

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

August 13, 2020

MINUTES

The Board of Directors (Board) of the Hawaii Housing Finance and Development Corporation (HHFDC) met virtually for their regular meeting at their office, located at 677 Queen Street, Suite 300, Honolulu, Hawaii, on Thursday, August 13, 2020.

With a quorum present, Chair Donn Mende called the meeting to order at 9:03 a.m.

Those present and excused were as follows:

Present: Director Donn Mende, Chair
 Director Gary Mackler, Vice Chair
 Director Rona Fukumoto, Secretary
 Director Carol Reimann
 Director Melvin Kahele
 Director Craig Hirai (arrived 9:35 a.m.)
 Director Mike McCartney (arrived 9:35 a.m.)

Executive Director Denise Iseri-Matsubara

Excused: Director Sara Lin
 Director George Atta

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
 Holly Osumi, Chief Financial Officer
 Kent Miyasaki, Housing Information Officer
 Dean Minakami, Development Section Chief
 Christopher Woodard, Real Estate Portfolio Manager
 Dean Sakata, Housing Finance Specialist
 Patrick Inouye, Housing Finance Specialist
 Jocelyn Iwamasa, Housing Finance Specialist
 Glori Ann Inafuku, Housing Finance Specialist
 Mark Ogata, Housing Finance Specialist
 Tori Kawahara, Housing Finance Specialist
 Stan Fujimoto, Housing Development Specialist
 Cheryl Kajitani, Housing Development Specialist
 Theresa Dean, Housing Development Specialist
 Albert Palmer, Housing Development Specialist
 Melissa Loy, HHFDC Corporate Controller
 Gayle Nishimoto, Interim Budget Analyst
 Merwin Galicinao, Account Clerk
 Mavis Masaki, Planner
 Esa Pablo, Secretary to the Board

Guests: Monika Rossen, AHED Foundation
 Makani Maeva, Ahe Group
 Karen Seddon, Michaels Development Company
 Benjamin Edger, The Michaels Organization
 Gregory Barbour, NELHA
 Douglas Bigley, Ikaika Ohana
 Thomas Fischer, Ikaika Ohana

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

Director Kahele moved, seconded by Director Reimann

That the annual meeting minutes of July 9, 2020 be approved.

The motion was carried unanimously.

Director Kahele moved, seconded by Vice Chair Mackler

That the regular meeting minutes of July 9, 2020 be approved.

The motion was carried unanimously.

Vice Chair Mackler moved, seconded by Director Kahele

That the executive session meeting minutes of July 9, 2020 be approved.

The motion was carried unanimously.

Per a request, Chair Mende asked that the agenda be taken out of order to address item III.D. first.

Housing Development Specialist Stan Fujimoto presented the For Action, stating staff's recommendation for the Board's consideration:

That the HHFDC Board of Directors approve a Budget of \$221,319.00 from the Dwelling Unit Revolving Fund (DURF) for the joint development of Ota Well, at Tax Map Key No. (3) 7-5-001: 165 pursuant to the Memorandum of Understanding (MOU) between HHFDC and Natural Energy Laboratory of Hawaii Authority (NELHA), for Kamakana Villages and other projects as approved by the Executive Director, substantially as described in the For Action, and the Executive Director shall be authorized to take all actions necessary to effectuate the purposes of the For Action; subject to the following:

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

Director Kahele moved, seconded by Director Mackler

That staff's recommendation be approved.

A quorum was lost at 9:06 a.m. with Director Reimann losing connection; the meeting resumed at 9:09 a.m. It was noted that Directors Hirai and McCartney would join after their Cabinet Meeting.

Fujimoto stated that on June 16, 2020, NELHA indicated that due to delays, NELHA's Contractor for the exploratory well at Ota Well was requesting for a price increase for a two-year contract extension in the amount of \$221,319, and NELHA was requesting whether HHFDC could fund the price increase pursuant to the NELHA MOU, which included, but is not limited to, HHFDC providing financing for 50 percent of the total development cost of Ota Well for 50 percent capacity of the well. HHFDC concurs with NELHA's assessment that the proposed price increase is reasonable.

Fujimoto opened for questions, along with NELHA's Executive Director Greg Barbour.

**II.A.
APPROVAL
OF MINUTES**
Annual
Meeting
7/9/2020

**II.B.
APPROVAL
OF MINUTES**
Regular
Meeting
7/9/2020

**II.C.
APPROVAL
OF MINUTES**
Executive
Sessions
7/9/2020

**III.D.
DISCUSSION
AND/OR
DECISION
MAKING**
Approve a Budget
from the Dwelling
Unit Revolving
Fund for the Joint
Development of Ota
Well with the
Natural Energy
Laboratory of
Hawaii Authority
for the Kamakana
Villages at Keahuolu
Project Located in
Keahuolu, North
Kona, and Other
Projects Approved
by the Executive
Director, TMK Nos.:
(3) 7-5-001: 165, (3)
7-4-021: 020, 024,
028 to 041, and 044
to 049

RECESS
9:06 a.m.
RECONVENED
9:09 a.m.

Chair Mende asked whether the exploratory well would be the final piece needed. Fujimoto stated that the exploratory well will be the first phase to determine whether there is enough quantity and quality of water to determine whether Ota Well can be developed into a production well.

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

Housing Finance Specialist Patrick Inouye 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. 144 attached as Exhibit G (within the For Action), which amends Resolution No. 135 by increasing the intended tax-exempt issuance for Kaiaulu O Kupuohi to up to \$35,876,790 from \$27,346,140.
 - 1. Subject to the provisions and conditions in Exhibits D and F (within the For Action); and
 - 2. All other terms and conditions of Resolution No. 135 and the intended tax-exempt issuance from the Hula Mae Multi-Family (HMMF) Bond Program approved by the HHFDC Board of Directors on December 12, 2019, remain the same.
- B. Increase the award of annual Federal 4% Low Income Housing Tax Credits (LIHTC) over a 10-year period to \$2,475,963 from \$1,960,926 and the award of annual State 4% LIHTC over a 5-year period to \$2,475,963 from \$1,960,926.
 - 1. Subject to the provisions and conditions in Exhibits E and F (within 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 December 12, 2019, remain the same.
- C. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of the For Action.

Director Kahele moved, seconded by Director Reimann

That staff's recommendation be approved.

In reference to Exhibit C within the For Action, Inouye stated that the \$15,797,500 project budget increase is primarily attributed to higher construction costs due to building plan changes dictated by other state agencies (i.e., Disability and Communication Access Board (DCAB) and the Maui permitting department) and construction cost inflation; contingency to support increased construction costs and potential labor cost uncertainties related to COVID-19; financing cost prompted by a County of Maui Traffic Litigation Fee triggered by additional Maui Affordable Housing Program funding and carrying cost owed to the property seller; and interim costs primarily related to architect and engineering fees as a result of the building plan changes.

Higher project costs are anticipated to be absorbed by the requested increase amounts of \$6,282,200 in LIHTC equity; \$2,760,000 in permanent HMMF Bond; \$3,382,000 in the Maui County Affordable Housing Financing loan; a new \$2,000,000 related party loan from Ikaika Ohana; and \$1,393,300 in Deferred Developer Fee.

Inouye opened for questions, along with Mr. Tom Fischer, on behalf of the project.

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

Approve: (1)
Resolution No. 144,
Which Amends
Resolution No. 135,
by Increasing the
Intended Issuance
Amount of the
Revenue Bonds; and
(2) a Request from
the Developer to
Increase the Low
Income Housing
Tax Credit
Reservation for the
Kaiaulu O Kupuohi
Project Located in
Lahaina, Maui,
TMK No.:
(2) 4-5-010: 047

Director Fukumoto asked what the building plan changes made by the DCAB were. Inouye stated that DCAB's changes are related to the site work, the addition of retaining walls, and adjustments related to the podium structure.

Vice Chair Mackler commented on the estimated \$8.6 million increase in construction costs being substantial and asked whether that amount was based on the contractor's estimate. Fischer stated that the deal was submitted in April 2019 and construction costs has since escalated in pricing due to the various improvements required, current market conditions, and preliminary findings explored with the contract community.

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

Housing Finance Specialist Dean Sakata 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. 145 attached as Exhibit G (within in the For Action), which amends Resolution No. 127 by increasing the intended tax-exempt issuance for Halewai'olu Senior Residences to up to \$48,000,000 from \$43,350,000.
 - 1. Subject to the provisions and conditions in Exhibits D and F (within the For Action); and
 - 2. All other terms and conditions of Resolution No. 127 and the intended tax-exempt issuance from the HMMF Bond Program approved by the HHFDC Board of Directors on February 14, 2019, remain the same.
- B. Increase the award of annual Federal 4% LIHTC over a 10-year period to \$3,047,495 from \$2,940,452 and the award of annual State 4% LIHTC over a 5-year period to \$3,047,495 from 2,940,452.
 - 1. Subject to the provisions and conditions in Exhibits E and F (within 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 February 14, 2019, remain the same.
- C. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of the For Action.

Director Kahele moved, seconded by Director Reimann

That staff's recommendation be approved.

Sakata noted a correction within the table under section II. Facts, Projected Units and Rent Mix, Rent/Mo., on page 1 of the For Action, which should read: \$1,520 rent/month for 16 of the two-bedroom units.

Sakata stated that the \$7,982,317 project budget increase is primarily attributed to higher construction costs prompted by the need for more substantial micropile foundations, hazardous materials remediation, and additional onsite and offsite utility work; contingency to support higher construction costs; insurance and consulting costs due to additional required construction management, monitoring, inspections and testing; and financing and syndication costs prompted primarily by an increase in the construction loan interest.

Higher project costs are anticipated to be absorbed by the requested increase amounts of \$1,535,587 in LIHTC equity and \$7,900,000 in permanent HMMF

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

Approve: (1) Resolution No. 145, Which Amends Resolution No. 127, by Increasing the Intended Issuance Amount of the Revenue Bonds; and (2) a Request from the Developer to Increase the Low Income Housing Tax Credit Reservation for the Halewai'olu Senior Residences Project Located in Honolulu, Oahu, TMK No.: (1) 1-7-006: 012

Bond.

Building permits for the project are anticipated in September/October 2020, with construction to start in November/December 2020, and project completion in September 2022.

Sakata noted an error in the per Square Foot calculations on page 4 of the For Action, within the proposed Budget and Use of Funds table, which should read as follows: (Upon further review, corrections below were noted on the For Action after the meeting)

Budget/Cost Item	Amount	Per Square Foot	%
Land Acquisition	\$ 0	\$ 0	0.00
Construction – Sitework	6,087,241	38.37	6.51
Construction – Vertical	51,141,502	322.38	54.65
Construction – Contractor Profit	8,012,024	50.51	8.56
Interim & Soft Costs	9,309,076	58.68	9.95
Financing & Syndication Costs	6,904,951	43.53	7.38
Developer’s Fee	4,900,000	30.88	5.24
Developer’s Overhead	2,100,000	13.24	2.24
Project Reserves	1,360,968	8.58	1.45
Contingency	3,759,742	23.70	4.02
Total	\$ 93,575,504	\$ 589.87	100 %

There being no questions, the motion was carried.

(Directors Hirai and McCartney arrived at this time - 9:35 a.m.)

Sakata 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 Letter of Intent (LOI) dated January 17, 2017, for the Halewai’olu Senior Residences project to February 28, 2021; subject to the requirements as set forth in the For Action dated January 12, 2017; and
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of the For Action.

Director Kahele moved, seconded by Director Fukumoto

That staff’s recommendation be approved.

Sakata stated that this For Action pertains to the same project previously approved, noting the same project facts to be corrected regarding the rent/month amount of \$1,520 and per square foot calculations in the proposed Budget and Use of Funds table (Corrections, as stated above, were noted on the For Action after the meeting).

Based on the following progress made on three basic milestones of site control, zoning approvals, and securing financing commitments, staff is recommending an extension to the Rental Housing Revolving Fund (RHRF) LOI expiration date to February 28, 2021:

- Halewai’olu Senior Development, LLC (Awardee) has site control.
- The Awardee continues to work the the City and County of Honolulu (City) on 201(H) exemptions for the project, as well as

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

Approve an Extension to the Rental Housing Revolving Fund Letter of Intent for the Halewai’olu Senior Residences Project Located in Honolulu, Oahu, TMK No.: (1) 1-7-006: 012

requirements of the National Environment Protection Act and National Housing Preservation Act. A building permit application is currently under review with the City.

- The Awardee continues to work with the First Hawaiian Bank, American Savings Bank, and Bank of Hawaii to purchase the bonds during the construction period; Walker and Dunlop on the sale of permanent bonds using the Freddie Mac TEL program; and Berkadia – Affordable Tax Credit Group on the sale of federal and state LIHTC.

Sakata opened for questions, along with Ms. Karen Seddon and Mr. Benjamin Edger, on behalf of the project.

Vice Chair Mackler inquired about the Memorandum of Agreement (MOA) with the State of Hawaii Historic Preservation Division (SHPD). Seddon stated that the MOA was signed by SHPD, with the submittal of the Finding of No Significant Impact report and National Environmental Policy Act anticipated this week.

Vice Chair Mackler asked when the City Council’s approval for the 201H application could be expected. Seddon stated that approval is anticipated before the end of the year.

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

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

That the HHFDC Board of Directors approve the following:

- A. Modifications to Award of Request for Proposals (RFP) No. 12-003-DEV Partnering to Preserve Affordable Housing: Kekuilani Gardens and Nani O Puna; and
- B. The establishment of a DURF Budget for improvements to the Nani O Puna Affordable Housing Project located in Puna, Waiakahiula, Pahoa, Hawaii, TMK No.: (3) 1-5-002: 023 (the Project) subject to the availability of DURF funds and the release of such funds by the Governor; and
- C. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of the For Action, including but not limited to the negotiation and execution of:
 - 1. A Purchase and Sale Agreement (PSA);
 - 2. A ground lease; and
 - 3. Other related transaction documents with Nani O Puna LP;

Each substantially on the terms described herein (and allowing for modifications as may be deemed reasonable in the Executive Director’s sole and absolute discretion) and to undertake any actions related thereto.

Director Kahele moved, seconded by Vice Chair Mackler

That staff’s recommendation be approved.

Woodard summarized events leading up to Ahe Group’s RFP Award modification request received on June 18, 2020 to:

- 1. Establish a \$2 million construction reserve to be funded by DURF;

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

Approve: (1) Modifications to Award of Request for Proposals No. 12-003-DEV Partnering to Preserve Affordable Housing: Kekuilani Gardens and Nani O Puna; and (2) the Establishment of a Dwelling Unit Revolving Fund Budget for Improvements to the Nani O Puna Affordable Housing Project Located at Waiakahiula, Puna, Hawaii, TMK No.: (3) 1-5-002: 023

2. A top-off of the United States Department of Agriculture mortgage loan replacement reserve account; and
3. A change in the RFP awardee from Vitus Group to Nani O Puna LP.

Woodard stated that pursuant to the RFP Award, Ahe Group's modification request is found to be reasonable.

There being no questions, the motion was carried unanimously.

Planner Mavis Masaki presented the For Action, stating staff's recommendation for the Board's consideration:

That the HHFDC Board of Directors:

- A. Approve proposed Chapter 15-304, Hawaii Administrative Rules (HAR), subject to approval as to form by HHFDC's Deputy Attorney General, and to the Governor's approval, and authorize the Executive Director, or designated representative(s), to conduct a public hearing on the adoption of Chapter 15-304, HAR;
- B. Authorize the Executive Director to make any necessary non-substantive amendments to proposed Chapter 15-304, HAR, following the public hearing; and
- C. Subsequent to the public hearing, authorized the Executive Director to transmit proposed Chapter 15-304, HAR, to the Governor for final approval if no additional substantive amendments are required.

Director Fukumoto moved, seconded by Director Kahele

That staff's recommendation be approved.

Masaki stated that proposed Chapter 15-304, Hawaii Administrative Rules (HAR), entitled "Administration of Federal Programs," follow closely and incorporate by reference federal regulations for the HOME Investment Partnership Program (HOME) and Housing Trust Fund (HTF) Program, while integrating some suggestions raised by the housing agencies of all counties.

Pursuant to Administrative Memorandum 18-02, the proposed rule amendments will be uploaded to the Hawaii Administrative Rules Processing Site and a public hearing will be conducted. If there are no substantive amendments to the proposed rules, submittal for the Governor's final approval will be sought. Staff will return to the Board for further discussion should there be substantive amendments to the proposed rules.

Masaki opened for questions, along with HHFDC Housing Finance Specialists Glori Inafuku and Tori Kawahara.

There being no questions, the motion was carried unanimously.

In accordance with Act 9, Executive Director Iseri-Matsubara stated that HHFDC will receive \$100 million for the establishment of a Rent Relief and Housing Assistance Program, which enables the State to assist renters that are at risk of eviction and homeowners facing mortgage foreclosure impacted by the COVID-19 pandemic. Catholic Charities of Hawaii and Aloha United Way will be the intermediaries between prospective applicants. She recognized and thanked Chief Planner Janice Takahashi and her team for their hard work.

Given the significant work that will be added, Vice Chair Mackler asked whether HHFDC was looking into hiring additional staff. Executive Director Iseri-Matsubara explained that because the funds will only be available until December

III.F. DISCUSSION AND/OR DECISION MAKING

Approve Proposed Chapter 15-304 "Administration of Federal Programs," Hawaii Administrative Rules, to govern the Corporation's Administration as the State of Hawaii Grantee of the U.S. Department's HOME Investment Partnerships Program, the Housing Trust Fund Program, and Other Non-Competitive Grant Programs

IV. OVERVIEW OF THE EXECUTIVE DIRECTOR

2020, no additional staff will be hired, as it would be difficult to hire and train within the short timeframe.

Vice Chair Mackler thanked Executive Director Iseri-Matsubara and HHFDC staff for all their hard work with the Rent Relief and Housing Assistance Program.

Executive Director Iseri-Matsubara asked the Board for their support in promoting the Program and directing prospective applicants to Catholic Charities or Aloha United Way.

Director Fukumoto inquired about information on the Program. Executive Director Iseri-Matsubara stated that HHFDC is working with Anthology in compiling information and hopes to have general information available within the next couple of weeks. Housing Information Officer Kent Miyasaki stated that staff can distribute information to the Board once available.

Director Fukumoto inquired about any penalties for not getting all the monies out. Executive Director Iseri-Matsubara stated that the penalty would be that the community does not get served and Hawaii loses that resource.

Director Hirai inquired about updates from the Realtors Association. Executive Director Iseri-Matsubara stated that Catholic Charities is working with the Realtors Association and property managers of various properties. Once capacity is built, further information will be announced.

There being no further business on the agenda, Chair Mende called for a motion to adjourn.

Director Kahele moved, seconded by Director Fukumoto, to adjourn the meeting at 10:20 a.m.

The motion was carried unanimously.

Rona Fukumoto

RONA FUKUMOTO
Secretary

V.
ADJOURNMENT
10:20 a.m.