

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

AUGUST 9, 2018

MINUTES

A regular meeting of the Board of Directors of the Hawaii Housing Finance and Development Corporation was held at the office of the organization, located at 677 Queen Street, in the city of Honolulu, state of Hawaii, on Thursday, August 9, 2018, at 9:06 a.m.

With a quorum present, Chair Milo Spindt called the meeting to order.

Those present and excused were as follows:

Present: Director Milo Spindt, Chair
Director Leilani Pulmano, Vice Chair
Director Rona Fukumoto, Secretary
Director Donn Mende
Director George Atta
Director Sara Lin
Director Luis Salaveria (9:14 a.m.)

Executive Director Craig Hirai

Excused: Director Melvin Kahele
Designee Scott Kami for Director Laurel Johnston

Staff Present: Sandra Ching, Deputy Attorney General
Matthew Dvonch, Deputy Attorney General
Janice Takahashi, Chief Planner
Darren Ueki, Finance Manager
Rick Prahler, Development Branch Chief
Stan Fujimoto, Development Section Chief
Marlene Lemke, Sales and Counseling Section Chief
Holly Osumi, Chief Financial Officer
Christopher Woodard, Real Estate Portfolio Manager
Jocelyn Iwamasa, Housing Finance Specialist
Dean Sakata, Housing Finance Specialist
Albert Palmer, Housing Development Specialist
Lorraine Egusa, Budget Analyst
Kent Miyasaki, Housing Information Specialist
Esa Pablo, Secretary to the Board

Guests: Gary Furuta, GSF LLC
Jeff Furuta, GSF LLC
Andrew Furuta, GSF LLC
Deborah Yee, HUD
Jesse Wu, HUD
Mark Hashem, Hawaii House of Representatives
Glenn Okino, Mitsunaga Construction
Marian Gushiken, EAH
Kevin Carney, EAH
Riley Fujisaki, House Finance
Adrienne Elkind, Ashford and Wriston
Andrew Reenders, CBRE

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

Vice Chair Pulmano moved, seconded by Director Mende

That the meeting minutes of February 8, 2018 be approved as circulated.

The motion was unanimously carried.

Vice Chair Pulmano moved, seconded by Director Mende

That the meeting minutes of March 8, 2018 be approved as circulated.

The motion was unanimously carried.

Vice Chair Pulmano moved, seconded by Director Mende

That the meeting minutes of June 14, 2018 be approved as circulated.

The motion was unanimously carried.

Approval of the executive session meeting minutes of June 14, 2018 were deferred to later in the meeting.

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

That the HHFDC Board of Directors approved the following:

- A. Resolution No. 117 attached as Exhibit F, which provides for official intent with respect to the issuance of revenue bonds up to \$23,988,000 for the Waikalua Family Affordable Rental project, subject to the provisions and conditions recommended in Exhibits C and E.
- B. Reserve up to \$1,759,255 in annual Federal LIHTC over a 10-year period and \$1,759,255 in annual State LIHTC over a 5-year period from the non-volume cap pool (4% LIHTC) for the Waikalua Family Affordable Rental 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 Pulmano moved, seconded by Director Fukumoto,

That staff's recommendation be approved.

Ueki stated that approval of Resolution No. 117 facilitates further discussions and negotiations between involved parties to determine the feasibility of the contemplated project. If found to be feasible, staff will return at a later date to seek the Board's final approval for the issuance, sale, and delivery of the Bonds, subject to the approval by the Department of Budget and Finance and the Governor.

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

In response to Director Lin, Ueki concurred that the project location was near Formerly Used Defense Sites (FUDS).

Vice Chair Pulmano asked whether there was any resolution to the FUDS issue. Executive Director Hirai stated that the US Army Corp of Engineers has been

**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
6/14/18

**II. D.
APPROVAL
OF MINUTES**
Executive
Sessions
6/14/18

**III. A.
DISCUSSION
AND/OR
DECISION
MAKING**
Approve: (1)
Resolution No. 117,
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
Waikalua Family
Affordable Rental
Project Located in
Waikalua, Hawaii,
TMK No.: (3) 6-8-
037: 060

working on the site to do a draft report for the Department of Health's (DOH's) review and comment. A No Further Action (NFA) letter from the DOH is anticipated within the next 6-12 months.

Ueki explained that although committing ahead of time, this request will not take away or prevent any projects from proceeding forward.

Vice Chair Pulmano asked whether HHFDC rules require for the DOH's approval. Executive Director Hirai clarified that he believes it is a requirement by the U.S. Department of Housing and Urban Development.

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

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 \$23,240,000 to Waikoloa Family Affordable LP for the benefit of the Waikoloa Family Affordable Rental 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, Chapter 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 \$3,318,000.
 6. Availability of RHRF program funds.
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Director Mende moved, seconded by Director Atta

That staff's recommendation be approved.

Ueki stated that this is a companion to the previous For Action, requesting approval for the Rental Housing Revolving Fund Project Award for the Waikoloa Family Affordable Rental Project.

There being no questions, the motion was unanimously carried.

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

Approve a Rental Housing Revolving Fund Project Award for the Waikoloa Family Affordable Rental Project Located in Waikoloa, Hawaii, TMK No.: (3) 6-8-037: 060

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

That the HHFDC Board of Directors approve the following:

- A. Resolution No. 118, attached as Exhibit D, which authorizes a tax-exempt issuance of up to \$17,500,000 from the HMMF Bond Program, subject to the provisions and conditions recommended in Exhibit C.
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Vice Chair Pulmano moved, seconded by Director Mende

That staff's recommendation be approved.

Ueki stated that due to infrastructure issues, the Maui County did not consent to a subdivision or a condominium property regime (CPR) on the site, preventing a legal separation of the two phases. Therefore, approval of Resolution No. 118, for Phases I and II, will be presented in two separate For Actions.

Construction of the project is anticipated to start in August 2018, with project completion anticipated in December 2019.

The HMMF bond is a private placement with Citicorp USA, Inc. and provides construction and permanent financing support.

Due to the increase in the revenue bond amount, a second Tax Equity and Fiscal Responsibility Act (TEFRA) hearing was held on August 7, 2018.

There being no questions, the motion was unanimously carried.

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

That the HHFDC Board of Directors approve the following:

- A. Resolution No. 118, attached as Exhibit D, which authorizes a tax-exempt issuance of up to \$15,680,000 from the HMMF Bond Program, subject to the provisions and conditions recommended in Exhibit C.
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Vice Chair Pulmano moved, seconded by Director Fukumoto

That's staff's recommendation be approved.

Ueki stated that this approval is for Phase II of the Project and opened for questions.

There being no questions, the motion was unanimously carried.

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 Kenolio Apartments to August 31, 2019; and
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

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

Approve Resolution No 118, Authorizing the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds for the Kaiwahine Village Project Located in Kihei, Maui, TMK No.: (2) 3-8-004: 028 (Lot 134A)

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

Approve Resolution No 118, Authorizing the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds for the Kaiwahine Village Phase II Project Located in Kihei, Maui, TMK No.: (2) 3-8-004: 028 (Lot 134A)

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

Approve an Extension to Resolution No. 098, Which Provides for Official Intent with Respect to the Issuance of Hula Mae Multi-Family Tax-Exempt

Vice Chair Pulmano moved, seconded by Director Fukumoto

That staff’s recommendation be approved.

Ueki stated that staff evaluated the extension request based on progress made on site control, zoning approvals, and financing commitments. The Maui Pacific Associates (Awardee) is finalizing its fee deferral agreement with the County of Maui, with the issuance of building permits thereafter. Furthermore, the Awardee continues to work with Citibank, as the lead lender on the private placement of the HMMF Bonds and City Real Estate Advisors on the syndication of the federal and state LIHTC.

Ueki opened for questions, along with Kevin Carney and Marian Gushiken, on behalf of the project.

Director Salaveria asked for the reason for the delays and extensions. Housing Finance Specialist Dean Sakata stated that the delays are attributed to the building permit approval process and working with multiple banks for the large bond amount. Ueki further noted that funding sources are a combination of both the County and State.

With no further discussion, the motion was unanimously approved.

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

That the HHFDC Board of Directors approve the following:

- A. Extend the RHRF LOI dated February 14, 2017 for the Kenolio Apartments RHRF Loan to August 31, 2019, subject to the requirements as set forth in the For Action dated February 9, 2017; and
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Director Mende moved, seconded by Director Fukumoto

That staff’s recommendation be approved.

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

There being no questions, the motion was unanimously approved.

The Board recessed the meeting at 9:38 a.m.; reconvening the meeting at 9:44 a.m.

Real Estate Portfolio Manager Christopher Woodard presented the For Discussion, stating that a Due Diligence and Confidentiality Agreement relating to the Portfolio transaction was executed on February 9, 2018, to allow the Buyer to conduct preliminary due diligence in advance of signing the Purchase and Sale Agreement (PSA), which was executed on June 13, 2018, upon which day the Buyer’s formal due diligence period commenced. The due diligence period ends on August 13, 2018, at 4:30 p.m., Hawaii Standard Time. Woodard further stated that if the Buyer does not provide to HHFDC an approval notice by the end of the due diligence period, then the PSA will terminate.

Woodard further stated that if the Buyer provides an approval notice by the end of the due diligence period, then no later than August 14, 2018, it must increase its deposit from \$1.7 million to \$4.25 million. The deposit will become non-refundable except in the event of certain circumstances that are outside the Buyer’s control. Per the PSA, the scheduled closing date is September 12, 2018. However, the closing date may be extended if certain third-party consents and the like are not timely

Revenue Bonds for the Kenolio Apartments Project Located in Kihei, Maui, TMK Nos. (2) 3-9-001: 157 and 158

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

Approve an Extension to the Rental Housing Revolving Fund Project Letter of Intent for the Kenolio Apartments Project Located in Kihei, Maui, TMK Nos. (2) 3-9-001: 157 and 158

RECESS
9:38 a.m.
RECONVENED
9:44 a.m.

**III. G.
DISCUSSION
AND/OR
DECISION
MAKING**
Discussion on Requested Modifications to Award of Request for Proposals No. 17-010-PPMS Affordable Rental Housing Portfolio Restructuring And Preservation to Joint Offerors Standard Property Company, Inc. and Stanford Carr Development, LLC as

received. In any event, the closing shall occur no later than October 31, 2018.

Successful Offeror

The Buyer’s Draft Capital Improvement Plan (CIP) budget is materially in excess of the Preliminary CIP budget of \$53.9 million.

However, on July 30, 2018, the Buyer provided written notice to staff of its intent to submit for the Board’s consideration no later than August 3, 2018, a formal request to modify the RFP award.

Vice Chair Pulmano moved, seconded by Director Salaveria

**EXECUTIVE
SESSION**
9:51 a.m.

That the Board convene in executive session at 9:51 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 unanimously carried.

RECONVENED
1:01 p.m.

Vice Chair Pulmano moved, seconded by Director Fukumoto

That the HHFDC Board of Directors amend previously approved Award of Request for Proposals No. 17-010-PPMS Affordable Rental Housing Portfolio Restructuring and Preservation to Join Offerors Standard Property Company, Inc., and Stanford Carr Development, LLC as Successful Offeror, to provide for a revised due diligence expiration date to end no later than August 31, 2018.

Chair Spindt asked if there were any comments or questions from the Buyer on the amendment.

The Board further clarified that based on the amendment, the deadline for proposed language of the Rental Assistance Program Procedural Handbook would be due on August 20, 2018 and that board action would be taken at a Special Meeting tentatively scheduled for August 29, 2018.

With all parties in agreement, the motion was unanimously carried.

Two handouts by Hawaii Housing Finance, LLC and the Hawaii Island Community Development Corporation regarding comments on the proposed changes to the 2019 Qualified Allocation Plan (QAP) were distributed to the Board.

**IV.
REPORT BY
THE QUALIFIED
ALLOCATION
PLAN
SUBCOMMITTEE –
FINDINGS AND
RECOMMENDA-
TIONS**

Based on the HHFDC goals and principles to guide changes to existing policies and strategies, Chief Planer Janice Takahashi summarized the findings and recommendations of the QAP Subcommittee:

1. Work towards implemented a self-scoring application system
2. Revise the methodology to assess and score “Overall Project Feasibility”
3. Revise the requirements for Energy Efficiency and Green Building
4. Encourage “Adaptive Re-use” of non-residential buildings for rental housing
5. Explore ways to accelerate housing production
6. Increase the production of units for households with incomes that are below 60% AMI

Takahashi further stated that the QAP sets forth the criteria to evaluate and allocate LIHTC to projects which best meet the housing needs of the State and preferences required by Section 42 of the IRS. It serves as a tool for HHFDC to meet its housing goals and delivery objectives in collaboration with developers of LIHTC projects. The QAP Subcommittee proposes revisions to the 2019 QAP to address two of the six recommendations which relate to #2, energy efficiency and #3, adaptive re-use.

Addressing the other recommendations will require more time. As improving the QAP is an interactive process, the QAP Subcommittee believes that discussions with program users must continue.

Director Fukumoto was excused at 1:13 p.m.

Ueki added that “Adaptive Re-use” of existing housing, whether used or new construction, will not be within the QAP language.

Deputy Attorney General Sandra Ching stated that once recommendations of the QAP Subcommittee are approved, the Subcommittee is to be dissolved. At which time, a new subcommittee can be established at the discretion of the Board Chair.

Gary Furuta thanked the Board and the QAP Subcommittee, which he believes to be heading in the right direction; however, suggested that an “all or nothing” scoring be established.

Director Lin asked how the board would check on the progress made with the proposed changes. Chair Spindt stated that a new subcommittee could be created to look at cost reasonableness and self-scoring.

Ueki stated that developer input would be needed on cost reasonableness.

It was further noted that the Board’s consideration on the QAP Subcommittee recommendations and a public hearing on the LIHTC Program’s 2019/2020 QAP would be presented at the August 15, 2018 Special Meeting, in Wailuku, Maui.

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

**V.
REPORT
OF THE
EXECUTIVE
DIRECTOR**

There being no further business on the agenda, Vice Chair Pulmano moved, seconded by Director Mende

**V.
ADJOURNMENT
1:31 p.m.**

That the meeting be adjourned at 1:31 p.m.

The motion was unanimously carried.



RONA FUKUMOTO
Secretary