

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, DECEMBER 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, December 14, 2018, 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 Donn Mende
Director Melvin Kahele
Director Denise Iseri-Matsubara
Director Scott Kami for Director Laurel Johnston
Director Luis Salaveria

Executive Director Craig Hirai

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
Carianne Abara, Development Support Section Chief
Marlene Lemke, Sales and Counseling Section Chief
Holly Osumi, Chief Financial Officer
Christopher Woodard, Real Estate Portfolio Manager
Patrick Inouye, Housing Finance Specialist
Jocelyn Iwamasa, Housing Finance Specialist
Dean Sakata, Housing Finance Specialist
Ken Takahashi, Housing Development Specialist
Mavis Masaki, Planner
Lorraine Egusa, Budget Analyst
Albert Palmer, Housing Development Specialist
Kent Miyasaki, Housing Information Specialist

Guests: Dana Peiterson, CBRE
Andrew Reenders, CBRE
Keith Dragoon, Standard Property Company
Joon Lee, Standard Property Company
Tim Bourassa, Standard Property Company
Dick Riegels, Stanford Carr Development
Kevin Kasai, Stanford Carr Development
Christopher Oakes, Stanford Carr Development
Christian O'Connor, Centre City Development
Doug Bigley, UHC Communities
Liz Char, Michaels Development Company
Randy Hiu, Ikaika Oahana
Delene Osorio, Ikaika Ohana
Christian O'Connor, Coastal Rim Properties
Natalie Banach, Settle Meyer Law
Stacy Sur, Hawaii Housing Finance, LLC

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Kanani Fu, County of Kauai
Janis Magin, Pacific Business News
Andrew Gomes, StarAdvertiser

Chair Pulmano announced that a court reporter was present, requesting that everyone state their names for the record when speaking.

Vice Chair Spindt moved, seconded by Director Salaveria

That the regular meeting minutes of November 9, 2017 be approved.

The motion was carried unanimously.

Real Estate Portfolio Manager Chris Woodard presented the For Action, stating staff's recommendation as follows:

That the HHFDC Board of Directors take the following actions relating to Request for Proposals (RFP) No. 17-010-PPMS Affordable Rental Housing Portfolio Restructuring and Preservation:

- A. Award to joint offerors Standard Property Company, Inc. and Stanford Carr Development, LLC as Successful Offeror;
- B. Award of Rental Assistance Program contracts with an estimated combined total maximum commitment of \$23.3 million to Successful Offeror; and
- C. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action, including but not limited to the negotiation and execution of a Purchase and Sale Agreement, ground leases, regulatory agreements, Rental Assistance Program contracts, and other related transaction documents with Successful Offeror, each substantially on the terms described herein, and to undertake any actions related thereto.

Director Salaveria moved, seconded by Director Fukumoto

That staff's recommendation be approved.

Mr. Woodard provided background on the proposed Portfolio transaction and summarized events in 2017 leading up to the selected offer, including:

- The July 10 RFP issuance;
- The receipt of 19 proposals by the September 15 deadline;
- The October 12 Board meeting approving adjustments to the proposed Rental Assistance Program contracts to be offered in connection with the transaction (and the corresponding amendment to the RFP); and
- The six Best-and-Final Offers (BAFOs) received by the Priority-Listed Offerors by the October 25 deadline.

Two of the BAFOs included extended rent-increase protections for existing residents. During prior discussions with the Evaluation Committee, two other Priority-Listed Offerors stated that they believed that the allowable 100% AMI rents may not be achievable at all of the properties.

- In light of these facts and in furtherance of the transaction objectives (including minimizing resident displacement), HHFDC requested Revised BAFOs from an amended list of five Priority-Listed Offerors.

**II. A.
APPROVAL
OF MINUTES**
Regular
Meeting
11/09/17

**III. A.
DISCUSSION
AND/OR
DECISION
MAKING**
Approve the Following
Actions Relating to
Request to Relating
for Proposals No.
17-010-PPMS
Affordable Rental
Housing Portfolio
Restructuring and
Preservation: (1)
Award to Joint
Offerors Standard
Property Company,
Inc. and Stanford Carr
Development, LLC as
Successful Offeror; (2)
Award of Rental
Assistance Program
Contracts to
Successful Offeror;
and (3) Authorize the
Executive Director to
Negotiate and Execute
a Purchase and Sale
Agreement, Ground
Leases, Regulatory
Agreements, Rental
Assistance Program
Contracts, and Other
Related Transaction
Documents with
Successful Offeror
and to Undertake Any
Actions Related
Thereto

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Based on the RFP evaluation criteria, the Evaluation Committee recommended the selection of joint offerors Standard Property Company, Inc. and Stanford Carr Development, LLC (Successful Offeror) to be known as the Nou ka Hale Venture. The Nou ka Hale Venture will be a 50/50 partnership between Standard Property Company, Inc. and Stanford Carr Development, LLC.

Mr. Woodard requested that discussion on the proposals received in response to the RFP be taken into executive session since no transaction had yet been consummated with the proposed joint offerors.

Vice Chair Spindt moved, seconded by Director Kahele

That the Board convene in executive session at 9:24 a.m., 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 reconvened in regular session at 10:13 a.m.

Minimum qualifications and evaluation criteria of the RFP were noted and discussed in the areas of ownership and management experience; acquisition and pricing (including extended rent increase protections); capital improvements; and education and counseling services. Details were noted to be located within Exhibits H - K of the For Action.

On September 13, 2017, the Department of the Attorney General executed an Agreement for Special Deputy Attorney General Services with Goodsill Anderson Quinn & Stifel. All key transaction documents have been prepared and are ready to be transmitted to Successful Offeror for its review and comment.

The estimated transaction timeline was noted as follows:

- Purchase and sales Agreement Executed: January 15, 2018
- Due Diligence Period Expires: March 16, 2018
- Transaction Closing: April 16, 2018

Estimated net proceeds to be realized by HHFDC as a result of the transaction was summarized as follows:

| | |
|--|----------------------------|
| Sales price | \$170,000,000 |
| Bond defeasance | (76,000,000) |
| Release of bond reserves | 13,500,000 |
| RAP contracts maximum commitments | (23,300,000) |
| Sales commission | (1,700,000) |
| Legal expenses | (400,000) |
| Repayment of 620 Coral Street DURF advance | (825,000) |
| Estimated net proceeds | <u>\$81,275,000</u> |

The Rental Housing Portfolio Restructuring and Preservation Subcommittee’s recommendations approved by the Board contemplated using excess net transaction proceeds to fund the development of new affordable rental housing. Because estimated net transaction proceeds are in excess of what was originally anticipated, staff has considered the following additional uses:

- Infusion of the Rental Assistance Revolving Fund with cash to enable

EXECUTIVE
SESSION
9:24 a.m.

RECONVENED
10:13 a.m.

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HHFDC to make new project-based rental assistance payment commitments to support the development of new rental housing projects or the preservation of existing projects;

- Infusion of the Rental Housing Revolving Fund (RHRF) with cash to ensure that pipeline projects which may face unanticipated financing challenges as a result of possible Federal tax reform are completed on schedule, thus ensuring the continued delivery of much-needed affordable rental housing units;
- Completion of improvements at the Villages of Kapolei to enable HHFDC to dedicate certain infrastructure (including roads and sewer systems) to the City and County of Honolulu and relieve HHFDC of the burden of ongoing repairs and maintenance of approximately \$1.5 million per year; and
- Purchase of the leased-fee interest in existing rental housing properties to ensure affordability beyond their ground-lease expiration dates.

Mr. Woodard requested that the Board consider the establishment of a subcommittee to investigate and recommend possible additional uses of the excess net proceeds to be realized as a result of the transaction.

Mr. Woodard opened for questions, introducing CBRE's Executive Vice President Dana Peiterson and Vice President Andrew Reenders; Standard Property Company, Inc.'s Vice President of Finance Keith Dragoon, Vice President Joon Lee, and Financial Analyst Tim Bourassa; and Stanford Carr Development's Executive Vice President Dick Riegels, Vice President Kevin Kasai, and Project Manager Christopher Oakes.

Director Salaveria asked for the awardee's comments on the process. Mr. Kasai stated that they were satisfied with the overall process, given the information provided, to put together a package appropriate for acquiring the Portfolio and the time given to tour the projects.

Director Kami asked what is the end vision for all these projects. Mr. Kasai responded that it will be for a long-term affordability as well as preservation of the physical condition, with additional services for the community.

Chair Pulmano thanked Mr. Woodard for all his hard work, acknowledged CBRE's marketing efforts to bring forth good proposals, and thanked the offerors for their package submittals, being impressed with the affordability terms.

With no further discussion, the motion was carried unanimously.

Chair Pulmano called for a recess at 10:36 a.m. and reconvened the meeting at 10:40 a.m.

In reference to staff's request within the previously approved for Action, Chair Pulmano asked that a Rental Housing System Proceeds Subcommittee be established to investigate and recommend possible additional uses of the excess net proceeds to be realized as a result of the transaction.

Members of the Subcommittee named were Directors Scott Kami, Rona Fukumoto, and Milo Spindt.

Finance Manager Darren Ueki presented the For Action, stating staff's recommendation as follows:

That the HHFDC Board of Directors approve the following:

- A. Extend the LOI dated January 26, 2015, for the RHRF Loan for the

RECESS

10:36 a.m.

RECONVENED

10:40 a.m.

RENTAL HOUSING SYSTEM PROCEEDS SUBCOMMITTEE

III. B. DISCUSSION AND/OR DECISION MAKING

Approve an Extension
to the Rental Housing

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Kulana Hale at Kapolei project to December 31, 2018, subject to the requirements as set forth in the For Action dated January 8, 2015; 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 Kami

That staff’s recommendation be approved.

Mr. Ueki stated that the Kulana Hale at Kapolei (Project) is a 154-unit elderly project located in Kapolei, Oahu, consisting of an 11-story residential tower building over a 2-story structure housing commercial space, community areas, and parking. This Project is the first phase of a three-phase development.

Staff evaluated the extension request based on progress made in site control, zoning approvals, and financing commitments. The Project’s building permits are anticipated in February 2018 and private placement of its Hula Mae Multi-Family (HMMF) and Low Income Housing Tax Credits (LIHTC) continues to be sought through Citibank and Aegon, respectively.

Staff is recommending a 12-month extension until December 31, 2018 as a precautionary measure against unforeseen delays in the closing of its financing in respect to the Federal tax reform.

Mr. Ueki opened for questions, along with Mr. Christian O’Connor, on behalf of the Project.

In response to Director Kami, Mr. Ueki stated that delays were contributed to substantial increases in its project cost as well as predevelopment approvals.

With no further discussion, the motion was carried unanimously.

Mr. Ueki presented the For Action, stating staff’s recommendation as follows:

That the HHFDC Board of Directors approve the following:

- A. Extend the deadline to issue HMMF Bonds for the Kulana Hale at Kapolei project to December 31, 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 Kami

That staff’s recommendation be approved.

Mr. Ueki stated that this For Action seeks an extension to the official intent with respect to the issuance of the HMMF bonds for the Kulana Hale at Kapolei (Project), located in Kapolei, Oahu.

Mr. Ueki opened for questions, along with Mr. O’Connor, on behalf of the Project.

With no questions, the motion was carried unanimously.

Mr. Ueki presented the For Action, stating staff’s recommendation as follows:

That the HHFDC Board of Directors approve the following:

- A. Resolution No. 109 attached as Exhibit F, which provides for

Revolving Fund Letter of Intent for the Kulana Hale at Kapolei Project Located in Kapolei, Oahu, TMK Nos.: (1) 9-1-088: 021 CPR 0001, 0003, 0004, 0005, 0006, 0007, and 0008

III. C. DISCUSSION AND/OR DECISION MAKING

Approve an Extension to Resolution No. 071, Which Provides for Official Intent with Respect to the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds for the Kulana Hale at Kapolei Project Located in Kapolei, Oahu, TMK Nos.: (1) 9-1-008: 021 CPR 0001, 0003, 0004 0005, 0006, 0007, and 0008

III. D. DISCUSSION AND/OR DECISION MAKING Approve: (1)

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official intent with respect to the issuance of revenue bonds up to \$14,395,000 for the Kaiwahine Village Phase II project, subject to the provisions and conditions recommended in Exhibits C and E.

- B. Reserve up to \$1,110,936 in annual Federal LIHTC over a 10-year period and \$1,110,936 in annual State LIHTC over a 5-year period from the non-volume cap pool (4% LIHTC) for the Kaiwahine Village Phase II project, subject to the provisions and conditions recommended in Exhibits D and E.
- C. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Vice Chair Spindt moved, seconded by Director Kami

That staff's recommendation be approved.

Mr. Ueki stated that the Kaiwahine Village Phase II (Project) is a 56-unit family project located in Kihei, Maui. Improvements shall consist of 9-residential buildings, housing four to six units per building, with an additional laundry facility building.

Project construction is anticipated to start in July 2018, with the first building completed in September 2019, and the final building completed in November 2019.

The approval of Resolution No. 109 facilitates further discussions and negotiations between appropriate parties to determine the feasibility of the contemplated Project and does not commit or obligate HHFDC to issue bonds on behalf of the Project. If found feasible, staff will return to the Board for final approval, subject to the approval by the Department of Budget and Finance (B&F) and the Governor.

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

Director Kami asked how did the Project obtain its name. Mr. Bigley stated that although there are different strategies in the naming of a project, this project was named after its street name.

Being on the Big Island Housing Foundation Board, Director Mende asked whether it was necessary for him to recuse himself from the vote. Deputy Attorney General Sandra Ching explained that a recusal is not necessary unless there is a financial conflict of interest. Although having no conflict of interest, Director Mended elected to recuse himself from the vote to avoid any questioning.

With no further discussion, the motion was carried, with Director Mende recusing himself from the vote.

Mr. Ueki presented the For Action, stating staff's recommendation as follows:

That the HHFDC Board of Directors approve the following:

- A. A RHRF Project Award Loan of \$9,465,460 to A0688 Kihei, L.P. for the benefit of the Kaiwahine Village Phase II project, with the terms and conditions as shown in Section III (I) 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

Resolution No. 109, 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 Kaiwahine Village Phase II Project Located in Kihei, Maui, TMK No.: (2) 3-8-004: 028 (por. – Lot 134A)

III. E. DISCUSSION AND/OR DECISION MAKING
Approve a Rental Housing Revolving Fund Project Award For the Kaiwahine Village Phase II Project Located in Kihei, Maui, TMK No.: (2) 3-8-004: 028 (por. – Lot 134A)

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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 requirement of the RHRF program and the specific terms and conditions that are applicable 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 requirement of the RHRF program and the specific terms and conditions that are applicable to the Applicant's request for Project Awards 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 \$1,806,499.
6. Availability of RHRF program funds.

- 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 Kami

That staff's recommendation be approved.

Mr. Ueki stated that this For Action seeks approval of a RHRF project award for the Kaiwahine Village Phase II (Project).

As requested by the Board at its November 30, 2017 Special Meeting, the new breakdown of the available funds under the RHRF Program was referenced, reflecting monies held by B&F.

Project construction is anticipated to start in July 2018, with the first building completed in September 2019, and the final building completed in November 2019.

Differences between the Applicant's request and staff's recommended loan terms were noted in the areas of the interest rate, term/maturity, and repayment. Mr. Ueki noted that the recommendation remains consistent with the guidance received with the repayment term of its RHRF loans.

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

With no questions, the motion was carried unanimously.

Development Branch Chief Rick Prahler presented the For Action, stating staff's recommendation as follows:

That the HHFDC Board of Directors approve the following:

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

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- A. The establishment of a County of Kauai subaccount within the Dwelling Unit Revolving Fund (DURF) for the purpose of financing regional infrastructure improvements for the County of Kauai, substantially as discussed in this For Action; and
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action;

Subject to the following:

1. Availability of DURF funds;
2. Approval by the Governor for the release of DURF funds within the subaccount;
3. DURF subaccount funds shall be used exclusively for infrastructure improvements that would increase the capacity of the infrastructure facilities for the benefit of housing and mixed-use transit oriented development projects, and/or to repay private investors plus any interest accrued on their investments made into the subaccount;
4. All requests for allocation of subaccount funds to a project shall be subject to approval by the HHFDC Board of Directors;
5. Interest earned on unexpended subaccount funds shall be deposited in the DURF;
6. The HHFDC Board of Directors may rescind the establishment of the subaccount and terminate funding if it finds that the subaccount is not being used for the purpose for which it was established; and
7. 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 Kami

That staff's recommendation be approved.

Mr. Prahler stated that this is HHFDC's first action pertaining to the regional and urban infrastructure program with the County of Kauai.

Description of Act 132, SLH 2016 (Act 132), was summarized, to allow HHFDC authorization to provide grants and loans to State agencies, and loans to the counties and private developers for regional infrastructure improvements in areas of planned growth and the creation of "regional State Infrastructure Subaccounts" for each county within the Dwelling Unit Revolving Fund (DURF) for the benefit of housing and mixed-use transit-oriented development projects.

Furthermore, Section 15-307-242 of the Hawaii Administrative Rules provides that each county subaccount may be used to provide grants and loans to State agencies or loans to counties and private developers to cover eligible costs of regional infrastructure improvements within the specific county.

The project proposals for use of infrastructure subaccount funds is processed for approval by the Board subject to Section 15-307-245 and are evaluated for appropriateness, technical compliance, and feasibility.

Approve the Establishment of a Subaccount Within the Dwelling Unit Revolving Fund for the Purpose of Financing Regional Infrastructure Improvements for the County of Kauai Pursuant to Act 132, SLH 2016

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The Board's approval of an allocation of subaccount funds to a project is based on the project's ability to meet minimum thresholds requirements.

By letter dated October 31, 2017, the County of Kauai Housing Agency requested HHFDC to establish a regional infrastructure subaccount within DURF, which will enable the County of Kauai to draw DURF Funds for infrastructure improvements that would increase the capacity of infrastructure facilities for the benefit of housing and mixed-use transit-oriented development projects within the county.

The County of Kauai intends to utilize the subaccount for infrastructure improvements for the proposed Lima Ola work force housing project (Project) and has submitted an application for a commitment of up to \$13 million of DURF funds.

The request before the Board is approval for the set-up of the subaccount. Approval for the \$13 million DURF loan request would be presented in a separate For Action for the Board's consideration at a future board meeting.

Mr. Prahler opened for questions along with Chief Planner Janice Takahashi and Housing Development Specialist Ken Takahashi. Due to prior commitments, the absence of Ms. Kanani Fu, head of the Kauai Housing Department and Mr. Koa Duncan were noted.

Vice Chair Spindt and Director Iseri-Matsubara thanked everyone for all their work with Act 132 and looked forward to seeing projects and funds be put to use for off-site mitigations that were encountered. The State's partnership with the County was noted to be a benefit not only to the community, but also laying the groundwork for future expansion of housing statewide.

With no further discussion, the motion was carried unanimously.

Development Section Chief Stan Fujimoto presented the For Action, stating staff's recommendation as follows:

That the HHFDC Board of Directors approve the following:

- A. The Memorandum of Understanding between the Hawaii Housing Finance and Development Corporation and the Department of Accounting and General Services; 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 Kami

That staff's recommendation be approved.

Mr. Fujimoto stated that the State of Hawaii owns a parcel of land of approximately 3.79 acres at 377 North King Street (Property), which is set aside to DAGS for Liliha Civic Center purposes and is currently occupied by the historic OR&L Building. The Property is subject to Easement U along its western boundary for access and utility purposes. HART has requested DLNR for a perpetual easement over easement view for the rail project.

The Property is adjacent to State lands set aside to HHFDC for the Senior Residents at Iwilei Affordable Rental project, which has an easement over Easement U for emergency access purposes.

In September 2017, the Honolulu City Council approved the Downtown Neighborhood Transit Oriented Development Plan, which envisions a new high-intensity mixed-use Iwilei district. The Liliha Civic Center property is

III. G. DISCUSSION AND/OR DECISION MAKING

Approve a Memorandum of Understanding with the Department of Accounting and General Services for the Development of a Mixed-Use Affordable Rental Housing and Office Space/Civic Center Facility Located at the Liliha Civic Center Site at 377 North King Street, Honolulu, Hawaii, TMK No.: (1) 1-5-007: 001

underutilized and the HHFDC and DAGS would like to optimize development of the property with a mixed-use project consisting of multi-family affordable rental housing, office space/civic center uses, parking, and other incidental uses.

This For Action seeks approval of an MOU with DAGS for the development of the Property. HHFDC would issue the RFP for the project with coordination and input from DAGS. DAGS would have two representatives on the committee to select the developer. HHFDC would seek CIP funding from the legislature for the DAGS Civic Center portion of the project. If CIP funding is not appropriated by the end of the regular session of 2019, unless extended by HHFDC, the MOU would automatically terminate.

In coordination with the Office of the Governor, DAGS, and DLNR, HHFDC would seek approval from DLNR to cancel the existing EO and issue a new EO to both HHFDC and DAGS. If DAGS Civic Center use and parking is on a separate lot or building, it would be responsible for its own operation and maintenance cost. If the DAGS Civic Center use and parking are integrated with the residential component, then the common area maintenance and parking fees will be negotiated.

The motion was carried unanimously.

Development Section Chief Stan Fujimoto presented the For Action, stating staff's recommendation as follows:

That the HHFDC Board of Directors approve the following:

- A. The Memorandum of Understanding between the Hawaii Housing Finance and Development Corporation and the Department of Accounting and General Services (DAGS); 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 Kami

That staff's recommendation be approved.

Mr. Fujimoto stated that the State of Hawaii owns a parcel of land of approximately 5.52 acres at 153 Kaahumanu Street in Kahului, Maui. The property has been set aside to DAGS for Kahului Civic Center purposes and is currently being used for the Department of Education's Adult Education and Lawnmower Operations.

The County of Maui would like to relocate its bus shelter from Macy's at Queen Kaahumanu Center to Vevau Street. The Kahului Lani Affordable Senior Housing project is a new proposed affordable rental project located across Vevau Street from the property and has recently received its financing for Phase 1 from HHFDC and is scheduled to start construction in early 2018.

As part of its Phase 1 development, the Kahului Lani project will improve and dedicate Vevau Street to the County of Maui.

Senate Concurrent Resolution No. 145 from the 2017 legislative session requests that HHFDC, DAGS, and the County work together to explore the feasibility of transferring the Kahului Civic Center property to HHFDC for the purpose of developing a mixed-use rental housing project that includes consideration of DAGS Civic Center needs in Kahului and Wailuku.

HHFDC and DAGS would like to optimize development of the property with a mixed-use project consisting of multi-family affordable rental housing, office space/civic center uses, parking, the new Maui bus hub, and other incidental uses.

III. H. DISCUSSION AND/OR DECISION MAKING

Approve a Memorandum of Understanding with the Department of Accounting and General Services for the Development of a Mixed-Use Affordable Rental Housing and Office Space/Civic Center Facility Located at the Kahului Civic Center Site at 153 Kaahumanu Avenue, Kahului, Maui, TMK No.: (2) 3-7-004: 003 and at 70 South High Street, Wailuku, Maui, TMK No.: (2) 3-4-013: 014

HHFDC would DAPS would like to optimize development of the property with a mixed-use project consisting of multi-family affordable rental housing, office space/civic center uses, parking, the new Maui bus hub, and other incidental uses. This For Action seeks approval of an MOU with DAPS for the development of the property, which could include the leasehold development of the County's Wailuku property at 70 South High Street as part of DAPS Civic Center uses.

HHFDC would issue the RFP for the property with coordination and input from DAPS. DAPS would have two representatives on the committee to select the developer. HHFDC would seek CIP funding from the legislature for the DAPS Civic Center portion of the project. If funding is not appropriated by the end of the regular session 2019, unless extended by HHFDC, the MOU would automatically terminate.

In coordination with the Office of the Governor, DAPS, and DLNR, HHFDC would seek approval from DLNR to cancel the existing EO and issue a new EO to HHFDC.

If DAPS Civic Center use and parking is on a separate parking lot or building, it will be responsible for its own operation and maintenance cost. If the DAPS Civic Center use and parking are integrated with the residential component, then the common area maintenance and parking fees will be negotiated.

Mr. Fujimoto opened for questions.

Chair Pulmano asked for clarification on the MOU lumping the Kahului and Wailuku parcels together. Executive Director Hirai clarified that SCR 145 links them together within the MOU.

The motion was unanimously carried.

Mr. Woodard presented the For Action, stating staff's recommendation as follows:

That the HHFDC Board of Director approve the establishment of a Dwelling Unit Revolving Fund maintenance budget in the amount of \$50,000 for 690 Pohukaina Street, Honolulu, Oahu, TM No.: (1) 2-1-051: 041, 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 Kami

That staff's recommendation be approved.

Mr. Woodard stated that the State of Hawaii owns a 2.167-acre parcel of land located at 690 Pohukaina Street, immediately mauka of the Halekauwila Place affordable rental project in Kakaako (Property). This Property is subject to a lease to HCDA for management and general maintenance purposes, which expires on February 10, 2019. In lieu of a minimum lease rent, HCDA pays a percentage rent equal to 80% of all sublease rents that it collects for use of the premises and net of maintenance expenses.

Due to the homelessness crisis in Hawaii and HCDA's struggle to enforce park rules and lack of funding, staff believes that it is prudent for HHFDC to establish a \$50,000 contingency budget for 690 Pohukaina Street to maintain the Property until Alakai takes site control projected to occur in early 2020, to ensure public

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

Approve the Establishment of a Dwelling Unit Revolving Fund Maintenance Budget for 690 Pohukaina Street, Honolulu, Oahu, TMK No.: (1) 2-1-051: 041

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

health and safety, and protect State property.

In response to the Board, staff noted that because HCDA does not have funding to maintain the premises, as a precautionary measure, the HHFDC is proposing to provide a \$50,000 contingency budget to be used in the removal of the perimeter fencing around the Property in hopes of keeping it clear of undesirable activities.

It was further stated that the Department of the Attorney General has advised HCDA that the right of entry is sufficient evidence of site control, which allows the church to call HPD for any trespassers.

The motion was carried unanimously.

Planner Mavis Masaki presented the For Information, summarizing Sections 201H-2(c) and 201H-202(f), Hawaii Revised Statutes (HRS), which require HHFDC to report each adjustment of salary of the executive director and rental housing projects targeting persons and families with incomes at or below thirty percent of the median family income, respectively, to the Legislature.

The required Legislative Reports were provided to the Board. It was further noted that the Section 201H-202(f), HRS Report informs the Legislature that \$181,463,644 in applications for projects were received in Calendar Year 2017, in which HHFDC made thirteen RHRF loan awards totaling \$160,855,327 to projects that will add \$1,267 units, including 105 units for households at or below 30 percent of the area median family income, to the statewide affordable rental inventory.

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

Executive Director Hirai stated that staff will have a better idea of its legislation and budget bills by the January 11, 2018 Board of Directors meeting.

Vice Chair Spindt asked for an update on the Federal tax amendments. Executive Director Hirai stated that it appears that the private activity bonds (i.e., 4% LIHTC program) will survive. However, because of the lowering of the corporate tax rate, additional gap financing will be needed for existing and future projects awarded. The loan to value requirements under the RHRF are anticipated to be met for the majority of the projects that have received awards.

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

Vice Chair Spindt moved, seconded by Director Kami.

That the meeting be adjourned at 11:50 a.m.

The motion was carried unanimously.



RONA FUKUMOTO
Secretary

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

Information on Reports to the 2018 Hawaii State Legislature Pursuant to Sections 201H-2(c) and 201H-202(f), Hawaii Revised Statutes, Relating to the Adjustments of Salary of the Executive Director and Rental Housing Revolving Fund Project Awards for Calendar Year 2017, Respectively

**IV.
REPORT
OF THE
EXECUTIVE
DIRECTOR**

**V.
ADJOURNMENT
11:50 a.m.**