

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

**October 10, 2019**

**MINUTES**

The Board of Directors (Board) of the Hawaii Housing Finance and Development Corporation (HHFDC) met for their regular meeting at their office, located at 677 Queen Street, Suite 300, Honolulu, Hawaii, on Thursday, October 10, 2019, at 9:00 a.m.

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

Those present and excused were as follows:

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

Executive Director Craig Hirai

Excused: Director Gary Mackler  
Director Neal Miyahira  
Director Mike McCartney

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  
Holly Osumi, Chief Financial Officer  
Dean Sakata, Housing Finance Specialist  
Jocelyn Iwamasa, Housing Finance Specialist  
Melissa Loy, HHFDC Corporate Controller  
Lorraine Egusa, Project Resource Specialist  
Albert Palmer, Housing Development Specialist  
Kent Miyasaki, Housing Information Officer  
Esa Pablo, Secretary to the Board

Guests: Paul Fortino, Southport  
Chris Delaunay, PRP  
Joelle Chiu, Ahē Group  
Makani Maeva, Ahē Group  
Paul Marx, AHED Foundation

Vice Chair Mende moved, seconded by Director Kahele

That the regular meeting minutes of September 12, 2019 be approved.

The motion was carried unanimously.

The Financial Statements and required communication letter to the Board was noted to be included within the Board’s meeting packet.

Chief Financial Officer Holly Osumi presented the For Action and stated staff’s

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

**II.A.  
APPROVAL  
OF MINUTES**  
Regular  
Meeting  
9/12/19

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

recommendation for the Board's consideration:

That the HHFDC Board of Directors accept the audited financial statements of the Nani 'O Puna Project for the fiscal year ended June 30, 2019.

Vice Chair Mende moved, seconded by Director Kahele

That staff's recommendation be approved.

Osumi stated that the audited financial statements of the HHFDC Nani 'O Puna (Project) for the fiscal year ending June 30, 2019, was completed by Accuity LLP (Auditor). The Project's total net position increased by \$9,000 to \$828,000 at June 30, 2019, as compared to \$819,000 at June 30, 2018. The increase was noted to be primarily attributed to net operating income to the Dwelling Unit Revolving Fund (DURF) of approximately \$19,000 and interest expense of approximately \$1,000 from the mortgage with the U.S. Department of Agriculture (USDA).

The audited financial statements shall be submitted to the USDA by October 31, 2019.

Chair Pulmano inquired about the progress on the sale transfer of the Project. Ms. Makani Maeva stated that in addition to a DURF loan request to HHFDC, the Project received \$850,000 in grant money from the Federal Home Loan Banks' Affordable Housing program and \$750,000 from the REIT Way Hawaii that will help support rehabilitation costs. An updated transfer application is to be submitted to USDA.

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

Housing Finance Manager Darren Ueki presented the For Action, stating staff's recommendation for the Board's consideration:

- A. A change in the land tenure that Queen Emma Partners LP holds on Queen Emma Tower to fee simple from leasehold.
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Vice Chair Mende moved, seconded by Director Kahele

That staff's recommendation be approved.

Ueki stated that the Queen Emma Tower (Project) involves the acquisition and conversion of an existing and abandoned 12-story office building into 71 units of affordable rental housing. The Project will be subjected to a Condominium Property Regime (CPR) which will create five separate condominium units to be owned by two separate owners – Queen Emma Partners LP (One CPR unit -rental housing project on floors 1 – 11) and MAPA Holdings LLC (Four CPR units - 12<sup>th</sup> floor). Both Queen Emma Partners LP (Awardee) and MAPA Holdings LLC (MAPA) will own the fee simple interest in their respective unit(s) and the underlying land as tenants in common with the other condominium unit owners.

Ueki stated that the Awardee is requesting a change in its tenure on the Project from leasehold to fee simple to address concerns regard the allocation of the \$7.5 million acquisition cost and summarized the current fee simple structure. He further added that the change in tenure would have a minimal impact to the affordability and collateral positions of the HHFDC's Hula Mae Multi Family (HMMF), Low Income Housing Tax Credit (LIHTC), and Rental Housing Revolving Fund (RHRF) awards.

Ueki stated that the Project's building permits were obtained, with construction anticipated to start in November 2019, and building completion in December 2020.

Accept the Audited Financial Statements of the Nani 'O Puna Project for the Fiscal Year Ended June 30, 2019

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

Approve a Change in Land Tenure Held by the Owner of the Queen Emma Tower Project Located in Honolulu, Oahu, TMK Nos.: (1) 2-1-009: 009 and 008, (pending CPR)



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

In response to Chair Pulmano, Maeva stated that the 12<sup>th</sup> floor space is 4,658 square feet.

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

Ueki presented the For Action, stating staff's recommendation for the Board's consideration:

- A. Resolution No. 133, attached as Exhibit D (within the For Action), which authorizes a tax-exempt issuance of up to \$20,000,000 from the Hula Mae Multi Family (HMMF) Bond Program, subject to the provisions and conditions recommended in Exhibit C (within the For Action).
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Vice Chair Mende moved, seconded by Director Kahele

That staff's recommendation be approved.

As a companion For Action, Ueki stated that Resolution No. 133 satisfies the requirement to accomplish the HMMF Bond sale and allows staff to authorize the issuance, sale, and delivery of the mortgage revenue bonds in a principal amount not to exceed \$20 million for the purpose of making a mortgage loan to provide financing to the Awardee for the Project.

Two Tax Equity and Fiscal Responsibility Act (TEFRA) hearings were noted to have been conducted on August 7, 2018 and June 5, 2019, in which no written or oral testimony were received.

In response to Director Lin, Ueki stated that the targeted closing date is anticipated at the end of October 2019/early November 2019.

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

Development Branch Chief Deepak Neupane presented the For Action, stating staff's recommendation for the Board's consideration:

- A. Approve the use of sale proceeds from the Restructuring and Preservation of the HHFDC Affordable Rental Housing Portfolio to acquire the leased-fee interest in Kamakee Vista, Kewalo, Oahu as substantially described in the 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 availability of funds; and
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of the For Action.

Neupane stated that the Kamakee Vista (Project) is the last of the six Portfolio properties looking to be sold. HHFDC and Atherton are in the process of finalizing its Purchase and Sales Agreement (PSA) based on its non-binding Letter of Intent dated July 19, 2019, which complements a Board approved purchase price of \$17.56 million for the Project.

Director Lin asked whether this transaction would have any negative impact on the other five properties of the Portfolio. Neupane stated no, explaining that this transaction is independent of the other five properties that have closed.

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

Approve Resolution No. 133, Authorizing the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds for the Queen Emma Tower Project Located in Honolulu, Oahu, TMK Nos.: (1) 2-1-009: 009 and 008, (pending CPR)

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

Approve the Use of Sale Proceeds From the Restructuring and Preservation of the Hawaii Housing Finance and Development Corporation Affordable Rental Housing Portfolio to Acquire the Leased-Fee Interest in Kamakee Vista, Located in Kewalo, Oahu, TMK No.: (1) 2-3-003: 018



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

Chief Planner Janice Takahashi presented the report, summarizing the additional findings and final recommendations of the Qualified Allocation Plan (QAP) Subcommittee (Subcommittee), in consideration with input provided by non-profit and for-profit developers. Final approval of the Subcommittee's recommendations will be sought at the next Board of Directors meeting in November.

Comments expressed by the Board and staff were noted as follows:

- Regarding cost reasonableness, Takahashi stated that the recommendation did not change, and that staff will continue to work towards finding a metric, questioning high and low outliers for each type of structure, trying to find efficiencies when costs are above average.
- To encourage more shovel-ready projects, the Subcommittee's original recommendation was to provide qualified non-profit developers with pre-development loans from the RHRF.

However, with the mixed reactions received from the developers, the final recommendation would be that because pre-development loans are an authorized use of the RHRF, staff should further vet pre-development loans as part of the administrative rulemaking process for the RHRF program.

- With general support received by the developers, HHFDC would provide an early Inducement Resolution for the issuance of HMMF Bonds but would include educating program users on such a procedural change – that it is not a commitment of resources, but rather a means to recognizing costs earlier.
- Regarding an open RHRF application process, developers expressed concern on HHFDC staff capacity and lack of competitive scoring.

Therefore, the Subcommittee requested that staff prepare and return to the Board with a framework for an open RHRF application process including staffing and programmatic requirements.

- While the developers understood the rationale for HHFDC wanting to utilize limited state resources efficiently and timely, further encouraging more shovel-ready projects, they no longer supported the recommendation to limit extensions to financing commitments.

However, because HHFDC has a fiduciary duty to use state funds efficiently and timely, the final recommendation would be to limit extensions for HMMF/LIHTC commitments to one 6-month extension and RHRF commitments to one 9-month extension. This is in an effort to encourage developers to come in when their projects are more ready, hopefully shortening the process time.

- Developer reactions varied in support and opposition on conveying the fee simple interest in land to the State/HHFDC as a means to preserve housing affordability over the long term.

Therefore, the Subcommittee requested that staff prepare and return to the Board with a matrix which identifies and evaluates alternative scenarios in consultation with program users.

Director Fukumoto inquired on the recommendations which requests further information from staff. Takahashi clarified that at its next meeting in November, staff would seek Board approval on the Subcommittee's final recommendations, which would also allow staff to further work on the requests of the Subcommittee, to

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

be address at another time.

Fortino commented on the proposed extension policy, stating that it would be difficult to do such a blanket policy for all projects, given the various scenarios that can arise, causing delays, such as getting bond counsel appointed.

Ueki stated that the selection of a bond counsel needs to go through the procurement process with the Office of the Attorney General. Depending upon the structure and details of a project provided by the developer, this process can vary from approximately 30 days or longer.

Chair Pulmano asked whether a waiver from the procurement process for bond counsel could be obtained. Ueki stated that currently, no waiver can be obtained. Although from a staff perspective, having a dedicated bond counsel on all its bond deals is felt to be more efficient, the Office of the Attorney General felt that distribution of the work was best, especially with the increased amount of deals that the HHFDC handles.

On the other hand, Fortino added that having bond counsel involved earlier in the process could also help a project to provide clearer structure and details; hence, expediting the overall development process.

In response to Fortino's comments, Chair Pulmano stated that the Board is encouraging more shovel-ready projects in hopes to better steward its current funding opportunity in the most efficient way possible. Director Lin concurred, stating that the purpose for the Subcommittee's recommendations is not only to meet the goals of the HHFDC, but also produce new tools that could help developers be more shovel-ready, as well as further expedite the bond counsel process.

There being no further discussion, Chair Pulmano thanked Takahashi, Ueki, and all its development partners for their hard work and input.


Executive Director Craig Hirai noted the following:

- The June 30, 2019 HHFDC Financial Audit is being worked on by the Fiscal Management Branch.
- Staff continues to work with the Department of Budget and Finance on funding availability.
- 2020 Legislation proposals are being worked on.
- The Request for Proposals for the Aloha Homes study will be sent out on Monday.
- HHFDC closed on the leased-fee purchase for the Front Street Apartments.

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

That the meeting be adjourned at 9:44 a.m.

The motion was carried unanimously.

  
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RONA FUKUMOTO  
Secretary

**V.  
REPORT  
OF THE  
EXECUTIVE  
DIRECTOR**

**V.  
ADJOURNMENT  
9:44 a.m.**