

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

**May 9, 2019**

**MINUTES**

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

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

With a quorum present, Vice Chair Leilani Pulmano called the meeting to order at 9:02 a.m.

Those present were as follows:

Present: Director Leilani Pulmano, Vice Chair  
Director Rona Fukumoto, Secretary  
Director Melvin Kahele  
Director Donn Mende  
Director George Atta  
Director Sara Lin  
Director Robert Yu  
Director Mike McCartney

Executive Director Craig Hirai

Staff Present: Matthew Dvonch, Deputy Attorney General  
Janice Takahashi, Chief Planner  
Darren Ueki, Housing Finance Manager  
Deepak Neupane, Development Branch Chief  
Holly Osumi, Chief Financial Officer  
Melissa Loy, Corporate Controller  
Christopher Woodard, Real Estate Portfolio Manager  
Dean Sakata, Housing Finance Specialist  
Glori Ann Inafuku, Housing Finance Specialist  
Lorraine Egusa, Project Resource Specialist  
Lisa Wond, Planner  
Albert Palmer, Housing Development Specialist  
Krystal-Lee Tabangcura, Contract Officer  
Kent Miyasaki, Housing Information Officer  
Esa Pablo, Secretary to the Board

Guests: Randy Tanaka, DBEDT Deputy Director  
Paul Fortino, Southport  
Makani Maeva, Ahē Group  
Riley Fujisaki, House Finance

Director Kahele moved, seconded by Director Mende

That the minutes of the regular meeting held on April 11, 2019 be approved as circulated.

The motion was carried unanimously.

Director Fukumoto moved, seconded by Director Yu

That the minutes of the special meeting held on April 15, 2019 be approved as circulated.

**II. A.  
APPROVAL  
OF MINUTES**  
Regular  
Meeting  
4/11/19

**II. B.  
APPROVAL  
OF MINUTES**  
Special  
Meeting  
4/15/19

The motion was carried unanimously.

Director Fukumoto moved, seconded by Director Kahele

That the minutes of the special meeting held on May 2, 2019 be approved as circulated.

The motion was carried unanimously.

Director McCartney arrived at this time – 9:03 a.m.

Pursuant to Article V, Section 3 of the HHFDC By-laws, Vice Chair Pulmano asked for nominations to fill the Board Chair vacancy.

Director Kahele nominated Director Leilani Pulmano for the Board Chair position, which was seconded by Director Mende.

Vice Chair Pulmano asked for other nominations. There being none, Vice Chair Pulmano accepted the position as Board Chair.

Director Lin nominated Director Donn Mende as the Board Vice Chair, which was seconded by Director Kahele.

Vice Chair Pulmano asked for other nominations. There being none, Director Mende accepted the position as Board Vice Chair.

There being no objections, the motions for the positions of Board Chair and Vice Chair was carried unanimously.

Planner Lisa Wond presented the For Action and stated staff's recommendation:

That the HHFDC Board of Directors:

- A. Approve the State of Hawaii's Consolidated Plan Annual Action Plan for Program Year (PY) 2019;
- B. Authorize the Executive Director to amend the Annual Action Plan for PY2019 to include a National Housing Trust Fund (HTF) activity with the City and County of Honolulu and a PY2019 HOME Investment Partnerships Program (HOME) Community Housing Development Organization (CHDO) activity, when known; and
- C. Authorize the Executive Director to undertake all tasks necessary to submit and implement the PY2019 Annual Action Plan.

Director Fukumoto moved, seconded by Vice Chair Mende

That staff's recommendation be approved.

Wond stated that this For Action seeks the Board's approval for the draft 2019 Annual Action Plan (Action Plan) for PY2019 (July 1, 2019 – June 30, 2020), in which the State anticipates receiving approximately \$3 million in HOME funds; \$3 million in Housing Trust Fund (HTF) funds; \$450,000 in Emergency Solutions Grant (ESG) funds; and \$266,000 in Housing Opportunities for Persons with AIDS (HOPWA) funds. Use of funding for the PY2019 activities were summarized.

The draft 2019 Action Plan was subject to a 30-day public comment period, in which no written comments were received.

Wond stated that once the County of Kauai selects its CHDO activity and the City and County of Honolulu identifies an eligible HTF activity, the PY2019 Annual Action Plan will be amended accordingly and submitted to the U.S. Department of

**II. C.  
APPROVAL  
OF MINUTES**  
Special  
Meeting  
5/2/19

**III. A.  
DISCUSSION  
AND/OR  
DECISION  
MAKING**  
Nomination and  
Election of  
Successor Officer(s)  
due to the Hawaii  
Housing Finance  
and Development  
Corporation's  
Chairperson  
Vacancy

**III. B.  
DISCUSSION  
AND/OR  
DECISION  
MAKING**  
Approve the  
Consolidated Plan  
Annual Action  
Plan for Program  
Year 2019 – 2020  
(PY2019)



Housing and Urban Development (HUD).

Director Fukumoto asked whether there was a time limit in identifying activities. Wond stated that there is a time limit on the commitment of funds. However, the City and County of Honolulu and County of Kauai are anticipated to select a project soon.

Director Lin inquired about a letter received from HUD regarding HOME funds not being expended within a timely manner. Housing Finance Manager Darren Ueki stated that the expenditure of the HOME funds has improved as staff continues to work with the counties on an ongoing basis to ensure such commitments and deadlines are met.

For the benefit of the new Board members, Chair Pulmano asked what happens in the case where a county is unable to find a CHDO activity in a timely manner. Wond stated that staff will look to other counties to explore alternate activities. Ueki stated that staff is looking to further expand awareness of the program and increase potential users.

In such cases where an activity cannot be found, Director Yu asked when does staff potentially start the process in contacting other counties. Ueki reiterated that staff is continuously in communication with all counties and give a year time frame to ensure funds are not lost.

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

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 Queen Emma Tower to January 31, 2020:
  1. Subject to provisions and conditions for Exhibit E & G (within the For Action); and
  2. All other terms and conditions of Resolution No. 113 and the intended tax-exempt issuance from the HMMF Bond Program approved by HHFDC Board of Directors on July 12, 2018 remain the same.
- B. Resolution No. 128 attached as Exhibit H, which amends Resolution No. 113 by increasing the intended tax-exempt issuance for Queen Emma Tower to up to \$20,000,000 from \$17,000,000:
  1. Subject to provisions and conditions for Exhibit E & G (within the For Action); and
  2. All other terms and conditions of Resolution No. 113 and the intended tax-exempt issuance from the HMMF Bond Program approved by the HHFDC Board of Directors on July 12, 2018, remain the same.
- C. Increase the award of annual Federal 4% Low Income Housing Tax Credits (LIHTC) over a 10-year period to \$1,026,541 from \$885,358 and the award of annual State 4% LIHTC over a 5-year period to \$1,026,541 from \$855,358.
  1. Subject to provisions and conditions for Exhibit F & G (within the For Action); and

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

Approve: (1) an Extension to Resolution No. 113, Which Provides for Official Intent with Respect to the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds; (2) Resolution No. 128, Which Amends Resolution No. 113 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 Queen Emma Tower Project Located in Honolulu, Oahu, TMK Nos.: (1) 2-1-009: 009 and 008

2. All other terms and conditions of the Federal and State LIHTC reservation approved by the HHFDC Board of Directors on July 12, 2018, remain the same.

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

Director Kahele moved, seconded by Vice Chair Mende

That staff's recommendation be approved.

Ueki stated that the Queen Emma Tower (Project) is a conversion of an existing and abandoned office building, proposed to be reconstructed into a 71-unit affordable rental housing facility for families.

Project budget increases were primarily attributed to higher construction; financing; and interim costs relating to architectural and engineering costs, a school impact fee, and third-party reports required by the State Historic Preservation Department (SHPD) and the Environmental Assessment (EA).

Although use of the National Housing Trust Fund (NHTF) of \$343,815 has been contemplated, funds were not included due to the uncertainty of entering into a NHTF agreement with the City and County of Honolulu.

Higher project costs are anticipated to be absorbed by increases in LIHTC and the tax credit equity, as well as an increase in permanent Hula Mae Multi-Family bonds.

Building permits are anticipated to be received in June 2019, with the start of construction in July 2019, and project completion in July 2020.

Ueki opened for questions, along with Mr. Paul Fortino and Ms. Makani Maeva, on behalf of the project.

Director Atta inquired about the school impact fee of \$274,344. Fortino explained that the Legislature recently passed a bill, of which building permit submissions, after a given date, would be subject to impact fees in that amount. Maeva stated that a waiver was requested; however, affordable housing is not exempted.

In reference to the Governor's Working Group Meeting in April 2019, a potential policy change to a one 6-month extension was discussed. Director Lin asked whether that time frame would have been found to be adequate for this project. Maeva stated that if it was not for the amended EA rules, she believes the project would have the capacity to close within the initial one-year time frame; without the additional 6-month extension.

Fortino commented that he felt the potential policy change would limit the Board's discretion to make allowances for complications of the project on a case-by-case basis.

Director Lin stated that she felt this project was a good example for the potential policy change and that discussions will continue.

In reference to the Qualified Allocation Plan, Chair Pulmano inquired on the process of an adaptive reuse in comparison to an acquisition/rehabilitation. Discussion ensued on the various definitions between new construction, acquisition/rehabilitation, and adaptive reuse. Maeva clarified that this project is evaluated as a new construction in that new units are being created within an existing building that was not used for residential. However, adaptive reuse is different from acquisition/rehabilitation in that you are not acquiring residential units, which are then rehabilitated.



Chair Pulmano asked for the difference in the project's construction cost in comparison to new construction. Ueki stated that from a timing perspective, units can be produced fairly quickly with an existing building in place. However, from a cost perspective, it is higher and along the lines of a new construction with the conversion from an office space to residential.

Director Yu asked whether a certain number of units need to be Americans with Disabilities Act (ADA) compliant. Maeva responded in the affirmative, stating that all plans are subject to review by the Disability and Communication Access Board, of which a minimum of 5% of the total dwelling units are to be ADA accessible.

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

Chair Pulmano called for a recess at this time – 9:24 a.m.; the meeting was reconvened at 9:55 a.m.

Real Estate Portfolio Manager Chris Woodard presented the For Action and stated staff's recommendation:

That the HHFDC Board of Directors:

- A. Approve the establishment of a Dwelling Unit Revolving Fund (DURF) budget in the amount of \$15,000,000 for the acquisition of the leased-fee interest in Front Street Apartments, Lahaina, Maui 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:
  1. Availability of DURF funds; and
  2. Approval and release of funds by the Governor; and
- B. Authorize the Executive Director to:
  1. Execute a Purchase and Sale Agreement acquire the leased-fee interest in Front Street Apartments substantially on the terms described herein; and
  2. Undertake all tasks necessary to effectuate the purposes of this For Action.

Vice Chair Mende moved, seconded by Director Atta

That staff's recommendation be approved.

Woodard recapped facts and key events to date, stating that the Front Street Apartments (Project) leasehold owner exercised an option pursuant to Section 42(h)(6) of the Internal Revenue Code that allowed to terminate its affordability restrictions effective September 2019. In accordance with Act 150, Session Laws of Hawaii 2018:

- (1) Both the HHFDC and 3900, LLC (Lessor) has agreed and accepted the terms and conditions of the nonbinding Letter of Intent (LOI), as amended; and that
- (2) The release of DURF funds for a good-faith deposit to purchase the leased-fee interest in the Project and acquisition due diligence services were approved and released by the Governor in April 2019.

Woodard further stated that a finalized report prepared by John Child & Company,

**RECESSED**

9:42 a.m.

**RECONVENED**

9:55 a.m.

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

Approve: (1) the Establishment of a Dwelling Unit Revolving Fund Budget; and (2) the Execution of a Purchase and Sale Agreement to Acquire the Leased-Fee Interest in Front Street Apartments, Lahaina, Maui, TMK No.: (2) 4-5-003: 013

Inc., indicates a fair market value of the leased-fee interest in the Project to be approximately \$14,930,000, of which sufficient DURF funds are available to acquire the leased-fee interest and cover additional due diligence services costs.

A correction on page 3 of the For Action, under section III. H., last sentence, was noted as follows: An additional \$25 million appropriated by the Legislature in 2017 is not included in the [~~uncommented~~] uncommitted funds balance.

In reference to House Bill (HB) 1259, Executive Director Hirai informed the Board that an additional \$42 million (in the first biennium) and \$25 million (in the second biennium), is anticipated to be appropriated to the DURF fund.

Director Yu asked for clarification on the appraised values of the estimated \$8.7 million (in 2015) and \$15 million (in May 2019). Woodard clarified that the \$8.7 million appraised value was for the leasehold interest in the project subject to a ground lease with affordability restrictions. The \$15 million appraised value is for the leased-fee interest in the Project.

Director Yu asked whether price differences between the market value and current value of the units have been analyzed. Executive Director Hirai stated that discussions on that matter are limited due to a pending lawsuit; however, referenced HB 543, which directs HHFDC to initiate negotiations to acquire the leased-fee interest in the Project, unless the ground lease is renegotiated, or a new lease is issued by the end of December 2019.

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

Executive Director Hirai provided the Board with an update on HHFDC's Legislative bills:

- HB 2: Appropriates funds for the operating budget of the Executive Branch for fiscal years 2019-2020 and 2020-2021.
- HB 543: Directs HHFDC to initiate negotiations and exercise its power of eminent domain to acquire the Front Street Apartments affordable housing project on Maui, unless the ground lease is renegotiated, or a new lease is issued by 12/31/19. Extends the deadline to complete the Leialii affordable housing on Maui. Appropriates funds from the rental housing revolving fund.
- HB 820: Requires HHFDC to study and formulate a plan to implement an Aloha homes program to provide low-cost, high-density leasehold homes for sale to Hawaii residents on state-owned lands within a one-half mile radius of a public transit station. Appropriates moneys.
- HB 1259: Appropriates capital improvement projects for fiscal biennium 2019-2021.
- HB 1312: Authorizes the issuance of general obligation bonds to be appropriated into and out of the rental housing revolving fund.

Director Lin inquired on budget amounts received. Executive Director Hirai stated that \$42 million in the first biennium and \$25 million in the second biennium, is anticipated to be received in DURF funds. He further stated that \$38 million in Conveyance Tax is anticipated to be received this fiscal year and up to \$38 million in the next two fiscal years.

Director Lin inquired about transfers of the Conveyance Tax amounts to HHFDC. Ueki stated that it is typically received on a monthly basis; not in a lump sum.

- Senate Bill (SB) 1303: Allows the Department of Education (DOE) to lease

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



public school lands for a term of not more than 99 years per lease. It also amends Act 206, Session Laws of Hawaii 2017, to allow the City and County of Honolulu to transfer lands under existing DOE facilities directly to the DOE, rather than through the Department of Land and Natural Resources. Excludes lands set aside by the Governor to the Hawaii Public Housing Authority (HPHA) and lands to which HPHA holds title from the definition of public lands in section 171-2, Hawaii Revised Statutes. Requires prior legislative approval for the sale of lands to which the HPHA holds title.

- SCR 147: Encouraging the HHFDC to reevaluate the Rental Assistance Program.

Chair Pulmano inquired on the intent of SCR 147. Executive Director stated that the intent is unclear and should be reviewed after the Rental Housing System sale is closed.

Executive Director Hirai noted that all of the Administration Bills died, along with all of the Resolutions.

With new members on the Board, Executive Director Hirai asked whether another tutorial on the HHFDC's Financial Statements would be found helpful. The Board concurred, and it was decided that the tutorial should be coordinated with the review of the June 30, 2019 Financial Statements, which are anticipated to be presented at the Board's January 2020 meeting.

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

That the meeting be adjourned at 10:17 a.m.

The motion was carried unanimously.

  
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RONA FUKUMOTO  
Secretary

**V.**  
**ADJOURNMENT**  
10:17 a.m.