

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, JUNE 8, 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, June 8, 2017, at 9:00 a.m.

With a quorum present, the meeting was called to order at 9:01 a.m. 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 Mary Alice Evans (for Directors Luis Salaveria)
Director Scott Kami (for Director Wesley Machida)

Executive Director Craig Hirai

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
Holly Osumi, Corporate Controller
Lorraine Egusa, Budget Analyst
Kazuko Honda, Accountant
Kent Miyasaki, Housing Information Specialist
Esa Pablo, Secretary to the Board

Guests: Glen Takenouchi, Hawaii Gas
Jacob Matson, Hawaii Gas
Kevin Carney, EAH
Aaron Eberhardt, EAH
Giovanni Mola, Coastal Rim Properties
Dana Peiterson, CBRE
Andrew Reenders, CBRE
David Page, Vaughn Bay Construction
Paul Fortino, Northport

Vice Chair Taira moved, seconded by Director Spindt

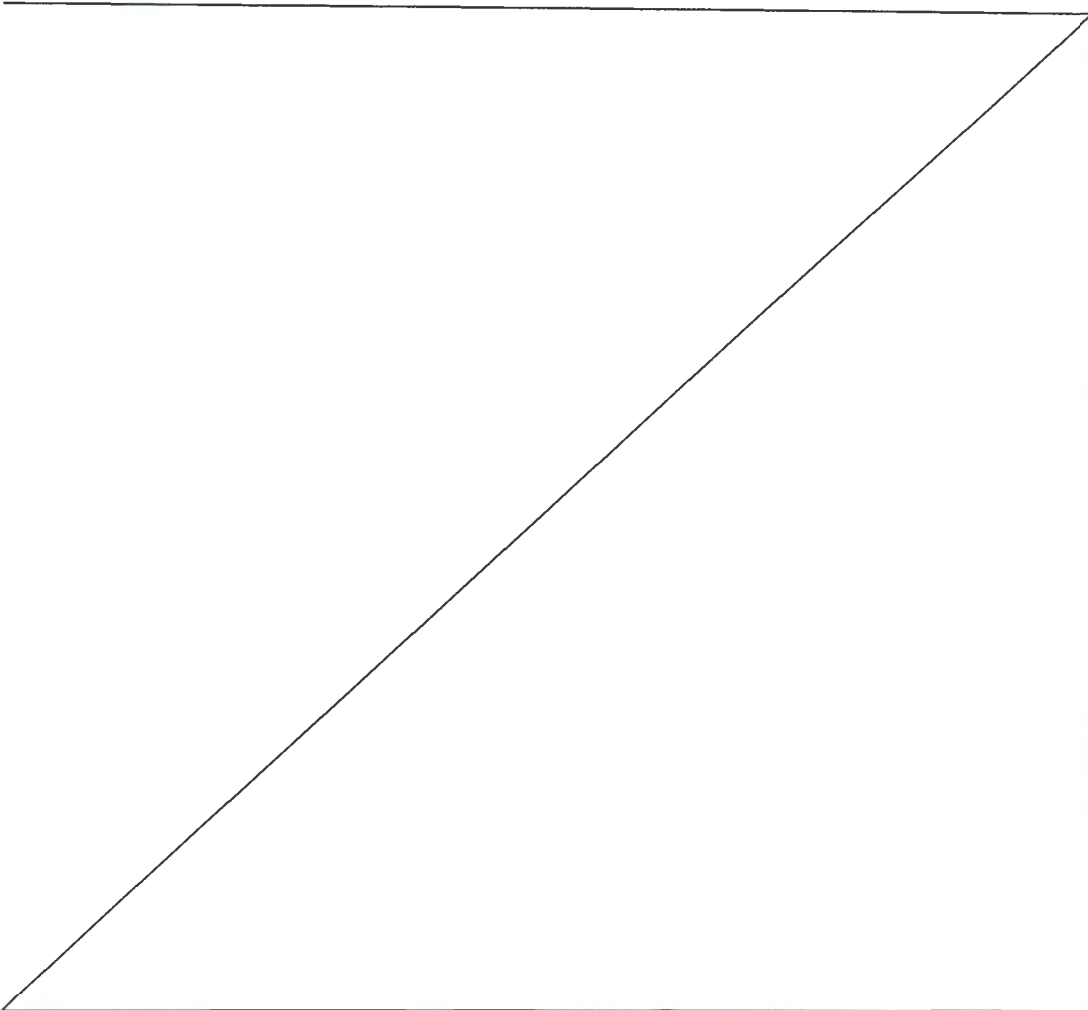
That the regular meeting minutes of March 9, 2017 be approved, as circulated.

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

**II. A.
APPROVAL
OF MINUTES**
Regular
Meeting
3/09/17

The motion was carried unanimously.

Approval of items II. B. – F. were deferred to a later time.



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

**II. C.
APPROVAL
OF MINUTES**
Special
Meeting
4/27/17

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

**II. E.
APPROVAL
OF MINUTES**
Regular
Meeting
5/11/17

**II. F.
APPROVAL
OF MINUTES**
Executive
Session
5/11/17

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 Kukui Tower project to June 30, 2018; 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 Kukui Tower project (Project) receives operating subsidies for 76 units from a Project Based Section 8 Housing Assistance Payment contract until December 31, 2046.

The proposed rehabilitation of the building will address health and safety issues, including, but not limited to, interior and structural upgrades and conversion of 18 units to be ADA accessible.

Construction of the project is anticipated to begin in January 2018, with project completion being in August 2019.

Staff evaluated the extension request based on progress made in site control, zoning approvals, and financing commitments. The Kukui Tower II, LP (Awardee) continues to work with the Low Income Housing Tax Credit (LIHTC) investor and the Hula Mae Multi-Family (HMMF) bond investor on the financing

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

Approve an Extension to Resolution No. 087, Which Provides for Official Intent with Respect to the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds for the Kukui Tower Project Located in Honolulu, Oahu, TMK No.: (1) 1-7-005: 041 CPR 0001

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for the project, and the U.S. Department of Housing and Urban Development (HUD) on the approval of a rent increase, which will support a higher permanent loan.

If deemed feasible, staff will return at a subsequent board meeting for the actual approval for the issuance, sale, and delivery of the bonds, subject to the availability of volume cap and approval by the Department of Budget and Finance and the Governor.

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

Director Evans noted that the building acquisition cost exceeds the rehabilitation cost and asked what criteria was used in recommending the approval of the building acquisition cost.

Mr. Ueki stated that such costs are common in preserving existing stock of affordable units and often require the purchasing of a project or land in order to retain its affordability. He further added that to date, staff has not received any direction or parameters from the Board in the area of acquisition/rehabilitation projects.

Vice Chair Taira suggested that existing housing program allocations be looked at for potential cuts on a congressional level.

Director Kami asked about the interest on the seller’s take-back note. Mr. Eberhardt stated that it will be set at the published Applicable Federal Rates (AFR).

Director Kahele asked whether tenants would be relocated during the rehabilitation process. Mr. Eberhardt stated that units have been held back in anticipation of the rehabilitation and will be used as an onsite hotel.

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. The Final Approved Project List for the FY2017 Funding Round for Project Awards, subject to the following provisions and conditions:
 - 1. Approval of the Final Approved Project List does not obligate HHFDC to make an award to any applicant on the Approved Project List;
 - 2. Applicants on the Final Approved Project List shall not construe approval as an indication or guarantee of receiving an award or any other funding from HHFDC;
 - 3. 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 RHRF program;
 - 4. The amount of an award is subject to availability of RHRF Program funds;
 - 5. HHFDC is not obligated to approve or fund the full amount of an applicant’s request;
 - 6. The actual form, terms, and conditions of each award shall be determined by HHFDC and is subject to negotiation between

**III. B.
DISCUSSION
AND/OR
DECISION
MAKING**
Adopt the Final Approved and Rejected List for the Rental Housing Revolving Fund Project Awards for the FY 2017 Funding Round

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the applicant and HHFDC, and the completion of all appropriate legal documentation satisfactory to HHFDC and its legal counsel;

- 7. The approval of each award and the disbursement of funds is subject to the final approval by the Governor of the State of Hawaii;
- 8. The applicants agree to abide by all 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.

Mr. Ueki presented the For Action, stating that this is a subsequent For Action to the Initial Approved List approved by the Board in April 2017 (i.e., Hale Kewalo project and Ola Ka ‘Ilima Artspace Lofts project), and requests approval of the remaining 12 projects out of the 14 received in February 2017.

Mr. Ueki noted that the status of the RHRF Program’s availability of funds as of May 31, 2017, does not include the Legislature appropriations of \$40 million in FY2016 and \$36.6 million in FY2017 to the RHRF.

The approval of the Final Approved Project List does not obligate or guarantee that an applicant will receive funding and the Corporation may elect to select, reject, or defer an applicant’s request based on the best interest of the RHRF program.

The Final Approved Project List shall remain in effect until the awards are made to the projects on the approved list or until a new approved project list is approved, whichever is earlier.

Mr. Ueki opened for questions.

Vice Chair Taira asked how is the Approved Project List ranked within the For Action. Mr. Ueki clarified that the List is in alphabetical order, as opposed to a ranking.

In response to Chair Pulmano, Mr. Ueki stated that staff intends to come back to the Board with recommendations by the July 13, 2017 Board meeting.

Director Iseri-Matsubara asked for clarification on the RHRF balance. Mr. Ueki stated that there is a balance of approximately \$75 million, which is not enough to fund all the projects.

With no further discussion, the motion was carried unanimously.

Staff’s recommendation was presented as follows:

That the HHFDC Board of Directors approve the Grant of Non-Exclusive Easement to the Gas Company, LLC, at Cliffside at Hanapepe, TMK (4) 1-8-014: 113, to operate, maintain, remove & repair above and below ground piping, meters, tanks and appurtenant existing equipment, substantially as discussed in this For Action, subject to approval from and substance of the easement over ceded lands by the Department of Attorney General.

Director Spindt moved, seconded by Director Kahele

**III. C.
DISCUSSION
AND/OR
DECISION
MAKING**
Approve a Grant
Of Non-Exclusive
Easement to the
Gas Company, LLC
At the Cliffside at
Hanapepe Affordable
Housing Project in
Hanapepe, Kauai,

That staff’s recommendation be approved.

Development Branch Chief Rick Prahler presented the For Action, stating that this is a housekeeping item that needs the Board’s approval to create a grant of easement to the Gas Company, LLC, to legalize an existing facility within a 699-square foot parcel owned by HHFDC, which is part of a 297-unit project developed in the 1990’s (Cliffside at Hanapepe).

Mr. Prahler opened for questions, along with Mr. Glenn Takenouchi, on behalf of the Gas Company, LLC; and its attorney.

Director Evans stated that she is in favor of the recommendation.

In response to Director Abe, Mr. Prahler clarified that he does not believe DLNR annual fees would apply because it is an easement for a facility within the subdivision created by HHFDC; as opposed to a facility that serves the entire West Kauai.

The motion was carried unanimously.

Chair Pulmano asked that agenda be taken out of order to discuss item III. E. before the review of the HHFDC Audited Financial Statements.

Staff’s recommendation was presented as follows:

That the HHFDC Board of Directors authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action, including: (1) termination of the existing HHFDC lease at Pohulani; and (2) execution of a new HHFDC lease at Pohulani substantially on the terms described herein.

Property Management Coordinator Chris Woodard presented the For Action, stating that HHFDC is contemplating a restructuring and preservation of its Hawaii Rental Housing System Revenue Bond Fund portfolio (the Portfolio), which includes the Pohulani Elderly building, in which HHFDC and Department of Human Services (leased space by DAGS to DHIS) occupy space. Mr Woodard stated that staff is recommending that the HHFDC recast its lease at Pohulani on the following key terms:

- Landlord: To be determined. (The buyer of the leasehold interest in Pohulani.)
- Tenant: HHFDC
- Premises: Pohulani Suite 300, Commencing on September 1, 2022, the Premises shall include Suite 400.
- Commencement Date: The date of the closing of the purchase and sale of the leasehold interest in Pohulani.
- Initial Term: 30 years
- Base Rent: None.
- Additional Rent: The lease shall be an absolute net lease. Tenant shall pay all costs of operating Tenant’s business including, but not limited to, Tenant’s own utilities and personal property and liability insurance. Tenant shall also pay Tenant’s pro-rata share of building operating expenses including, but not limited to, common area maintenance, management, and building fire and liability insurance.

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

Approve: (1)
Termination of the Existing Lease with Hawaii Housing Finance and Development Corporation (HHFDC) and (2) Execution of a New Lease with HHFDC, Each for Premises Located at Pohulani Elderly, Honolulu, Oahu, TMK Nos.: (1) 2-1-51: parcels 13, 18, and 33

RECESS
10:00 a.m.
RECONVENED
10:11 a.m.

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

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- Renewal Options: Four, 10-year options and one subsequent 5-year option for a total extended term of 75 years. There shall be no base rent payable during the option periods.
- Termination Option: Tenant may terminate the lease with 90 days prior written notice to Landlord and without penalty.
- Tenant Improvement Allowance: \$25 per square foot for the initial term.
- Use: General office
- Security Deposit: None
- Parking: Landlord shall provide to Tenant 66 parking stalls in the Pohulani garage, increasing to 116 stalls on September 1, 2022. Parking rates shall not exceed the rates for comparable parking garages as established by the DAGS Automotive Management Division. The initial rate shall be \$60.00 per month for single stalls and \$45.00 per month for tandem stalls.
- Subleasing: Tenant may sublease the Premises, or any portion thereof to another State department or agency (a "State Entity") without Landlord's consent. Tenant shall not sublease the Premises to any party other than a State Entity without Landlord's prior written consent, such consent which shall not be unreasonably withheld.
- Assignment: Tenant may assign the lease to a State Entity without Landlord consent. Tenant shall not sublease the Premises to any party other than a State Entity without Landlord consent. Tenant shall not assign the Lease to any party other than a State Entity without Landlord's prior written consent, such consent which shall not be unreasonably withheld.
- Broker Commission: None.

Based on the above-described key terms, a new lease would be executed between HHFDC and the Pohulani leasehold buyer, at the closing of the Portfolio restructuring and preservation transaction.

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

Director Evans asked whether the property management agent set the CAM amount for the affordable units on Floors 5 through 26. Mr. Woodard clarified that it would not apply to Floors 5 through 26, but to the commercial areas only. He added that certain operating costs are split between the commercial and residential components of the building, and that the residential rents more than pay for the allocated residential operating costs,

Director Kami suggested that the sublease/assignment language and use clause be adjusted to allow for more flexibility for HHFDC. After some discussion about standard commercial lease provisions, it was agreed that the lease language be modified to address Mr. Kami's concerns. Should the provisions turn out to be problematic for portfolio bidders, staff will return to the Board for further

III. E. DISCUSSION AND/OR DECISION MAKING

Approve: (1) Termination of the Existing Lease with Hawaii Housing Finance and Development Corporation (HHFDC) and (2) Execution of a New Lease with HHFDC, Each for Premises Located at Pohulani Elderly, Honolulu, Oahu, TMK Nos.: (1) 2-1-51: parcels 13, 18, and 33

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discussion.

Director Abe asked who would be responsible for significant repairs to the area. Mr. Woodard stated that HHFDC would be responsible for repairs within the walls of the office space or tenant improvements. Common areas would be the responsibility of the Landlord.

Vice Chair Taira asked that a provision be placed within the language to ensure if an entity is changed that the lease would be assigned to the new entity before the old entity is expired. Mr. Woodard stated that it would be typical for a lease to include such language.

Chair Pulmano asked about the tenant improvement allowance and whether HHFDC would be responsible for subsequent improvement costs in the future. Mr. Woodard stated that without base rent in the lease it would be difficult for the Landlord to continue to fund tenant improvements, and therefore, would be the responsibility of the HHFDC.

Chair Pulmano asked whether there was a timeframe of when the tenant improvement allowance would need to be completed or approved by. Mr. Woodard stated that staff is proposing the allowance be available for the duration of the initial term of the lease (30 years).

Director Kami suggested that the tenant improvement allowance be expended sooner rather than later, as additional improvements may require legislative request that may be difficult to obtain. Executive Director Hirai stated monies for improvements would be taken out of HHFDC funds; however, to expend its funds would still require legislative authorization.

With no further discussion, the motion was carried unanimously.

Chair Pulmano called for a recess at 10:00 a.m.; reconvening at 10:11 a.m.

RECESS
10:00 a.m.
RECONVENED
10:11 a.m.

Chief Financial Officer Kristi Maynard distributed a handout to the Board and provided an overview of the income and expense of each fund of the HHFDC over a fiscal year term, divided between proprietary funds and government funds. The purpose and funding source of each fund was summarized.

Director Iseri-Matsubara asked about the Home Investment Partnership program (HOME) funds received. Mr. Ueki clarified that the HHFDC receives the \$3 million allocation on behalf of the Hawaii, Kauai, and Maui Counties. The City and County of Honolulu receives its own allocated amount (i.e., approximately \$5 million). He further stated that a county is given a year to identify a use for the funds and has three years to expend it. Ms. Maynard added that such federal monies are not recognized as an income until a request for a use comes in and monies are drawn down.

Director Abe inquired on the balance sheet financials. Ms. Maynard stated that the balance sheet was discussed at the March 9, 2017 Board Meeting. CD's of the Audited Financials were noted to be distributed the the Board in January 2017 and is also available for review on the HHFDC's website.

With no further discussion, Chair Pulmano proceeded to item III. F.
Director Evans moved, seconded by Director Kami

That the Board convene in executive session at 10:43 a.m., pursuant to Section 92-5(a)(2), Hawaii Revised Statutes, as it relates to the evaluation of the Executive Director, where consideration of matters affecting privacy would be involved.

The motion was carried unanimously.

III. F.
DISCUSSION
AND/OR
DECISION
MAKING
Approve an Increase to the Salary of the Executive Director Pursuant to Chapter 201H, Hawaii Revised Statutes

EXECUTIVE
SESSION
10:43 a.m.

RECONVENED
11:25 a.m.

The Board reconvened in regular session at 11:25 a.m.

Vice Chair Taira moved, seconded by Director Kahele

That the HHFDC Board of Directors:

- A. Approve an increase to the salary of the HHFDC Executive Director, pursuant to Chapter 201H, HRS, to \$140,000, effective July 1, 2017; and
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

The Board expressed their appreciation and thanked Executive Director Hirai on his accomplishments in the Agency’s mission and efforts in maximizing the financing tools of the State, being a priority of the Governor.

With no further discussion, the motion was carried unanimously.

Chair Pulmano proceeded to the Report of the Executive Director.

Executive Director Hirai reported that an informational briefing with the House and Senate is scheduled for July 12, 2017, at 10:30 a.m., to discuss HHFDC’s proposed plans.

Chair Pulmano asked about the conveyance tax cap. Executive Director Hirai stated that according to estimates received from the bureau the HHFDC has possibly met its \$38 million cap. All excess monies are contributed to the General fund.

Director Kahele asked whether a Special Session would be held to address the extension of the GET tax, being an integral part of the rail project in Kakaako. Director Iseri-Matsubara stated that a meeting could be arranged to discuss at a later time.

Director Kami stated that at an investor conference attended, discussions revolved around barriers of affordable housing and rail. Director Hirai stated that more coordination is needed between the State and Counties in order to increase production.

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

Vice Chair Taira moved, seconded by Director Spindt

That the meeting be adjourned at 11:43 a.m.

The motion was carried unanimously.



 RONA FUKUMOTO
 Secretary

V.
REPORT
OF THE
EXECUTIVE
DIRECTOR

VI.
ADJOURNMENT
11:43 a.m.