

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

October 8, 2020

MINUTES

The Board of Directors (Board) of the Hawaii Housing Finance and Development Corporation (HHFDC) met for their regular virtual meeting at their office, located at 677 Queen Street, Suite 300, Honolulu, Hawaii, on Thursday, October 8, 2020, at 9:01 a.m.

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

With a quorum present, Chair Donn Mende called the meeting to order.

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 George Atta
Designee Chung Chang for Director Mike McCartney (arrived 9:18 a.m.)

Executive Director Denise Iseri-Matsubara

Excused: Director Craig Hirai
Director Kymberly Sparlin

Staff Present: Sandra Ching, Deputy Attorney General
Matthew Dvonch, Deputy Attorney General
Francis Keeno, Executive Assistant
Janice Takahashi, Chief Planner
Deepak Neupane, Development Branch Chief
Holly Osumi, Chief Financial Officer
Christopher Woodard, Real Estate Portfolio Manager
Dean Minakami, Development Section Chief
Dean Sakata, Housing Finance Specialist
Tori Kawahara, Housing Finance Specialist
Glori Ann Inafuku, Housing Finance Specialist
Melissa Loy, HHFDC Corporate Controller
Gayle Nishimoto, Interim Budget Analyst
Albert Palmer, Housing Development Specialist
Sery Berhanu, Housing Development Specialist
Kent Miyasaki, Housing Information Officer
Esa Pablo, Secretary to the Board

Guests: Richelle Taylor, Cloudbreak Hawaii, LLC
Gregory Barbour, NELHA
Eduardo Hernandez, Rent Relief Program Applicant

Chair Mende stated that the agenda would be taken out of order to the Overview of the Executive Director to allow for public testimony on the Rent Relief Program.

Executive Director Iseri-Matsubara introduced an applicant of the Rent Relief Program, Mr. Eduardo Hernandez, who expressed concerns about the program being administered by Catholic Charities and Aloha United Way.

Executive Director Iseri-Matsubara reported that Catholic Charities shared there was an issue with the applicant's application that they resolved and has been

approved for payment.

Chair Mende thanked Mr. Hernandez and proceeded to agenda item II.A.

Director Reimann moved, seconded by Director Atta

That the regular meeting minutes of September 10, 2020 be approved.

The motion was carried unanimously.

Director Reimann moved, seconded by Director Atta

That the executive session minutes of September 10, 2020 be approved.

The motion was carried unanimously.

Chief Financial Officer Holly Osumi presented the For Action, stating staff's 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, 2020.

Director Kahele moved, seconded by Vice Chair Mackler

That staff's recommendation be approved.

Osumi provided an overview of the completed Nani 'O Puna project (Project) audited financial statements completed by Accuity LLP (Auditor) and issued on September 25, 2020. The Project's total net position increased by approximately \$12,000 to approximately \$840,000 as of June 30, 2020, primarily attributed to net operating income of approximately \$9,000 and net transfer from the Dwelling Unit Revolving Fund of approximately \$4,000, offset by interest expense of approximately \$1,000 from the mortgage with U.S. Department of Agriculture (USDA). The audited financial statements shall be submitted to the USDA by the extended deadline of October 31, 2020.

In reference to Exhibit A, Report of Independent Auditors, Director Atta inquired about the section under Other Matters. Osumi stated that the Management's discussion and analysis was omitted as it is not material for the USDA's purposes.

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. Extend the Rental Housing Revolving Fund (RHRF) Letter of Intent (LOI) dated April 15, 2019, for the Hale Uhiwai Nalu-Phase II Project RHRF Loan to October 31, 2021, subject to the requirements as set forth in the For Action dated April 11, 2019; and
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Director Kahele moved, seconded by Director Fukumoto

That staff's recommendation be approved.

Sakata stated that the Hale Uhiwai Nalu – Phase II (Project) is a proposed 50-unit affordable rental housing facility targeted for families.

**II.A.
APPROVAL
OF MINUTES**
Regular
Meeting
9/10/2020

**II.B.
APPROVAL
OF MINUTES**
Executive
Session
9/10/2020

**III.A.
DISCUSSION
AND/OR
DECISION
MAKING**
Accept the Audited
Financial Statement
of the Hawaii
Housing Finance
and Development
Corporation Nani
'O Puna Project for
the Fiscal Year
Ended June 30, 2020

**III.B.
DISCUSSION
AND/OR
DECISION
MAKING**
Approve an
Extension to the
Rental Housing
Revolving Fund
Letter of Intent for
the Hale Uhiwai
Nalu – Phase II
Project Located in
Kapolei, Oahu,
TMK No.: (1)
9-1-013: 052 (por.)

The Project anticipates building permits in September 2021, with construction to start in October 2021, and project completion in December 2022.

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 October 31, 2021:

- Cloudbreak Hawaii II, LLC (Awardee) has site control through a lease modification with the United States Department of Veteran’s Affairs (VA) to allow the lot to be subdivided and to extend the lease from 2053 to 2078.
- The Awardee is working with the Hawaii Community Development Authority to obtain development approvals and will begin the subdivision process after the lease modification with the VA is completed.
- The Awardee continues to work with First Hawaiian Bank on the construction and mini permanent loan and will not be applying for a grant from the Federal Home Loan Bank as original indicated in the awarding For Action dated April 11, 2019.

In reference to the VA lease modification, Vice Chair Mackler asked how the Project would be impacted should the proposed modifications not be accepted by the VA. Sakata clarified that the proposed modification is something that the Awardee has been working with the VA on. Processing issues are being working through.

Director Atta asked whether facilities were shared. Sakata stated that each studio unit has its own facilities and is not shared.

Chair Mende inquired about whether the overall total project budget costs were sufficient. Sakata responded that the Awardee is currently comfortable with the estimated budget; however, actual costs would not be known until it gets closer to closing.

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

Housing Finance Specialist Glori Inafuku presented the For Action, stating staff’s recommendation for the Board’s consideration:

That the HHFDC Board of Directors approve the following:

- A. Approve the amendments to the Housing Trust Fund (HTF) Allocation Plan, subject to public comments; and
- B. After public comments, authorize the Executive Director to approve the Program Year (PY) 2021 HTF Allocation Plan provided that no substantive amendments are required; and
- C. Authorize the Executive Director to take all actions necessary to effectuate the purposes of this For Action.

Director Kahele moved, seconded by Vice Chair Mackler

That staff’s recommendation be approved.

Based on discussions with county housing agencies and identified program challenges, the following amendments to the HTF Allocation Plan are being proposed as follows:

- Revise the Program Year (PY) 2021 (correction noted on page 3, under section F., of the For Action) distribution of HTF funds to exclude the City

**III.C.
DISCUSSION
AND/OR
DECISION
MAKING**
Approve the
Program Year 2021
Allocation Plan for
the U.S. Department
of Housing and
Urban
Development’s
National Housing
Trust Fund Program

and County of Honolulu from the PY2021 allocation, allowing the City to increase its capacity to administer its HTF program; and

- Revise the HTF maximum per unit development subsidy limits which are: (amounts listed below reflect U.S. Department of Housing and Urban Development’s (HUD’s) 2020 Total Development Cost limits)

Bedrooms	HTF Program Maximum Per-Unit Subsidy Limit
0	\$187,596
1	\$262,635
2	\$337,673
3	\$450,231
4+	\$562,789

Although in favor of staff’s recommendation, Director Atta inquired about the reasons why the City is challenged in utilizing such federal funding. Inafuku stated that some of the challenges are attributed to the program being new, resulting in fewer applications and challenges in meeting the program’s stringent requirements, such as the 30 percent area median income target.

In response to Vice Chair Mackler, Inafuku confirmed that the City and County of Honolulu has accepted the proposed 2021 distribution plan.

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

Development Section Chief Dean Minakami presented the For Action, stating staff’s recommendation for the Board’s consideration:

That the HHFDC Board of Directors authorize the HHFDC Executive Director to enter into a Memorandum of Understanding (MOU) with the Natural Energy Laboratory of Hawaii Authority (NELHA), and the Department of Hawaiian Home Lands (DHHL), substantially as described in this For Action, subject to the following:

- A. HHFDC And NELHA will allocate approximately 18,077 gallons per day to DHHL at no charge to DHHL.
- B. The water allocated to DHHL will be taken from both HHFDC and NELHA’s share of Ota Well’s production as water credits for 30.13 equivalent units in proportion to the cost contributed to the development of the Ota Well by both HHFDC and NELHA, based upon 600 gallons per day of maximum-day demand per EU, following successful dedication of the well to Department of Water Supply (DWS).
- C. DHHL will not be obligated to contribute to the financing of Ota Well.
- D. HHFDC and NELHA do not warrant or guarantee that Ota Well will be successful, nor that funding for completion of the Project is guaranteed, and reserves the right to abandon the Ota Well project at any time, at either parties sole discretion, for any reason including but not limited to the following:
 - 1. The Construction/Pump Installation Permits for Ota Well are not approved by Commission on Water Resource Management (CWRM);
 - 2. The exploratory well reveals that there is insufficient yield to warrant proceeding with development of a production well;

III.D.
DISCUSSION
AND/OR
DECISION
MAKING
Approve a Memorandum of Understanding Between the Hawaii Housing Finance and Development Corporation, the Natural Energy Laboratory of Hawaii Authority, and the Department of Hawaiian Home Lands for an Allocation of Potable Water from Ota Well for the Kamakana Villages at Keahuolu Project Located in Keahuolu, North Kona, TMK Nos.: (3) 7-5-001: 165; (3) 7-4-021: 020, 024, 028 to 041, and 044 to 049

3. The cost of the exploratory and/or production wells and dedication to DWS are deemed to be infeasible or unjustifiable for the yield at Ota Well; or
 4. DWS does not accept dedication of Ota Well
In the event the Ota Well is abandoned, HHFDC and NELHA will have no further obligation to DHHL.
- E. DHHL shall use its best efforts to support any entitlements and approvals necessary to development, test, and dedicate Ota Well to DWS.

Director Kahele moved, seconded by Director Fukumoto

That staff's recommendation be approved.

Minakami stated that in a letter to the CWRM, dated December 20, 2018, on Ota Well's permit application, DHHL requested a reservation of approximately 18,077 gallons of water from the Keauhou Aquifer System Area, per day, be provided by Ota Well to DHHL as credits following successful dedication of the well to DWS or that the application be referred to the full Commission for decision-making. If the application is referred to the full Commission, a contested case hearing could result. Based on the Ota Well Environmental Assessment, the cost to provide 18,077 gals of water is about \$250,000. The NELHA Board of Directors and Water Commission have authorized the respective agencies to enter into the requested MOU.

The well construction permit application for the Ota Well is scheduled to be heard by the Commission on October 20, 2020.

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

Vice Chair Mackler asked for the estimated number of units that the 18,077 gallons per day would support. Minakami stated that based on the County of Hawaii standards, roughly 30 units.

There being no further discussion, 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 amendments to and compilation of Chapter 15-307, Hawaii Administrative Rules (HAR), subject to the Governor's approval, and authorize the Executive Director, or designated representative(s), to conduct a public hearing on the adoption of said amendments to and comp
- B. Authorize the Executive Director to make any necessary non-substantive amendments to the draft rule amendments following the public hearing; and
- C. Subsequent to the public hearing, authorize the Executive Director to transmit Chapter 15-307, HAR, as amended and compiled, to the Governor for final approval if no additional substantive amendments are required.

Director Kahele moved, seconded by Director Atta

III.E. DISCUSSION AND/OR DECISION MAKING

Approve Proposed Amendments to and Compilation of Chapter 15-307 "State-Assisted Land and Housing Development," Hawaii Administrative Rules, to Repeal Provisions related to County Advisory Committees, and to Make Other Conforming, Housekeeping, and Technical Amendments

That staff's recommendation be approved.

Masaki stated that Chapter 15-307, HAR governs most of HHFDC's development program. The proposed rule amendments are needed to: (1) separate the lease program rules into a separate chapter; (2) delete obsolete language and exempted starter homes from compliance with county design and construction standards; and (3) delete obsolete references to County Public Advisory Committees. The proposed amendments to and compilation of Chapter 15-307 was approved as to form by the HHFDC's Deputy Attorneys General on August 27, 2020.

Masaki noted a correction on page 1, under section II. B. of the For Action, which should read as follows: ". . . as Chapter 15-308, "State Assisted ~~Real Estate Services~~ Sale and Lease Program," HAR"

The next steps in the rulemaking process were referenced. Should there be the need to make substantive amendments to the proposed rule amendments at any step of the rulemaking process, staff will return to the Board for further discussion and approval.

Masaki opened for questions, along with Development Branch Chief Deepak Neupane.

There being no questions, the motion was carried unanimously.

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

That the HHFDC Board of Directors:

- A. Approve proposed Chapter 15-308, 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 15-308, HAR;
- B. Authorize the Executive Director to make any necessary non-substantive amendments to the draft rule following the public hearing; and
- C. Subsequent to the public hearing, authorize the Executive Director to transmit proposed Chapter 15-308, HAR, to the Governor for final approval if no additional substantive amendments are required.

Director Kahele moved, seconded by Director Atta

That staff's recommendation be approved.

Masaki stated that Act 159, Session Laws of Hawaii 2017, as amended by Act 65, Session Laws of Hawaii 2018, gave qualified nonprofit housing trusts the ability to exercise HHFDC's buyback rights with opts out. To implement Act 159, HHFDC must amend the existing sale's program provisions that are currently in Chapter 15-307, Hawaii Administrative Rule. The adoption of the new Chapter 15-308 will have to take place concurrently with proposed amendments to Chapter 15-307, repealing the same provisions so there is no gap between the two rulemaking actions. Proposed amendments incorporate comments made by various nonprofit organizations that promote homeownership for first-time homebuyers.

Masaki noted a correction on page 1, under section II. C. of the For Action, which should read as follows: ". . . as Chapter 15-308, "State Assisted ~~Real Estate Services~~ Sale and Lease Program."

III.F. DISCUSSION AND/OR DECISION MAKING

Approve Proposed Chapter 15-308 "State Assisted Sale and Lease Program," Hawaii Administrative Rules, to the Corporation's Sales Program from Chapter 15-307, Hawaii Administrative Rules to a New Chapter; and to Implement Act 159, SLH 2017, as Amended by Act 65, SLH 2018, to Set Forth Parameters for Qualified Nonprofit Housing Trusts to Exercise the Corporation's Buyback Rights When the Corporation Opts Out of Them; to Broaden Circumstances Under Which Homeowners May Finance Their Affordable Homes, and to Make Other Clarifying and Housekeeping

Masaki and Neupane were made available for questions.

Amendments

Director Atta inquired about the deletion of section 15-308-130, which gives the right to a contested case hearing if the owner disagrees with HHFDC's determination on a waiver request, on Exhibit B, page 5 of the For Action. Neupane stated because the situation could be advocated on an administrative level, there is no need for a contested case hearing, and is therefore, being omitted.

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

Executive Director Denise Iseri-Matsubara expressed her gratitude for the Board's support for filling the Executive Assistant position. She stated that Mr. Francis Keeno was hired and shared his work experience from working at the various State and County offices.

Keeno expressed his gratitude and appreciation for the leadership and staff at HHFDC and looked forward to contributing and assisting in the agency's efforts.

In reference to Exhibit A, Financial Status of Major Development and Finance Branch Programs report, Executive Director Iseri-Matsubara stated that the report reflects the high demand for its DURF and RHRF funds, showing a net available balance of \$403,862 for DURF and a negative \$202 million for the RHRF. She further noted that the RHRF negative balance does not include the \$250 million in GO Bond proceeds that was recently approved by the Governor and is anticipated to be received within the next couple of weeks to fulfill current commitments.

In reference to Vice Chair Mackler's inquiry raised at the September 9, 2020 Board Meeting, a list of 9% LIHTC awarded projects eligible to request a qualified contract was distributed to the Board. Executive Director Iseri-Matsubara noted that there is an extended use provision and declaration for the LIHTC.

Vice Chair Mackler thanked Executive Director Iseri-Matsubara and Sakata for putting together the list and providing the information, stating that the reason for his request was due to his concern of preserving affordable housing inventory through the extended use period and considering which projects could potentially opt out at some point.

In reference to the Development Branch Monthly Status Report, Executive Director Iseri-Matsubara stated that HHFDC is working with the State Historic Preservation Division (SHPD) and Governor's Office on Hawaii Revised Statutes 6E-8 requirement of an archaeological mitigation plan approved by SHPD, which will inordinately delay, if not terminate, the Kaiaulu O Kuku'ia project in the Villages of Leialii, in Lahaina, Maui, since the Project's RHRF appropriation has a completion deadline of 2022.

Regarding oral testimony provided by Mr. Hernandez on the Rent Relief Program, Executive Director Iseri-Matsubara reported that Catholic Charities informed her that it was incorrect information submitted by the applicant on its application being the reason for the delay of payment. Therefore, providing correct information on the landlord verification form is an important and critical component in order to process applications for payment.

Executive Director Iseri-Matsubara suggested that a motion be entertained to go into executive session, pursuant to Chapter 92-5(a)(4), to consult with the board's attorney on questions and issues pertaining to the board's duties and liabilities on the Rent Relief Program.

Director Fukumoto moved, seconded by Director Atta

IV. OVERVIEW OF THE EXECUTIVE DIRECTOR

**EXECUTIVE
SESSION**
9:56 a.m.

That the Board convene in executive session at 9:56 a.m.

The motion was carried unanimously.

The Board reconvened in regular session at 10:41 a.m.

There being no further business on the agenda, Director Kahele moved, seconded by Director Fukumoto, to adjourn the meeting at 10:42 a.m.

V.
ADJOURNMENT
10:42 a.m.

Rona Fukumoto

RONA FUKUMOTO
Secretary