

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

**February 14, 2019**

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, February 14, 2019, at 9:00 a.m.

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

With a quorum present, Chair Milo Spindt called the meeting to order at 9:01 a.m.

Those present and excused were as follows:

Present: Director Milo Spindt, Chair  
Director Leilani Pulmano, Vice Chair  
Director Rona Fukumoto, Secretary  
Director George Atta  
Director Donn Mende  
Director Sara Lin (arrived at 9:05 am)  
Designee Mary Alice Evans for Director Mike McCartney  
Designee Scott Kami for Director Roderick Becker

Executive Director Craig Hirai

Excused: Director Melvin Kahele

Staff Present: Sandra Ching, Deputy Attorney General  
Matthew Dvonch, Deputy Attorney General  
Janice Takahashi, Chief Planner  
Darren Ueki, Housing Finance Manager  
Deepak Neupane, Development Branch Chief  
Dean Minakami, Development Section Chief  
Lorna Kometani, Sales and Counseling Section Chief  
Melissa Loy, Corporate Controller  
Christopher Woodard, Real Estate Portfolio Manager  
Patrick Inouye, Housing Finance Specialist  
Jocelyn Iwamasa, Housing Finance Specialist  
Dean Sakata, Housing Finance Specialist  
Ken Takahashi, Housing Development Specialist  
Genoa Ward, Housing Development Specialist  
Byron Chock, Housing Sales Coordinator  
Kent Miyasaki, Housing Information Officer  
Lorraine Egusa, Project Resource Specialist  
Esa Pablo, Secretary to the Board

Guests: Michael Costa, Highridge Costa Companies  
Adam Woltag, WRNS Studio  
Rochelle Nagata-Wu, WRNS Studio  
Questor Lau, Michaels Development  
Liz Char, Michaels Development  
Wendy Matsukawa, Swinerton  
George Ehara, Swinerton  
Aaron Lee, Ililani  
Ken Chang, Ililani  
Henry Chang, Ililani  
Anni Petersons, Better Tomorrows  
Sandra Pfund, City and County of Honolulu Department of Land Management

Andrew Gomes, Star Advertiser  
Carl Cunningham, Mark Development  
Tom McDonald, Alternative Structures International  
Bill Yuen, Dentons

Vice Chair Pulmano moved, seconded by Director Mende

That the minutes of the regular meeting held on January 10, 2019 be approved as circulated.

The motion was carried unanimously.

Approval of the minutes of executive session held on January 10, 2019 were deferred to later in the meeting.

Housing Finance Manager Darren Ueki presented the For Action and stated staff's recommendation:

That the HHFDC Board of Directors approve the following:

- A. Extend the deadline to issue Hula Mae Multi-Family (HMMF) Tax-Exempt Revenue Bonds for Kapolei Mixed Use Development Phase 2 to March 31, 2020:
  - 1. Subject to provisions and conditions for Exhibit E and G (within the For Action) and
  - 2. All other terms and conditions of Resolution No. 105 and the intended tax-exempt issuance from the HMMF Bond Program approved by the HHFDC Board of Directors on September 14, 2017, remain the same.
- B. Resolution No. 126 attached as Exhibit H (within the For Action), which amends Resolution No. 105 by increasing the intended tax-exempt issuance for Kapolei Mixed Use Development Phase 2 to up to \$47,096,100 from \$34,120,000:
  - 1. Subject to provisions and conditions for Exhibit E & G (within the For Action) and
  - 2. All other terms and conditions of Resolution No. 105 and the intended tax-exempt issuance from the HMMF Bond Program approved by the HHFDC Board of Directors on September 14, 2017, remain the same.
- C. Increase the award of annual Federal 4% Low Income Housing Tax Credits (LIHTC) over a 10-year period to \$2,719,924 from \$2,374,016.
  - 1. Subject to provisions and conditions for Exhibit F & G (with in the For Action) and
  - 2. All other terms and conditions of the Federal and State LIHTC reservation approved by the HHFDC Board of Directors on September 14, 2017, remain the same.
- D. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

**II. A.  
APPROVAL  
OF MINUTES**

Regular  
Meeting  
1/10/19

**II. B.  
APPROVAL  
OF MINUTES**

Executive  
Session  
1/10/19

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

Approve: (1) an Extension to Resolution No. 105, Which Provides for Official Intent with Respect to the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds; (2) Resolution No. 126, Which Amends Resolution No. 105 by Increasing the Intended Issuance Amount of the Revenue Bonds; and (3) a Request from the Developer to Increase the Low Income Housing Tax Credit Reservation for the Kapolei Mixed Use Development Phase 2 Project Located in Kapolei, Oahu, TMK Nos.: (1) 9-1-088: 021 CPR 0002 and 0009



Vice Chair Pulmano moved, seconded by Director Mende

That staff's recommendation be approved.

(Director Lin arrived at this time – 9:05 a.m.)

Ueki stated that in January 2019, HHFDC received a 12-month extension request to Resolution No. 105, from March 31, 2019 to March 31, 2020. Due to increases in the project's budget primarily attributed to construction costs, higher interest rates, and other architect and legal fees, an increase to its LIHTC and HMMF Bond issuance amount is also being requested.

Ueki further noted that the building permits for the project are anticipated in April 2019, with construction shortly following, and project completion anticipated in late 2020. Bond calls are anticipated to commence next week.

Ueki opened for questions, along with Mr. Michael Costa on behalf of the project.

Vice Chair Pulmano commented on the high construction profit. Ueki stated that anything under the Board's guided 14% threshold is not questioned by staff. However, Board expectations for the future could be discussed.

Vice Chair Pulmano asked whether the project's budget did not reflect a reasonable profit. Costa stated that having gone through the first phase of construction allowed for realistic construction costs to be determined for the second phase.

Chair Spindt inquired about the types of bond deals and financing structures that are received by HHFDC. Housing Finance Specialist Patrick Inouye provided various bond scenarios, stating that typical bond deals are underwritten at a 30 or 40-year amortization with a 15-year maturity. Ueki noted that the financing structure of a project is ultimately determined by the developer, as the HHFDC serves as a conduit issuer of the bonds as requirements are met.

Chair Spindt expressed concern on the cost involved with the bond issuance and the transferring of debt that attributes to the higher cost of housing.

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

Ueki presented the For Action and stated staff's recommendation:

That the HHFDC Board of Directors approve the following:

- A. Extend the Rental Housing Revolving Fund (RHRF) Letter of Intent (LOI) dated September 19, 2017, for the Kapolei Mixed Use Development Phase 2 RHRF Loan to March 31, 2020, subject to the requirements as set forth in the For Action dated September 14, 2017 and
- 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 this For Action is a companion of the previously approved, regarding the RHRF, which provides a gap equity low interest loan to the project. Based on the project's progress made in site control, zoning approvals, and financing commitments, the RHRF LOI extension is being recommended to March 31, 2020.

The motion was carried unanimously.

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

Approve an Extension to the Rental Housing Revolving Fund Project Letter of Intent for the Kapolei Mixed Use Development Phase 2 Project Located in Kapolei, Oahu, TMK Nos.: (1) 9-1-008:021 CPR 0002 and 0009



Chair Spindt called for a recess at 9:20 a.m. and reconvened the meeting at 9:23 a.m.

**RECESS**  
9:20 a.m.

Ueki presented the For Action and stated staff's recommendation:

That the HHFDC Board of Directors approve the following:

- A. Resolution No. 127 attached as Exhibit F (within the For Action), which provides for official intent with respect to the issuance of revenue bonds up to \$43,550,000 for the Halewai'olu Senior Residences project, subject to the provisions and conditions recommended in Exhibits C and E (within the For Action).
- B. Reserve up to \$2,940,452 in annual Federal LIHTC over a 10-year period and \$2,940,452 in annual State LIHTC over a 5-year period from the non-volume cap pool (4% LIHTC) for the Halewai'olu Senior Residences project, subject to the provisions and conditions recommended in Exhibits D and E (with the For Action).
- C. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Vice Chair Pulmano moved, seconded by Designee Evans

That staff's recommendation be approved.

Ueki stated that building permits are anticipated in February 2020, with construction anticipated to commence in April 2020, and completion of the project anticipated in October 2021.

Ueki stated that the Inducement Resolution is a non-binding resolution, which states HHFDC's intent to possibly issue tax-exempt revenue bonds for the project, also recognizing eligible expenditures made by the developer 60 days prior to the approval of the Inducement Resolution, which can be reimbursed through bond proceeds. He further stated that if approved and the bond issue is determined to be feasible, staff will have further discussions with involved parties and return to the Board for final approval for the issuance, sale, and delivery of the Bonds, subject to the approval of the Department of Budget and Finance and the Governor.

Ueki opened for questions, along with Ms. Elizabeth Char, and development team members present: Mr. Adam Woltag and Ms. Rochel Nagata, from WRNS Studio; Mr. George Ehara and Ms. Wendy Matsukawa, from Swinerton; Mr. Questor Lau, from Michaels Development; Ms. Anni Peterson, from Better Tomorrows; and Ms. Sandra Pfund, from the City and County of Honolulu (City), Department of Land Management.

Char provided a brief presentation on the project, stating that in response to the City's Request for Proposal (RFP), Michaels Development was awarded the project and has since worked to develop a project that meets the needs of the City and the Chinatown community. The project will serve those making 80% of the area median income (AMI) and below.

Woltag summarized the detailed aspects of the project design regarding the project's location, safety, community space, open space, floor plan, commercial space, and parking. The project's colors and materials continue to be worked on with the community.

Being that the project's RHRF request is next on the agenda, Chair Spindt stated that he did not want to pass this item without discussing the concerns raised on the use of the RHRF financing.

Chair Spindt stated that in his review of the project's permanent financing debt, the

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

Approve: (1) Resolution No. 127, 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 Halewai'olu Senior Residences Project Located in Honolulu, Oahu, TMK No.: (1) 7-006: 012



project's use of RHRF averages to approximately \$263,000 per unit, which exceeds HHFDC's average per unit of \$160,000. He expressed concern that although given its unique situation of having the \$200 million in RHRF monies allocated by the Legislature to expend and increase unit production, there has also been an increasing trend of higher RHRF funding request amounts per unit. There being no policy in place to limit or guide its review process, Chair Spindt questioned whether the Board is proactively utilizing its invaluable funds in the most efficient way possible to address the Legislature's intent.

From the point an application is submitted to its financial closing, Char explained that many factors, such as, but not limited to, the rent rates, interest rates, size of units, site challenges, construction pricing, and various impact fees, do change over time and are adjusted accordingly. However, a project cannot move forward on its numbers without financing commitments in place.

Board discussion ensued on underlying issues and possible options to lower the use of RHRF per unit, as follows:

- Many factors, as aforementioned, drive up the cost per unit; not necessarily the cost per square foot.
- There has been a lot of City regulatory changes made, to the extent that a project qualifies, to bring down the cost of affordable housing. Other opportunities to bring costs down will continue to be looked at.
- Two-bedroom units for senior housing is something that is appreciated and desired in Hawaii, providing the opportunity for seniors to have their family/caregivers stay with them.
- Not having a balanced unit mix (i.e., doing more of two-bedroom units) could potentially increase the RHRF recommendation and the cost per unit, possibly decreasing the number of units that can be produced.
- Affordability restrictions at the 80% AMI fills a gap that is needed but is often overlooked.

Vice Chair Pulmano asked for the opinion of staff in regard to the increased use of the RHRF. Ueki stated that staff can support by providing facts; however, recommendations and approvals for such projects are determined according to the guidelines and/or policies set forth by the Board. Regardless of the fund amounts received, developers will react accordingly.

- Parking for senior housing is needed for visitors and addresses the wants of the community.
- The recorded dollar amount of RHRF given per unit ranges from \$262,000, being the highest, to approximately \$170,000 per unit.

The Board inquired about additional City resources, besides the CDBG and HOME programs. Pfund stated that there is also the Affordable Housing Fund (estimated balance of \$40 million), which is set up as an application process. The program collects a half percent of the real property tax that comes in and are put out as a grant or loan fund, requiring 60% AMI for 60 years. Pfund further noted another possible option is with the Board of Water Supply Bill, which sets aside funds annually for affordable housing projects that qualify, a total waiver of the water facility fees.

Char stated that Hawaii is one of the few states that has the RHRF, which is recognized as a valuable resource and greatly appreciated.

In regard to the Board's debate on the use of RHRF, Pfund commented that she believes the monies should be spent now as opposed to later, given the housing crisis



of affordable housing and while there are funds available.

The Board inquired about the project's estimated construction timeline. Char stated that the estimated timeline within the For Action was based on the assumption that the award for this project would be made in the 2<sup>nd</sup>/3<sup>rd</sup> Quarter of 2018. Therefore, an additional six months should be added to the schedule.

Designee Kami inquired about the bond issue and asked whether the City could convey the estimated \$42 million bond cap amount for the project. Pfund responded in the affirmative, and it was agreed that the City would convey its bond cap for the project at the end of the 2019 calendar year.

Discussion ensued on whether to defer, amend, or approve the For Action. Chair Spindt asked for a board consensus. Ueki noted that because the project's RHRF request is currently on the 2018 Approved and Rejected List and a new approved and rejected list is soon to be considered, not taking action on the request would result in the project falling by the wayside.

Pfund strongly urged the Board to approve the project, suggesting that an amendment be made to staff's recommendation to include language stating: "Subject to exploring the option of reducing the financial cost, should the Affordable Housing Fund be granted."

Char added that they will certainly commit to pursuing all matters of funding, stating that she believes there would be enough time to also pursue the Affordable Housing Fund with the City. Furthermore, she stated that prior to closing on its financing, the project should have a better sense of where its permanent loan will end up.

Designee Evans commented that she was in favor of the project, stating that she believes it is a good project and space, that has a lot of effort being put into it.

Vice Chair Pulmano concurred, stating that with the verbal commitments from the City and the developer, she believes the longer the delay, the less chances there will be in moving the project along.

Director Lin also concurred and requested that in the future, when evaluating a project, that staff allow the applicant to update their numbers so that the Board may better evaluate possible impacts to the RHRF. Ueki explained that staff will go through a final underwriting where that number could move depending on what pricing is, which he believes would not be a significant change. He further stated that there is a lot of moving pieces at this point and if the goal is to hit exactly in the time we award, it would delay the whole process.

Char stated that they could look into an updated forecast for the Board's review.

Chair Spindt expressed his appreciation for the discussion, stating that being made more aware of costs attributed to infill projects, as high as they may be, helped the Board to be more comfortable with the numbers, stating that it is also something that is needed.

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

Ueki presented the For Action and stated staff's recommendation:

That the HHFDC Board of Directors approve the following:

- A. A RHRF Project Award Loan of \$41,111,270 to Halewai'olu Senior Development, LLC for the benefit of the Halewai'olu Senior Residences project, with the terms and conditions as shown in Section III (G) of this For Action, and the LOI subject to the following:
  1. Authorization and approval by the governor of the proposed

**III. D.  
DISCUSSION  
AND/OR  
DECISION  
MAKING**  
Approve a Rental  
Housing Revolving  
Fund Project Award  
for the Halewai'olu  
Senior Residences  
Project Located in  
Honolulu, Oahu,



project and the release of RHRF program funds as mandated under Chapter 15-311, Hawaii Administrative Rules.

TMK No.: (1) 7-006:012

- 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 \$7,000,000.
- 6. Availability of RHRF program funds.

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

Vice Chair Pulmano moved, seconded by Director Mende

That staff’s recommendation be approved.

Ueki stated that this For Action requests approval for the RHRF loan of up to \$41,111,270 for the project. Staff’s recommended changes to the loan terms were noted to be in the areas of the maturity term and interest charged.

Designee Kami asked what does “Halewai’olu” mean. Char stated that Halewai’olu means “house of healthy water.”

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

The Board recessed at 10:37 a.m. and reconvened the meeting at 10:50 a.m.

The meeting minutes of the executive session held on January 10, 2019 were distributed and reviewed by the Board.

Designee Evans moved, seconded by Vice Chair Pulmano

That the minutes of the executive session held on January 10, 2019 be approved as circulated.

The motion was carried unanimously.

Housing Development Specialist Genoa Ward presented the For Action, stating staff’s recommendation:

That the HHFDC Board of Directors approve the following for the Ililani affordable family for-sale housing Project Located at 615 Keawe Street and 690 Halekauwila Street in Kakaako, Oahu, Hawaii, on TMK (1) 2-1-051:011 and 012, substantially as discussed in this For Action:

A. The certification of Ililani, LLC, or other successor entity approve by

RECESS  
10:37 a.m.

II. B.  
APPROVAL  
OF MINUTES  
Executive  
Session  
1/10/19

III. E.  
DISCUSSION  
AND/OR  
DECISION  
MAKING  
Approve: (1) the  
Certification of Ililani,  
LLC or Other  
Successor Entity  
Approved by the  
Executive Director, as

the Executive Director, as an Eligible Developer pursuant to Section 15-307-24, Hawaii Administrative Rules (HAR);

- B. Development of the Ililani Project with the proposed exemptions from statutes, ordinances and rules of the City and County of Honolulu and the Hawaii Community Development Authority as recommended for approval herein, pursuant to Section 201H-38, Hawaii Revised Statutes (HRS); any and all other laws, statutes, ordinances, codes and rules of the City and County and Hawaii Community Development Authority (HCDA) shall be adhered to;
- C. Execution of a development agreement and Restrictions for such exemptions as required by the Executive Director;
- D. Authorize the Executive Director to take all actions necessary to effectuate the purposes of this For Action;

Subject to the following:

- E. Approval with or without modification by the Honolulu City Council pursuant to Section 201H-38, HRS;
- F. The Project shall not be sold, transferred, or otherwise used to satisfy the reserved housing or affordable housing requirement for any other project at any other location;
- G. Execution of a development agreement and Restrictions to reflect the requirements of this For Action as acceptable to the Executive Director, including recordation of the Restrictions at the Bureau of Conveyances, within nine (9) calendar months of this For Action, unless otherwise extended at the sole discretion of the Executive Director;
- H. Commencement of construction of the Project by November 1, 2019, unless otherwise extended at the sole discretion of the Executive Director;
- I. completion of the Project by September 30, 2021, unless otherwise extended at the sole discretion of the Executive Director; and
- J. Compliance with all laws, rules and such other terms and conditions as may be required by the Executive Director.

Vice Chair Pulmano moved, seconded by Director Mende

That staff's recommendation be approved.

Ward stated that the HCDA and City exemptions from statutes, ordinances and rules, pursuant to Section 201H-38, HRS, for the Project does not affect health and safety, nor contravenes any safety standards, tariffs, or rates and fees approved by the Public Utilities Commission. A letter of support from Councilmember Carol Fukunaga was distributed and reviewed by the Board.

Ward further stated that if the proposed exemptions are approved by the Board, HHFDC will enter into an agreement with the eligible developer pursuant to Section 15-307-29, HAR, subject to modifications, applicable terms, conditions, and covenants.

Mr. Deepak Neupane, HHFDC's new Development Branch Chief, was introduced to the Board and welcomed.

Mr. Ken Chang, Project Manager, provided a brief presentation and introduced

an Eligible Developer Pursuant to Section 15-307-24, Hawaii Administrative Rules; (2) the Project Proposal Including Exemptions from Statutes, Ordinances and Rules Pursuant to Section 201H-38, Hawaii Revised Statutes; and (3) Execution of Development Documents for Approved Exemptions for the Ililani Project Located in Kakaako, Oahu, TMK Nos.: (1) 2-1-051: 011 and 012



Iilani's development team members present: Mr. Bill Yuen, Legal Counsel; Mr. Henry Chang, Architect; and Mr. Aaron Lee, Operations Manager.

Director Lin asked whether the project would be subject to the new HCDA affordability period requirement. Chang stated that with the requested exemptions, the project would be exempt from HCDA's permits and would follow HHFDC's requirements.

Director Lin asked on the reason for the project not using the GET exemption. Ward stated the project did not meet its 60% affordability requirement for the GET exemption.

Vice Chair Pulmano inquired on HCDA's exemptions in regard to its affordable housing requirement, LEED compliance and certification, off-street parking and permitting process. Neupane explained HCDA's process in the aforementioned areas and stated that the developer will still need to work with HCDA to meet all other requirements and go through its entitlement process. City Council approval would also be needed.

Vice Chair Pulmano expressed concern in regard to environmental and community concerns. Chief Planner Janice Takahashi stated that 201H requires that the project consult with the community, which has been satisfied through Neighborhood Board Meetings and environmental assessments are approved by HHFDC.

Takahashi further explained that the HCDA exemption addressed in this For Action is really exempting the project from having to go through contested case hearings under Section 201H-38, HRS, which does not address such HCDA matters. She further noted that HHFDC does have a proposed administrative bill this session, which would require consultation with HCDA to establish a formal record of entitlement. However, because the project will be ahead of the Legislation, the matter is being handled informally on a staff level.

In regard to the Neighborhood Board Meetings, Vice Chair Pulmano asked what the general consensus was. Chang stated that the general consensus was in favor of the project.

Vice Chair Pulmano asked whether this is the general exemption process from the HCDA's development permit. Housing Development Specialist Ken Takahashi stated that this is the first, specifically requesting exemption of the development permit.

Director Lin commended the project for addressing the 80% - 140% AMI gap level, which is needed.

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

(Deputy Attorney General Sandra Ching left at this time – 11:00 a.m.)

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

That the HHFDC Board of Directors approve the establishment of a capital asset transaction management Dwelling Unit Revolving Fund (DURF) budget in the amount of \$1,100,000, as substantially described in this For Action, subject to other terms and conditions deemed necessary and acceptable by the Executive Director, including the reallocation of line item funds as the need arises, and also subject to the following:

- A. Availability of DURF funds; and
- B. Approval and release of funds by the Governor.

**III. F.  
DISCUSSION  
AND/OR  
DECISION  
MAKING**  
Approve the  
Establishment of a  
Capital Asset  
Transaction  
Management  
Dwelling Unit  
Revolving Fund  
Budget



Vice Chair Pulmano moved, seconded by Director Mende

That staff's recommendation be approved.

Executive Director Hirai introduced Mr. Dean Minakami, HHFDC's new Development Section Chief, formerly from Alexander and Baldwin. The Board welcomed Minakami.

Woodard stated that in accordance with Section 201H-191(a), HRS, DURF "shall be used. . . for the necessary expenses in administering housing development programs." DURF's real estate portfolio is composed of two operating affordable rental housing projects (Kulia I Ka Nuu and Nani O Puna); leased-fee interests in hundreds of single-family dwellings; leased-fee interests in numerous affordable housing projects; Waiahole Valley lands; various vacant parcels; and fee-simple interests in varying small numbers of repurchased homes.

In connection with the management of DURF's real estate portfolio, Woodard summarized the various capital asset transaction activities that would require third-party services to prudently manage and effectively execute the aforementioned capital asset transaction activities. Such third-party services include, but are not limited to, appraisal, brokerage, engineering, environmental, legal, property management, title, and surveying work. A DURF capital asset transaction management budget of \$1.1 million is believed to be sufficient in addressing cost for these activities.

Director Lin asked what is the available DURF net balance. Chair Spindt stated that there is an estimated balance of \$14.526 million, which does not include the Legislature's appropriated \$25 million for FY2018.

Executive Director Hirai stated that the reason for this For Action was to avoid having to come back to the Board to budget every item individually.

Woodard further stated that through the Rental Housing System (RHS) transaction, a portion of those proceeds are anticipated to be transferred to DURF, for such items as renovation monitoring and space planning consultation, and potential reimbursements from the RHS to DURF for possible acquisitions of leased-fee interests.

Designee Evans spoke in favor of staff's recommendation.

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

Woodard presented the For Action, stating staff's recommendation:

That the HHFDC Board of Directors approve the disposition of the Kulia I Ka Nuu Resource Center, Waianae, Oahu, TMK No. (1) 8-5-027: 073 via long-term ground lease to Alternative Structures International substantially on the key business terms described herein and 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.

Woodard referenced the For Information presented at the January 10, 2019 Board of Directors Meeting. Based on the positive feedback provided by the Board at that meeting, HHFDC submitted a non-binding proposal to enter into a long-term ground lease with Kahumana, which was accepted on January 28, 2019.

Woodard provided an overview of the key business lease terms, noting that its signed letter of intent included a provision relating to the use of the space. To the

**III. G.  
DISCUSSION  
AND/OR  
DECISION  
MAKING**  
Approve the  
Leasehold Disposition  
of the Kulia I Ka Nuu  
Resource Center,  
Waianae, Oahu, TMK  
No.: (1) 8-5-027: 073  
to Alternative  
Structures  
International



extent that there should be a change in the use without HHFDC’s consent, the lease rent would go to market.

Woodard stated that Mr. Tom McDonald, Executive Director of Kahumana, was present, noting that Kahumana did submit a \$110,000 Grant-in-Aid application for this Legislative Session for various repairs needed.

Director Lin inquired on ownership and management responsibilities. Woodard clarified that because it is a ground lease, Kahumana, for all intents and purposes, would become the owner.

In regard to ceded land fees, Executive Director Hirai stated that the onus of fees owed to OHA are on the user and not HHFDC.

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

Woodard presented the For Action for Development Housing Specialist Albert Palmer, stating staff’s recommendation:

That the HHFDC Board of Directors approve the following actions relating to the Hale Mohalu Senior Apartments project located in Waimano, Pearl City, Oahu, TMK No.: (1) 9-7-019: 049, substantially as described herein and subject to HHFDC’s further due diligence of the Project;

- A. Set-aside of the property to HHFDC for affordable housing purposes; and
- B. Mutual termination of General Lease S-5223 by and between the State of Hawaii by BLNR as lessor and CSH as lessee, to be effective upon the execution of a new lease by and between HHFDC and CSH; and
- C. Issuance of an immediate management right-of-entry for Project site; and
- D. 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.

Woodard stated that the project is located on land owned by the State of Hawaii through its Board of Land and Natural Resources (BLNR), and the leasehold is owned by Coalition for Specialized Housing (CSH), through General Lease S-5223 (Lease). The Lease is encumbered by a sublease to Hale Mohalu Limited Partnership (HMLP), a limited partnership between CSH (general partner) and Bank of Hawaii (BOH) (limited partner) solely for purposes of obtaining financing from BOH (Sublease).

In contemplating another amendment to the Lease to keep the rent at \$480 per year during the upcoming 10-year period, the Department of Land and Natural Resources (DLNR) staff informally inquired if HHFDC would be the more appropriate agency to manage the Lease since: (1) HHFDC is the LIHTC and RHRF declarant under each of the Project regulatory agreements; and (2) HHFDC obtained a set-aside of and holds the lease for the adjacent 332-unit Hale Mohalu Phase II, which was also developed by CSH.

Woodard stated that in staff’s review of available documents pertaining to the project, issues in regard to affordability and a drainage channel were identified to be considered in connection with a possible set-aside.

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

Approve: (1) Set Aside of the Project Site to Hawaii Housing Finance and Development (“HHFDC”) for Affordable Housing Purposes; (2) Mutual Termination of General Lease No. S-5223 by and Between the State of Hawaii by the Board of Land and Natural Resources (“BLNR”) as Lessor and Coalition for Specialized Housing (“CSH”) as Lessee with BLNR Consent and Upon Execution of a New Lease Between HHFDC and CSH; and (3) Issuance of Immediate Management Right-of-Entry to HHFDC for the Hale Mohalu Senior Apartments Project Located in Waimano, Pearl City, Oahu, TMK No.: (1) 9-7-019: 049



Should the HHFDC Board and BLNR approve the set-aside, an extended affordability restriction for the project is believed to be prudent in return for a continued below-market lease rent. Under this scenario, HHFDC and CSH would enter into a new agreement using HHFDC's current standard form of ground lease.

In reference to section III.C.5. in the For Action, regarding the drainage channel dedication to the City, Director Lin asked if HHFDC would be responsible if there should be an issue with the perpetual easement with the City. Woodard stated that is his understanding and clarified that the request before the Board would be subject to further due diligence. If approved, staff would then contact the Lessee and proceed accordingly.

Director Lin asked whether conditions to convey the drainage channel to the City would be placed within the new agreement. Woodard stated that it could be brought up in its discussion with DLNR. Chief Planner Janice Takahashi stated that the practice of DLNR has been to issue a perpetual easement; it no longer goes through the conveyance process because it requires Legislature approval and concurrent resolution.

The Board discussed its reservations about being responsible for the drainage channel. Chair Spindt suggested that a separate Executive Order be looked into as opposed to an easement, with a survey describing the responsibilities of the parcel.

In response to Vice Chair Pulmano, Woodard responded in the affirmative, that staff would return to the Board with the final lease terms.

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

Chair Spindt proceeded to the Report of the Executive Director.

Executive Director Hirai stated that the Legislative situation is somewhat in flux. Although program funding should not be a major problem, there is some concern with the ceiling on how much HHFDC can spend on operating costs.

Executive Director Hirai referenced House Bill 439, which exempts lands set aside by the Governor to HHFDC for the primary purpose of developing affordable housing from classification as public land subject to DLNR management.

Chair Spindt asked whether additional funding for the RHRF and DURF were anticipated. Executive Director Hirai stated that the only thing stable at this point is the \$38 million cap in conveyance taxes.

Chair Spindt asked if there have been any discussions on lifting the Conveyance Tax cap. Director Lin stated that although there have been discussions over the years, proposed bills always seem to die.

Chief Planner Janice Takahashi updated the Board on proposed bills that create new programs for HHFDC to administer, such as, a voucher program for teachers in hard to fill areas; authorization for HHFDC to develop teacher housing on DOE land; and for HHFDC to oversee a taskforce that established a housing loan program for state employees, requiring a smaller down payment to encourage homeownership.

Vice Chair Pulmano asked whether HHFDC could develop housing on DOE lands under the Fair Housing Act. Takahashi responded yes, if it is specific for teachers; not preference for teachers.

In discussions with law enforcement workers, Chair Spindt stated that the issue is not necessarily compensation, but securing and maintaining housing, and therefore, asked whether the key would be to develop on lands that are dedicated to such essential workers. (i.e., teachers, law enforcement, fire, and emergency medical services.) Executive Director Hirai stated that is something that could be looked into.

#### **IV. REPORT OF THE EXECUTIVE DIRECTOR**



Chair Spindt asked how such developments would be funded, being that even with no land cost involved, cost per unit is significantly high. Possible funding options noted were HMMF bonds and DURF.

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

That the meeting be adjourned at 12:23 p.m.

The motion was carried unanimously.



---

RONA FUKUMOTO  
Secretary

**V.  
ADJOURNMENT**