

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, MAY 11, 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, May 11, 2017, at 9:00 a.m.

**I. CALL TO
ORDER/
ROLL CALL**

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 (arrived at 10:30 a.m.)
Director Melvin Kahele
Director Audrey Abe
Director Milo Spindt
Director Denise Iseri-Matsubara
Director Mary Alice Evans (for Director Luis Salaveria)

Executive Director Craig Hirai

Excused: Director Scott Kami (for Director Wesley Machida)

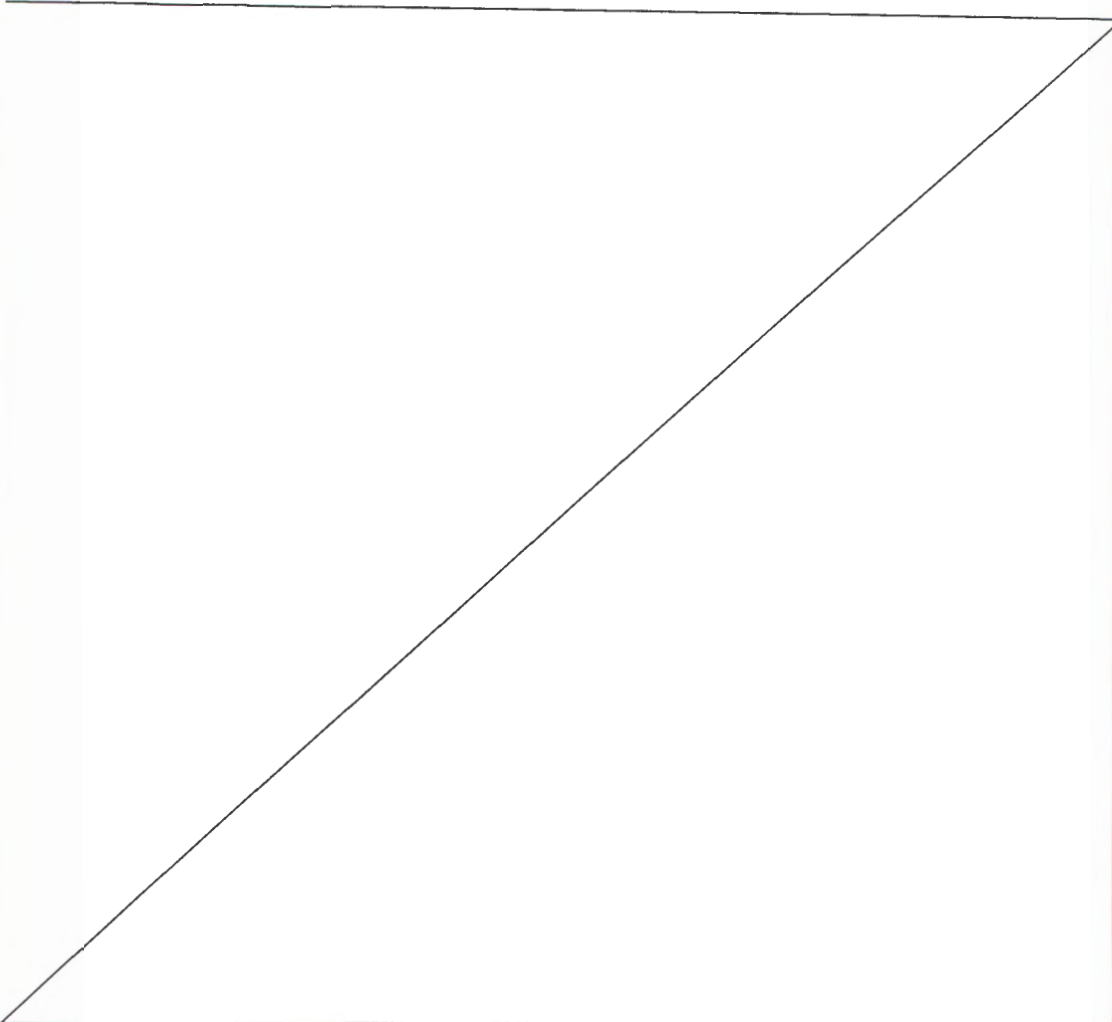
Staff Present: Sandra Ching, Deputy Attorney General
Janice Takahashi, Chief Planner
Darren Ueki, Finance Manager
Rick Prahler, Development Branch Chief
Kristi Maynard, Chief Financial Officer
Stan Fujimoto, Development Section Chief
Marlene Lemke, Sales and Counseling Section Chief
Christopher Woodard, Property Management Coordinator
Patrick Inouye, Housing Finance Specialist
Jocelyn Iwamasa, Housing Finance Specialist
Dean Sakata, Housing Finance Specialist
Paige Ishida, Housing Finance Specialist
Glori Ann Inafuku, Housing Finance Specialist
Lisa Wond, Planner
Lorna Kometani, Housing Sales Coordinator
Lorraine Egusa, Budget Analyst
Kent Miyasaki, Housing Information Specialist
Esa Pablo, Secretary to the Board

Guests: Jon Wallenstrom, Alakai Development LLC
Liz Char, Michaels Development Company
Duane Kashiwai, Department of Education
Derek Shigano, Department of Education
Andrew Gomes, StarAdvertiser
Jim Murray, Habitat
Gary Furuta, GSF LLC
Andrew Furuta, GSF LLC
Jeff Furuta, GSF LLC
Giovanni Mola, Coastal Rim Properties
Kamuela Cobb-Adams, Habitat (Honolulu)
Greg Handberg, Artspace
Marian Gushiken, EAH
Vandeth Sek, Tulsi Gabbard's Office
Andrew Reenders, CBRE

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Dana Peiterson, CBRE
Paul Fortino, Northport

All meeting minutes were deferred to a later time.



**II. A.
APPROVAL
OF MINUTES**
3/9/17

Executive
Session

**II. B.
APPROVAL
OF MINUTES**
4/13/17

Executive
Session

**II. C.
APPROVAL
OF MINUTES**
4/13/17

Executive
Sessions

**II. D.
APPROVAL
OF MINUTES**
4/27/17

Special Meeting
Regular
Session

**II. E.
APPROVAL
OF MINUTES**
4/27/17

Special Meeting
Executive
Session

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

Authorize the
Executive Director to
Enter Into a
Memorandum of
Agreement Between
the Hawaii Housing
Finance and
Development
Corporation (HHFDC)
and the Department of
Education (DOE) for
the Development of a
Mixed-Use
Development at 690
Pohukaina Street
Located in Kakaako,
Oahu, TMK No.:
(1) 2-1-051: 041

Staff's recommendation was presented as follows:

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

- A. Authorize the Executive Director to enter into an MOA with DOE; and
- B. Authorize the Executive Director to take all actions necessary to effectuate the purposes of this For Action;

Subject to the following:

- C. Approval as to form of the MOA by the Department of Attorney General and execution by the Executive Director; and
- D. Compliance with all rules, regulations 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, stating that the Department of Education (DOE) has \$6 million in Capital Improvement Program (CIP) funds for planning of an educational complex at 690 Pohukaina

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(Property) and obtained an additional \$10 million from the 2017 Legislature.

Staff is requesting approval to enter into a Memorandum of Agreement (MOA) between HHFDC and DOE for the development of a mixed-use project at the Property.

Phase 1 will be a workforce rental tower consisting of approximately 390 units developed by Alakai Development, LLC (Alakai), governed by a Phase 1 Development Agreement between HHFDC, DOE, and Alakai. Development and funding of the DOE's educational complex will be governed by a sub-developer agreement between DOE and Alakai.

HHFDC's obligations were summarized.

Mr. Fujimoto introduced Mr. Duane Kashiwai and Mr. Derek Shigano, with the DOE, who were available for questions.

Discussion ensued on the use of the funds. Mr. Kashiwai stated that the \$6 million in CIP funds are available to start the planning process and lapses in 2018. Once approval is obtained, the Environmental Assessment will start and the additional \$10 million from the Legislature will be used for infrastructure work.

With no further discussion, the motion was carried unanimously.

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors:

- A. Approve the State of Hawaii's Consolidated Plan Annual Action Plan for Program Year 2017-2018;
- B. Authorize the Executive Director to revise the HOME, HTF, ESG and HOPWA amounts in the Consolidated Plan Annual Action Plan, to reflect the actual allocation amounts when known, and as described in Section III.; and
- C. Authorize the Executive Director to undertake all tasks necessary to submit and implement the PY2017 Annual Action Plan.

Vice Chair Taira moved, seconded by Director Kahele

That staff's recommendation be approved.

Planner Lisa Wond stated that this For Action seeks the Board's approval for the 2017 Annual Action Plan for Program Year 2017 (July 1, 2017 - June 30, 2018), in which the State anticipates receiving approximately: \$3 million in HOME funds; \$3 million in HTF funds; \$439,415 in ESG funds; and \$208,047 in HOPWA funds.

Due to congressional delays in announcing the actual program dollar amounts, HHFDC anticipates submitting the Action Plan before August 16, 2017.

Ms. Wond provided an overview of the intended uses of the funds and activities for PY 2017.

Director Evans asked whether the funds allocated in the Action Plan would cover the entire cost of the activities proposed for PY 2017. Mr. Ueki stated that the commitment from the Government source is what triggers other financing pieces to fall into place. Therefore, a project may have an idea of where they would get the funding from, but that source of funding may not be in place at the time a commitment is made from the various programs that HHFDC administers.

**III. B.
DISCUSSION
AND/OR
DECISION
MAKING**
Approve the
Consolidated Plan
Annual Action Plan
for Program Year
2017-2018 (PY2017)

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Discussion ensued on an alternate plan should such funding programs be cut or funding amounts are reduced. Mr. Ueki stated that the HOME funds are now allocated on a rotating basis, in which every 3 years each county gets the full amount, as opposed to when each county stacked the funding. Ms. Wond further explained that within its Action Plan, if a county is unable to use the funds in a timely manner, the funds would then be allocated to another county with an eligible project.

Chair Pulmano asked whether the monies needed to be used within a program year. Ms. Wond stated that there is a 24-month commitment period and 4 years to complete an activity.

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. An RHRF Project Award of \$3,400,000 that will increase the Project's existing RHRF Award to \$14,000,000 from \$10,600,000, as described in Section III (J).
- 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 the intent of the Rental Housing Revolving Fund (RHRF) program and prior approvals made to the Hale Kewalo Project (Project).

In February 2017, the Project submitted a consolidated application requesting an increase in its RHRF loan to \$14 million due to an increase in the Project's budget and decline in its LIHTC equity pricing. Increases to the Project's Budget and staff's proposed loan terms were summarized.

Construction of the Project is anticipated to begin in September 2017, with Project completion in January 2019.

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

In response to Director Spindt, Mr. Ueki stated that a 2.96% contingency margin would still be adequate.

In response to Director Evans, Mr. Ueki stated that the length of affordability is 61 years.

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. An RHRF Project Award of \$3,050,000 that will increase the Project's existing RHRF Award to \$10,800,000 from \$7,750,000 and amendment of the terms of the RHRF Project Award, as described in Section III (J).
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

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

Approve and Amend a Rental Housing Revolving Fund Project Award for the Hale Kewalo Project Located in Honolulu, Oahu, TMK Nos.: (1) 2-3-007: 049 and 026

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

Approve and Amend a Rental Housing Revolving Fund Project Award for the Ola Ka 'Ilima Artspace Lofts Project Located in Honolulu, Oahu, TMK No.: (1) 2-3-003: 040

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Vice Chair Taira moved, seconded by Director Kahele

That staff's recommendation be approved.

Mr. Ueki presented the For Action, stating prior Board approvals for the Ola Ka 'Ilima Artspace Lofts (Project).

In February 2017, the Project submitted a consolidated application requesting an increase in its RHRF loan of up to \$10.8 million due to an increase in the Project's budget and decline in its LIHTC equity pricing. Increases to the Project's Budget and loan terms were summarized.

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

With no questions, the motion was carried unanimously.

Staff's presentation was presented as follows:

That the HHFDC Board of Directors approve an extension to the DURF interim loan for the Meheula Vista Senior Affordable Rental Housing project at 95-1080 Lehiwa Drive in Mililani Mauka, Oahu, Hawaii, TMK (1) 9-5-002: 060, substantially as discussed in this For Action and as follows:

- A. Extension of the DURF loan from February 11, 2017 through June 30, 2019;
- B. Two options to extend at 6 months per option, at the sole discretion of the Executive Director; and
- C. Authorize the Executive Director to take all actions necessary to effectuate the purpose of this For Action;

Subject to the following:

- D. Approval of the loan extension documents by the Department of Attorney General and Executive Director;
- E. Construction completion of Meheula Vista II by June 30, 2018, unless otherwise extended at the sole discretion of the Executive Director;
- F. Construction completion of Meheula Vista III by September 30, 2019, subject to approval of 2017 9% tax credit financing, unless otherwise extended at the sole discretion of the Executive Director;
- G. Construction completion of the Project by December 31, 2020, subject to approval of financing, unless otherwise extended at the sole discretion of the Executive Director; and
- H. Compliance with all rules and regulations 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.

Mr. Fujimoto presented the For Action, providing an overview of prior approvals and events of the Meheula Vista Senior Affordable Rental Housing (Project), consisting of 4 Phases and 301 units.

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

Approve an Extension to the DURF Interim Loan for the Meheula Vista Senior Affordable Rental Housing Project Located in Mililani Mauka, Oahu, TMK No.: (1) 9-5-002: 060

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The Project was approved a \$9.7 million DURF loan for the land acquisition, planning, and design on June 10, 2010. Since then, it has paid down its DURF loan by approximately \$960,000, which is now approximately \$2.1 million (includes interest).

Due to the lapsing of its DURF loan in February 2017, the Project is seeking an extension of the DURF loan through June 30, 2019.

With no further discussion, the motion was carried unanimously.

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors authorize the following:

- A. Approve Honolulu Habitat for Humanity, or other successor entity approved by the Executive Director, as an Eligible Developer Pursuant to Section 15-307-24, Hawaii Administrative Rules; and
- B. Negotiate and execute a Development Agreement with the Eligible Developer for the redevelopment and construction of a new affordable self-help single-family home in the Hui Koolau project; and
- 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.

Real Estate Services Lorna Kometani presented the For Action, stating that the Hui Koolau (Project) is one of nine projects in leasehold that the HHFDC administers. The Project consists of 48 lots: 11 in fee simple and 37 in leasehold. To date, HHFDC's involvement is to administer the 5 remaining leases in the Project, including the subject lot 1149A (Subject Lot).

The Subject Lot became a part of HHFDC's inventory as a result of the lessee's inability to maintain the property and comply with the terms of the lease. The dwelling on the Subject Lot is in major disrepair and HHFDC does not have the resources required to develop and sell the property under an affordable redevelopment program.

In an effort to minimize HHFDC's resources to maintain the property and continue the mission of providing affordable housing opportunities, discussions were held with representatives from Honolulu Habitat for Humanity (Habitat), for possible redevelopment and resale of the property under Habitat's program.

Therefore, HHFDC proposes to enter into a development agreement to facilitate development of the dwelling on the Subject Lot, and also issue a lease to a selected and approved buyer, subject to the provisions of HHFDC's lease program.

Ms. Kometani opened for questions.

In response to Vice Chair Taira, Sales and Counseling Section Chief Marlene Lemke stated that the original offering was sold as a house and lot package in leasehold with the State.

Chair Pulmano asked whether the TMK number within the agenda title was correct. Ms. Kometani noted that the TMK number should read as follows: TMK No.: (1) 4-7-055: 100.

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

Approve: (1) Honolulu Habitat for Humanity, or Other Successor Entity Approved by the Executive Director, as an Eligible Developer Pursuant to Section 15-307-24, Hawaii Administrative Rules; and (2) Negotiate and Execute a Development Agreement with the Eligible Developer for the Redevelopment and Construction of a New Affordable Self-Help Single-Family Home in the Hui Koolau Subdivision Located at 47-389 Kapehe Street, Kaneohe, Oahu, 96744, TMK No.: (1) 4-7-055: 100

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Director Spindt asked what is the lease rent. Ms. Kometani stated that HHFDC proposes to issue a dollar per year lease for the term of the lease of approximately 45 to 50 years, unless otherwise required by the lender.

With no further discussion, the motion was carried unanimously.

The Board recessed the meeting at 9:44 a.m. and reconvened the meeting at 9:56 a.m.

Chair Pulmano asked that the agenda be taken out of order to first address agenda item IV, followed by agenda item III. G. Agenda item III. H. was deferred to a later time.

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors:

- A. Approve the Affordable Rental Housing Portfolio Restructuring and Preservation Subcommittee's recommendations; 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.

Property Management Coordinator Chris Woodard read the For Action, providing a consolidation of the Subcommittee's findings and recommendations.

Mr. Woodard distributed a hand out to the Board, of an amendment made to Section II., E., 1., to read as follows:

- 1. Phase I entails due diligence on the RHS Bond Fund portfolio, preparation of financial analyses to determine the feasibility of the contemplated restructuring and preservation, and preparation of an Offering Memorandum ("OM"). Phase 1 work is substantially complete, with the OM currently in draft form. CBRE has completed a valuation analysis that is not an appraisal and which has not been performed in accordance with the Uniform Standards of Professional Appraisal Practice. Neither HHFDC, nor any third parties, may rely on this analysis for any tax purposes, estate work, litigation, lending or any other matter other than HHFDC's direct use in connection with the contemplated transaction.

Mr. Woodard opened for questions, along with CBRE's Mr. Dana Peiterson and Mr. Andrew Reenders.

Director Evans stated that she was in favor of the recommendation of the Subcommittee.

Director Abe expressed appreciation for the amendment made at her request, in an effort to provide further clarity of its appraisals done. Mr. Woodard acknowledged and thanked Mr. Peiterson for working on the amendment.

RECESSED
9:44 a.m.
RECONVENED
9:56 a.m.

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

IV.
APPROVE THE
RECOMMENDA-
TIONS OF THE
AFFORDABLE
RENTAL HOUSING
PORTFOLIO
RESTRUCTURING
AND
PRESERVATION
SUBCOMMITTEE

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Chair Pulmano asked about a Communication Plan. Mr. Woodard stated that the first residential meeting will be held Friday, May 12, 2017, 9:00 a.m., at Pohulani, and each property, thereafter. Notices to the residents have been distributed, explaining what is wanting to be accomplished and what will be discussed at the meetings. Meetings with area Legislators and discussion with Housing Directors have been sought.

Chair Pulmano thanked CBRE and the Subcommittee for their time and work.

With no further discussion, the motion was carried unanimously, with the noted amendment.

Chair Pulmano proceeded to item III. G.

Mr. Woodard presented the For Discussion, noting a correction to be made on page 1, section II. B., last sentence, to read as follows:

Currently, the monthly base rent is above the estimated market rent.

Mr. Woodard further stated that HHFDC is contemplating a restructuring and preservation of its Hawaii Rental Housing System Revenue Bond Fund Portfolio (Portfolio) and plans to convey Pohulani in leasehold. In connection with a leasehold conveyance, HHFDC’s landlord interest in any existing commercial lease would be assigned to the buyer.

Staff believes that the planned Portfolio transaction represents a unique opportunity for the State to secure a strategic, long-term interest in over 45,000 square feet of office space proximate to a future HART rail station, at a reasonable rent. Furthermore, a recasting of the HHFDC lease can be done in a manner that affords ample flexibility for HHFDC to make adjustments depending on the State’s future office space needs at Pohulani.

The following possible lease structures of a recast HHFDC lease were noted as follows:

1. A long-term (up to 75 years) lease with full and partial (i.e., as to one suite only) termination options; or
2. A shorter-term (e.g., 10 to 20 years) lease with multiple renewal options along with termination options.

Due to the confidential nature on the possible impact on the possible transaction value of the Portfolio, Mr. Woodard asked that review and discussion be taken in executive session.

Chair Pulmano asked for a motion to go into executive session.

Director Evans moved, seconded by Director Spindt

To convene in executive session pursuant to Section 92-5(a)(3), Hawaii Revised Statutes, 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), Hawaii Revised Statutes, to consult with the board’s attorney on questions or issues regarding the board’s powers, duties, privileges, immunities, and liabilities as it relates to the restructuring and preservation of the Hawaii Rental Housing System Revenue Bond Fund Portfolio.

The motion was carried unanimously.

The Board convened in executive session at 10:31 a.m.

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

Discuss Possible New Lease to Hawaii Housing Finance and Development Corporation at Pohulani Elderly, Honolulu, Oahu, TMK Nos.: (1) 2-1-51: parcels 13, 18, and 33 as It Relates to a Restructuring and Preservation of the Hawaii Rental Housing System Revenue Bond Fund Portfolio

**EXECUTIVE
SESSION
10:31 a.m.**

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The Board reconvened in regular session at 11:22 a.m.

RECONVENED
11:22 a.m.

Chair Pulmano proceeded to the Report of the Executive Director.

Director Iseri-Matsubara distributed the Capital Connection pamphlets to the Board.

V.
REPORT
OF THE
EXECUTIVE
DIRECTOR

With the decrease in homelessness, Director Iseri-Matsubara thanked the HHFDC staff for their good work and encouraged that housing efforts be continued.

In response to Chair Pulmano, Director Iseri-Matsubara explained that due to higher labor costs, the Alder Street project may be in need of additional funding. Executive Director Hirai stated that he and Ms. Takahashi are working on a possible alternative and will keep the Board posted.

The Board recessed the meeting at 11:25 a.m. and reconvened at 11:49 a.m.

RECESSED
11:25 a.m.
RECONVENED
11:49 a.m.

Executive Director Hirai highlighted the following bills:

- HB 100, State Budget, the HHFDC received the following: \$25 million for RHRF; \$25 million for DURF; and \$4.2 million for the LIHTC loan program. HHFDC received half of its requested amounts.
- HB 530, updates the Downpayment Loan Program of the HHFDC.
- HB 599, amends the Hawaii State Plan to emphasize affordable housing.
- HB 1179, expands the types of rental housing projects that can be exempt from general excise taxes. Allows the HHFDC to exempt certain affordable rental housing projects from general excise tax and use tax costs. Allows the terms of the section 201H-36(a)(5) prevailing wages to be deemed the prevailing wages serving as the basis of compliance with chapter 104, Hawaii Revised Statutes, for the construction of certain rental housing projects.
- HB 1418, amends the county exemptions from building permit and building code requirements to ensure that Hawaii's communities are not suspended from participation in the National Flood Insurance Program.
- SB 100, pushes back the State Auditor's audit date by one year.
- SB 911, increases the Hula Mae Multifamily Revenue Bond Authorization amount from \$1,000,000,000 to \$1,500,000,000. Requires the HHFDC to submit annual reports to the Legislature describing the activity of the revenue bond.
- SB1244, authorizes the qualified non-profit housing trust fund to repurpose affordable units developed for the Buyback program.
- SCR 143, urges the HHFDC to work with housing stakeholders and other State and County agencies to downrate and update the RHRF program's policy and procedures, reinstating the Predevelopment Loan Program.
- SCR 145, requests development of a collaborative plan to best leverage state and county funds to build affordable housing projects and exploration of the feasibility of transfer of parcel land in Kahului, Maui, to HHFDC.
- CM 748, confirms Director Rona Fukumoto for a term to June 30, 2021.

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Director Kahele referenced SB 1183, relating to the GET exemption rail extension tax, asking how upcoming developments would be affected should the rail not be extended as expected. Executive Director Hirai stated that project developments are anticipated whether or not there is rail. Places that are dependent on rail, such as the Stadium, are in the planning stages.

Director Fukumoto asked what is the Special Action Team on Affordable Housing (SAT). Director Iseri-Matsubara explained that it is for affordable housing and that there is a TOD council as well. Executive Director Hirai added that one of the tasks of the SAT is the planning of housing developments along the rail line.

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

Vice Chair Taira moved, seconded by Director Spindt

That the meeting be adjourned at 11:45 a.m..

The motion was carried unanimously.



RONA FUKUMOTO
Secretary

VI.
ADJOURNMENT
11:45 a.m.