

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, SEPTEMBER 14, 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, September 14, 2017, at 9:00 a.m.

With a quorum present, the meeting was called to order at 9:02 a.m. by Chair pro tem Spindt.

Those present and excused were as follows:

Present: Director Milo Spindt, Vice Chair (Chair pro tem)
Director Donn Mende
Director Melvin Kahele
Director Denise Iseri-Matsubara
Director Mary Alice Evans (for Director Luis Salaveria)
Director Scott Kami (for Director Wesley Machida)

Executive Director Craig Hirai

Excused: Director Leilani Pulmano, Chair
Director Rona Fukumoto, Secretary

Staff Present: Craig Iha, Deputy Attorney General
Janice Takahashi, Chief Planner
Darren Ueki, Finance Manager
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
Ken Takahashi, Housing Development Specialist
Holly Osumi, Corporate Controller
Lorraine Egusa, Budget Analyst
Mavis Masaki, Planner
Lisa Wond, Planner
Kent Miyasaki, Housing Information Specialist
Esa Pablo, Secretary to the Board

Guests: Keith Kato, HICDC
Jeremy McComber, HICDC
Kali Watson, HCDB
Ben Kudo, Ashford & Wriston
Liz Char, Michaels Development Company
Mike Shibata, Liliuokalani Trust
Paul Fortino, Northport
Stanford Carr, SCD
Giovanni Mola, MJF
Nicola Mola, MJF
Makani Maeva, Ahe Group
Jon Wallenstrom, Alakai Development
Cayenne Pe'a, Alakai Development

I.
CALL TO
ORDER/
ROLL CALL

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Chair pro tem Spindt deferred approval of the regular meeting minutes of June 8, 2017 and August 10, 2017, to the next Board meeting.

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

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

Finance Manager Darren Ueki presented staff's recommendation as follows:

That the HHFDC Board of Directors approve the following:

- A. Extend the deadline to issue HMMF Bonds for the East Kapolei II LDA 2 – Family rental Phase 1 project to July 31, 2018 from September 30, 2017; and
- B. 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 Extension to Resolution No. 81, Which Provides for Official Intent with Respect to the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds for The East Kapolei II LDA 2 – Family Rental Phase 1 Project Located in Ewa Beach Oahu, TMK No.: (1) 9-1-017:109 (por.)

Director Kahele moved, seconded by Director Evans

That staff's recommendation be approved.

Mr. Ueki stated that the East Kapolei II LDA 2 – Family Rental Phase 1 (the Project) was originally approved on January 14, 2016, and is the first of four phases consisting of 75 family units. The Project shall have 7 residential buildings (total number of residential buildings were revised from 8 buildings to 7 residential buildings) and a multipurpose community building.

In addition to a request for an extension, Michaels Development Company I, L.P. (the Applicant), is requesting an amendment to: (1) increase the intended tax-exempt issuance from the HMMF Bond Program from \$12 million to \$16 million; (2) increase the award of annual federal 4% Low Income Housing Tax Credits (LIHTC) from \$811,352 to \$1,041,108 and the award of annual state 4% LIHTC from \$405,676 to \$520,554; (3) a Dwelling Unit Revolving Fund (DURF) project award loan of \$2.9 million; and (4) deferral of \$500,000 Lease Premium payment from Phase 1 to Phase 4. The request to amend its financing is currently under review and should the changes warrant a recommendation for approval, a For Action may be presented to the Board at a future meeting.

Project construction is anticipated to start in April 2018, with completion of the Project in December 2019.

Staff evaluated the extension to Resolution No. 81 based on progress made in site control, zoning approvals, and financing commitments. The Applicant continues to work with the Disability and Communications Access Board (DCAB) on its Final Review Letter, the Department of Planning and Permitting (DPP) on the approval of the building permits, and lenders and investors to attain favoring financing terms.

If deemed feasible, staff will present a subsequent resolution to the Board requesting final approval for the actual issuance, sale, and delivery of the bonds, subject to the availability of volume cap, as well as approval from the Department of Budget and Finance and the Governor.

Mr. Ueki opened for questions, along with Ms. Liz Char, on behalf of the Project.

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Chair pro tem Spindt asked for a brief presentation on the project. Ms. Char stated that the East Kapolei II LDA 2 is a four-phase, 320-unit affordable project with land owned by HHFDC, and a 65 - 75-year lease. Currently, Condominium Property Regime (CPR) is being worked on and first review comments from DPP have been received for Phase 1. A site plan and civil plan has been requested by DPP, to include new storm order quality rules, for the entire project in order to proceed on Phase 1.

Director Kami asked for the reason of the request to increase the bond issuance and tax credit amounts. Ms. Char explained that the increased request was a result of additional construction costs and site costs to stabilize the soil and create a solid foundation.

Director Kami asked for the reason of deferring the \$500,000 new lease premium from Phase 1 to Phase 4, as opposed to Phase 2 or 3. Ms. Char explained that Phases 2 and 3 have already been awarded 9% LIHTC. A LIHTC request for Phase 4 is anticipated to be submitted in 2018, causing a timeframe differential of about 8 to 12 months.

Director Kami asked how would the lease premium be cover if its LIHTC request for Phase 4 is not received. Ms. Char stated that they would apply again if unsuccessful in 2018, as they have invested a lot and are very committed to completing the entire project.

There being no further discussion, the motion was carried unanimously.

Mr. Ueki presented staff's recommendation as follows:

That the HHFDC Board of Directors approve the following:

- A. Extend the LOI dated March 15, 2016, for the RHRF Loan for the East Kapolei II LDA 2 – Family Rental Phase 1 project to July 31, 2018, subject to the requirements as set forth in the For Action dated March 10, 2016; and
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Director Kahele moved, seconded by Director Evans

That staff's recommendation be approved.

With no questions, the motion was carried unanimously.

Mr. Ueki presented staff's recommendation as follows:

That the Board of Directors approved the following:

- A. Resolution No. 105 attached as Exhibit F, which provides for official intent with respect to the issuance of revenue bonds up \$34,120,000 for the Kapolei Mixed Use Development Phase 2 project, subject to the provisions and conditions recommended in Exhibits C and E.
- B. Reserve up to \$2,374,016 in annual Federal LIHTC over a 10-year period and \$2,374,016 in annual State LIHTC over a 5-year period from the non-volume cap pool (4% LIHTC) for the Kapolei Mixed Use Development Phase 2 project, subject to the provisions and conditions recommended in Exhibits D and E.

Director Kahele moved, seconded by Director Evans

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

Approve an Extension to the Rental Housing Revolving Fund Letter of Intent for the East Kapolei II LDA 2 – Family Rental Phase 1 Project Located in Ewa Beach, Oahu, TMK No.: (1) 9-1-107: 109 (por.)

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

Approve: (1) Resolution No. 105, Which Provides for Official Intent with Respect to the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds; and (2) Reservation of Low Income Housing Tax Credits for the Kapolei Mixed Use Development Phase 2 Project Located in Kapolei, Oahu, TMK

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That staff's recommendation be approved.

Nos.: (1) 9-1-088: 021
CPR 0002 and 0009

Mr. Ueki stated that the Kapolei Mixed Use Development Phase 2 (the Project) consists of 143 family units, located in Kapolei, Oahu. The programmatic details of the LIHTC and Hula Mae Multi-Family (HMMF) programs were summarized.

Project construction is anticipated to start in February 2018, with Project completion in December 2019.

The approval of Resolution No. 105 facilitates further discussions and negotiations between staff and various parties to determine the feasibility of the contemplated project. If deemed feasible, staff will present a subsequent resolution to the Board requesting final approval for the actual issuance, sale, and delivery of the bonds, subject to the availability of volume cap, as well as approval from the Department of Budget and Finance and the Governor.

Mr. Ueki opened for questions, along with Mr. Kali Watson, on behalf of the Project. Mr. Giovanni Mola and Mr. Nicola Mola were noted present.

Director Evans inquired on Phase 1 of the Project and the Project's original approval date. Mr. Ueki stated that Phase 1 is still in the pre-development stage with the original approval date in December 2014.

Mr. Ueki noted a correction on page 3, section II. E., HMMF Program Bond Authority, which should read: \$1,500,000,000 (an additional \$500,000 was received by the past legislative session); not \$1,000,000,000.

Chair pro tem Spindt asked for a brief presentation. Mr. Watson introduced himself as the Executive Director for the Hawaii Community Development Board. He further added that their involvement is in Phase 2, of which they are very excited about, as it will provide affordable housing for those at 60% and below the area median income (AMI). Discussions with its lenders and investors are ongoing.

In response to Director Evans, Mr. Watson confirmed that the site is within walking distance of the rail line and that he was not sure on the number of parking stalls per unit. However, believed it would be less than one parking stall per unit regarding the type of clientele and surrounding community parking that is being planned.

Director Iseri-Matsubara asked the reason for the delay on Phase 1. Mr. Ueki stated that the overall Project faced financial challenges in its development costs, which was approximately \$42 million and increased to \$66 million. Additional resources were approved by the Board to assist in the increase to the Project's cost.

Director Kami asked whether the Project could meet the 12-month bond issuance deadline. Mr. Watson stated that he hoped so.

Mr. Ueki clarified that the 12-month deadline is used as a check point to see what progress has been made and provide the Corporation and Board the opportunity to determine whether to go forward on a commitment or not. The timeframe from the actual award to the issuance of the bonds is typically longer than a 12-month period.

In efforts to increase efficiency when dealing with extensions, Director Kami suggested that alternate ways of keeping track of a project's progress be looked at as opposed to having staff come back to the Board for approval.

There being no further discussion, the motion was carried unanimously.

Mr. Ueki presented staff's recommendation as follows:

That the HHFDC Board of Directors approve the following:

**III. D.
DISCUSSION
AND/OR
DECISION
MAKING**
Approve a Rental

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- A. A RHRF Project Award Loan of \$17,963,472 to KMUD II, LP. for the benefit of the Kapolei Mixed Use Development Phase 2 project, with the terms and conditions as shown in Section III (G) of this For Action, and the issuance of the Letter of Intent subject to the following:
 - 1. Authorization and approval by the governor of the proposed project and the release of RHRF program funds as mandated under Chapter 15-311, Hawaii Administrative Rules.
 - 2. Execution of documentation satisfactory to the HHFDC outlining the terms and conditions of the Project Award. The documents shall specify the standard terms and conditions as required in order to meet all statutory requirements of the RHRF program and the specific terms and conditions that are applicable to the Applicant’s request for Project Award funds.
 - 3. Completion of all documentation necessary and required to secure the release of RHRF funds.
 - 4. Certification of the applicant to comply with all applicable statutory and Program requirements, including, but not limited to, Chapters 343, 103D, §103-50 and §104, Hawaii Revised Statutes, as they may relate to the use of State funds.
 - 5. Total fees paid to the Developer, including, but not limited to, Developer Overhead, Developer Fees, Consultant Fees, and Project management Fees, for the project shall not exceed \$5,000,000.
 - 6. Availability of RHRF program funds.
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Housing Revolving Fund Project Award for the Kapolei Mixed Use Development Phase 2 Project Located in Kapolei, Oahu, TMK Nos.: (1) 9-1-088: 021 CPR 0002 and 0009

Director Kahele moved, seconded by Director Evans

That staff’s recommendation be approved.

As a companion For Action to the previously approved, Mr. Ueki summarized the programmatic of the Rental Housing Revolving Fund (RHRF) Program and staff’s recommended loan terms.

Mr. Ueki opened for questions, along with Mr. Kali Watson. Mr. Giovanni Mola and Mr. Nicola Mola were present.

Director Evans asked whether the RHRF loan award typically comes before the bond issuance. Mr. Ueki stated that the RHRF loan is not executed until the bonds are issued and any other financing needed for the Project. The Corporation does not expose itself without determining whether there are sufficient sources to complete construction for a project.

There being no further discussion, the motion was carried unanimously.

Mr. Ueki presented staff’s recommendation as follows:

That the HHFDC Board of Directors approve the following:

- A. Resolution No. 106 attached as Exhibit F, which provides for official intent with respect to the issuance of revenue bonds up to \$23,130,000 for the Kaloko Heights Affordable Housing Project,

III. E. DISCUSSION AND/OR DECISION MAKING Approve: (1) Resolution No. 106, Which Provides for Official Intent with

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subject to the provisions and conditions recommended in Exhibits C and E.

- B. Reserve up to \$1,669,654 in annual Federal LIHTC over a 10-year period and \$1,669,654 in annual State LIHTC over a 5-year period from the non-volume cap pool (4% LIHTC) for the Kaloko Heights Affordable Housing Project, subject to the provisions and conditions recommended in Exhibits D and E.

Director Kahele moved, seconded by Director Evans

That staff’s recommendation be approved.

Mr. Ueki stated that the Kaloko Heights Affordable Housing (the Project) is an 81-family unit project located in Kailua-Kona, Hawaii, consisting of 8 two- and three-story buildings, and a community center.

A correction was noted on page 3, section II. E., HMMF Program Bond Authority, which should read: \$1,500,000,000; not \$1,000,000,000.

Project construction is anticipated to start in August 2018, with Project completion in December 2019.

Mr. Ueki opened for questions, along with Mr. Keith Kato, on behalf of the Project.

Director Evans asked for a brief presentation. Mr. Kato stated that the owners of the land provided the site and water at no charge, in exchange for them to design and secure financing.

Executive Director Hirai inquired about the waste water. Mr. Kato stated that all projects are planned to be connected to the County of Hawaii’s sewer system. However, the septic systems have also been approved by the Department of Health.

There being no further discussion, the motion was carried unanimously.

Mr. Ueki presented staff’s recommendation as follows:

That the HHFDC Board of Directors approve the following:

- A. A RHRF Project Award Loan of \$17,632,320 to the Kaloko Heights Affordable Housing LLLP for the benefit of the Kaloko Heights Affordable Housing project, with the terms and conditions as shown in Section III (G) of this For Action, and the issuance of the Letter of Intent subject to the following:
 1. Authorization and approval by the governor of the proposed project and the release of RHRF program funds as mandated under Chapter 15-311, Hawaii Administrative Rules.
 2. Execution of documentation satisfactory to the HHFDC outlining the terms and conditions of the Project Award. The documents shall specify the standard terms and conditions as required in order to meet all statutory requirements of the RHRF program and the specific terms and conditions that are applicable to the Applicant’s request for Project Award funds.
 3. Completion of all documentation necessary and required to secure the release of RHRF funds.
 4. Certification of the applicant to comply with all applicable statutory and Program requirements, including, but not

Respect to the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds; and (2) Reservation of Low Income Housing Tax Credits for the Kaloko Heights Affordable Housing Project Located in Kailua-Kona, Hawaii, TMK No.: (3) 7-3-009: 032

III. F. DISCUSSION AND/OR DECISION MAKING
Approve a Rental Housing Revolving Fund Project Award For the Kaloko Heights Affordable Housing Project Located in Kailua-Kona, Hawaii, TMK No.: (3) 7-3-009: 032

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limited to, Chapters 343, 103D, §103-50 and §104, Hawaii Revised Statutes, as they may relate to the use of State funds.

- 5. Total fees paid to the Developer, including, but not limited to, Developer Overhead, Developer Fees, Consultant Fees, and Project management Fees, for the project shall not exceed \$2,800,000.
 - 6. Availability of RHRF program funds.
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Director Kahele moved, seconded by Director Evans

That staff’s recommendation be approved.

Mr. Ueki stated that this is a companion For Action of the previously approved and requests the approval of a RHRF Project Award Loan for the Kaloko Heights Affordable Housing (the Project) in the amount of \$17,632,320. It was noted that this was one of the two projects from the Fiscal Year 2017 Funding Round Project Award Approved List. Recommended loan terms were summarized.

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

Director Evans commended Mr. Kato on providing a project that targets 50% and 30% AMI and asked whether the balloon payment at the end of the loan term was a result of the low rents. Mr. Ueki responded yes, adding that site challenges regarding the lava rock were also a contributing factor.

There being no further discussion, the motion was carried unanimously.

Mr. Ueki presented staff’s recommendation as follows:

That the HHFDC Board of Directors approve the following:

- A. Approve the proposed amendments to the 2018/2019 QAP, subject to a public hearing.
- B. Authorize the Executive Director, or his designated representative, to conduct a public hearing on the proposed 2018/2019 QAP;
- C. After the public hearing, authorize the Executive Director to approve the Final 2018/2019 QAP, provided that no substantive amendments are made;
- D. Authorize the Executive Director to take all action necessary to effectuate the purpose of this For Action.

Director Kahele moved, seconded by Director Mende

That staff’s recommendation be approved.

Mr. Ueki stated that the only revision to the QAP is a correction to the name of the Exhibit in Section III.B.9, to reflect Exhibit Bravo and Exhibit Bravo-3 of the Consolidated Application.

The tentative timeline of events were projected as follows:

- September 25, 2017 – Publish Notice of Public Hearing
- October 26, 2017 – Conduct Public Hearing

III. G. DISCUSSION AND/OR DECISION MAKING

Approve the Proposed 2018/2019 Qualified Allocation Plan for the Low Income Housing Tax Credit Program With No Substantive Amendments Following a Public Hearing

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- November 22, 2017 – Recommend Final Approval of the QAP to the Executive Director
- December 15, 2017 – Applications Available
- February 15, 2018 – Applications Due: 9% LIHTC (volume cap) and RHRF – FY2017
- June/July 2018 – Present Recommendations to the Board

With no questions, the motion was carried unanimously.

Development Section Chief Stan Fujimoto presented staff’s recommendation, as follows:

That the HHFDC Board of Directors approve the following for Village 9 at the Villages of La’i’opua, at Kealakehe, North Kona, Hawaii, TMK (3) 7-4-020: 004, substantially as described in this For Action:

- A. Request to DLNR for a set aside of Village 9 to HHFDC for affordable housing and permanent facilities to service the homeless population;
- B. A right-of-entry to the County of approximately 5 acres at Village 9 to establish an emergency encampment for the homeless;
- C. Subdivision of Village 9 for an access road and the County parcel to enable HHFDC to issue a ground lease of approximately 15-20 acres of Village 9 to the County of Hawaii;
- D. Issuance of a ground lease to approximately 15-20 acres of Village 9 to the County of Hawaii at \$1/year for 65 years for permanent facilities to service the homeless population;
- E. Non-exclusive easements for access and utility purposes for the benefit of the County parcel and the balance of the Village 9 site; and
- F. The Executive Director shall be authorized to take all actions necessary to effectuate the purpose of this For Action;

Subject to the following:

- G. Approval of the set aside by BLNR and the Governor;
- H. The conditions substantially as described in this For Action;
- I. Issuance of the ground lease to the County and commencement of construction of the permanent facilities to service the homeless population on the County parcel within 5 years from the date of this For Action, unless otherwise extended at the sole discretion of the Executive Director; and
- J. Compliance with all laws and rules, and such other terms and conditions as may be required by the Executive Director.

Director Kahele moved, seconded by Director Evans

That staff’s recommendation be approved.

A support letter from Hawaii Mayor Harry Kim was distributed to the Board.

Mr. Fujimoto stated that the Villages of La’i’opua (Village 9) was a master planned community of about 3,300 residential units, a golf course, schools, and

III. H. DISCUSSION AND/OR DECISION MAKING

Approve: (1) HHFDC Request For a Set Aside; (2) Right-of-Entry to the County of Hawaii; (3) Subdivision; (4) Issuance of a Ground Lease to the County of Hawaii; and (5) Easements For Access and Utilities at Village 9 of the Villages of La’i’opua at Kealakehe, North Kona, Hawaii, TMK No.: (3) 7-4-020: 004 (Portion of)

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approximately 800 acres of state land, of which approximately 700 acres were ceded lands.

Due to the Ceded Lands litigation in 1994, residential development was suspended and eventually sold to DHHL. The non-ceded land portion became a large part of HHFDC’s Kamakana Villages. However, the Village 9 was excluded from the sale to DHHL because the Board had previously approved development of the Kona Community Hospital at Village 9, subject to the conditions that construction needed to be started by December 2010 or else development rights would revert back to HHFDC. Construction of the hospital did not occur by the deadline and HHFDC’s development rights to Village 9 reverted back to HHFDC.

Village 9 was subsequently approved by this Board as a site for the Kona Judiciary, however, in 2013, the Judiciary terminated its interest in the site due to the proposal to designate the site as a critical habitat for endangered plants from the U.S. Fish and Wildlife Service, and the State Department of Transportation permitting only one access from the Kealakehe Parkway at the intersection of Main Street.

In 2016, HHFDC executed a Memorandum of Understanding (MOU) with the Fish and Wildlife Service, setting aside two non-development areas totaling 4.2 acres.

In August 29, 2017, the County submitted a request to the Department of Land and Natural Resources (DLNR) for: (1) a right-of-entry to 5 acres at the makai portion of Village 9 for an emergency encampment for the homeless; and (2) a set-aside or ground lease for 15 – 20 acres from the makai portion of Village 9 for permanent housing for the homeless.

Mr. Fujimoto opened for questions.

Director Kami asked for clarification on who owns the site and whether HHFDC has return rights. Mr. Fujimoto clarified that the DLNR owns the site and should the set-aside be obtained, HHFDC would be the lessor issuing the ground lease to the County of Hawaii. Pending set aside of the site to HHFDC, if DLNR issues HHFDC a management right-of-entry, HHFDC would issue the immediate right-of-entry to the County for the homeless encampment. However, the easement on the property would still need to be approved by DLNR. If construction on the permanent facility does not start in 5 years, it will be a default under the ground lease.

With no further discussion, the motion was carried unanimously.

The Board recessed at 10:13 a.m. and reconvened the meeting at 10:21 a.m.

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

That the HHFDC Board of Directors authorize the Executive Director to carry out the following for the development of the Alder Street mixed-use residential project, substantially as described in this For Action:

1. Request Board of Land and Natural Resources approval for the cancellation of Executive Order No. 1577 to the Hawaii State Judiciary and the setting aside of the 1.45-acre property at 902 Alder Street to the HHFDC for the purpose of mixed-use residential and current and future Family Court services including shelter services for juveniles under the jurisdiction of the court;
2. Issue a Request For Proposals (RFP) for the Proposed Mixed-Use Affordable Rental Housing and Juvenile Services Center/Shelter Facility Located at 902 Alder Street, Honolulu, Hawaii; and

RECESS
10:13 a.m.
RECONVENED
10:21 a.m.

III. I.
DISCUSSION
AND/OR
DECISION
MAKING
Authorize the Executive Director to: (1) Request a Cancellation of the Judiciary Set Aside and Set Aside of Lands to HHFDC for the Residential and Judiciary Uses; and (2) Issue a Request for Proposals for the Proposed Mixed-Use Affordable Rental and Juvenile Services Center/Shelter Facilit

- 3. Take all actions necessary to effectuate the purposes of this For Action.

Director Kahele moved, seconded by Director Evans

That staff's recommendation be approved.

Mr. Takahashi stated that the 902 Alder Street property (Property) is owned by the State of Hawaii and currently set aside to the Judiciary by Governor's Executive Order 1577.

HHFDC's obligations under the Amended and Restated MOA is:

(1) to request the Board of Land and Natural Resources (BLNR) to cancel the existing Executive Order 1577 and issue a new Executive Order, setting aside the Property to HHFDC for the purpose of a mixed-use residential and current and future Family Court services, including shelter services for juveniles under the jurisdiction of the court; and

(2) to conduct a solicitation process for the selection of a development entity to develop, own, and provide property management for the Phase 1 improvements.

HHFDC and the Judiciary's collective vision for the property would result in 180 affordable rental housing units in the high-rise tower and approximately 34,000 square feet of floor area for Judiciary functions, of which a maximum of 24,000 square feet would be completed "turnkey" and approximately 10,000 square feet of the remaining floor would be constructed as an incomplete "shell" with utilities "roughed-in." The project would also include separate outdoor landscaping and recreation areas, as well as separate ingress and egress. Parking for residents, employees, and visitors would be provided in an adjacent parking structure.

The Project delivery objectives of the RFP were noted. The selected developer and HHFDC would negotiate a Development Agreement (DA) over a period of no more than eight months from the date of HHFDC Board approval of the selection, subject to extensions as may be approved by HHFDC in its sole discretion. The DA will include a number of benchmarks and milestones for planning, entitlement, commencement of construction and completion of the project.

Furthermore, the developer would obtain financing for the rental housing component and ancillary parking using LIHTC resources. HHFDC will provide financing for the planning and design of the project in the amount of \$1.7 million, which was appropriated by the 2015 Legislature. Staff will seek the Board's approval of a preliminary commitment of up to \$15 million from the DURF for the construction of Phase 1 upon award of the selected developer.

The proposed partnership structure would involve a lease/lease-back project delivery method whereby the selected developer would create CPR spatial units for the rental housing, Judiciary, and common area components (includes common and limited common elements).

The motion was carried unanimously.

Planner Mavis Masaki presented staff's recommendation as follows:

That the HHFDC Board of Directors:

- A. Approve proposed amendments to and compilation of Chapter 15-313, HAR, subject to approval as to form by HHFDC's Deputy Attorney General, and to the Governor's approval, and authorize the Executive Director, or designated representative(s), to conduct a

III. J. DISCUSSION AND/OR DECISION MAKING

Approve Proposed Amendments to the Compilation of Chapter 15-313 "Low Income Housing Tax Credit

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public hearing on the adoption of said amendments to and compilation of Chapter 15-313, HAR;

- B. Authorize the Executive Director to make any necessary non-substantive amendments to the draft rule amendments following the public hearing; and
- C. Subsequent to the public hearing, authorize the Executive Director to transmit Chapter 15-313, HAR, as amended and compiled, to the Governor for final approval if no additional substantive amendments are required.

Director Kahele moved, seconded by Director Evans

That staff's recommendation be approved.

Ms. Masaki stated that staff's proposed amendments to these rules are intended to incorporate Act 129, Session Laws of Hawaii 2016, clarify LIHTC application requirements to require applicants to provide all relevant information with their initial application and to eliminate modification of applications once submitted, and replace outdated terminology throughout the rules, and make other housekeeping amendments.

The next steps in the rulemaking process were noted. Ms. Masaki stated that staff will return to the Board for further discussions and approvals should further substantive amendments be needed to be made. It was noted that the proposed rule amendments have been approved by the Deputy Attorney General.

Director Evans asked if there were any public comments.

Before opening for public comments, Chair pro tem Spindt asked for the reason for staff requesting the following amendment under II. Facts, C., 2., which reads: "Clarify LIHTC application requirements to require applicants to provide all relevant information with their initial application and to eliminate modification of applications once submitted."

Mr. Ueki stated that a first-time applicant went through the Administrative Rules, which implied amendments to applications could be brought in at any time, up until the Board awards or makes a recommendation for the resource. Given the number of weeks that is needed to finalize a recommendation, staff, along with its Attorney Generals and Bond Counsel decided that in order to maintain the integrity of the process, no further amendments would be allowed once an application is submitted.

Director Iseri-Matsubara asked whether staff would return to the Board should any significant comments be received through the public hearing process. Ms. Masaki stated that if there should be any changes deemed substantive by the Deputy Attorney General, such as, but not limited to, a policy change, staff will return to the Board and start the approval process over again. A grammatical error was noted not to be a substantive change.

Director Iseri-Matsubara asked that any significant concerns by the public or the users be shared with the Board.

Mr. Ueki stated that although public comments are received, staff does need to look at the ability to administer the program fairly and timely. However, staff will keep the board apprised of any significant changes that are advised to be further discussed with the Board.

The Board recessed at 10:44 a.m. and reconvened the meeting at 10:45 a.m.

Program," Hawaii Administrative Rules, to Implement Changes to the State Low Income Housing Tax Credit (LIHTC) made by Act 129, SLH 2016; to Amend LIHTC Application Requirements; to Clarify LIHTC Affordability Restrictions and Compliance Monitoring Requirements; and to Make Other Conforming, Housekeeping, and Technical Amendments

RECESS
10:44 a.m.
RECONVENED
10:45 a.m.

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

Ms. Mavis referenced Exhibit B, page 2, of the For Action, noting the amendment and explanation of the questioned within section II. Facts, C., 2.

Chair pro tem Spindt opened for public comments.

There being none, Chair pro tem Spindt called for the vote.

The motion was carried unanimously.

Mr. Fujimoto distributed a support letter from the Queen Liliuokalani Trust (QLT) and circulated two project brochures showing photos and descriptions of projects developed by Stanford Carr Development (SCD).

Mr. Fujimoto stated that this For Information discusses the conceptual agreement for the withdraw of Forest City and placing SCD to succeed as the new master developer, construction of the Manawalea Street extension, and assignment of the Development Agreement (DA) with SCD for the Kamakana Villages at Keahuolu Project.

Further negotiations between HHFDC and SCD will be done to finalize/amend the DA accordingly.

Mr. Fujimoto opened for questions, along with Mr. Jon Wallenstrom and Ms. Cayenne Pe`a, with Alakai Development, and Stanford Carr, with SCD.

Director Iseri-Matsubara asked about the status of the Manawalea Street extension. Mr. Wallenstrom stated that a Notice to Proceed has been issued and although currently under construction, a water moratorium in Kona has resulted in a 6 to 8-month delay.

Discussion ensued on the repayment of the DURF loan. Executive Director Hirai stated that the loan details have not yet been determined and are currently being discussed between the involved entities.

Director Iseri-Matsubara thanked Mr. Wallenstrom on its efforts on working towards completing the road and addressing the Governor's concern in infrastructure participation to move projects.

Director Evans also commented that efforts towards the road has been an accomplishment considering the \$25 million in DURF funds was used to plan for a very large project with many challenges.

Mr. Mike Shibata, with QLT, commented that they were in support of the assignment of the DA to SCD and as the master developer for the Kamakana Villages, provided that HHFDC and SCD assumes all of the respective obligations that were set forth in its 2011 Letter Agreement.

Executive Director Hirai stated that any amendments to the DA would go through the QLT as well.

Mr. Carr stated that they were excited and looked forward to consummating this project.

With no further discussion, Chair pro tem Spindt proceeded to agenda item III. L.

Planner Lisa Wond stated that this informational item provides a summary of the Consolidated Annual Performance and Evaluation Report (CAPER), that is required by HUD in assessing the State's performance in administering the HOME, National Housing Trust Fund, Emergency Solutions Grant, and the Housing Opportunities for Persons with AIDS programs. Activities and accomplishments for the programs were noted to be summarized on pages 3 and 4 of the For Information.

III. K. DISCUSSION AND/OR DECISION MAKING

Information and Discussion on HHFDC's Consideration to Approve an Amendment and Assignment of the Development Agreement to a Successor Master Developer for the Kamakana Villages at Keahuolu Project Located in Keahuolu, North Kona, Hawaii, TMK Nos.: (3) 7-4-021: 020, 024, 028, to 037, and 039 to 048

III. L. DISCUSSION AND/OR DECISION MAKING

Information on the Consolidated Annual Performance and

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

Ms. Wond opened for questions, noting that the CAPER is also available for review.

Chair pro tem Spindt commented on the rotational process really facilitating the planning process for the County of Kauai, as well as the other counties.

In response to Director Evans, Ms. Wond stated that the funds for 2017-2018 would be rotated to the County of Maui.

With no further discussion, Chair pro tem Spindt congratulated Director Mended on his Senate Confirmation. Director Mended stated that he is excited to serve.

Executive Director Hirai reported on the following:

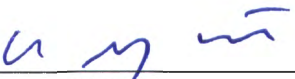
- Together with the TOD Coordinator Jayna Oshiro, the Hawaii Interagency Council from Transit Oriented Development Annual Report is being worked on.
- Together with Ms. Takahashi, submitted its comments for the next Legislative Session to the Special Action Team.
- Former CFO Kristi Maynard has resigned and Corporate Controller Holly Osumi will be promoted to assume the CFO position.

There being no further items on the agenda, Chair pro tem Spindt asked for a motion to adjourn.

Director Evans moved, seconded by Director Kahele

That the meeting be adjourned at 11:10 a.m.

The motion was unanimously carried.



 RONA FUKUMOTO
 Secretary

Evaluation Report
For Program Year
2016 (July 1, 2016 –
June 30, 2017)

**IV.
REPORT
OF THE
EXECUTIVE
DIRECTOR**

**V.
ADJOURNMENT
11:10 a.m.**