

**HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
BOARD OF DIRECTORS
REGULAR MEETING**

JUNE 14, 2018

MINUTES

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, Honolulu, Hawaii, on Thursday, June 14, 2018, at 9:00 a.m.

With a quorum present, Chair Leilani Pulmano called the meeting to order.

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 George Atta
Designee Mary Alice Evans for Director Luis Salaveria
Director Sara Lin

Executive Director Craig Hirai

Excused: Designee Scott Kami for Director Laurel Johnston

Staff Present: Sandra Ching, Deputy Attorney General
Janice Takahashi, Chief Planner
Darren Ueki, Finance Manager
Rick Prahler, Development Branch Chief
Stan Fujimoto, Development Section Chief
Holly Osumi, Chief Financial Officer
Christopher Woodard, Property Management Coordinator
Patrick Inouye, Housing Finance Specialist
Jocelyn Iwamasa, Housing Finance Specialist
Dean Sakata, Housing Finance Specialist
Glori Ann Inafuku, Housing Finance Specialist
Mavis Masaki, Planner
Lisa Wond, Planner
Lorraine Egusa, Budget Analyst
Albert Palmer, Housing Development Specialist
Kent Miyasaki, Housing Information Specialist
Esa Pablo, Secretary to the Board

Guests: William Barton, Ralph Rosenberg Court Reporters
Liz Char, Michaels Development Company
Questor Lau, Michaels Development Company
Grant Chun, Hale Mahaolu
Libby Behn, Hale Mahaolu
Stacy Sur, Hawaii Housing Finance LLC
Kali Watson, Hawaiian Community Development Board
Patti Barbee, Hawaiian Community Development Board
Paul Marx, AHED Foundation
Gary Furuta, GSF LLC
Kevin Carney, EAH Housing
Aaron Eberhardt, EAH Housing
Marian Gushiken, EAH Housing
Glenn Okino, Mitsunaga Construction
Kanani Fu, Kauai County Housing Agency

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

Chris Kinimaka, DAGS
Sarah Devries, Ahe Group
Joelle Chiu, Ahe Group
Makani Maeva, Ahe Group
Dana Peiterson, CBRE
Andrew Reenders, CBRE
Julie Gibson
Jonathan Gibson
Willidean Makepa

Approval of the regular meeting minutes of February 8, 2018, March 8, 2018, and April 12, 2018, were deferred to a future meeting.

**II. A.
APPROVAL
OF MINUTES**
Regular
Meeting
2/8/18

**II. B.
APPROVAL
OF MINUTES**
Regular
Meeting
3/8/18

**II. C.
APPROVAL
OF MINUTES**
Regular
Meeting
4/12/18

Vice Chair Spindt moved, seconded by Director Kahele

That the regular meeting minutes of May 10, 2018, be approved.

The motion was unanimously carried.

Approval of the executive session meeting minutes of May 10, 2018, were deferred to later in the meeting.

**II. D.
APPROVAL
OF MINUTES**
Regular
Meeting
5/10/18

**II. E.
APPROVAL
OF MINUTES**
Executive
Session
Meeting
5/10/18

Vice Chair Spindt moved, seconded by Director Kahele

That the special meeting minutes of June 1, 2018, be approved.

The motion was unanimously carried.

Meeting minutes of the executive sessions of June 1, 2018, were deferred to later in the meeting.

**II. F.
APPROVAL
OF MINUTES**
Special
Meeting
6/1/18

**II. G.
APPROVAL
OF MINUTES**
Executive
Sessions
6/1/18

Vice Chair Spindt moved, seconded by Director Kahele

To approve staff's recommendation, presented as follows:

That the HHFDC Board of Directors:

A. Approve the State of Hawaii's Consolidated Plan Annual Action Plan

**III. A.
DISCUSSION
AND/OR
DECISION
MAKING**
Approve the
Consolidated Plan
Annual Plan for
Program Year 2018 –

for Program Year 2018-2019;

2019 (PY2018)

- B. Authorize the Executive Director to amend the Annual Action Plan for Program Year 2018 – 2019 to include a HOME CHDO activity, when selected; and
- C. Authorize the Executive Director to undertake all tasks necessary to submit and implement the PY2018 Annual Action Plan.

Planner Lisa Wond stated that this For Action seeks the Board’s approval for the Annual Action Plan for Program Year 2018 (July 1, 2018 - June 30, 2019), in which the State anticipates receiving \$3,008,138 in HOME funds, \$3 million in HTF funds, \$437,933 in ESG funds, and \$258,770 in HOPWA funds.

Under the HOME program, a percentage of the allocation is to be set aside for a Community Housing and Development Organization (CHDO). The Action Plan will be amended at the time a CHDO activity is selected by the County of Hawaii.

Due to congressional delays, HHFDC anticipates submitting the Annual Action Plan to HUD by July 1, 2018.

Wond provided an overview of the intended uses of the funds and activities for PY 2018.

Director Evans asked whether HHFDC solicits applications for the ESG funds. Wond stated that the ESG and HOPWA programs are administered by the Department of Human Services (DHS). However, HUD requires one application for the State, which the HHFDC submits on behalf of DHS. Wond replied that DHS solicits applications for its ESG funds under an RFI process.

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

Vice Chair Spindt moved, seconded by Director Kahele

To approve staff’s recommendation, presented as follows:

That the HHFDC Board of Directors:

- A. Approve proposed amendments to and compilation of Chapter 15-306, HAR, subject to approval as to form by HHFDC’s Deputy Attorney General, and authorize the Executive Director, or designated representative(s), to conduct a public hearing on the adoption of said amendments to and compilation of Chapter 15-306, 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 15-306, HAR, as amended and compiled, to the Governor for final approval if no additional substantive amendments are required.

Planner Mavis Masaki summarized the intentions of the proposed administrative rule amendments, which are to incorporate changes to the GET Exemption program, clarify the Hawaii Public Housing Authority projects, amend the definition of the “regulatory agreement,” index program application fees, and make other conforming, housekeeping and technical amendments to §15-306-12.

Development Branch Chief Rick Prahler summarized the current GET Exemption program administered by HHFDC, stating that the intent is to amend the definition of the regulatory agreement in the rules and index program application fees to the

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

Approve Proposed Amendments to and Compilation of Chapter 15-306 “General Excise Tax Exemptions,” Hawaii Administrative Rules, to Implement Changes to the State Low Income Housing Tax Credit (LIHTC) made by Act 54, SLH 2017, as amended by House Bill 2748, House Draft 2, Senate Draft 2, Conference Draft 1 (2018); to Clarify that Projects of the Hawaii Public Housing Authority are Government Assistance Projects Under The Rules; to Amend the Definition of Regulatory

consumer price index to keep up with inflation.

Masaki further mentioned that the proposed amendments would:

- Change the form of written determination of eligibility from the G-37 to a written determination letter, clarifying that regulatory agreements are recorded at the Bureau of Conveyances and that HHFDC will have ten working days from the date of recordation to issue the form G-37 for the projects.
- Amended rules would allow an option to submit a reconciliation of the GET annual return if provided for in the project regulatory agreement instead of an audited income statement for a project.

If any substantive changes to the proposed rule amendments become necessary, staff will return to the Board for further discussion and approval.

With a statutory limit of \$30,000,000 within the rules, Chair Pulmano asked what is the amount that is currently given out for GET Exemptions. Prahler stated that an annual chart is usually done at the end of the fiscal year, as of June 30, which could be forwarded to the Board. However, currently contract amounts of people who ask for exemptions are tabulated and then estimated. With the amendment to Act 54, the actual tax exemption amount will be tracked and tabulated.

Planner Janice Takahashi clarified that the \$30,000,000 limit represents the General Excise Tax Exemption, divided by the gross income, represents a substantial \$750,000,000 in General Excise Tax cost.

Chair Pulmano asked for clarification on page 306-14, section 15-306-33, **Types of income eligible for exemption**, “[o]nly gross income received by a qualified person or firm for contracting for the new construction or substantial rehabilitation of an affordable rental housing project may be exempted from general excise taxes.” Masaki stated that under its normal GET program, a rental project could be exempted from construction costs and affordable rents. However, under the new Act 54 provision, exemption is limited to contracting only. Executive Director Craig Hirai added that Act 54 essentially allows for lower prevailing wages within the state project labor agreement; not federal.

Chair Pulmano asked whether anyone from the public wished to speak on the matter.

With Act 54 already enacted, Designee Evans clarified that the Board has little flexibility in making any substantial changes as it conforms with the state law.

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

Chair Pulmano asked that the agenda be taken out of order, and proceed as follows:

III. N., L., C., E., D., K., followed by III. F., G., H., I., J., O., P., Q., and M.

Vice Chair Spindt moved, seconded by Director Kahele

To approve staff’s recommendation, presented as follows:

That the HHFDC Board of Directors:

- A. Approve entering into a ground lease with Jonathan Edward Gibson and Julee Leihuanani Gibson, as tenants by the entirety, for Waiahole Valley Agricultural Park and Residential Lots Subdivision Lot No. 114, Waiahole, Oahu, TMK No. (1) 4-8-008:026; and
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purpose of this For Action.

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

Approve Residential Lot Ground Lease for Waiahole Valley Agricultural Park and Residential Lots Subdivision Lot No. 114, Waiahole, Oahu, TMK No.: (1) 4-8-008: 026

Real Estate Portfolio Manager Chris Woodard stated that Pearl Clarke entered into a residential lot ground lease for a parcel on Waiahole Homestead Road (Lot 114) which commenced in June 1998. However, with her passing in 2008 and no assignment documentation executed, HHFDC staff contacted Clarke's immediate and extended family members to probate the Estate and possibly assume the lease. The lease rent owed by the estate totaled over \$9,300, as of February 2016, with real property taxes owed to the City and County totaling over \$38,000. However, no family member was willing to probate the Estate.

Since HHFDC could not cancel the lease without probating the Estate, Char Sakamoto Ishii Lum & Ching was retained as outside counsel in September 2016, providing the legal services necessary to petition the Circuit Court of the First Circuit, State of Hawaii, to appoint a personal representative of the Estate (PR) and have the PR fully complete all administrative tasks required under said probate proceedings.

A daughter of Mrs. Clarke, Willidean Makepa, agreed to serve as the PR for the sole purpose of having the Estate's property distributed to the heirs as joint tenants. She was appointed by Circuit Court on September 22, 2017, and on November 3, 2017, Ms. Makepa signed a Quitclaim Assignment of Lease which assigned the Lease from the Estate to Mrs. Clarke's eight children as joint tenants.

On February 12, 2018, HHFDC issued a Notice of Default to the joint tenants for nonpayment of real property taxes, lack of evidence of liability insurance, and not using the property for residential purposes as required by the lease. The defaults were not cured within the 60-day period provided for in the lease, and therefore, the lease was cancelled by HHFDC on April 23, 2018.

At the time that the Notice of Default was issued, staff requested lease proposals from the descendants of Mrs. Clarke no later than April 13, 2018. In March 2018, that HHFDC was contacted by a staff attorney at Native Hawaiian Legal Corporation, who represented John Garrett, son of Mrs. Clarke, and Julee Gibson, granddaughter of Mrs. Clarke, asking if a late proposal submission for the lease would be accepted. HHFDC agreed to consider proposals no later than April 30, 2018. A proposal from Ms. Gibson and her husband was received on April 30, 2018, together with evidence showing their ability to pay the rent due under a typical Waiahole Valley ground lease and pay off the outstanding balance of the City and County of Honolulu real property taxes over time.

With no other lease proposals received from remaining descendants of Mrs. Clarke, staff believes that a lease should be offered to Garrett and Gibson on the same terms as the 1998 lease with Mrs. Clarke. Any new lease should stipulate that construction on the dwelling commence no later than two years after lease execution.

Woodard acknowledged and thanked Makepa for agreeing to serve as the estate's personal representative and noted the Gibson's in attendance.

Vice Chair Spindt asked whether there would be a mortgage for the home with Habitat for Humanity. Woodard responded yes and stated that Habitat has actually constructed a handful of homes within the Waiahole Valley Subdivision subject to HHFDC's leases.

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

Vice Chair Spindt moved, seconded by Director Kahele

To approve staff's recommendation, presented as follows:

That the HHFDC Board of Directors:

Approve amendments to previously approved DURF interim loan terms impacting the loan period and means of repayment for Phase 1 of the Lima

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

Approve Amendments
to the Dwelling Unit
Revolving Fund Interim
Loan Terms for
Construction of

Ola Workforce Housing Development in `Ele`ele, Kauai, Hawaii, TMK (4) 2-1-001: 054, substantially as described in this For Action, subject to the following:

- A. Availability of DURF funds;
- B. Approval and execution of necessary loan documents by the Executive Director;
- C. Commencement of construction of the Phase 1 Project by November 2018, unless otherwise extended at the sole discretion of the Executive Director;
- D. Completion of the Phase 1 Project by November 2020, unless otherwise extended at the sole discretion of the Executive Director; and
- E. Compliance with all laws and rules and such other terms and conditions as may be required by the Executive Director.

Prahler stated that this For Action seeks approval of amendments made to the previously approved DURF interim loan terms impacting the loan period and means of repayment for Phase 1 of the Lima Ola Workforce Housing Development.

The Kauai County of Housing Agency (KCHA) intends to repay the DURF interim loan with the fee simple conveyance of improved lots within the Phase 1 Project area, entitled for multi-family housing projected to contain 111 of the total 149 units in Phase 1. KCHA believe an extended loan term will be needed if the appraised value of the improved lots in Phase 1 is less than the DURF loan amount, including interest and fees.

The estimated construction timeline for the Phase 1 Project was noted as follows:

- Closing of the Construction Financing - September 2018,
- Building Permit – October 2018
- Site Construction Start Date – November 2018
- Site Construction Completion – November 2019

Prahler introduced County of Kauai Housing Director Kanani Fu, who was available for questions.

Chair Pulmano asked whose option is it to take cash or land or reservations for repayment. Although HHFDC would prefer land as repayment, Prahler stated that the option would go to the County, as to how they would find funding to pay for any remaining balance.

Vice Chair Spindt stated that in his discussions with the Kauai County, land is restricted to affordable housing is actually devaluing the appraised value of the land. This being the first DURF loan for offsite infrastructure improvements, a successful model that will work in various areas are desired.

Chair Pulmano asked how long are the DURF loan terms usually set for. Prahler stated that generally HHFDC does interim loans; however, longer loan terms are able to be done, with repayment received at project completion.

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

Vice Chair Spindt moved, seconded by Director Kahele

To approve staff's recommendation, presented as follows:

Regional Infrastructure Improvements for Phase 1 of the Lima Ola Workforce Housing Development Located in `Ele`ele, Kauai, Hawaii, TMK No.: (4) 2-1-001: 054

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

That the HHFDC Board of Directors:

Adopt the Approved and Rejected List for the Rental Housing Revolving Fund Project Awards for the FY2018 Funding Round

- A. The FY2018 funding round Approved Project List for RHRF Project Awards, subject to the following provisions and conditions:
1. Approval of the Approved Project List does not obligate HHFDC to make an award to any applicant on the Approve Project List;
 2. Applicants on the Approved Project List shall not construe approval as an indication or guarantee of receiving an award or any other funding from HHFDC;
 3. HHFDC may elect to select, reject, or defer an applicant's request, if HHFDC judges such action to be in the best interest of the RHRF program;
 4. Any award is subject to availability of RHRF Program funds;
 5. HHFDC is not obligated to approve or fund the full amount of an applicant's request;
 6. The actual form, terms, and conditions of each award shall be determined by HHFDC and is subject to negotiation between the applicant and HHFDC, and the completion of all appropriate legal documentation satisfactory to HHFDC and its legal counsel;
 7. The approval of each award and the disbursement of funds is subject to the final approval by the Governor of the State of Hawaii;
 8. The applicants agree to abide by all terms and conditions that may arise due to the use of public funds; and
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Finance Manager Darren Ueki stated that the FY2018 Funding Round for Rental Housing Revolving Fund (RHRF) Project Awards closed on February 15, 2018, in which 12 applications were received, totaling approximately \$182,900,000. The Lihue Senior Housing project failed to meet minimum threshold requirements under the Qualified Allocation Plan (QAP) for Low Income Housing Tax Credits (LIHTC), thereby reducing the number of RHRF applications to 11.

Each of the 11 applications scored more than the 125 minimum points out of a total 250 through the RHRF Criteria Point System, placing all remaining applicants on the Approved List.

Ueki read through the statutory funding priorities of the RHRF program, stating that most of its resources go to projects within the first priority, for families or households earning 30%, 80%, and 100% or less of the area median income (AMI).

Separate For Actions shall recommend specific project awards and provide additional project details.

Designee Evans asked how many projects on the Approved List are for new construction and how many are for acquisition/rehabilitation. Housing Finance Specialist Patrick Inouye stated that all the projects are new construction, except for the Queen Emma Tower.

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

Vice Chair Spindt moved, seconded by Director Kahele

To approve staff's recommendation, presented as follows:

That the HHFDC Board of Directors:

Approve the Award of Federal and State 9% LIHTC to the following Projects in accordance with the QAP and subject to the terms and conditions specified in this section, Section II Subsection E, and Exhibit J of this For Action.

A. The Keahumoa Place Phase 4 project:

1. Allocation of up to \$1,450,000 in annual Federal 9% LIHTC over a 10-year period and \$1,450,000 in annual State 9% LIHTC over a 5-year period; with the following project specific conditions:

a) 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 \$2,100,000.

B. The Hale Makana O Maili project:

1. Allocation of up to \$829,834 in annual Federal 9% LIHTC over a 10-year period and \$829,834 in annual State 9% LIHTC over a 5-year period; with the following project specific conditions:

a) 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 \$1,693,731.

C. The Waimea Huakai project:

1. Allocation of up to \$815,966 in annual Federal 9% LIHTC over a 10-year period and \$815,966 in annual State 9% LIHTC over a 5-year period; with the following project specific conditions:

a) 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 \$1,599,000.

D. The Hale Mahaolu Ewalu II project:

1. Allocation of up to \$716,200 in annual Federal 9% LIHTC over a 10-year period and \$716,200 in annual State 9% LIHTC over a 5-year period; with the following project specific conditions:

a) 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 \$604,635.

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

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

Approve an Award of Federal and State Low Income Housing Credits From the State's 2018 Volume Cap to: (1) Keahumoa Place Phase 4 Located in Ewa Beach, Oahu, TMK No.: (1) 9-1-017: 109 (por.); (2) Hale Makana O Maili Located in Waianae, Oahu, TMK No.: (1) 8-7-001: 016; (3) Waimea Huakai Located in Waimea, Kauai, TMK No.: (4) 1-6-008: 006; and (4) Hale Mahaolu Ewalu II Located in Pukalani, Maui, TMK No.: (2) 2-3-006: 019 (lot A-1 por.)

Ueki stated that in accordance with the criteria and guidelines of the 2018/2019 QAP, and other factors, HHFDC recommends 9% LIHTC awards for: (1) Keahumoa Place Phase 4; (2) Hale Makana O Maili; (3) Waimea Huakai; and (4) Hale Mahaolu Ewalu II.

The Queen Emma Tower was bypassed because its 9% LIHTC request of \$1,000,000 exceeded the remaining balance in 9% LIHTC and has a 2018 application for a Hula Mae Multi-Family Tax Exempt Bond financing and 4% LIHTC structure.

Following the recommended awards of 9% LIHTC, there is a remaining balance of \$42,352 in Federal as well as in State 9% LIHTC. HHFDC shall carryover the remaining 9% LIHTC balance to 2019 for future allocation.

Ueki stated that the project shall not exceed the dollar amounts listed within sections “a)” of staff’s recommendation.

Ueki introduced available representatives for each project - Liz Char, with Keahumoa Place Phase IV; Kali Watson with Hale Makana O Maili; Makani Maeva with Hale Mahaolu Huakai; and Grant Chun with Hale Mahaolu Ewalu II.

Director Lin asked whether all the projects on the Approved List were on Oahu. Ueki stated that all are on the island of Oahu, except for Waimea Huakai, which is on the island of Kauai and the Hale Mahaolu Ewalu II, on the island of Maui.

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

A recess was taken from 10:04 a.m. and the meeting was reconvened at 10:17 a.m.

Vice Chair Spindt moved, seconded by Director Kahele

To approve staff’s recommendation, presented as follows:

That the HHFDC Board of Directors approve the following:

- A. An RHRF Project Award of \$1,945,120 that increases the Project’s existing RHRF Award to \$16,445,120 from \$14,500,000, as described in Section III (I) [of the For Action]; and
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Ueki stated that the additional funding being requested is a result of the new corporate tax structuring that took effect in 2018, lowering LIHTC investor pricing.

In discussions with the developer, the project’s construction start date had been updated from 3rd Quarter 2019 to later this year in 2018, with project completion updated from 1st Quarter 20121 to 2020.

Ueki opened for questions, along with Gary Furuta, on behalf of the project.

There being no questions, the motion was unanimously carried.

Vice Chair Spindt moved, seconded by Director Kahele

To approve staff’s recommendation, presented as follows:

That the HHFDC Board of Directors approve the following for the development of the Kahului Civic Center Mixed-Use Project at 153 West Kaahumanu Avenue, Kahului, Maui, TMK No.: (2) 3-7-004: 003 and at 70

RECESSED
10:04 a.m.
RECONVENED
10:17 a.m.

III. D.
DISCUSSION
AND/OR
DECISION
MAKING
Approve and Amend a Rental Housing Revolving Fund Project Award for the Kahului Lani I Project Located In Kahului, Maui, TMK Nos.: (2) 3-7-005: 003, 011, and 023 (pending New TMK assignment)

III. K.
DISCUSSION
AND/OR
DECISION
MAKING
Approve: (1) a Memorandum of Understanding Between

South High Street, Wailuku, Maui, TMK No.: (2) 3-4-013: 014, substantially as described in this For Action.

- A. A Memorandum of Understanding between the Hawaii Housing Finance and Development Corporation, the Department of Accounting and General Services, and the County of Maui;
- B. Request for a set aside of the Property at 153 West Kaahumanu Avenue to HHFDC for the Project;
- C. Creation of, and amendments to a condominium property regime, and/or subdivision, as necessary, of the Property at 153 West Kaahumanu Avenue for legal separation of the mixed-uses, including the New Maui Bus Hub;
- D. Right-of-Entry to the County for the New Maui Bus Hub;
- E. Issuance of ground leases at the Property for the New Maui Bus Hub to the County, and for the office space/civic center use to DAGS, for 65 years at \$1/year, and for the affordable rental component(s) to designee(s) of HHFDC as approved by the Executive Director, for 75 years at \$1/year;
- F. Approval of a budget of up to \$1.5 million from the DURF funds appropriated by the 2018 Legislature for master planning and land use approvals for the Project, as such budget may be amended by the Executive Director; and
- G. The Executive Director shall be authorized to take all actions necessary to effectuate the purposes of this For Action;

Subject to the following (as applicable):

- H. Cancellation of the existing Executive Order No. 3586 and receipt of a set aside of the Property;
- I. Governor's approval of the 2018 Legislative appropriation and allotment of \$2.5 million in CIP funds to HHFDC for the Project, including the New Maui Bus Hub;
- J. Governor's approval of the 2018 Legislative appropriation of \$10 million in DURF funds to HHFDC;
- K. Availability of DURF funds;
- L. Approval of release of DURF funds by the Governor;
- M. Approval of ground leases at the Property by the Board of Land and Natural Resources;
- N. Approval as to form of applicable documents by the Department of Attorney General and execution by the Executive Director; and
- O. Compliance with all laws and rules, and such other terms and conditions as may be required by the Executive Director.

Development Section Chief Stan Fujimoto stated that this For Action seeks approval of a Memorandum of Understanding (MOU) between DAGS, the County, and HHFDC, for the Kahului Civic Center purposes. The MOU's proposed terms and obligations of each entity were noted.

the Hawaii Housing Finance and Development Corporation, the Department of Accounting and General Services (DAGS) and the County of Maui (County); (2) Request For a Set Aside of the Property; (3) Condominium Property Regime and/or Subdivision; (4) Right-of-Entry to the County; (5) Issuance of Ground Leases; and (6) a Budget from the Dwelling Unit Revolving Fund for the Development of the Kahului Civic Center Mixed-Use Project Located at the Kahului Civic Center Site at 153 West 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

Fujimoto opened for questions, along with Chris Kinimaka from DAGS.

Designee Evans commended DAGS, the County of Maui, and HHFDC for creating this opportunity for all of those different needs.

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

Vice Chair Spindt moved, seconded by Director Kahele

To approve staff's recommendation, presented as follows:

That the HHFDC Board of Directors approve the following:

- A. A RHRF Project Award Loan of \$15,564,110 to East Kapolei II Phase 4, LLC for the benefit of the Keahumoa Place Phase 4 project, with the terms and conditions as shown in Section III (G) of this For Action, and 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 \$2,100,000.
 - 6. Availability of RHRF program funds.
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Ueki stated that this project is a proposed 81-unit affordable rental housing facility targeted for families and shall offer 1, 2, and 3-bedroom units. Improvements shall consist of ten 2-story buildings.

Project construction is anticipated to start in April 2019, with project completion anticipated in October 2020.

Ueki noted that the RHRF loan will be fully paid down over the term of the loan.

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

There being no questions, the motion was unanimously carried.

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

Approve a Rental
Housing Revolving
Fund Project Award
for the Keahumoa
Place Phase 4 Project
Located in Ewa Beach,
Oahu, TMK No.:
(1) 9-1-017: 109 (por.)

Vice Chair Spindt moved, seconded by Director Kahele

To approve staff's recommendation, presented as follows:

That the HHFDC Board of Directors approve the following:

- A. A RHRF Project Award Loan of \$4,700,000 to Laulima Maili, LP for the benefit of the Hale Makana O Maili project, with the terms and conditions as shown in Section III (G) of this For Action, and 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 \$1,693,731.
 6. Availability of RHRF program funds.
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Ueki stated that this project is a proposed 52-unit affordable rental housing facility targeted for families and shall offer 1, 2, and 3-bedroom units. Improvements shall consist of five 2-story buildings with 8 units and one 2-story building with 12 units.

Project construction is anticipated to start in December 2018, with project completion anticipated in June 2020.

In comparison to the Applicant's request, Ueki noted that staff is recommending a loan "Term/Maturity" of 50 years, instead of 58 years.

Ueki opened for questions, along with Kale Watson, on behalf of the project.

There being no questions, the motion was unanimously carried.

Vice Chair Spindt moved, seconded by Director Kahele

To approve staff's recommendation, presented as follows:

That the HHFDC Board of Directors approve the following:

- A. Resolution No. 112, attached as Exhibit D, which authorizes a tax-exempt issuance of up to \$16,000,000 from the HMMF Bond Program, subject to the provisions and conditions recommended in

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

Approve a Rental Housing Revolving Fund Project Award for the Hale Makana O Maili Project Located Waianae, Oahu, TMK No.: (1) 8-7-001: 016

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

Approve Resolution No. 112, Authorizing the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue

Exhibit C.

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

Ueki stated the programmatic details of the Hula Mae Multi-Family (HMMF) Bond program. This project is a 75-unit affordable rental housing facility targeted for families and shall consist of seven residential buildings.

Project construction is anticipated in May 2018, with project completion anticipated in the 1st Quarter of 2020.

The HMMF bond is a private placement with American Savings Bank, in a principal amount not to exceed \$16,000,000, and provides construction financing. LIHTC equity will pay down the bonds upon conversion to permanent financing with a Freddie Mac Tax Exempt Loan in the amount of \$6,495,108.

A Tax Equity and Fiscal Responsibility Act (TEFRA) hearing was conducted on Monday, December 18, 2017, in which no oral or written testimony was received.

Resolution No. 112 satisfies the requirement to accomplish and complete the HMMF Bond sale.

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

There being no questions, the motion was unanimously carried.

Vice Chair Spindt moved, seconded by Director Kahele

To approve staff's recommendation, presented as follows:

That the HHFDC Board of Directors approve the following:

- A. Extend the deadline to issue HMMF Bonds for the Kukui Tower project to June 30, 2019; and
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purpose of this For Action.

Ueki stated that on May 18, 2018, the Kukui Tower II, LP (Awardee) submitted an amendment to its consolidated application, increasing its HMMF and 4% LIHTC resources. The significant increase requires material change in the financing sources and project budget, which are still being evaluated and shall be presented to the Board if such changes warrant a recommendation for approval.

Staff has evaluated the extension request based on progress made in three basic milestones of site control, zoning approvals, and securing financing commitments. The Awardee continues to work with the LIHTC investor and the HMMF Bond investor on the financing for the Project, along with the US Department of Housing and Urban Development to preserve the Housing Assistance Payments Contract.

Ueki opened for questions, along with Kevin Carney, on behalf of the awardee.

Designee Evans noted that the building acquisition of \$11 million exceeds the amount that was budgeted for the \$9.6 million rehabilitation cost and asked whether the Awardee is acquiring the fee simple interest in the building and land from a related entity. Carney introduced project manager Arron Eberhardt, who stated that the project is being acquired from a related entity. Eberhardt further stated that under the tax code requirement, the acquisition price is not independent of anything other than the assessed value.

Designee Evans asked why the current owner could not use public funds to achieve

Bonds for the
Keahumoa Place Phase
1 Project Located in
Ewa Beach, Oahu
TMK No.:
(1) 9-1-017: 109 (por.)

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

Approve an Extension
to Resolution No. 087,
Which Provides for
Official Intent with
Respect to the
Issuance of Hula Mae
Multi-Family Tax-
Exempt Revenue Bonds
for the Kukui Tower
Project Located in
Honolulu, Oahu, TMK
No.: (1) 1-7-005: 041
CPR 0001

the goal of rehabilitating and extending the life of the affordable rental project. Eberhardt stated that in his discussions with the Executive Director and staff, it was determined that the current owner is not able to effectuate all of the required health and safety improvements that are required for the property.

Ueki explained that the purchase price does not exceed the value that is allowed under the program. Therefore, should this be something of concern, the Board does have the ability to set a policy.

Designee Evans suggested that other ways be found to accomplish the rehabilitation of projects without spending a third of the total project cost.

Vice Chair Spindt commented that maintaining existing housing stock is also important, especially when such funds do not limit other new housing projects from being completed. He further noted that acquisition/rehabilitation projects also tend to be significantly lower than the construction of new projects.

The motion was unanimously carried.

Vice Chair Spindt moved, seconded by Director Kahele

To approve staff's recommendation, presented as follows:

That the HHFDC Board of Directors approve the following for a proposed 200-unit affordable family rental project at the Villages of Leiali'i in Lahaina, Maui, Hawaii, TMK No.: (2) 4-5-021: 003 (por.), substantially as described in this For Action:

- A. DURF interim loan of up to \$5 million, including a DURF pre-development loan of up to \$2 million;
- B. Issuance of a Request For Proposals; and
- C. Authorize the Executive Director to take all actions necessary to effectuate the purposes of this For Action;

Subject to the following:

- D. Governor's approval of the 2018 Legislature's appropriation of \$10 million in DURF funds and \$30 million in RHRF funds;
- E. Availability of DURF funds;
- F. Approval of release of DURF funds by the Governor;
- G. Approval as to form of applicable documents by the Department of Attorney General and execution by the Executive Director; and
- H. Compliance with all laws and rules, and such other terms and conditions as may be required by the Executive Director.

Fujimoto stated that HHFDC proposes to issue a request for proposals (RFP) for the leasehold development of a family rental project affordable to households at 60% or below the U.S. Department of Housing and Urban Development area median income (AMI) below elevation 130' at the southwest portion of the Property in accordance with a Site Assessment Report done by Belt Collins dated January 18, 2017 (Project).

To encourage developer interest due to the unusual risks in the development of this Project, and to expedite development of the Project, HHFDC would like to make available up to \$5 million of the DURF funds appropriated by the 2018 Legislature as a pre-development and interim loan to the developer of the Project, under

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

Approve: (1) a Dwelling Unit Revolving Fund Pre-Development and Interim Loan; and (2) Issuance of a Request For Proposals for a Proposed 200-Unit Affordable Family Rental Project at the Villages of Leiali'i in Lahaina, Maui, TMK No.: (2) 4-5-021: 003 (por.)

conceptual terms and approval to issue an RFP for the Project.

Fujimoto opened for questions.

Designee Evans asked what the major risk for development is after five years. Fujimoto stated that with this being the first project in the Villages of Leiali'i master-planned community, the major risks would be that potential issues are unknown and given the EIS and Site Assessment offsite issues with sewer, electric, and water, a developer might not want to submit a proposal or develop a project that they will have to continue to operate for the life of the project.

Chair Pulmano stated that she is glad to see DURF monies being used for predevelopment.

Vice Chair Spindt referenced and asked for clarification on page 3 of 5 of the For Action, under section III. B., 3., "The DURF interim loan will be repaid by the Project's permanent financing, except to the extent allowed to be allocated to offsite infrastructure by HHFDC." Fujimoto stated that because part of the project will be to develop a collector road dedicated to the county to access the project site, the proposal is that part of the cost of the collector road would be forgiven as regional infrastructure benefiting the greater Villages of Leiali'i project.

With no further discussion, the motion was unanimously carried.

A recess was taken from 11:17 a.m. and Chair Pulmano reconvened the meeting at 11:27 a.m.

Chair Pulmano proceeded to agenda item III. O. There was no report distributed for this item.

Woodard reported that yesterday afternoon HHFDC and the Buyer had reached an agreement on all remaining outstanding issues and a Purchase and Sale Agreement was executed.

Chair Pulmano congratulated HHFDC staff and thanked them for all their hard work.

Woodard introduced Housing Development Specialist Albert Palmer, who has helped in the due diligence of the Sale as well as asset management matters.

Vice Chair Spindt moved, seconded by Director Kahele

To approve staff's recommendation, presented as follows:

That the HHFDC Board of Directors authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action, including:

- A. Termination of the existing HHFDC lease at Pohulani; and
- B. Execution of a new HHFDC lease at Pohulani substantially on the terms described herein (subject to modifications as may reasonably be required by the Buyer's mortgage lender and approved by the Executive Director.)

Woodard noted that the word "may" be added in the recommendation, as underlined above.

Woodard stated that as part of its due diligence, the Buyer has requested numerous

RECESS
11:17 a.m.
RECONVENED
11:27 a.m.

III. O.
DISCUSSION
AND/OR
DECISION
MAKING
Discussion on the Status of the Hawaii Housing Finance and Development Corporation Affordable Rental Housing Portfolio Restructuring and Preservation Transaction with Standard Property Company, Inc. and Stanford Carr Development, LLC

III. P.
DISCUSSION
AND/OR
DECISION
MAKING
Approve Modifications to Previously Approved New Lease with Hawaii Housing Finance and Development Corporation for Premises Located at Pohulani Elderly, Honolulu, Oahu, TMK Nos.: (1) 2-1-51: parcels 13, 18, and 33

lender-required changes to the DAGS lease that are not acceptable to DAGS, which would result in a tri-party lease amendment negotiation among HHFDC, DAGS, and the Buyer.

Staff suggests that HHFDC master lease both Suites 300 and 400 as of the Pohulani leasehold sale closing date, with DAGS becoming HHFDC’s subtenant. The base rent would start at 1.20 per s.f. per month on the 22,809 s.f. Suite 400 space, until August 31, 2022 (the expiration date of the DAGS lease). All other lease terms would be as described in the June 8, 2017 For Action. Thereafter, HHFDC would execute an amendment with DAGS that would serve to recover the base rent payable under the new HHFDC lease.

Vice Chair Spindt asked whether HHFDC would have an obligation to continue paying the Buyer after the expiration of DAGS lease. Woodard responded no, stating that the rent on Suite 400 would then drop down to CAM only on September 1, 2022.

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

Vice Chair Spindt moved, seconded by Director Kahele

To approve staff’s recommendation, presented as follows:

That the HHFDC Board of Directors:

- A. Approve an increase to the salary of the HHFDC Executive Director, pursuant to Chapter 201H, HRS, to \$_____, effective July 1, 2018; and
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Designee Evans moved, seconded by Director Kahele

That the Board convene in executive session at 11:39 a.m., pursuant to Section 92-5(a)(2), Hawaii Revised Statutes, as it relates to the evaluation of the Executive Director, where consideration of matters affective privacy will be involved.

The motion was unanimously carried.

The Board reconvened in regular session at 12:05 p.m.

Designee Evans moved, seconded by Vice Chair Spindt

That the salary of the HHFDC Executive Director be increased to \$145,000, effective July 1, 2018.

Chair Pulmano opened for comments.

Director Kahele commended the Executive Director for doing a good job.

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

Designee Evans conveyed the Board’s sincere appreciation to Hirai for the great job he has done in managing a very complex program that is vital to the State of Hawaii.

Hirai thanked the Board, stating that he was fortunate for having a good management team.

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

Approve an Increase
to the Salary of the
Executive Director
Pursuant to Chapter
201H, Hawaii
Revised Statutes

**EXECUTIVE
SESSION
11:39 a.m.**

**RECONVENED
12:05 p.m.**

Chair Pulmano stated that the executive session meeting minutes of May 10, 2018 and June 1, 2018 were approved in executive session.

**II. E.
APPROVAL
OF MINUTES**
Executive
Session
Meeting
5/10/18

**II. G.
APPROVAL
OF MINUTES**
Executive
Sessions
6/1/18

Chair Pulmano asked whether the Board wished to defer discussion on item III. M. to the July board meeting and proceed to the Report of the Executive Director.

**III. M.
DISCUSSION
AND/OR
DECISION
MAKING**
Approve the
Establishment of a
Dwelling Unit
Revolving Fund
Property Management
Budget 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

Designee Evans asked whether there were time sensitive issues that needed to be addressed. Woodard stated yes, noting HCAP’s July 31, 2018 lease expiration date, with a renewal option. However, staff has learned that the Lessee has possible intentions of not honoring that option.

Vice Chair Spindt moved, seconded by Director Kahele

To approve staff’s recommendation, presented as follows:

That the HHFDC Board of Directors approve the establishment of a Dwelling Unit Revolving Fund property management budget in the amount of \$50,000 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: 05, 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.

Woodard provided an overview of events leading up to the Board’s decision to amend the use provision that would provide for Hina Mauka’s use, with the condition that: (1) the lease term would be shortened to January 2041 and annual renewal options thereafter; or (2) alternatively terminate the lease and enter into direct leases with Hina Mauka and HCAP.

In response to HHFDC’s attempts for resolution, the Lessee still declined its offer and stated that it would wait for another option to resolve differences.

Therefore, in anticipation of possibly gaining possession of the property, staff is requesting that a total \$50,000 budget to procure a property management contract for up to one year, with a one-year extension, be approved.

Vice Chair Spindt moved, seconded by Designee Evans

**EXECUTIVE
SESSION**
12:20 p.m.

That the Board convene in executive session at 12:20 p.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 this matter.

The motion was unanimously carried.

The Board reconvened in regular session at 12:28 p.m. and Chair Pulmano called for the vote.

RECONVENED
12:28 p.m.

The motion was unanimously carried.

The Board and staff discussed how the HHFDC could be proactive in providing a long-term solution for displaced residents on the Big Island, given the current lava crisis.

**IV.
REPORT
OF THE
EXECUTIVE
DIRECTOR**

The Board suggested the following:

- Look at the inventory of state-owned land on the Big Island for potential developments.

Takahashi commented that although land may be available, the land location and wants are determined by the community.

- In collaboration with the Governor’s Administration assistance, prioritize and expedite projects that are shovel-ready.

Ueki cautioned the Board on trying to accelerate projects to an extent that could result in low-quality developments.

- Funding mechanisms could be put in place to earmark funds for the Big Island or through a proclamation set forth by the Governor.

Executive Director Hirai stated that further discussions with the Hawaii County is needed in order to determine what type of assistance is expected by the HHFDC.

Ueki added that in regard to the suggested items, further discussions with the board on possible policies and the permitting approval process with the counties are needed.

Until then, Takahashi stated that a resource packet could be put together stating information on the different funds administered by HHFDC and the income groups served with particular funds.

There being no other business on the agenda, Vice Chair Spindt moved, seconded by Designee Evans

**V.
ADJOURNMENT**
12:55 p.m.

That the meeting be adjourned at 12:55 p.m.

The motion was unanimously carried.



RONA FUKUMOTO
Secretary