

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, MARCH 8, 2018,
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, March 8, 2018, at 9:00 a.m.

With a quorum present, the meeting was called to order at 9:01 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
Designee Scott Kami for Director Laurel Johnston
Designee Mary Alice Evans for 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 Prahl, Development Branch Chief
Christopher Woodard, Real Estate Portfolio Manager
Dean Sakata, Housing Finance Specialist
Glori Ann Inafuku, Housing Finance Specialist
Lorraine Egusa, Budget Analyst
Albert Palmer, Housing Development Specialist
Esa Pablo, Secretary to the Board

Guests: Mark A. Fridovich, Department of Health
Yara Sutton, Department of Health
Jeremy McComber, Hawaii Island Community Development Corporation
Jimmy Van Bokhoven, Waipahu Community
Sherrie Kinoshita, Hina Mauka
Alan Johnson, Hina Mauka
Suzie Uyeda, Head Start
John Park, Head Start

Vice Chair Spindt moved, seconded by Director Mende

That the special meeting minutes of November 30, 2017 be approved, as circulated.

The motion was carried unanimously.

Chair Pulmano deferred approval on agenda items II. B. through E., to a future date.

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

**II. A.
APPROVAL
OF MINUTES**
Special
Meeting
11/30/17

**II. B.
APPROVAL
OF MINUTES**
Regular
Meeting
12/14/17

**II. C.
APPROVAL
OF MINUTES**

Regular
Session
1/11/18

**II. D.
APPROVAL
OF MINUTES**

Regular
Meeting
2/8/17

**II. E.
APPROVAL
OF MINUTES**

Executive
Sessions
2/8/18

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

Approve an Extension
to Resolution No. 100,
Which Provides for
Official Intent with
Respect to the Issuance
of Hula Mae Multi-
Family Tax-Exempt
Revenue Bonds for the
Mohouli Heights
Senior Neighborhood
Phase 3 Project
Located in Hilo, Hawaii
TMK No.:
(3) 2-4-001: 184
(portion)

Finance Branch 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 deadline to issue HMMF (Hula Mae Multi-Family) Bonds for the Mohouli Heights Senior Neighborhood Phase 3 to September 30, 2018; and
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Director Mende moved, seconded by Vice Chair Spindt

That staff's recommendation be approved.

Mr. Ueki that the Mohouli Heights Senior Neighborhood Phase 3 (Project) is a proposed 93-unit affordable rental housing facility targeted for elderly households.

A correction to the project completion date within the Project's estimated construction timeline was noted to be January 2020.

Staff evaluated the extension request based on progress made in site control, zoning approvals, and securing financing commitments. The Awardee is reviewing proposals from perspective bond and tax credit investors.

Inducement Resolution No. 100, does not authorize the sale of the tax-exempt bonds, but rather sets forth the Corporation's intent to issue the bonds to undertake financing of the Project. If deemed feasible, staff will present a subsequent resolution to the board requesting approval for the actual issuance, sale, and delivery of the bonds, subject to availability of volume cap and approvals by the Department of Budget and Finance and the Governor.

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

Designee Evans asked what is the acreage of the parcel. Mr. McComber stated that the parcel is approximately 9 acres and within the Land Use Commission boundary approval done in February 2018.

Chair Pulmano asked what was the issue with the Land Use Commission (LUC).

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Mr. McComber stated that in its previous projects done, the 201H process was used to exempt the boundary amendment and zoning for parcels under 15 acres. However, in a recent interpretation by the LUC, the 201H did not suffice to complete a boundary amendment and had to go through the traditional process. Therefore, a new application to change the LUC District Classification was submitted and approved.

Designee Kami asked whether the 6-month extension is believed to be adequate to obtain approval for its boundary issue. Mr. McComber concurred.

Designee Kami stated that he would like to abstain from voting on this item, commenting that such extensions that could be administratively approved are felt to be inefficient.

In response to Director Kami's comment, Vice Chair Spindt commented that he found staff's extension approvals to be very informative and helpful in gaining knowledge on what is delaying the process and possibly help the Board better facilitate on how to make things happen quicker.

Chair Pulmano asked whether the extensions dates are tied to other deadlines. Mr. Ueki stated that RHRF and Bond deadlines are to be aligned and extension dates are based on discussions with the developer.

With no further discussion, the motion was carried, with Director Kami abstained 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. Approve the amendment to the Housing Trust Fund (HTF) Allocation Plan, subject to public comments;
- B. After the public comments, authorize the Executive Director to approve the PY2018 HTF Allocation Plan provided that no substantive amendments are made; and
- C. Authorize the Executive Director to take all action necessary to effectuate the purposes of the For Action.

Vice Chair Spindt moved, seconded by Director Kahele

That staff's recommendation be approved.

Mr. Ueki presented the For Action, stating the programmatic details of the HTF program administered by the U.S. Department of Housing and Urban Development (HUD), to provide grants to State governments to increase and preserve the supply of decent, safe, and sanitary affordable housing for primarily extremely low-income (30% AMI) households, including homeless families. The HHFDC is designated as the HTF Grantee for the State of Hawaii.

For the past two years, HHFDC has received HTF funding in the amount of \$3 million each year, which is the minimum HTF allocation for the states. Should the funding be insufficient for all states and D.C. to receive the minimum allocation, HUD will publish an alternate methodology.

The HTF Allocation Plan must be submitted annually to HUD as part of the Annual Action Plan submitted. The current HHFDC HTF Allocation Plan provides for distribution of all HTF funds through the counties as Subgrantees. HHFDC retains 5% of the allocation as administrative funds. For the remaining balance, 50% is allocated to the City and County of Honolulu and 50% is allocated to the designated neighbor island county that receives HHFDC's rotated

III. B. DISCUSSION AND/OR DECISION MAKING

Approve the Hawaii Housing Finance and Development Corporation's Amendment to the Housing Trust Fund Allocation Plan for the U.S. Department of Housing and Urban Development's National Housing Trust Fund Program Subject to Public Comments

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Home program allocation.

Staff has conducted discussions with the counties of Hawaii, Kauai, Maui and the City and County of Honolulu to receive input on the implementation of the HTF program and recommend the following changes for the Program Year 2018 HTF Allocation Plan for the purpose of protecting the HTF funds from being returned to HUD:

1. Distribution of Funds – An amendment to provide an additional tier below the distribution of the HTF funds to the counties as Subgrantees.

In the event that none of the counties are able to find a use or qualifying project for the funds within a 16-month period, adding an additional tier would allow HHFDC 8 months to seek qualifying projects and administer those funds out of the office.

2. Rehabilitation Standards – If HTF funds are to be utilized for rehabilitation, states must establish HTF rehabilitation standards which include HUD required elements at a minimum. The UPCS component has been cited by HUD, as rehab standards must include the deficiencies that must be corrected upon project completion to ensure that the HTF-assisted project and units will be decent, safe, sanitary and in good repair.

Mr. Ueki opened for questions.

In response to Director Evans, Mr. Ueki clarified the following:

- The distribution of funds for the HTF program is similar to the funding cycles of the HOME program in that it coincides with the same rotation among the neighbor island counties. However, unlike the HOME program, where the City and County of Honolulu receives its own funding directly from the program, HHFDC administers the funds among all the counties.
- To date, all funds have gone to new construction. However, with the addition of HUD's required UPCS component, a deeper definition of allowable use for rehabilitation would be needed. Therefore, the initial response from the counties have been to do new construction only.
- All yellow highlighted areas of the draft State of Hawaii HHFDC HTF Allocation Plan – Uniform Physical Condition Standards (UPCS) for Multifamily Housing Rehabilitation report, are items to be addressed immediately.

Vice Chair Spindt commented on the benefit of having the ability to reallocate funding among the counties, allowing HHFDC to reach a deeper subsidy in a market that is in need and a great solution to utilize available funds efficiently and effectively.

Chair Pulmano asked when the HTF program would be placed in effect. Ms. Inafuku stated that once the program plan is approved by HUD, commencement of the program is anticipated in July 2018. Staff will return to the Board with an update in May 2018.

Director Evans asked if a third-party inspection would be hired. Mr. Ueki clarified that a developer or user of the funds would be responsible to provide those types of inspection or verification services, prior to completion of the project.

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With no further discussion, 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 approve the following:

- A. Approve entering into one or more 20-year leases with the State of Hawaii Department of Health (DOH) for the 28 properties referenced herein for the purposes of DOH providing residences for persons with severe mental illness;
- 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.

Real Estate Portfolio Manager Chris Woodard presented the For Action, stating that this is a unique portfolio that HHFDC owns in partnership with the Department of Health and Steadfast.

It has not yet been determined whether a new lease would be executed for the entire portfolio or whether individual leases would be executed.

Mr. Woodard introduced Dr. Mark Fridovich, with the Department of Health, who thanked the Board for their consideration and stated the functions of its programs.

Designee Evans expressed the critical need for such services within the State and asked whether the DOH is looking to expand its services further. Dr. Fridovich stated that the DOH is looking for opportunities to expand and noted that services are provided to the homeless as well.

Vice Chair Spindt inquired about lease agreement responsibilities between involved parties. Mr. Woodard indicated that the HHFDC/DOH lease provides for DOH to maintain the properties, and that the DOH/Steadfast subleases, in turn, puts the maintenance burden on Steadfast.

With no further discussion, the motion was carried unanimously.

Chair Pulmano called for a recess at 10:00 a.m.; reconvening the meeting at 10:10 a.m.

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

That the HHFDC Board of Directors approve the following:

- A. Approve an amendment to the Waipahu Community Adult Day Health Center and Youth Day Care Center project ground lease substantially on the terms described herein;
- B. Consent to a Project sublease to The Alcoholic Rehabilitation Services of Hawaii, Inc. d.b.a. Hina Mauka; and
- 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 Mende

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

Approve One or More Twenty (20)-Year Leases to the State of Hawaii Department of Health (DOH) for Twenty-Eight (28) Properties Located Statewide for the Purposes of DOH Providing Residences for Persons with Severe Mental Illness

RECESS
10:00 a.m.
RECONVENED
10:10 a.m.

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

Approve: (1) An Amendment to the Ground Lease; and (2) Consent to Sublease to The Alcoholic Rehabilitation Services of Hawaii, Inc. d.b.a. Hina Mauka for the Waipahu Community Adult Day Health Center and Youth Day Care Center Project, Located at 94-830

That staff’s recommendation be approved.

Mr. Woodard presented the For Action, summarizing the previous discussion had at the February 8, 2018 Board of Directors Meeting regarding HHFDC’s Notice of Default to the Lessee and HCAP’s safety concerns and security plan. An area map of the site was distributed to the Board.

As a result of an onsite meeting held on February 14, 2018 and subsequent discussions between HHFDC staff and representatives of the Lessee, HCAP, and Hina Mauka, the following was noted:

- Monthly revenues and adjusted month expenses shown within a pro forma operating budget reflected an estimated \$4,000 adjusted monthly net income. Per its audited financial statements, the Lessee held cash totaling approximately \$390,000 as of June 30, 2017.
- The Lessee will pay for the relocation of an existing pedestrian gate on the mauka side of the building to better direct traffic to the main entrances for HCAP and Hina Mauka and will also pay for and install improved signage at the site.
- HCAP will use the Waipahu United Church of Christ parking lot on Mokuola Street, Hina Mauka staff would park in the Mokuola lot, with its patients parking only in the site lot on Hikimoe Street.
- The Lessee will contract for and manage a security guard on premises during the hours of 7:30 a.m. to 3:30 p.m., Monday through Friday, except holidays and the month of July, when HCAP is closed. The Lessee will charge 50% of the cost back to Hina Mauka as additional CAM, with no offset to its base rent. Estimated monthly security costs range from \$4,000 to \$6,000 based on quotes received to date.
- HCAP obtained positive feedback regarding its implemented safety plan which is anticipated to be approved by the Department of Human Services Child Care Licensing Program.

In light of the Lessee’s ongoing violation of the Lease’s use clause, Mr. Woodard suggested that the Board consider amending the use for “adult and youth day care centers, community health programs, and medical offices,” or similar language approved by the Department of the Attorney General, be discussed.

Vice Chair Spindt moved, seconded by Director Kahele

That the HHFDC Board of Directors convene in executive session at 10:25 a.m., pursuant to 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 the matter above.

The motion was carried unanimously.

The Board reconvened the meeting at 11:46 a.m.

Mr. Woodard stated that staff recommends that in return for HHFDC’s agreement to amend the Lease to accommodate the currently unauthorized Hina Mauka use, any Lease amendment should provide for a shortening of the known Lease term.

While the firm term would be shortened, the amended Lease would provide for subsequent annual renewal options at HHFDC’s sole discretion.

**EXECUTIVE
SESSION**
10:25 a.m.

RECONVENED
11:46 a.m.

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Mr. Woodard also suggested that the For Action be amended as follows:

- On page 4 of 5, number items 3., 4., and 5., be changed to items F., G., and H., respectively.
- Inclusion within title, to read as: “Approve: (1) An Amendment to the Ground Lease; and (2) Consent to Sublease to The Alcoholic Rehabilitation Services of Hawaii, Inc. d.b.a. Hina Mauka; or in the Alternative: 3) Termination of the Ground Lease and Entry into Direct Leases with Hina Mauka and Honolulu Community Action Program, Inc. for the Waipahu Community Adult Day Health Center and Youth Day Care Center Project, Located at 94-830 Hikimoe Street, Waipahu, Oahu, TMK No.: (1) 9-4-017: 051”
- Inclusion of an item I., stating: “In the alternative, staff recommends that HHFDC terminate the ground lease for Waipahu Community Day and enter into direct leases with Hina Mauka and HCAP.”
- That IV. Recommendation, read as follows:

That the HHFDC Board of Directors approve the following:

- A. Approve an amendment to the Waipahu Community Adult Day Health Center and Youth Day Care Center project ground lease substantially on the terms described herein;
- B. Consent to a Project sublease to The Alcoholic Rehabilitation Services of Hawaii, Inc. d.b.a. Hina Mauka; and
- C. Or, in the alternative, terminate the ground lease for Waipahu Community Adult Day Health Center and Youth Day Care Center and enter into direct leases with The Alcoholic Rehabilitation Services of Hawaii, Inc. d.b.a. Hina Mauka and Honolulu Community Action Program, Inc.; and
- D. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Director Evans moved, seconded by Vice Chair Spindt

That the For Action be amended as noted above.

Chair Pulmano asked if there were any in attendance wanting to speak or provide testimony on the matter.

There being none, the main motion was carried unanimously, as amended.

The Board recessed at 11:49 a.m. and reconvened the meeting at 11:54 a.m.

Vice Chair Spindt moved, seconded by Designee Kami

That the Board convene in executive session at 11:55 a.m., pursuant to Section 92-5(a)(3), Hawaii Revised Statutes (HRS), 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), HRS, 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.

RECESSED
11:49 a.m.
RECONVENED
11:54 a.m.

**V.
EXECUTIVE
SESSION**
11:55 a.m.
Information on the
Status of the Hawaii
Housing Finance and
Development
Corporation
Affordable Rental
Housing Portfolio
Restructuring and

The motion was carried unanimously.

The Board reconvened the meeting at 12:12 p.m.

Chair Pulmano proceeded to the Report by the Rental Housing System (RHS) Portfolio Proceeds Subcommittee (Subcommittee).

Chief Planner Janice Takahashi presented the Subcommittee’s additional findings and recommendations. The restructuring of HHFDC’s Rental Housing System (RHS) portfolio is estimated to generate an excess net proceeds of approximately \$81.275 million.

Based on the objectives listed below, the subcommittee discussed possible investments of the excess net proceeds to be allocated to: (1) Rental Housing Revolving Fund (RHRF) of 70-80%; (2) Dwelling Unit Revolving Fund (DURF) of 15-25%; (3) Rental Assistance Revolving Fund (RARF) of 5%; and (4) set aside proceeds to hire a third-party contractor to monitor the renovation of the rental properties including, but not limited to, lease enforcement, reviewing plans and specifications, and inspections. The Subcommittee felt it was very important to revisit the allocation of funds within a year and make adjustments, as needed.

- 1. Increase the rental housing supply
- 2. Preserve housing affordability over the long-term
- 3. Have an immediate or near-term impact given the current need for rental housing

Ms. Takahashi stated that for the FY2018 funding round, twelve applications were received, totaling approximately \$203 million in requests. While staff has not underwritten these loan applications, requests for RHRF have again exceeded what is available. Since awards are anticipated to be made in May/June 2018, allocated net proceeds, when available, can be made for a future funding round.

With the RHRF being used as a “last resort” gap financing, Vice Chair Spindt asked for the reason in the increase of the RHRF loan requests (being a record high of \$60 – \$85 million). Mr. Ueki stated that primary reasons are attributed to, but limited to, the increase of construction costs and lack of Federal funded programs.

Designee Kami asked about the Qualified Allocation Plan (QAP) scoring mechanism for giving preference for those who leverage other monies. Mr. Ueki stated that the RHRF leveraging piece in determining the scoring was taken out a couple years ago and perhaps is something that should be looked at by the Subcommittee.

In terms of the DURF, Vice Chair Spindt stated that there is a great benefit to looking at off-site regional infrastructure in exchange for land, which not only provides for affordable housing, but helps bring down pricing pressure.

Vice Chair Spindt thanked staff for their time and hard work.

Chair Pulmano questioned the reasoning for setting percentages. Designee Kami stated that the Subcommittee wanted to make sure that all needs were looked at and appropriate amounts for each of those needs were accounted for. Vice Chair Spindt added that setting aside money for certain needs could get developers thinking outside the box and coming up with new project concepts to further facilitate development as opposed to relying on the RHRF monies.

Preservation
Transaction with
Standard Property
Company, Inc. and
Stanford Carr
Development, LLC

RECONVENED
12:12 p.m.

**IV.
REPORT BY THE
RENTAL HOUSING
SYSTEM
PORTFOLIO
PROCEEDS
SUBCOMMITTEE -
ADDITIONAL
FINDINGS AND
RECOM-
MENDATIONS**

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The Board further discussed whether the allocated amounts should be placed in buckets or ranges to allow for more flexibility, while accelerating production of projects in the pipeline.

Vice Chair Spindt commented that the state should invest more into infrastructure in order to solve the affordable housing crisis going forward, having a balance of doing things in the short-term, in the middle-term, and making big investments in our long-term capabilities.

Director Iseri-Matsubara stated that in the Governor's housing plan and taskforce with housing stakeholders and developers, two things were stated to be needed in order to help housing prices: (1) maximize the state's financing tools; and (2) have the state participate in infrastructure.

Ms. Takahashi asked whether the Board wanted to adjust its objectives to include long-term state infrastructure investments.

Chair Pulmano suggested that the Board review the report and return at a future meeting to relook and discuss.

There was no discussion on the Report of the Executive Director.

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

Vice Chair Spindt moved, seconded by Director Fukumoto

That the meeting be adjourned at 1:00 p.m.

The motion was carried unanimously.

VI. REPORT OF THE EXECUTIVE DIRECTOR

VII. ADJOURNMENT 1:00 p.m.



RONA FUKUMOTO
Secretary