

**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, OCTOBER 12, 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, October 12, 2017, at 9:00 a.m.

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

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

Those present and excused were as follows:

Present: Director Leilani Pulmano, Chair  
Director Milo Spindt, Vice Chair  
Director Rona Fukumoto, Secretary  
Director Melvin Kahele  
Director Denise Iseri-Matsubara  
Director Luis Salaveria  
Director Scott Kami (for Director Wesley Machida)

Executive Director Craig Hirai

Excused: Director Donn Mende

Staff Present: Sandra Ching, Deputy Attorney General  
Colette Honda, Deputy Attorney General  
Janice Takahashi, Chief Planner  
Darren Ueki, Finance Manager  
Rick Prahler, Development Branch Chief  
Marlene Lemke, Sales and Counseling Section Chief  
Christopher Woodard, Real Estate Portfolio Manager  
Dean Sakata, Housing Finance Specialist  
Paige Ishida, Housing Finance Specialist  
Ken Takahashi, Housing Development Specialist  
Holly Osumi, Corporate Controller  
Lorraine Egusa, Budget Analyst  
Kent Miyasaki, Housing Information Specialist  
Esa Pablo, Secretary to the Board

Guests: Marian Gushiken, EAH  
Samantha Magistro, Bronx Pro Group LLC  
David Mosey, Bronx Pro Group LLC Housing  
Dana Peiterson, CBRE Inc.  
Andrew Reenders, CBRE Inc.  
Ron Steitzer, Construction Management & Development  
Nicole Shiriashi, Construction Management & Development  
Jo Ann Kimoto, PACT  
Ben Naki, PACT  
John Park, HCMP Head Start  
Carson Schultz, HCDA  
Franco Mola, Coastal Rim Properties, Inc.

Vice Chair Spindt moved, seconded by Director Kahele

That the regular meeting minutes of June 8, 2017 be approved, as circulated.

The motion was carried unanimously.

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

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This item was deferred to a later date.

**II. B.  
APPROVAL  
OF MINUTES**  
Regular  
Meeting  
8/10/17

This item was deferred to a later date.

**II. C.  
APPROVAL  
OF MINUTES**  
Regular  
Meeting  
9/14/17

Housing Development Specialist Ken Takahashi presented staff's recommendation as follows:

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

That the HHFDC Board of Directors approve the following for the Nohona Hale affordable family rental housing Project Located at 630 Cooke Street in Kakaako, Oahu, Hawaii, on TMK No.: (1) 2-1-051:014, substantially as discussed in this For Action:

Approve the Certification of 630 Cooke Street Partnership LP, or Other Successor Entity Approved by the Executive Director, as an Eligible Developer Pursuant to Section 15-307-24, Hawaii Administrative Rules; Exemptions from Statutes, Ordinances and Rules Pursuant to Section 201H-38, Hawaii Revised Statutes; and Execution of Development Documents for Approved Exemptions For the Nohona Hale Project Located in Kakaako, Oahu TMK No.: (1) 2-1-051: 014

- A. The certification of 630 Cooke Street Partnership LP, or other successor entity approved by the Executive Director, as an Eligible Developer pursuant to Section 15-307-24, HAR;
- B. Approval of the proposed exemptions from statutes, ordinances and rules of the City and County of Honolulu and the Hawaii Community Development Authority as recommended for approval herein, pursuant to Section 201H-38, HRS; any and all other statutes, ordinances and rules of the City and County and HCDA shall be adhered to;
- C. Execution of a development agreement and Restrictions for such exemptions as required by the Executive Director;
- D. Authorize the Executive Director to take all actions necessary to effectuate the purposes of this For Action;

Subject to the following, unless otherwise approved at the sole discretion of the Executive Director:

- E. The Developer shall carry out all environmental remediation that may be required, and submit to HHFDC a "No Further Action" letter from the DOH UST Section, Drinking Water Branch and Hazard Evaluation and Emergency Response Office for soil and groundwater contamination prior to commencement of construction of the Project;
- F. Except for a resident manager's unit, all the units in the Project shall remain affordable to households at 60% or below the AMI for 65 years from the date of the Certificate of Occupancy of the Project. Land use restrictions acceptable to the Executive Director shall be placed on the fee simple title to the Property to ensure that the units remain affordable for the period of affordability (Restrictions);
- G. The Project shall not be sold, transferred, or otherwise used to satisfy the reserved housing or affordable housing requirement for any other project at any other location;
- H. Execution of a development agreement and Restrictions to reflect the requirements of this For Action as acceptable to the Executive

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Director, including recordation of the Restrictions at the Bureau of Conveyances, within nine (9) calendar months of this For Action;

- I. Commencement of construction of the Project by July 1, 2018, unless otherwise extended at the sole discretion of the Executive Director;
- J. Completion of the Project by December 31, 2019, unless otherwise extended at the sole discretion of the Executive Director; and
- K. Compliance with all laws, rules and such other terms and conditions as may be required by the Executive Director,

Vice Chair Spindt moved, seconded by Director Kahele

That staff's recommendation be approved.

Mr. Takahashi stated that 630 Cooke Street Partnership LP is requesting for exemptions from certain City and County of Honolulu (City) and Hawaii Community Development Authority (HCDA) statutes, ordinances and rules pursuant to 201H-38, Hawaii Revised Statutes, which do not affect the health and safety, nor contravenes any safety standards, tariffs, or rates and fees approved by the Public Utilities Commission.

It was further stated that both the City and HCDA have indicated their support of the project and have provided recommendations under their jurisdiction, which the developer has agreed to and will make all appropriate revisions requested.

In addition to the City's and HCDA's exemptions, the developer has also indicated that they will be submitting for General Excise Tax exemptions on the construction costs, savings from which they will provide 100% of the 110 units to be rented in the affordable range of households earning between 30 – 60% of the US Department of Housing and Urban Development (HUD) Area Median Income (AMI).

With the proposed Nohona Hale (Project) site being under the jurisdiction of HCDA, Bronx Pro Group was selected through a Request for Proposal (RFP) process to develop the affordable low- to moderate-income micro unit housing project, which is anticipated to close its construction financing in April 2018, commence construction in May 2018, and complete the Project in December 2019.

An updated market study prepared in July 2017, estimates adequate depth and ample market demand among the targeted income and household size groups and marketable location.

Mr. Takahashi opened for questions, along with Ms. Marian Gushiken, representing HKI Nohona LP; Ms. Samantha Magistro and Mr. David Mosey, on behalf of Bronx Pro Group, and Mr. Carson Schultz, on behalf of HCDA.

Vice Chair Spindt asked for clarification on the Project's development costs, which he believed to be unusually high. Ms. Magistro explained that estimated development costs are believed to be within the market. However, once construction bids go out, further discussions with the Board and the next steps can be determined. Higher construction costs were noted to be contributed to having consultants in Hawaii, permitting fees estimated at \$1 million, and possible remediation fees.

Mr. Prahler added that the Project is a high-rise and that all studios would include a bathroom and kitchenet, which often drives up costs in smaller spaces as opposed to larger 3-bedroom units that require less mechanical structuring, costing less per square foot.

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Director Salaveria concurred with Vice Chair Spindt’s comment on the high costs and suggested that Board be able to obtain more understanding of micro unit developments going forward, as it may not be the typical cost per square foot model used to seeing.

With no further discussion, the motion was carried unanimously.

Mr. Prahler presented staff’s recommendation as follows:

That the HHFDC Board of Directors approve the amendments to the Project proposal previously approved under Section 201H-38, HRS, for the Kapolei Mixed-Use Development affordable housing project, in Kapolei, Oahu, Hawaii, TMK: (1) 9-1-088:021, substantially as discussed in this For Action, subject to the following:

- A. Except for the resident manager’s unit, all the units in Phase 2 shall remain affordable to households between 30% and 60% or below the AMI for a minimum of 61 years from the date of the certificate of occupancy for Phase 2.
- B. Execution of amendments to the development agreement and land use restrictions to reflect the requirements of this For Action as acceptable to the Executive Director, including recordation of land use restrictions at the Bureau of Conveyances within six (6) calendar months from the date of this For Action, unless otherwise extended at the sole discretion of the Executive Director;
- C. Authorize the Executive Director to take all actions necessary to effectuate the purpose of this For Action;
- D. Commencement of the Project by December 31, 2019, unless otherwise extended at the sole discretion of the Executive Director;
- E. Completion of the Project by December 31, 2021, unless otherwise extended at the sole discretion of the Executive Director; and
- F. Compliance with all rules and regulations and such other terms and conditions as may be required by the Executive Director.

Vice Chair Spindt moved, seconded by Director Kahele

That staff’s recommendation be approved.

Mr. Prahler stated that Coastal Rim Properties, Inc. (Developer) is requesting that Phase 2 of the Kapolei Mixed-Used Development (Project) be changed from a for sale condominium to an affordable family rental project and that the change be reflected within its 201H for the City Council’s approval. The unit count remains the same, with the new affordability being 8 units at 30% AMI and 134 units at 60% AMI.

With the change, the commencement of construction date will be December 31, 2019 and project completion on December 31, 2021.

The developer indicated that they would be seeking general excise tax exemptions in order to help maintain the affordability of the project for the life of its term.

Along with Ken Takahashi, Mr. Prahler opened for questions, along with Mr. Franco Mola, on behalf of the project.

Director Iseri-Matsubara stated that one of the concerns raised in the Governor’s Housing Stakeholder Group was the reservation of the RHRF and asked how long

**III. B. DISCUSSION AND/OR DECISION MAKING**  
Approve: (1) Amendments to the Project Proposal Previously Approved Under Section 201H-38, Hawaii Revised Statutes Regarding the Development Period and Type of Occupancy for Phase 2; and (2) Execution of Development Documents for Approved Amendments for the Kapolei Mixed-Use Development Located in Kapolei, Oahu, TMK No.: (1) 9-1-088: 021

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were RHRF funds reserved for this Project. Mr. Prahler stated that no reservations were made for Phase 2 until recently, in September 2017.

Director Kahele asked whether the City Council would still need to approve the changes made to the 201H. Mr. Prahler responded yes, stating that all 201H applications are subject to the City Council’s approval.

Director Kami asked whether the change from a for sale to a rental project was discussed at the September 14, 2017 Board Meeting. Mr. Ueki stated that the information was disclosed within the For Action. Mr. Prahler added that the financing would be contingent upon the approval by the City Council.

Director Fukumoto asked for the reason for the 2-year delay. Mr. Mola explained that delays were contributed to the issue with the LIHTC equity rates as well as the overall approval process which takes time, resulting in an increase in construction costs by the time approved.

Director Salaveria asked what is the rental market like. Mr. Mola stated that recent market studies have shown the rental market on Oahu is under served considering the cost of land and construction, which often places for sale housing out of people’s reach.

Director Kami asked for the rational for converting from a for sale to a rental project. Mr. Mola stated that the change is anticipated to speed up the process and offer more affordable housing units for the Project. Mr. Mola added that because of the lengthy 201H approval process, perhaps a built-in extension for LIHTC projects should be established.

With no further discussion, the motion was carried unanimously.

Real Estate Portfolio Manager Chris Woodard presented staff’s recommendation 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 execution of new commercial space leases to: (1) Honolulu Community Action Plan, Inc.; and (2) Parents and Children Together, Inc. for spaces located at Building 2 of the Kulia I Ka Nuu affordable rental housing project, each substantially on the terms described herein.

Vice Chair Spindt moved, seconded by Director Kahele

That staff’s recommendation be approved.

Mr. Woodard presented background information on the Kulia I Ka Nuu Affordable Rental Housing (Project), stating that on February 9, 2017, the Board discussed the possibility of entering into a long-term ground lease with the State of Hawaii Department of Health (DOH) for the Project’s resource center due to inadequate space at its current location. However, providing a lease to DOH, would result in the displacement of Honolulu Community Action Plan, Inc. (HCAP) and Parents and Children Together, Inc. (PACT). Therefore, the Board asked that staff explore the feasibility of relocating HCAP and PACT to Building 2 (the Project’s former dormitory building) and also asked that the DOH engage the neighboring community regarding its proposed use of the resource center.

On March 2, 2017, a tour of Building 2 was held with all parties, and HCAP and PACT have agreed to lease Building 2. A preliminary budget for improvements required for their occupancy of Building 2 has been prepared.

While meetings with the Uluwehi Association Board of Directors and the Rotary Club of Waianae have resulted in support of DOH’s move, appearances before the Waianae Neighborhood Board and administrators at Waianae Intermediate

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

Approve Leases to:  
(1) Honolulu  
Community Action  
Plan, Inc.; and (2)  
Parents and Children  
Together, Inc. for  
Commercial Spaces  
Located at Building 2  
of the Kulia I Ka Nuu  
Affordable Rental  
Housing Project,  
Waianae, Oahu, TMK  
No.: (1) 8-5-027: 071

schools have yet to be scheduled by DOH.

To accommodate the planned DOH lease of the Resource center, staff believes that HHFDC should enter into new leases with PACT and HCAP for spaces at Building 2. Key terms were noted and discussed.

HHFDC also plans to issue rights-of-entry to HCAP and PACT for legal access to the existing playground, which is located on a separate legal parcel adjacent to the resource center building.

Mr. Woodard opened for questions along with PACT's Ben Naki and Jo Ann Kimoto, and Ben Park from HCAP. No DOH representative was present.

Mr. Woodard stated that in the event that DOH does not meet the Board's request in a timely manner for the resource center, the building will lend itself well to another owner/user with the HCAP and PACT vacant.

Director Kahele asked about the base rent at \$1. Mr. Woodard stated that it will be a CAM only lease at \$1/square foot, amounting to approximately \$1,300 a month for HCAP and \$1,000 a month for PACT.

Director Kami asked whether there would be any procurement matters to be considered if leases to HCAP and PACT were to be approved. Mr. Woodard stated no, clarifying that real estate transactions are not subject to the procurement code.

The motion was carried unanimously.

Chair Pulmano recessed for a short break at 10:02 a.m.; reconvening the meeting at 10:10 a.m.

Mr. Woodard presented staff's recommendation as follows:

That the HHFDC Board of Directors:

- A. Approve adjustments to the proposed rental assistance program contracts for the Hawaii Housing System Revenue Bond Fund Portfolio substantially on the terms described herein; 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 Kahele

That staff's recommendation be approved.

Mr. Woodard stated that guided by the recommendations made by the Affordable Rental Housing Portfolio Restructuring and Preservation Subcommittee and approved by the Board at its May 11, 2017 Board Meeting, HHFDC issued a Request for Proposals (RFP) No. 17-010-PPMS Affordable Rental Housing Portfolio Restructuring and Preservation. In August 2017, three (3) separate tours of the Portfolio for interested parties were conducted.

The proposed RFP timeline was structured as follows:

- Proposals Due: September 15, 2017
- Priority-Listed Offerors Selected for Interviews: October 10, 2017
- HHFDC Board Review of Rental Assistance Program Subsidy Levels: October 12, 2017

**RECESSED**  
10:02 a.m.  
**RECONVENED**  
10:10 a.m.

**III. D.**  
**DISCUSSION**  
**AND/OR**  
**DECISION**  
**MAKING**  
Approve Adjustments to Proposed Rental Assistance Program Contracts for the Hawaii Rental Housing System Revenue Bond Fund Portfolio

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- Best-and-Final Offers Due: Late October 2017
- HHFDC Board Approval of Selected Offeror: November 9, 2017

A review committee appointed by the Executive Director completed its scoring of the proposals in accordance with the evaluation criteria specified in the RFP. Priority-Listed Offerors are being invited to enter into discussions with HHFDC and to submit a Best-and-Final Offer at the conclusion of discussions.

HHFDC and CBRE have completed additional analysis on the levels of rental assistance that may be funded from the Portfolio restructuring and preservation transaction proceeds. However, the RAP contract commitments will not be finalized until the Board approves entry into such contracts with the Selected Offeror.

Based on the estimated proceed amount, the maximum per unit RAP payments per month are to be adjusted as follows:

Pohulani Elderly - Years 1-20: \$300 (from \$250)

Kamakee Vista - Years 1-5: \$225 (from \$175)  
Kauhale Kakaako Years 6-10: \$500 (from \$175)  
Honokowai Kauhale  
Lailani Apartments

Kekuilani Courts - Years 6-10: \$500 (from zero)

At the November 9, 2017 Board meeting, staff intends to seek:

1. Approval of the Selected Offeror; and
2. Approval of the entry into RAP contracts with the Selected Offeror.

Due to the confidentiality of the net proceeds that will be available as a result of the leasehold sales of the properties, Mr. Woodard suggested that further discussion be taken within an executive session.

Director Luis Salaveria moved, seconded by Vice Chair Spindt

That the Board 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 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 convened in executive session at 10:25 a.m. and reconvened into regular session at 11:17 a.m.

Mr. Woodard read staff's recommendation.

Director Kami abstained from voting on this item.

The motion was carried, with Director Kami abstaining.

Chair Pulmano proceeded to the Report of the Executive Director.

Executive Director Hirai suggested that the Board consider establishing a Qualified Allocation Plan (QAP) Subcommittee.

Chair Pulmano concurred and asked for volunteers to serve on the QAP

**EXECUTIVE  
SESSION**  
10:25 a.m.  
**RECONVENED**  
11:17 a.m.

**IV.  
REPORT  
OF THE  
EXECUTIVE  
DIRECTOR**

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Subcommittee to evaluate past QAPs and make recommendations for the 2019 QAP. In addition, comments received from the Governor's stakeholders group would be included for discussion and possible consideration.

The QAP Subcommittee members will be as follows:

- Milo Spindt (Subcommittee Chair)
- Denise Iseri-Matsubara
- Rona Fukumoto
- Leilani Pulmano

Executive Director Hirai noted that HHFDC's proposed bill and budget requests for the 2019 Legislature are being formulated.

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

Director Salaveria moved, seconded by Vice Chair Spindt

That the meeting be adjourned at 11:21 a.m.

The motion was carried unanimously.

  
\_\_\_\_\_  
RONA FUKUMOTO  
Secretary

V.  
**ADJOURNMENT**  
11:21 a.m.