

**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, AUGUST 10, 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, August 10, 2017, at 9:00 a.m.

With a quorum present, the meeting was called to order at 9:00 a.m. by Chair Pulmano.

Those present and excused were as follows:

Present: Director Leilani Pulmano, Chair  
Director Milo Spindt, Vice Chair  
Director Rona Fukumoto, Secretary  
Director Donn Mende  
Director Melvin Kahele  
Director Audrey Abe  
Director Denise Iseri-Matsubara  
Director Mary Alice Evans (for Director Luis Salaveria) 9:04 a.m.  
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, Real Estate Portfolio Manager  
Patrick Inouye, Housing Finance Specialist  
Jocelyn Iwamasa, Housing Finance Specialist  
Glori Ann Inafuku, Housing Finance Specialist  
Paige Ishida, Housing Finance Specialist  
Holly Osumi, Corporate Controller  
Lorraine Egusa, Budget Analyst  
Jason Takata, Property Management Coordinator  
Kent Miyasaki, Housing Information Specialist  
Esa Pablo, Secretary to the Board

Guests: Chris Oakes, Stanford Carr Development  
Kevin Kasai, Stanford Carr Development  
Giovanni Mola, Coastal Rim Properties  
Nicola Mola, Coastal Rim Properties  
Faith Rex, SMS  
Daniel Nahoopii, SMS

Vice Chair Spindt moved, seconded by Director Fukumoto

That the regular meeting minutes of May 11, 2017 be approved, as circulated.

The motion was carried unanimously.

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

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

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Approval of the executive session meeting minutes of May 11, 2017 was deferred to later in the meeting.

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

Approval of the meeting minutes of June 8, 2017 was deferred to a future meeting.

**II. C.  
APPROVAL  
OF MINUTES**  
Regular  
Meeting  
6/8/17

Approval of the executive session meeting minutes of June 8, 2017 was deferred to later in the meeting.

**II. D.  
APPROVAL  
OF MINUTES**  
Executive  
Session  
6/8/17

Vice Chair Spindt moved, seconded by Director Fukumoto

That the regular meeting minutes of July 13, 2017 be approved, as circulated.

**II. E.  
APPROVAL  
OF MINUTES**  
Regular  
Meeting  
7/13/17

The motion was carried unanimously.

Approval of the executive session meeting minutes of July 13, 2017 was deferred to later in the meeting.

**II. F.  
APPROVAL  
OF MINUTES**  
Executive  
Session  
7/13/17

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the following:

- A. Amend the RHRF loan repayment terms to 75% of Surplus Cash (as mandated by HUD) as long as HUD is the insurer or holder of the senior loan; and 80% of Available Cash Flow (as originally approved by HHFDC) if HUD is no longer the insurer or holder of the senior loan.
- B. Extend the RHRF LOI dated March 15, 2016, for the RHRF Loan for the Hale Kewalo project to November 30, 2017, subject to the requirements as set forth in the For Actions dated March 10, 2016 and May 11, 2017; and
- C. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

**III. A.  
DISCUSSION  
AND/OR  
DECISION  
MAKING**  
Approve an  
Amendment and  
Extension to a  
Rental Housing  
Revolving Fund  
Project Award for  
the Hale Kewalo  
Project Located in  
Honolulu, Oahu,  
TMK Nos.:  
(1) 2-3-007: 026 and  
109

Vice Chair Spindt moved, seconded by Director Fukumoto

That staff's recommendation be approved.

Finance Manager Darren Ueki stated that the Hale Kewalo project was originally approved on March 10, 2016, consisting of 128-family units located in Honolulu, Oahu. The 11-story building project will also include parking and commercial space.

Staff evaluated the Hale Kewalo, LP (Awardee)'s request to amend its Rental Housing Revolving Fund (RHRF) loan repayment terms to include a 75% Surplus

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Cash option (original approval was for 80% Surplus Cash) prompted by the U.S. Department of Housing and Urban Development (HUD) and an a two-month extension to the RHRF Letter of Intent to November 30, 2017, based on the progress made in site control, zoning approvals, and financing commitments.

The project construction is anticipated to start in October 2017, with project completion in December 2018.

The Awardee continues to work with the Department of Planning and Permitting for its building permits and with Citigroup Global Markets Inc. and PNC on its tax-exempt issuance from the Hula Mae Multi-Bond (HMMF) Bond Program and on its Low-Income Housing Tax Credit (LIHTC) syndication.

Mr. Ueki opened for questions, along with Mr. Christopher Oaks and Mr. Kevin Kasai, on behalf of the project.

Director Kami asked who is the fee owner and leasehold owner.

Mr. Oaks stated that the fee owner of parcel 109 is currently Kewalo Development, which will be conveyed over to SCE Piikoi. The leasehold owner is the Hawaii Community Development Authority, for parcel 26, which will serve as the ingress and egress to the project.

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 Hale Kewalo project to November 30, 2017 and
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Vice Chair Spindt moved, seconded by Director Fukumoto

That staff's recommendation be approved.

Mr. Ueki stated that the Inducement Resolution is required under Section 1.150-2 of the Treasury regulations before the project's sponsor acquires or commences construction of the development.

If deemed feasible, staff will present a subsequent For Action requesting the actual approval of the issuance, sale, and delivery of the bonds, for the Hale Kewalo project, 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. Oakes and Mr. Kasai, on behalf of the project.

There being no questions, the motion was carried unanimously.

Staff's recommendation was presented as follows:

That HHFDC's Board of Directors approve the following:

- A. Resolution No 104, attached as Exhibit D, which authorizes a tax-exempt issuance of up to \$31,500,000 from the HMMF Bond Program, subject to the provisions and conditions recommended in Exhibit D.

**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, Oahu, TMK Nos.: (1) 2-3-007: 026 and 109

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

Approve Resolution No. 104, Authorizing the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds for the Hale

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- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Vice Chair Spindt moved, seconded by Director Fukumoto

That staff's recommendation be approved.

Mr. Ueki stated that Resolution No. 104, satisfies the requirement to accomplish the HMMF Bond sale and allow staff to complete the Bond sale in a principal amount not to exceed \$31.5 million for the purposes of making a mortgage loan to provide financing to the Awardee for the Hale Kewalo project, authorizing the issuance, sale, and delivery of mortgage revenue bonds.

Mr. Ueki opened for questions, along with Mr. Oakes and Mr. Kasai, on behalf of the project.

There being no questions, the motion was carried unanimously.

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve a Dwelling Unit Revolving Fund advance in the amount of \$825,000 for the demolition and open-space development project at 620 Coral Street, Kakaako, Oahu, as substantially described in this For Action, subject to other terms and conditions deemed necessary and acceptable by the Executive Director, including the reallocation of line item funds as the need arises, and also subject to the following:

- A. Availability of DURF funds; and
- B. approval and release of funds by the Governor.

Vice Chair Spindt moved, seconded by Director Fukumoto

That staff's recommendation be approved.

Real Estate Portfolio Manager Chris Woodard presented the For Action, stating that HHFDC (with Belt Collins as its consultant) has until December 31, 2018 to complete demolition and the open-space concept, and to be in compliance with its Planned Development Permit No. PD 4-89 with the Hawaii Community Development Authority. The 620 Coral Street redevelopment will cost an estimated \$1,316,000, which consists of payment for the Belt Collins contract, demolition and disposal, hazardous materials remediation, and site work development of 5 parking spaces, grassy areas, benches, and trees.

Staff found that revenues derived from historical leasing activities at 620 Coral Street had been erroneously deposited to the Rental Housing System Revenue Bond Fund and were subsequently transferred to the Housing Finance Revolving Fund (HFRF). To date, 620 Coral Street revenues net of expenses that have been deposited to the HFRF total approximately \$502,000, estimating a shortfall of \$814,000 to completed the project based on the estimated cost of \$1,316,000.

Given its relative size and liquidity, the Dwelling Unit Revolving Fund (DURF) is believed to be a more prudent source than the HFRF to provide an advance for the funding of the shortfall.

Furthermore, based on the valuations prepared by CBRE, Inc., the Consultants for the planned restructuring and preservation of the Hawaii Rental Housing System Revenue Bond Fund Portfolio, it is believed that there will be more than sufficient net proceeds from the leasehold sales of the Portfolio properties to repay an advance from the DURF for the 620 Coral redevelopment project.

Kewalo Project  
Located in Honolulu,  
Oahu, TMK Nos.:  
(1) 2-3-007: 026 and  
109

**III. D.  
DISCUSSION  
AND/OR  
DECISION  
MAKING**  
Approve a Dwelling  
Unit Revolving Fund  
Advance for the  
Demolition and  
Open-Space  
Development Project  
at 620 Coral Street,  
Kakaako, Oahu,  
TMK No.:  
(1) 2-1-051: 018

Mr. Woodard opened for questions.

Director Evans commented that the language under §201H-80, Hawaii Revised Statute (HRS), which states: “the proceeds in the [HFRF] shall be used for long-term and other special financings of the corporation and for the necessary expenses in administering this part,” appears to be vague, and asked for examples of other projects that has used such funds.

Chief Financial Officer Kristi Maynard stated that the fund is used for both LIHTC projects and Mortgage Credit Certificates. Mr. Ueki added that it is also used for the good faith deposits of the LIHTC program and DURF fund, as well as other programs placed upon the HHFDC by the Legislature (such as those relating to assistance to pineapple workers and homeowners affected by lava flows).

With no further questions, the motion was carried unanimously.

Mr. Woodard introduced Property Management Coordinator Jason Takata, who presented the For Information, providing an update on the Waiahole Valley Strategic Planning initiative.

Mr. Takata stated that HHFDC owns and manages the Waiahole Valley project although it is not the core mission of the Corporation. Efforts of transferring the project to a department or agency that may be better suited to manage this unique asset has been unsuccessful. Annual revenues generated from ground lease rents and the State-owned water system are not sufficient to cover operating capital expenditures currently being subsidized by DURF.

Therefore, SMS Research & Marketing, Inc., was contracted for consulting services to assist in the strategic plan of HHFDC’s historical vision for Waiahole Valley of preserving the vibrant, rural character of the community, proliferate diversified agriculture, and provide decent and affordable housing, and other economic and educational opportunities.

Through the Strategic Plan and implementation of future action plans, HHFDC hopes to eventually eliminate the burden of the DURF subsidies and address the current needs of current and future general plans within the Valley.

To date, SMS has conducted community outreach efforts, research of historical documents relating to the Waiahole Valley, and numerous interviews with residents and farmers, which has received support through the Office of the Governor, State Legislatures, DBEDT, and other agencies.

In July 2017, a community meeting was held to provide an update and answer general questions of the community relating to the project.

Mr. Takata opened for questions, along with SMS President Faith Rex, and Executive Vice President Daniel Nahoopii.

Director Evans asked about the community’s response to the Strategic Plan presented.

Ms. Rex stated that the community is recognizing that improvements cannot be obtained without change, such as restructuring its leases and rents.

Mr. Takata referenced Exhibit E, a handout provided to the community, which outlined each phase and timeline of the Strategic Plan process. The next renegotiation for all leases is set for 2023.

Director Iseri-Matsubara thanked everyone for their work on the Waiahole Valley project and asked that precautionary measures continue to be taken through the process.

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

Information on the Waiahole Valley Agricultural Park and Residential Lots Subdivision Strategic Planning Initiative

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Director Iseri-Matsubara asked on the status of the proposed Administrative Rules regarding the water rates. Mr. Prahler stated that because relocation of the reservoir tank and reconstruction of the main waterlines are in process, approval of the proposed Administrative Rules are being deferred until a more definitive schedule can be put in place.

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

Executive Director Craig Hirai reported on the following:

- Together with HHFDC's Housing Information Specialist Kent Miyasaki, met with Hawaii Mayor Harry Kim to discuss the Kamakana project.
- A meeting with the County of Maui is scheduled on August 14, 2017 to discuss the infrastructure for the Villages of Leiali'i and the Kahului Civic Center property.

Executive Director Hirai suggested that the Board establish a subcommittee to address the Board's concerns on the large amount of resources being used to "preserve" affordable housing.

Chair Pulmano concurred, stating that she would like to establish a Strategic Housing Preservation Subcommittee to investigate and recommend polices to efficiently preserve and sustain the supply of workforce and affordable rental housing, while prioritizing the development of new housing stock.

Members of the Strategic Housing Preservation Subcommittee will include:

Directors Mary Alice Evans, Audrey Abe, and Milo Spindt.

Mr. Prahler and Mrs. Takahashi will be the lead from staff.

Deputy Attorney General stated that no subcommittee chair is required.

The Strategic Housing Preservation Subcommittee will review questions regarding the following two issues:

(1) Financing for Acquisition/Rehab Projects; and

The Qualified Allocation Plan (QAP) was revised to encourage developers using the Low-Income Housing Tax Credit (LIHTC) program to waive the Qualified Contract provisions of Section 42(h)(6)(E)(i)(II) of the IRC and to limit the award of 9% LIHTC to one Acquisition/Rehab project per funding cycle.

Are these efforts supportive of our goal to increase the stock of affordable housing while also allowing projects in danger of losing their affordability restrictions to reapply for financing and extending their affordability periods?

(2) Lease Extensions.

Although HHFDC's goal is to provide State land to affordable rental projects for minimal costs to promote the creation of new affordable housing stock, recent cases of projects that have been in service for 15-20 years are asking to extend their leases at favorable terms to enhance their marketability to new buyer/operators.

What kind of lease extension policy does the Board want to encourage that allows aging projects to find funding for necessary rehabilitation without encouraging

### IV. REPORT OF THE EXECUTIVE DIRECTOR

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flipping of the project allowing the current owner/developer to profit from the State lease?

In regard to its policy of having one Acquisition/Rehab Project per funding round, Director Kami suggested that the Subcommittee also look at a potential dollar amount cap as an alternate option. (i.e., resources utilized for one large project or two smaller projects)

Vice Chair Spindt suggested that there be discussion on repurposing existing buildings and defining what would fall as new construction and what would fall into acquisition/rehab.

Director Iseri-Matsubara asked about the QAP review process. Mr. Ueki stated that while updates or review can be discussed on an ongoing basis, approvals are typically done on an annual basis (up to a 2-year cycle), with substantial changes required to go through a hearing process.

It was further noted that the typical QAP timeline would be as follows: October/November - go out for a public hearing; December – Consolidated Application would be made available; mid-February of the follow year – applications would be due; May/June – awards would be made, depending on the volume of applications received.

Vice Chair Spindt asked whether the autofill application issue had been addressed. Mr. Ueki stated that although revisions to the digital application are ongoing, staff has found that part of the issue was due to the applicants using the digital application as an underwriting tool as opposed to inputting their final numbers, resulting in the “error message” they were receiving.

Discussion ensued on the QAP scoring process. Mr. Ueki stated that the scoring process will be ongoing as the Board discusses what outcomes are desired to address the housing needs of the State. Mr. Ueki noted that what often makes it easier for the developer would require a sacrifice on the end of the Agency.

Executive Director Hirai asked if the counties issue their own private activity bonds, would they still need to go through the application process for LIHTC. Mr. Ueki responded yes, however, Board discussion would be needed to determine the expectation of the Board on the limited amount of bond cap.

Chair Pulmano asked when staff’s recommendation on changes to the QAP would be presented to the Board for approval. Mr. Ueki stated that recommendations are anticipated to be presented within the next couple of months.

Director Kami asked about the status on the pricing of the federal tax credits. Mr. Ueki stated that although pricing has subsequently increased, until the Tax Reform has been established, the impact to the credit pricing is unknown. It was further noted that the Legislature has taken precautionary measures to the repayment terms of the State Credit Program to help offset the decline in the federal pricing.

With no further discussion, Chair Pulmano asked for a motion to approve the meeting minutes of the executive sessions.

Director Evans moved, seconded by Director Spindt

That the executive session meeting minutes of May 11, 2017, June 8, 2017, and July 13, 2017 be approved.

The motion was carried unanimously.

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

Director Spindt moved, seconded by Director Fukumoto

That the meeting be adjourned at 10:25 a.m.

The motion was carried unanimously.

V.  
ADJOURNMENT  
10:25 a.m.

  
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RONA FUKUMOTO  
Secretary