Report of the Subcommittee.

Property Management Coordinator Chris Woodard reported on the additional findings and recommendations of the Affordable Rental Housing Portfolio Restructuring and Preservation Subcommittee (Subcommittee), which address the parameters for rent restrictions at the properties. However, parking rate restrictions were not contemplated.

Mr. Woodard summarized the current parking rates, stating that parking is only charged for the properties in town, ranging from \$40 to \$60 per month. Currently, at the garden-style family properties no parking fee is charged for the first stall. For a second stall at Kekuilani Courts a parking fee of \$15 is charged.

III. G. DISCUSSION AND/OR DECISION MAKING
Request by Hualalai Affordable, L.P., to Accept its Consolidated Application for Volume Cap Low Income Housing Tax Credits and Rental Housing Revolving Fund Due February 15, 2017 for The Hualalai Courts Project Located in Hilo, Hawaii, TMK No.: (3) 2-4-028: 009

EXECUTIVE SESSION
11:10 a.m.

RECONVENED
11:51 a.m.

IV. REPORT BY THE AFFORDABLE RENTAL HOUSING PORTFOLIO RESTRUCTURING AND PRESERVATION SUBCOMMITTEE-FINDINGS AND

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Based on a parking study completed for HCDA, parking rates in the Kakaako area range from approximately \$110 to \$200 per month, which show that the parking rates of the properties are substantially below current market rates.

In November 2016, HHFDC executed a contract for a real estate consulting and brokerage services with CBRE, Inc. for a two-phase scope of work.

Phase 1 involved due diligence on the portfolio and preparation of financial analyses to determine if the parameters set by the Board would be feasible to implement through the transaction.

Phase 2 requires preparation of an industry standard offering memorandum and, at HHFDC's option, CBRE may proceed with portfolio marketing and transaction execution.

In order to proceed with the transaction from a financial feasibility standpoint, a sales price of approximately \$76 million needs to be achieved in order to pay off the revenue bonds, fund the rental assistance program, and pay brokerage fees.

CBRE has substantially completed the Phase 1 scope of work and was asked to look at two different valuation scenarios, both of which involve the state's continued occupancy of space at Pohulani.

Under Scenario 1, the existing HHFDC and DAGS leases totaling approximately 45,000 square feet would be terminated at closing. Simultaneously, HHFDC would execute a master lease for the combined two spaces (3rd and 4th floors) for an initial term of 20 years at a beginning net rent of \$1.20 per square foot, per month. The lease would provide for a tenant improvement allowance of \$20 per square foot and HHFDC would have the ability to sublease space to other tenants, including government tenants such as DAGS.

Under Scenario 2, HHFDC would not pay any base rent for the space, paying CAM only.

The valuation ranges that CBRE has established under both scenarios exceed the minimum sales price of \$76 million. Due to the confidential nature of the valuations, Mr. Woodard asked that review and discussion of the valuations be taken in executive session.

Vice Chair Taira moved, seconded by Director Fukumoto

That the Board convene in executive session at 12:08 p.m., pursuant to Section 92-5(a)(3), HRS, to deliberate concerning the authority of persons designated by the board to negotiate the acquisition of public property, or during the conduct of such negotiations; and Section 92-5(a)(4), HRS, to consult with the board attorney on questions or issues regarding the board's powers, duties, privileges, immunities, and liabilities, as it relates to this matter.

The motion was carried unanimously.

The Board reconvened the meeting at 1:11 p.m.

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

Executive Director Hirai summarized the Legislation Budget.

RECOM-
MENDATIONS

EXECUTIVE
SESSION
12:08 p.m.

RECONVENED
1:11 p.m.

V.
REPORT
OF THE
EXECUTIVE
DIRECTOR


HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

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

Director Kahele moved, seconded by Director Iseri-Matsubara

That the meeting be adjourned at 1:15 p.m.

The motion was carried unanimously.



RONA FUKUMOTO
Secretary

VI.
ADJOURNMENT
1:15 p.m.