The Board of Directors of the Hawaii Housing Finance and Development Corporation met for a special meeting at their office, located at 677 Queen Street, Honolulu, Hawaii, on Thursday, May 2, 2019, at 9:00 a.m.

With a quorum present, Vice Chair Leilani Pulmano called the meeting to order at 9:03 a.m.

Those present and excused were as follows:

Present: Director Leilani Pulmano, Vice Chair
Director Rona Fukumoto, Secretary
Director George Atta
Director Sara Lin
Director Robert Yu
Designee Mary Alice Evans for Director Mike McCartney

Executive Director Craig Hirai

Excused: Director Milo Spindt, Chair
Director Melvin Kahele
Director Donn Mende

Staff Present: Sandra Ching, Deputy Attorney General
Janice Takahashi, Chief Planner
Darren Ueki, Housing Finance Manager
Deepak Neupane, Development Branch Chief
Dean Minakami, Development Section Chief
Stan Fujimoto, Housing Development Specialist
Holly Osumi, Chief Financial Officer
Christopher Woodard, Real Estate Portfolio Manager
Melissa Loy, Corporate Controller
Kent Miyasaki, Housing Information Officer
Esa Pablo, Secretary to the Board

Guests: Leighton Yuen, Goodsill
Kevin Kasai, Stanford Carr Development
Chris Oakes, Stanford Carr Development

The Rental Housing System Portfolio Sale, Sales Proceeds Estimate handout (Handout) was distributed to the Board.

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

That the HHFDC Board of Directors approve the following for the restructuring and preservation of the Hawaii Housing Finance and Development Corporation Affordable Rental Housing Portfolio, substantially as discussed in this For Action:

A. The certification of Komohale LP, or other successor entities approved by the Executive Director, as an Eligible Developer pursuant to Section 15-307-24, Hawaii Administrative Rules (HAR);
B. A previously approved Seller Deferred Financing as a Dwelling Unit Revolving Fund (DURF) permanent loan in the principal amount of $26,400,000; and

C. Authorize the Executive Director to take all actions necessary to effectuate the purposes of this For Action;

Subject to the following:

A. Release of DURF funds by the Governor

B. Approval as to form of applicable documents by the Special Deputy Attorney General and execution of the same by the Executive Director or his designee; and

C. Compliance with all laws and rules, and such other terms and conditions as may be required by the Executive Director.

Director Fukumoto moved, seconded by Designee Evans

That staff’s recommendation be approved.

Pursuant to authority granted by the Board to the Executive Director, Woodard stated that Komohale, LP’s (Buyer) additional requested changes to its financing plan within the Request for Proposal (RFP) Award and discretionary closing date extensions have been approved.

The closing of the Hawaii Rental Housing System Revenue Bond Fund (Fund) portfolio (Portfolio) transaction, except for the Kamakee Vista property, is scheduled to occur on May 17, 2019.

The closing of the Kamakee Vista leasehold sale is scheduled to occur after May 17, 2019, but no later than July 15, 2019, due to the anticipated delay in obtaining the required consents from the property’s landowner, Atherton Family Foundation.

In accordance with Section 201H-80, Hawaii Revised Statutes (HRS), staff has determined that, subsequent to the defeasance of the Fund’s outstanding revenue bonds, the special fund must dissolve after final accounting and that the loan receivable asset created by the Portfolio Seller Deferred Financing cannot be held by the Fund.

Therefore, in accordance with Section 15-307-161.5, HAR, staff, in concurrence with the Buyer, proposes that the previously approved Seller Deferred Financing be approved as a DURF permanent loan on the terms outlined in the December 13, 2018 For Action.

Key terms of the proposed DURF permanent loan, underwriting metrics and conditions were summarized and discussed. Woodard stated that the DURF loan amount is expected to be fully funded at closing.

On page 4 of the For Action, Woodard noted a correction to the Repayment terms be made, second sentence, to read as follows: “Loan [amortization] repayment begins at the [end] beginning of the seventh year.”

On page 4 of the For Action, under section III.E.3., Woodard asked that “HAR” be added, to read as follows: “That Komohale’s loan request meets the underwriting criteria set out in section 15-307-163(b), HAR; and . . . .”

Woodard stated that since the proposed DURF loan will be funded by the Portfolio sale proceeds, the uncommitted DURF funds balance will be unaffected by the loan. He further stated that because this is an acquisition and rehabilitation of
existing properties, this transaction is exempt from the requirements of Chapter 343, HRS.

Woodard opened for questions, along with HHFDC’s Special Deputy Attorney General Leighton Yuen and Stanford Carr Development’s Kevin Kasai and Chris Oakes.

Director Yu asked whether there be any changes to the deal if the Atherton Family Foundation should decide to sell the fee instead of keeping the leased-fee interest. Under that scenario, Woodard stated that HHFDC would take the place of the Atherton Family Foundation, honoring the existing lease terms for the estimated 38 years remaining, but it would not affect the deal that the HHFDC has with the Buyer.

In reference to the Handout, Vice Chair Pulmano stated that she believes that placing the proceed funds within DURF would have a positive impact by providing more flexibility in how the funds are used.

Woodard highlighted the following lines within the Handout:

- Trustee-held revenue account of approximately $30 million, stating that those monies have been tied up in the fund since 2004. However, such monies will become available once the bonds are defeased at closing.

- Purchase and Sale Agreement (PSA) damages set-aside of $5 million will be used in the event that there is a claim made for a breach in HHFDC’s Representations and Warranties under the PSA for a year.

Designee Evans asked about the meaning of the term “Bond defeasance cost”. Housing Finance Manager Darren Ueki explained that defeasance is the action or process of substituting securities to pay off the bonds and that amount, plus interest, is calculated and determined by a hired consultant. That amount will be called on July 1.

Vice Chair thanked staff and Stanford Carr Development for their hard work through the transaction process and looked forward to the final closing around May 17, 2019.

Kasai thanked the Board and staff for their work and help in the acquisition process.

There being no further business on the agenda, Director Yu moved, seconded by Director Fukumoto

That the meeting be adjourned at 9:24 a.m.

The motion was carried unanimously.

_Rona Fukumoto_
Secretary

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