

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

March 12, 2020

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, March 12, 2020, at 9:00 a.m.

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

With a quorum present, Chair Leilani Pulmano called the meeting to order.

Those present and excused were as follows:

Present: Director Leilani Pulmano, Chair
 Director Donn Mende, Vice Chair
 Director Rona Fukumoto, Secretary
 Director Gary Mackler
 Director Melvin Kahele
 Director George Atta
 Director Sara Lin
 Designee Chung Chang for Director Mike McCartney
 Director Craig Hirai (arrived 10:34 a.m.)

Interim Executive Director Denise Iseri-Matsubara

Staff Present: Sandra Ching, Deputy Attorney General
 Matthew Dvonch, Deputy Attorney General
 Janice Takahashi, Chief Planner
 Darren Ueki, Housing Finance Manager
 Holly Osumi, Chief Financial Officer
 Deepak Neupane, Development Branch Chief
 Dean Minakami, Development Section Chief
 Carianne Abara, Development Support Section Chief
 Dean Sakata, Housing Finance Specialist
 Patrick Inouye, Housing Finance Specialist
 Jocelyn Iwamasa, Housing Finance Specialist
 Melissa Loy, HHFDC Corporate Controller
 Kent Miyasaki, Housing Information Officer
 Esa Pablo, Secretary to the Board

Guests: Dave Michael, PDG
 Tracy Takano, Ewa Housing Foundation/Jack Hall Kona
 Mel Nagata, Ewa Housing Foundation/Jack Hall Kona
 Andrew Gomes, Star Advertiser
 Keith Kato, HICDC
 Christopher Abbott, Bank of Hawaii
 Makani Maeva, Ahe Group
 Joelle Chiu, Ahe Group
 Sara DeVries, Ahe Group
 Keith Ishida, Ahe Group
 Kenna Stormogipson, Hawaii Budget & Policy Center
 Keegan Flaherty, Laulima Development
 Chris Delaunay, Pacific Resource Partnership
 Paul Fortino, Southport
 James Pakele, Dynamic Communication Solutions
 Jim Dannemiller, SMS Research Hawaii

Vice Chair Mende moved, seconded by Director Kahele

That the regular meeting minutes of February 13, 2020 be approved.

The motion was carried unanimously.

Approval of the executive session meeting minutes of February 13, 2020 was deferred to later in the meeting.

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

That the HHFDC Board of Directors approve the following:

- A. Resolution No. 140 attached as Exhibit F (within the For Action), which provides for official intent with respect to the issuance of revenue bonds up to \$8,000,000 for the DE Thompson Village project (Project), subject to the provisions and conditions recommended in Exhibits C and E (within the For Action).
- B. Reserve up to \$ 535,795 in annual Federal Low Income Housing Tax Credits (LIHTC) over a 10-year period and \$535,795 in annual State LIHTC over a 5-year period from the non-volume cap pool (4% LIHTC) for the Project, subject to the provisions and conditions recommended in Exhibits D and E (within the For Action).
- C. 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 in April 2019, DET Renton Partners LP (Applicant) submitted a consolidated application for financing improvements on an existing 84-unit elderly project located in Ewa Beach, Oahu. The Project has a USDA 515 loan and a project-based USDA 521 rental subsidy for all units.

The Project anticipates starting construction in July 2020, with the first building being completed in March 2021, and completion of the Project anticipated in July 2021.

If the Board approves Resolution No. 140 and the bond issuance is determined to be feasible, staff will return to seek the Board's final approval for the issuance, sale, and delivery of the bonds, subject to the approval of the Department of Budget and Finance (B&F) and the Governor.

Ueki opened for questions, along with Ms. Makani Maeva, on behalf of the Project.

There being no questions, the motion was carried unanimously.

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

That the HHFDC Board of Directors approve the following:

- A. Extend the deadline to issue Hula Mae Multi-Family (HMMF) Bonds for the Kaloko Heights Affordable Housing Project

II.A.
APPROVAL
OF MINUTES
Regular
Meeting
2/13/2020

II.B.
APPROVAL
OF MINUTES
Executive
Session
2/13/2020

III.A.
DISCUSSION
AND/OR
DECISION
MAKING
Approve: (1)
Resolution No. 140,
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 DE
Thompson Village
Project Located in
Ewa Beach, Oahu,
TMK No.: (1)
9-1-046: 088

III.B.
DISCUSSION
AND/OR
DECISION
MAKING
Approve an
Extension to
Resolution No. 106,
Which Provides for

(Project) to March 31, 2021; and

- 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 this is an existing HMMF approval, seeking a 12-month extension for the Project, which consists of 100 units targeted for families, located in Kailua-Kona, Hawaii.

Ueki noted a correction within the For Action on page 4, section III. E., The Project's estimated timeline, numbers 3 and 4, to read as follows:

3. First Building Completion – [~~June~~] April 2022
4. Project Completion – [~~April~~] June 2022

The 12-month extension request was evaluated based on progress made in site control, zoning, and financing commitments.

Ueki stated that the Hawaii Island Community Development Corporation (HICDC), Awardee, has an agreement with the landowner to acquire fee simple ownership of the site. Furthermore, the Disability and Communication Access Board is currently reviewing the Project, with submission of its building permits application anticipated in April 2020.

The Awardee is in discussions with Bank of Hawaii for debt financing and the National Equity Fund on the syndication of federal and state LIHTC. The County of Hawaii's HOME and National Housing Trust Fund resources, as well as 75 project-based Section 8 Housing Choice Vouchers have been awarded to the Project.

Ueki opened for questions, along with Mr. Keith Kato, on behalf of the Project.

Director Fukumoto stated that she like that there are units at the 30% area median income (AMI) and asked which units in the projected unit and rent mix would be at 30% AMI. Kato stated that all 10 units would be two-bedrooms with six units at \$405/month and four units at \$758/month, of which would satisfy the 30% AMI by the Rental Assistance subsidy.

Director Lin asked what are the reasons for the multiple extensions. Kato stated that delays were contributed to the sewer line improvement. A resolution was passed by the County Council and construction on the sewer line is anticipated to commence in August 2020. In addition, Ueki stated that at the December 2019 Board Meeting, the Project also increased its finances for additional units, from 81 units to 100 units.

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

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

That the HHFDC Board of Directors approve the following:

- A. Extend the RHRF Letter of Intent (LOI) dated September 19, 2017, for the Kaloko Heights Neighborhood Housing Project RHRF Loan to March 31, 2021, subject to the requirements as set forth in the For Action dated September 14, 2017 and December 12, 2019; and

Official Intent with Respect to the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds for the Kaloko Heights Affordable Housing Project Located in Kailua-Kona, Hawaii, TMK No.: (3) 7-3-009: 032

**III.C.
DISCUSSION
AND/OR
DECISION
MAKING**
Approve an Extension to the Rental Housing Revolving Fund Project Letter of Intent for the Kaloko Heights Affordable

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

Vice Chair Mende moved, seconded by Director Kahele

That staff's recommendation be approved.

Ueki stated that this is a companion For Action to the previously approved, requesting an extension to the RHRF LOI.

Ueki opened for questions, along with Mr. Keith Kato, on behalf of the Project.

There being no questions, the motion was carried unanimously.

Chair Pulmano asked that item III. E. be taken next on the agenda.

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

That the HHFDC Board of Directors consent to Lessee's Assignment of the Existing Ground Lease, as amended to Ahe Group or Its Assignee and approve the extension of the lease term as substantially described in this For Action, subject to other terms and conditions deemed necessary and acceptable by the Executive Director.

Vice Chair Mende moved, seconded by Director Kahele

That staff's recommendation be approved.

Neupane stated that the Jack Hall Kona Memorial Housing (Project) is a 48-unit affordable rental project build in the late 1970's on land conveyed by the Department of Land and Natural Resources to the Hawaii Housing Authority (HHA), a predecessor agency of HHFDC.

The Project entered into a contract to sell the leasehold interest in the property to Ahe Group, LLC (Buyer), who proposes to invest approximately \$ 3.1 million for its rehabilitation plan based on the 2019 Jack Hall Kona Physical Needs Assessment and extend the Project's affordability by an additional 42 years, subject to HHFDC's consent to assignment of the existing ground lease.

The Project's loan of \$1.3 million from the Bank of Hawaii will be retired upon sale of the property to the Buyer and all existing loans with the US Department of Agriculture (USDA) and HHFDC's Dwelling Unit Revolving Fund (DURF) will be assumed by the Buyer.

Neupane opened for questions, along with Ms. Makani Maeva, on behalf of the Project.

In response to Director Lin, Neupane confirmed that although previous documents reflect HHFDC as the Lessor for the Project, the title would need to be changed from HHA to HHFDC. Furthermore, all 48 units will remain under the U.S. Department of Housing and Urban Development (HUD) Section 8 subsidies at 60% and below the area median income.

Director Mackler inquired about a tenant relocation plan while the Project is under rehabilitation. With the lease extension being the first step in the process, Maeva stated that the Project would then need to apply for 4% LIHTC and tax-exempt bonds for the work. If financing is obtained, vacant units would be aggregated to create an in-house hotel while tenants' units are rehabilitated and would return to the same unit once completed. Packing supplies are provided and there are incentives for those who are ready to go when movers arrive.

Housing Project
Located in Kailua-
Kona, Hawaii, TMK
No.: (3) 7-3-009:
032

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

Approve: (1)
Consent to
Assignment of
Existing Ground
Lease, as amended
To Ahe Group or Its
Assignee (Ahe); and
(1) Extend Lease
Term for the Jack
Hall Kona Memorial
Apartments
Affordable Housing
Project, Located in
Kealakehe, North
Kona, Hawaii, TMK
No.: (3) 7-4-017:
057

When assignments of leases are done, Chair Pulmano asked what factors are looked at from an agency perspective. Neupane stated that the current lease did not have insurance and other requirements that the Board has typically required on similar reassignments, such as Na Lei Hulu Kupuna, and therefore, those requirements and additional lease terms will be added to this assignment.

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

Development Section Chief Carianne Abara presented the For Action, stating staff's recommendation for the Board's consideration:

That the HHFDC Board of Directors approve the increase to the Waiahole Valley Budget by \$3,000,000 as presented in the For Action and authorize the Executive Director to take all actions necessary to effectuate the purpose of the For Action, subject to:

- A. Availability of DURF funds;
- B. Approval and release of funds by the Governor; and
- C. Compliance with all HHFDC rules and regulations and such other terms and conditions as may be required by the Executive Director.

Vice Chair Mended moved, seconded by Director Fukumoto

That staff's recommendation be approved.

Abara provided the Board with background information on the existing Waiahole Water System (Water System) within the Waiahole Valley Agricultural Park and Residential Lots Subdivision (Subdivision), which is in its 31st year of operation and needs major repairs.

While the HHFDC continues to work with the community to create a Community Action Plan for the Subdivision, the following options are being evaluated for the new water system: (1) rehabilitate and upgrade the Water System; (2) build new wells and pumps at a location closer to paved roads for ease of access and utility connection; and (3) connect to the Uwau tunnel as a water source (the community's suggested solution).

Depending on which option is selected, staff estimates a timeframe of at least five years or longer for a new water system to be constructed, with a substantially longer timeframe for option 3.

Expenditure for operating and maintaining the Water System over a 5-year average is approximately \$203,219 annually, with a water income average of about \$19,369.

The Waiahole Valley Budget (Budget) of \$100,000 was previously established in 1989, with the last successive increase request approved by the Board being \$510,000 in June 2016, bringing the aggregate Budget total of \$9,133,178.04. A total of \$7,757,439.91 from the Budget has been set aside for specific projects, leaving a remainder of \$1,375,738.13 (of which \$900,000 is expected to be encumbered by the end of the 4th quarter of this year) in the Budget for funding all operations and maintenance required in the Subdivision and Water System.

Staff estimates \$2.2 million for the major repairs of the Water System and \$800,000 for operations and maintenance costs. It is also anticipated that these repairs to the Water System will allow HHFDC to continue providing safe and reliable drinking water for the Subdivision for an additional 5 to 10 years.

III.D. DISCUSSION AND/OR DECISION MAKING

Approve a Request to Increase the Budget for the Waiahole Valley Agricultural Park and Residential Lots Subdivision, Located in Waiahole, Koolau, Oahu, Hawaii, TMK Nos.: (2) 4-8: Various

A PowerPoint presentation on the Waiahole Water System was shown to the Board and necessary repair options regarding, but not limited to, replacement of pumps and existing electrical system; emergency generator; installation of an automatic alert system for remote monitoring; and improvement of a chlorine injection system, were discussed.

Director Atta asked why the Water System was not dedicated to the Board of Water Supply (BWS). Neupane stated that the water distribution system does not meet the current standards of the BWS and bringing the Water System in compliance of such standards is estimated to cost between \$8 to \$10 million.

Director Atta asked what are HHFDC’s long term goals for the water system. Given the complexity of the situation in terms of ongoing discussions with the community, lack of funding, and implementation of rules for water rates, Interim Executive Director Iseri-Matsubara stated that long term goals are uncertain given the community’s preference for a high elevation surface water system that the BWS will not accept and the high cost to construct the preferred system. However, reiterated the immediate need and urgency to repair the Water System as soon as possible before the system fails.

There being no testimony from the public, Chair Pulmano thanked staff for bringing this matter to the board in a timely manner.

The motion was carried unanimously.

The Board recessed at 9:55 a.m. and reconvened the meeting at 10:06 a.m.

Chair Pulmano called the meeting back to order and introduced DBEDT’s Acting Deputy Director Chung Chang, who was attending as the designee for Director Mike McCartney.

Chair Pulmano opened the floor for public testimony on this item. There being none, Vice Chair Mende moved, seconded by Director Fukumoto

To convene in executive session pursuant to Section 92-5(a)(4), Hawaii Revised Statutes, to consult with the board’s attorney on questions or issues regarding the board’s powers, duties, privileges, immunities, and liabilities as it relates to this matter.

The motion was carried unanimously.

The Board convened in executive session at 10:07 a.m.

The Board reconvened in regular session at 11:21 a.m.

Chief Planner Janice Takahashi introduced Mr. Jim Dannemiller, executive vice president of SMS Research and Marketing Services, who was the consultant on the Hawaii Housing Planning Study 2019 (Housing Study). The full Housing Study is available for review on the HHFDC website.

A PowerPoint presentation handout was distributed to the Board.

Dannemiller summarized the comprehensive housing study, which gathers data to support housing planning initiatives, highlighting current housing conditions; demographic and economic characteristics of Hawaii’s households; measuring

RECESSED
9:55 a.m.
RECONVENED
10:06 a.m.

III.F.
DISCUSSION
AND/OR
DECISION
MAKING
Discussion and
Possible Action
Regarding the
Rental Housing
Revolving
Fund Award for the
Hale Makana O
Mali Project
Located in Waianae,
Oahu, TMK No.:
(1) 8-7-001: 016

EXECUTIVE
SESSION
10:07 a.m.
RECONVENED
11:21 a.m.

IV.
REPORT
OF THE
EXECUTIVE
DIRECTOR

housing needs, demands, and preferences; as well as updating housing inventory and rental housing data.

Outcome points were noted as follows:

- Regarding 99-year leases, Dannemiller clarified that 26% of would-be buyers would buy a home with a 99-year lease. The Housing Study also showed that 99-year leases were not as favorable among Honolulu residents in comparison to the other counties (perhaps due to a higher number of Native Hawaiians residing on the neighbor islands).

(Director Hirai and Designee Chung were excused at this time – 11:39 a.m.; Director Mackler was excused at this time – 11:50 a.m.)

- Approximately 50,000 housing units are projected to be needed from 2020 – 2025 for the State of Hawaii.
- In focusing within the 60% to 140% AMI ranges, approximately 17,000 housing units are projected to be needed from 2020 – 2025 for the State of Hawaii.

The Board thanked Dannemiller for his presentation and proceeded with other issues of the Report of the Executive Director.

Interim Executive Director Iseri-Matsubara stated that HHFDC is working in collaboration with DBEDT in preparation measures for COVID-19 impacts.

Regarding COVID-19 impacts, Chair Pulmano inquired about plans for employees. Interim Executive Director Iseri-Matsubara stated that management is currently assessing the necessary tools needed should employees have to work remotely.

Chair Pulmano asked whether employees had necessary equipment to work from home (i.e., laptops). Interim Executive Director Iseri-Matsubara stated that while there is an insufficient amount of office laptops available, employees may take home their entire PC equipment, if needed.

Going forward, Chair Pulmano suggested that laptop purchases be considered instead of desktop computers to allow for mobile flexibility in such circumstances.

Interim Executive Director Iseri-Matsubara stated that there is a possibility that financing programs may be impacted, like the RHRF, where existing projects may experience greater gaps in costs. Ueki added that another consideration to be weighed would be whether ready-to-go projects should take priority over new projects.

There being no further discussion, Vice Chair Mende moved, seconded by Director Fukumoto

That the meeting be adjourned at 12:13 p.m.

The motion was carried unanimously.

Rona S.Y. Fukumoto
RONA FUKUMOTO
Secretary

V.
ADJOURNMENT
12:13 a.m.