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, NOVEMBER 9, 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, November 9, 2017, at 9:00 a.m.

I. CALL TO ORDER/ ROLL CALL

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 Denise Iseri-Matsubara
Director Scott Kami (for Director Wesley Machida)

Executive Director Craig Hirai

Excused: Director Luis Salaveria

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
Stan Fujimoto, Development Section Chief
Christopher Woodard, Real Estate Portfolio Manager
Dean Sakata, Housing Finance Specialist
Paige Ishida, Housing Finance Specialist
Lorraine Egusa, Budget Analyst
Kent Miyasaki, Housing Information Specialist
Esa Pablo, Secretary to the Board

Guests: Stanford Carr, SCD
Liz Char, Michaels Development Corporation
Craig Watase, Mark Development
Max Lindsey, Mark Development
Makani Maeva, Ahē Group
Jon Wallenstrom, Alakai Development
Cayenne Pe`a, Alakai Development

II. A. APPROVAL OF MINUTES Regular Meeting 8/10/17

Vice Chair Spindt moved, seconded by Director Kahele

That the regular meeting minutes of August 10, 2017 be approved as circulated.

The motion was carried unanimously.

II. B. APPROVAL OF MINUTES Regular Meeting 9/14/17

Vice Chair Spindt moved, seconded by Director Kahele

That the regular meeting minutes of September 14, 2017 be approved as circulated.

The motion was carried unanimously.

II. C. APPROVAL OF MINUTES Regular Meeting 10/12/17

Approval of the regular meeting minutes of October 12, 2017 was deferred to the next Board of Directors meeting.

II. D. APPROVAL OF MINUTES Executive Session 10/12/17

Approval of the executive session meeting minutes of October 12, 2017 was deferred to the next Board of Directors meeting.

III. A. DISCUSSION AND/OR DECISION MAKING Approve: (1) an Amendment to the Project Proposal Previously Approved by HHFDC Impacting Timing of the Phase 1 Lease Premium; (2) the Certification of East Kapolei II Phase 1, LLC, or Other Successor Entity Approved by the Executive Director, as an Eligible Developer Pursuant to Section 15-307-24, Hawaii Administrative Rules; and (3) a Dwelling Unit Revolving Fund Interim Loan for the Proposed Keahumoa Place Family Rental Phase 1 Project Located on Keahumoa Parkway in East Kapolei, Honouliuli, Ewa, Oahu, TMK No.: (1) 9-1-17:109 (por.)

Development Branch Chief Rick Prahler presented staff's recommendation:

> That the HHFDC Board of Directors approve the following for the development of the Proposed East Kapolei II, LDA 2, Family Rental Phase 1 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:
>
> A. Deferral of the Phase 1 lease premium to Phase 4;
>
> B. East Kapolei II Phase 1, LLC, or other entity approved by the Executive Director, as an Eligible Developer pursuant to Section 15-307-24, HAR;
>
> C. A DURF interim loan in the principal amount of up to $2,900,000; and
>
> D. Authorize the Executive Director to take all actions necessary to effectuate the purposes of this For Action;
>
> Subject to the following:
>
> E. Execution of amendments to the development agreement to reflect the requirements of this For Action as it relates to payment of the lease premium in Phase 4 as acceptable to the Executive Director within six (6) calendar months from the date of this For Action, unless otherwise extended at the sole discretion of the Executive Director;
>
> F. HHFDC Board approval of modifications to the total development budget, HMMF Bond issuance amount and LIHTC award as noted in this For Action;
>
> G. Final commitments of Senior permanent loan and LIHTC Equity for the Project in the amount noted in this For Action;
>
> H. Availability of DURF funds;
>
> I. Approval and release of funds by the Governor;
>
> J. Approval and execution of necessary loan documents by the Executive Director;
>
> K. All of the units in the Project shall remain affordable for the term of the Ground Lease pursuant to restrictions as agreed to by the Executive Director;
>
> L. Other conditions prior to closing of the DURF loan, unless otherwise approved by the Executive Director:

1. Recordation of the affordability requirement of the Project as required by HHFDC as land use restrictions on the Ground Lease for the Project;

2. Concurrent and prior closing of the tax exempt bond, LIHTC equity investment and RHRF construction financing;

3. Submittal of a current appraisal of the proposed Project verifying that the loan-to-value ratio of the DURF and all senior mortgages do not exceed 90.6%;

4. Receipt of grading or building permit for the Project; and

5. ALTA Lender's title insurance with a mechanics' lien endorsement acceptable to HHFDC insuring the priority of the DURF loan behind the primary and RHRF construction lenders and against statutory liens for labor or materials for the improvement of the Property caused by the visible commencement of operations prior to closing of the DURF loan;

M. Commencement of construction of the Project by May 1, 2018, unless otherwise extended at the sole discretion of the Executive Director;

N. Completion of the Project by April 1, 2020, unless otherwise extended at the sole discretion of the Executive Director; and

O. Compliance with all laws and 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.

A HHFDC Dwelling Unit Revolving Fund (DURF) Loan Summary handout was distributed to the Board.

Mr. Prahler summarized previous development and financing Board approvals for the Keahumoa Place Phase 1 (Project), stating that by letter dated October 2, 2017, Michaels Development submitted a request of the following modifications to its approved plan for Phase 1:

- A DURF interim loan of $2.9 million
- Deferral of the $500,000 Lease Premium payment from Phase 1 to Phase 4.

The $5.4 million increase in the total Project Budget is primarily due to an increase in the site work cost prompted by the geotechnical recommendations for excavation and conditioning to prepare the clayey site for the vertical construction.

In comparison to the original Request for Proposal (RFP) award, the net present value of the Michaels Development proposal remains higher than the other proposals considered in 2013.

Repayment of the DURF will be received at the completion of the Phase 1 project and proceeds from the sale of tax credits and permanent loan.

The DURF interim loan would be subject to the HHFDC Board approval of the modifications to the Hula Mae Multi-Family (HMMF) Bond issuance amount and the Low Income Housing Tax Credit (LIHTC) award, as well as the restructuring of the Phase 1 Lease Premium to Phase 4. It was further noted that Finance Manager Darren Ueki would present more on the financing details in the For Action to follow.

Building permits are anticipated in the First Quarter of 2018, with construction starting in May 2018, the First Building placed in service in the Second Quarter of 2019, and project completion of Phase 1 in the First Quarter of 2020.

As of October 31, 2017, the DURF Uncommitted Balance is $11.16 million. However, in 2012, the Board established a policy to establish an uncommitted cash reserve of $10 million in DURF to manage risk exposure and ensure adequate amount of funds for loan commitments and ongoing maintenance expenses. A master cash flow is being worked on.

Executive Director Hirai stated that the $11.6 million DURF Uncommitted Balance does not include the last two years of Legislature appropriations of $25 million each year, totaling $50 million.

Mr. Prahler provided an overview of the HHFDC DURF Loan Summary handout, which summarized the cash flow of the DURF portfolio.

Mr. Prahler opened for questions, along with Ms. Liz Char, with Michaels Development.

Executive Director Hirai referenced the footnote on the DURF appropriations in the Report of the Executive Director, Exhibit A.

Director Kami asked whether the changes being made were in compliance with all procurement requirements. Mr. Prahler stated that an RFP for a development project is not strictly procurement. However, changes are reviewed against the original RFP proposals to ensure there are no altercations in the scoring.

In reference to the commitment letter date July 31, 2017, in Exhibit C, Director Kami asked whether the $880,000 developer's fee was out of the $5.4 million increase being requested. Ms. Char clarified that the $880,000 contactor profit is the general contractor's cost due to the site excavation. The developer's fee remains the same and falls within the 14% guideline.

Vice Chair Spindt asked whether the changes would allow to project to proceed. Executive Director Hirai stated that there is an issue pending in regard to the Tax Reform legislation that will be further discussed in the Report of the Executive Director.

Chair Pulmano asked whether the DURF repayment would be repaid after the construction and stabilization of the project. Mr. Prahler clarified that repayment of the DURF would be repaid after the construction of Phase 1.

In reference to this For Action and the next, Executive Director Hirai stated that the Board should proceed on the assumption that U.S. House Tax Reform Bill H.R. 1 (H.R. 1), in its present from, will not pass for the purposes of this discussion only.

The motion was carried unanimously.

III. B. DISCUSSION AND/OR DECISION MAKING
Approve: (1) Resolution No. 107,

Finance Manager Darren Ueki presented staff's recommendation:

That the HHFDC Board of Directors approve the following:

A. Resolution No. 107 attached as Exhibit G, which amends

Resolution No. 081 by increasing the intended issuance amount of revenue bonds up to $16,000,000 from $12,000,000 for the Keahumoa Place Phase 1 project:

1. Subject to provisions and conditions for Exhibit D and F; and

2. All other terms and condition of Resolution No. 081 and the intended tax-exempt issuance from the HMMF Bond Program approve by the HHFDC Board of Directors on January 14, 2016, remain the same.

B. Increase the annual Federal LIHTC over a 10-year period to $1,041,108 from $811,352 and the annual State LIHTC over a 10-year period to $502,554 from $405,676 from the non-volume cap pool (4% LIHTC) for the Keahumoa Place Phase 1 project:

1. Subject to the provisions and conditions of Exhibit E and F; and

2. All other terms and conditions of the Federal and State LIHTC reservation approved by the HHFDC Board of Directors on January 14, 2016, remain the same.

C. Subject to the approval of the DURF project award loan of $2,900,000 and the deferral of the $500,000 Lease Premium payment from Phase 1 to Phase 4.

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

Which Amends Resolution No. 081 by Increasing the Intended Issuance Amount of the Revenue Bonds; and (2) a Request from the Developer to Increase the Low Income Housing Tax Credit Reservation for the Keahumoa Place Phase 1 Project Located in Ewa Beach, Oahu, TMK No.: (1) 9-1-017: 109 (por.)

Vice Chair Spindt moved, seconded by Director Kahele

That staff's recommendation be approved.

Mr. Ueki stated that the Keahumoa Place (Project) is requesting $16 million in HMMF (includes a $1 million precautionary measure in the event there are additional increases to the cost).

Mr. Ueki stated that the $5.4 million increase in the Project Budget is primarily due to an increase in the site work cost prompted by the geotechnical recommendations for excavation and conditioning for the clayey site for the vertical construction. Additional cost in interim and soft costs were prompted by increases in permitting and engineering fees.

However, higher project costs have been absorbed by an estimated $3.3 million due to an increase in the Project's tax credit equity pricing and an increase to its permanent loan of approximately $2.1 million.

Mr. Ueki opened for questions, along with Ms. Elizabeth Char, on behalf of the project.

There being no questions, the motion was carried unanimously.

III. C. DISCUSSION AND/OR DECISION MAKING
Approve an Extension to Resolution No. 083, Which Provides for

Mr. Ueki presented staff's recommendation:

That the Board of Directors approve the following:

A. Extend the deadline to issue HMMF Bonds for the Hale Kewalo project to February 28, 2018; 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.

Executive Director Hirai stated that the Board should proceed on the assumption that H.R. 1, in its present from, will not pass for the purposes of this discussion only.

Mr. Ueki stated that the Board approved the authorization for the issuance of the HMMF Bonds in August 2017 for the Hale Kewalo (Project).

The Project did receive comments on its Final Review with the U.S. Department of Urban Development (HUD) and anticipates closing in December 2017, pending the outcome of the proposed H.R. 1.

The Project is a 128-unit family project, located in Honolulu, Oahu. Construction is anticipated to start in December 2017, pending on the closing of its financing, with project completion anticipated in March 2019.

Staff has reviewed the extension request based on progress made in site control, zoning approvals, and financing commitments. The project received approval of its building permits in September 2017 and continues to work with Citigroup and Global Markets Inc. and PNC on its tax-exempt financing issuance of the HMMF bonds and syndication of LIHTC. Furthermore, in order for the Project to utilized its Difficult Developed Area, closing would need to be done by the end of February 2018.

Mr. Ueki opened for questions, along with Mr. Stanford Carr, on behalf of the Project.

There being no questions, the motion was carried unanimously.

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. D. DISCUSSION AND/OR DECISION MAKING
Approve an Extension to the Rental Housing Revolving Fund Project Letter of Intent for the Hale Kewalo Project Located in Honolulu, Oahu, TMK Nos.: (1) 2-3-007:026 and 109

Mr. Ueki presented staff's recommendation:

That the HHFDC Board of Directors approve the following:

A. Extend the RHRF LOI dated March 15, 2016, for the RHRF Loan for the Hale Kewalo project to February 28, 2018, subject to the requirements as set forth in the For Actions dated March 10, 2016, May 11, 2017; and August 10, 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 Kahele

That staff's recommendation be approved.

Mr. Ueki stated that this is a companion For Action of the previous, and relates to the extension of the Rental Housing Revolving Fund (RHRF) Project Award, which would allow for the project closing.

Mr. Ueki opened for questions, along with Mr. Stanford Carr, on behalf of the Project.

There being no questions, the motion was carried unanimously.

III. E. DISCUSSION AND/OR DECISION

Mr. Ueki presented staff's recommendation:

That the HHFDC Board of Directors approve the following:

MAKING
Approve Resolution No. 108, Authorizing the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds for the Hausten Gardens Apartments Project Located in Honolulu, Oahu, TMK Nos.: (1) 2-7-009: 016

A. Resolution No. 108, attached as Exhibit D, which authorizes a tax-exempt issuance of up to $14,000,000 from the HMMF Bond program, subject to the provisions and conditions recommended in Exhibit C.

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. Ueki stated that the Hausten Garden Apartments (Project) is a 50-unit elderly project, located in Honolulu, Oahu.

Mr. Ueki provided an overview of the HMMF Bond Program, stating that under the program the Corporation acts as a conduit for the financing by issuing the tax-exempt revenue bonds to provide below market financing to private developers or owners of affordable rental units. However, all repayment obligations are the responsibility of the developer or owner requesting such financing.

Construction is anticipated to start in January 2018, with project completion in August 2018.

The $14 million HMMF Bond is a private placement with the Bank of Hawaii and provides construction and permanent financing support.

A Tax Equity and Fiscal Responsibility Act Hearing (TEFRA) was conducted, with no comments received.

Resolution No. 108, satisfies the requirement to accomplish the sale of the HMMF Bonds and allows staff to complete the bond sale.

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

Mr. Ueki noted that the Project anticipates the closing of the bonds in December 2017.

There being no questions, the motion was carried unanimously.

III. F. DISCUSSION AND/OR DECISION MAKING
Approve: (1) Alakai Development Kona I LLC, Alakai Development Kona II LLC, the Development Entity of Stanford Carr, and Other Successor Entities Approved by the Executive Director, as Eligible Developers Pursuant to Section 15-307-24, Hawaii Administrative Rules; and (2) Execution of an Amendment to the Development

Development Section Chief Stan Fujimoto presented staff's recommendation:

That the HHFDC Board of Directors approve the following for the Kamakana Villages at Keahuolu Project located in Keahuolu, North Kona, Hawaii, TMK Nos. (3) 7-4-021: 020, 024, 028, 037, and 039 to 048, substantially as discussed in this For Action:

A. Alakai Development Kona I LLC, Alakai Development Kona II LLC, and a single-asset development entity of Stanford Carr, or other successor entities approved by the Executive Director, as Eligible Developers pursuant to Section 15-307-24, HAR;

B. Execution of an amendment to the Development Agreement and related documents for the assignment of the Development Agreement and related documents for the assignment of the Development Agreement to the development entity of Stanford Carr who will succeed as the master developer; and

C. Authorize the Executive Director to take all actions necessary to effectuate the purpose of this For Action;

Agreement and Related Documents for the Assignment of the Development Agreement to the Development Entity of Stanford Carr Who Will Succeed as Master Developer of the Kamakana V Villages at Keahuolu Project Located in Keahuolu, North Kona, TMK Nos.: (3) 7-4-021: 020, 024, 028 to 037, and 039 to 048

Subject to the following:

D. Execution of the amendment to the Development Agreement and related documents by the development entity of Stanford Carr by February 15, 2018, unless otherwise extended at the sole discretion of the Executive Director;

E. Approval as to form of necessary documents by the Department of Attorney General and execution by 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 Kahele

That staff's recommendation be approved.

Mr. Fujimoto stated that the Kamakana Villages is HHFDC's 2,300-unit Master Planned Community in North Kona, Hawaii.

This For Action seeks approval of the proposed action discussed with the Board in September 2017, on the approval of the assignment of the Development Agreement from Alakai to a development entity of Stanford Carr, as described in staff's recommendation above.

Mr. Fujimoto opened for questions, along with Mr. Jon Wallenstrom, with Alakai Development, and Mr. Stanford Carr, with Stanford Carr Development.

Director Iseri-Matsubara thanked Mr. Wallenstrom and Mr. Carr for working together on the project, and asked for a status update on the road extension.

Mr. Wallenstrom stated that although the Notice to Proceed has been issued, there have been water restrictions that has delayed progress. However, water is anticipated to be made available in December 2017.

Director Iseri-Matsubara asked how long after water is made available, would it take to be completed. Mr. Wallenstrom stated that it should not be too long after that, as its contract with Goodfellows is approximately 8 months.

Chair Pulmano asked whether alternate water sources were available. Mr. Wallenstrom stated that although other contractors have trucked in water and import pricing has been looked at, it is not an option being proposed at this time. However, a price increase will continue to be an option should the December availability fall through.

Chair Pulmano asked on possible City exemptions from best management practices (BMP's) due to the water restrictions. Mr. Wallenstrom stated that he would rather wait until December, than cause any issues with surrounding neighbors.

Director Kahele inquired on the Alakai Development Kona I LLC, and Alakai Development Kona II LLC. Mr. Wallenstrom explained that the two are just different holding companies.

With no further discussion, the motion was carried unanimously.

RECESS
10:02 a.m.

Chair Pulmano called for a recess at 10:02 a.m.

RECONVENED
10:12 a.m.

The Board reconvened its meeting at 10:12 a.m.

Mr. Fujimoto noted a correction to the agenda title, stating that title should be the title reflected within the For Action.

Mr. Fujimoto presented staff's recommendation as follows:

That the HHFDC Board of Directors approve the following for the Na Lei Hulu Kupuna affordable rental housing project for seniors at 610 Cooke Street in Kakaako, Oahu, Hawaii, on TMK (1) 2-1-051: 004 and 038, substantially as described in this For Action:

A. Na Lei Hulu Kupuna Senior Rentals, LP, or other successor entity approved by the Executive Director, as an Eligible Developer pursuant to Section 15-307-24, HAR;

B. Cancellation of the existing Sub-Lease;

C. Cancellation of the existing Ground Lease with the City and County of Honolulu for the City Property;

D. Recordation of 60-Year affordability restrictions on the City and HHFDC Properties;

E. New Ground Lease with the City for the City Property;

F. New Sub-Lease over the City and HHFDC Properties with the new Sub-Lessee, Na Lei Hulu Kupuna Senior Rentals, LP;

G. Memorandum of Understanding between HHFDC and the City for the conveyance of the HHFDC Property to the City and the receipt of Coral Street between Halekauwila and Pohukaina Streets from the City to DLNR or HHFDC;

H. If Coral Street is conveyed to DLNR, request to DLNR for the set aside of Coral Street for educational and affordable housing purposes for the 690 Pohukaina Street mixed-use project; and

I. Authorization of the Executive Director to take all actions necessary to effectuate the purposes of this For Action;

Subject to the following, as applicable:

J. The MOU for Coral Street will be executed, subject to Council approval (if required), together with the execution of the AHF restrictions and ground lease documents, unless otherwise agreed to by the Executive Director;

K. Compliance with HRS Chapter 343;

L. Legislative approval pursuant to Section 171-64.7, HRS;

M. Approval by the City Council;

N. Approval by the Board of Land and Natural Resources;

O. Approval as to form of necessary documents by the Department of the Attorney General and execution by the Executive Director;

P. Commencement of the Project by December 31, 2020, unless otherwise extended at the sole discretion of the Executive Director; and

R. Compliance with all rules, regulations, and such other terms and

III. G. DISCUSSION AND/OR DECISION MAKING
Approve: (1) Na Lei Hulu Kupuna Senior Rentals, LP, or Other Successor Entity Approved by the Executive Director, as an Eligible Developer Pursuant to Section 15-307-24, Hawaii Administrative Rules; (2) Cancellation of Existing Sub-Lease with Na Lei Hulu Kupuna Limited Partnership; (3) Cancellation of Existing Ground Lease with the City and County of Honolulu (City); (4) Recordation of a 60-Year Affordability Restriction on the City and HHFDC Properties; (5) New Ground Lease with the City for the City Property; (6) New Sub-Lease with Na Lei Hulu Kupuna Senior Rentals, LP; (7) Memorandum

conditions as may be required by the Executive Director.

Vice Chair Spindt moved, seconded by Director Kahele

That staff's recommendation be approved.

Mr. Fujimoto stated that the main objective of the For Action is to issue a new sublease for the Na Lei Hulu Kupuna (Project) to allow the new developer to acquire the project and do necessary rehabilitation.

The Project is an existing 76-unit senior project on two parcels. One is owned by the City and County of Honolulu (City) and one is owned by HHFDC.

The City's property was leased to HHFDC's predecessor agency, the Housing Finance and Development Corporation (HFDC), which HFDC sub-leased both properties to the Project by sub-lease dated December 6, 1991. The Project is about 26 years old, with a remaining 6 years under the existing sub-lease.

To accommodate an acquisition and rehabilitation of the Project, on November 12, 2015, the Board approved an amended and restated sub-lease for 65 years, subject to an extension of the City lease to HHFDC.

In 2016, the developer was selected by the City for $3.85 million in Affordable Housing Funds (AHF) for the rehabilitation of the Project. However, the AHF required that the fee simple title to the HHFDC property be encumbered by an affordability restriction for 60 years.

In September 2017, the developer informed HHFDC that the City ground lease to HHFDC could not be extended beyond 75 years. Therefore, a new 65-year lease from the City to HHFDC would be required for the City property under the project.

Mr. Fujimoto opened for questions, along with Mr. Max Linsey and Mr. Craig Watase, on behalf of the Project.

Executive Director Hirai stated that although the MOA is non-binding, he would request that it be done prior to closing on the financing in the lease transaction due to the urgency of an easement over Coral Street for the 690 Pohukaina project.

The motion was carried unanimously.

IV. REPORT OF THE EXECUTIVE DIRECTOR

Chair Pulmano proceed to the Report of the Executive Director.

Executive Director Hirai distributed the NCSHA's news release on the U.S. House of Representatives proposed H.R. 1 Bill (H.R.1) to the Board, stating the possibility of abolishing private activity bonds, which would eliminate the Corporation's 4% LIHTC and Mortgage Credit Certificate programs.

Executive Director Hirai further stated that this would affect approximately 1,500 units worth of applications for the 4% LIHTC and approximately 4,000 units currently in the pipeline that would be put on hold indefinitely, should H.R. 1 be passed as is.

Chair Pulmano asked for the estimated bond dollar amount of the 1500 units. Hirai was unsure, but stated that at a construction cost of $500,000 per unit the total construction cost would be approximately $750 million.

Director Kahele asked whether the proposed H.R. 1 would affect all current projects or applications to be approved. Executive Director Hirai stated that within the proposed H.R. 1, it is stated that amendments made by this section shall apply to bonds issued after December 31, 2017. Hence, projects such as

Hale Kewalo and Hausten Gardens should try to close before the end of the year.

In response to Chair Pulmano's question on the estimated bond amount, Mr. Ueki stated that the bond amounts on the books are approximately $325.7 million. The Hale Kewalo and Hausten Garden projects total approximately $45 million and approximately $250 million in bonds are outstanding (committed, but not issued).

Chair Pulmano asked whether there are any other alternatives being discussed. Mr. Ueki stated that warehouse bonds could be a potential alternative, but would require risk. For example, the State would issue the bonds, however, interest would need to be paid on the interim.

Hirai stated that he plans to attend the NCSHA Special Board Meeting and Executive Directors Forum in Washington, D.C. on Dec 3 - 5, 2017, and will also meet with U.S. Senator Brian Schatz's staff. An update on H.R. 1 will then be provided at its December 14, 2017 Board meeting.

Director Iseri-Matsubara thanked Hirai for monitoring and informing the Office of the Governor, which allowed for a letter to be sent out to its congressional delegation for their support in a timely manner.

V. ADJOURNMENT
10:42 a.m.

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

Director Iseri-Matsubara moved, seconded by Director Kahele.

That the meeting be adjourned at 10:42 a.m.

The motion was carried unanimously.

RONA FUKUMOTO
Secretary