

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

September 9, 2021

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, September 9, 2021 at 9:00 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 Sean Sasaki
Director Kymberly Sparlin
Designee Gloria Chang for Director Craig Hirai (arrived at 9:01 a.m.)

~~Interim~~ Executive Director Denise Iseri-Matsubara

**Amended
10/14/21**

Excused: Director Mike McCartney

Staff: Sandra Ching, Deputy Attorney General
Ciara Kahahane, Deputy Attorney General
Francis Keeno, Executive Assistant
Janice Takahashi, Chief Planner
Darren Ueki, Housing Finance Manager
Dean Minakami, Development Branch Chief
Randy Chu, Development Section Chief
Carianne Abara, Development Support Section Chief
Holly Osumi, Chief Financial Officer
Christopher Woodard, Real Estate Portfolio Manager
Lorna Kometani, Sales & Counseling Section Chief
Christopher Oakes, Housing Finance Specialist
Jocelyn Iwamasa, Housing Finance Specialist
Glori Ann Inafuku, Housing Finance Specialist
Mark Ogata, Housing Finance Specialist
Melissa Loy, HHFDC Corporate Controller
Gayle Nishimoto, Project Resource Specialist
Stan Fujimoto, Housing Development Specialist
Cheryl Kajitani, Housing Development Specialist
Leo Domingo, Housing Development Specialist
Lisa Wond, Planner
Mavis Masaki, Planner
Keri Higa, Planner
Gordon Pang, Housing Information Officer
Marc Orbito, Information Technology Systems Analyst
Esa Pablo, Secretary to the Board

Guest: Salvatore Ingrao, Retirement Housing Foundation

Chair Mende asked if there were any who wished to provide oral testimony on any agenda item. There being none, Chair Mende proceeded to the Approval of the Minutes.

(Designee Gloria Chang arrived at this time – 9:01 a.m.)

Director Kahele moved, seconded by Director Reimann, to approve the Regular Meeting Minutes of August 12, 2021.

The motion was carried unanimously.

Director Sparlin moved, seconded by Director Kahele, to approve the meeting minutes of the Executive Sessions held on August 12, 2021.

The motion was carried unanimously.

Director Kahele moved, seconded by Director Reimann to approve staff's recommendation.

Housing Finance Specialist Jocelyn Iwamasa presented the For Action, requesting an increase to the intended issuance amount of the Hula Mae Multi-Family (HMMF) Bonds and Low Income Housing Tax Credit (LIHTC) Reservation for the Pauahi Kupuna Hale Project. Increases were primarily attributable to the required addition of the replacement of windows as part of the rehabilitation for the Pauahi Kupuna Hale Project, cost inflation, as well as financing and syndication costs due to the increases in the bond amount. With the new minimum 4% Housing Credit Rate, the Project qualifies for additional tax credits and is able to include the replacement of the windows.

Vice Chair Mackler asked whether there would be a depository account for the net sales proceeds and guidance on how those proceeds can be used in the future to benefit the project. Iwamasa and Mr. Salvatore Ingrao responded in the affirmative, with Ingrao stating that the reserve account would also include any proceeds that pay down the seller's note to be used when needed for the benefit of the project.

Chair Mende inquired about the estimated construction timeline. Ingrao stated that they are on track and anticipated to close in November 2021.

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

Vice Chair Mackler moved, seconded by Director Reimann, to approve staff's recommendation.

Housing Development Specialist Stan Fujimoto presented the For Action, proposing a budget increase of \$60,000 from the Dwelling Unit Revolving Fund (DURF) to a total of \$4,310,000 based on a proposal received from Engineering Partners, Inc. for an onsite master plan and preliminary engineering study of the HHFDC project site of Village 9 (Lot 4-D) at the Villages of La`i`opua at Kealakehe, to develop a site and mass grading plan to determine the number of rental units that could conceptually be built at the HHFDC project site.

There being no questions, the motion was carried unanimously.

**II.A.
APPROVAL
OF MINUTES**
Regular
Meeting
8/12/21

**II.B.
APPROVAL
OF MINUTES**
Executive
Sessions
8/12/21

**III.A.
DISCUSSION
AND/OR
DECISION
MAKING**
Approve: (1)
Resolution No. 161,
Which Amends
Resolution No. 150
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
Pauahi Kupuna Hale
Project Located in
Honolulu, Oahu,
TMK No.:
(1) 1-7-003: 038

**III.B.
DISCUSSION
AND/OR
DECISION
MAKING**
Approve an Increase
to the Budget from
the Dwelling Unit
Revolving Fund for
a Site Study of the
Hawaii Housing
Finance and
Development
Corporation Project
Site at Village 9 of
the Villages of
La`i`opua at
Kealakehe, North
Kona, Hawaii, TMK
No.: (3) 7-4-020: 004

(por.)

Vice chair Mackler moved, second by Director Reimann, to approve staff's recommendation.

Development Support Section Chief Carianne Abara presented the For Action, requesting approval of the Memorandum of Agreement (MOA) with the Villages of Kapolei Association to establish a framework to transfer maintenance responsibilities from HHFDC to the Villages of Kapolei Association (Association). The MOA is currently under the Association's review with implementation of improvement costs estimating \$15 million.

Abara stated the responsibility for repair and maintenance of the perimeter wall is believed to lie within the adjacent homeowner or a sub-association; not with HHFDC, which is a point of contention with the Association and is being deliberated among the Association attorney and HHFDC's Department of Attorney General.

Total cost impacts are unknown at this time and any proposed budget amendments or infrastructure dedications with the City and County of Honolulu will be addressed in a future For Action request.

Vice Chair Mackler inquired about the Association's use of the vacant parcel located at 91-1115 Kama`aha Loop. In discussions with the Association, Abara stated that there were indications that the parcel would be used for office maintenance expansion.

Vice Chair Mackler asked how was the estimated \$15 million for implementation of the improvements derived. Abara stated that it is an estimated number based on the items the Association is requiring HHFDC to rehabilitate prior to dedication.

Director Sparlin asked what is the annual maintenance that HHFDC currently pays. Abara stated that HHFDC currently spends approximately \$1.14 million, of which approximately \$355,000 a year would be the Association's responsibility once dedicated.

Director Sparlin stated that she does not believe this is HHFDC's mission and hopes the issue is addressed to ensure this situation does not happen again.

In response to Chair Mende, Abara confirmed that the \$15 million did not include costs for the perimeter walls.

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

Director Kahele moved, seconded by Director Fukumoto, that staff's recommendation be approved.

Planner Mavis Masaki presented the For Action, stating that HHFDC received two written comments on Chapter 15-307, Hawaii Administrative Rules (HAR) by way of a public hearing. Staff is proposing to amend sections 15-307-26 and 15-307-27, HAR, to incorporate updated language on how developers should specify their use on natural resources and energy-conserving devices in their project proposals as provided by the Hawaii State Energy Office.

There being no questions, the motion was carried unanimously.

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

Approve a Memorandum of Agreement with the Villages of Kapolei Association for the Conveyance of Common Area Lots and Maintenance Responsibilities of Landscaped Areas Within the Roadway Lots at the Villages of Kapolei, Kapolei, Oahu, Hawaii, TMK Nos.: (1) 9-1- (various)

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

Approve the Revisions to the Proposed Amendments to and Compilation of Chapter 15-307 "State-Assisted Land and Housing Development Program," Hawaii Administrative Rules, Based on Public Hearing

Comments Relating to a Development's Natural Resources and Energy Conserving Devices

Director Sparlin moved, seconded by Director Kahele, to approve staff's recommendation.

Masaki presented the For Action, stating that at a public hearing, HHFDC received comments on Chapter 15-308, HAR, of which included to accept public comment relating to the definition of "asset," by excluding, but not limited to, personal property, qualified retirement accounts, health savings accounts, and qualified retirement programs; and removing a proviso that would restrict HHFDC's authority to consent a homeowner's refinancing in section 15-308-83(c). Staff did not suggest accepting the remainder of public comments received relating to, but not limited to, the definition of "unit," "qualifying resident," nonprofit housing trusts resale formulas, and 201H restrictions.

There being no questions, the motion was carried unanimously.

Director Kahele moved, second by Director Reimann, to approve staff's recommendation.

Masaki presented the For Action, stating that Chapter 15-306, HAR, governs the General Excise Tax Exemption Program, which may be provided for allowable construction, development, and financing costs associated with the construction or moderate or substantial rehabilitation of eligible housing projects. These projects may include incidental or "de minimis non-residential uses," which are allowable costs for GET exemption purposes.

Masaki stated that with the increase in mixed-use residential projects, proposed amendments to add two new definitions for "de minimis non-residential uses," non de minimis "development cost" and "used area," to Chapter 15-306, HAR, are necessary to provide a developer with guidance and a uniform method to calculate allowable costs for non-residential uses in an eligible housing project.

The Department of Taxation's Rules Office has reviewed the proposed amendments and did not have any suggested changes, deferring to the HHFDC Board's decision.

There being no questions, the motion was carried unanimously.

Vice Chair Mackler thanked and expressed his appreciation to Ms. Mavis Masaki, Mr. Dean Minakami, and Ms. Janice Takahashi for their work on the Administrative Rules.

Planner Lisa Wond presented the For Information, summarizing the activities and progress made in administering the HOME, National Housing Trust Fund, Emergency Solutions Grant, and the Housing Opportunities for Persons with AIDS programs reported through HUD's required Consolidated Annual Performance and Evaluation Report (CAPER) for Program Year (PY) 2020 (July 1, 2020 to June 30,

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

Approve the Revisions to Proposed Chapter 15-308 "State Assisted Sale and Lease Program," Hawaii Administrative Rules, Based on Public Hearing Comments Relating to the Definition of "Asset," Exclusions from the Asset Limit, and Broadening the Allowable Grounds for Consenting to Additional Financing

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

Approve Proposed Amendments to and Compilation of Chapter 15-306 "General Excise Tax Exemptions," Hawaii Administrative Rules, to Add New Definitions for "De Minimis Non-Residential Uses," "Non De Minimis Use Area," and Non De Minimis Development Cost" and to Make Other Conforming, Housekeeping, and Technical Amendments

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

Information on the

2021). During PY 2020, HHFDC elected not to award the National Housing Trust Fund to the City and County of Honolulu (City), due to the City's challenges in meeting program requirements and allowing the City time to build its capacity to administer the program. The full CAPER was noted to be available for the Board's review upon request.

There being no questions, the motion was carried unanimously.

Housing Finance Specialist Chris Oakes provided an overview of the Finance Branch Program Rules Subcommittee report, summarizing the Subcommittee's findings and recommendations (Attachment A).

Executive Director Iseri-Matsubara noted a correction on page 2, item 1., last sentence, which should read: "The only change being proposed is to the one-time bond issuance fee from a fixed amount of \$50,000 to a percentage of the total bond issuance amount equaling ½% (0.5%) or \$100,000, whichever is ~~greater~~ less."

Vice Chair Mackler suggested that a minimum floor of \$50,000 be established.

Oakes concurred, stating that the intention was to make it equitable for smaller projects; however, the \$50,000 minimum can be included in the process going forward.

Vice Chair Mackler thanked Oakes for his work.

Chair Mende asked what the next steps would be. Oakes stated that the draft Administrative Rules are anticipated to be presented to the Board in October 2021, with a Public Hearing on the proposed Rules in November 2021, and the Board's final approval of the Rules in December 2021, in hopes to implement the Rules for the 2022/2023 Consolidated Application funding rounds.

In response to Deputy Attorney General Sandra Ching, Oakes concurred that approval of the Subcommittee's recommendations present today will be taken at the October 14, 2021 Board of Directors Meeting, followed by the approval of the draft Rules.

Vice Chair Mackler asked when the deadline for the 2022/2023 Consolidated Applications is. Oakes stated that applications are anticipated to be available in December 2021, with an application deadline in mid-February 2022.

There being no further questions, Chair Mende proceeded to the Report of the Executive Director.

In previous discussions with the Board at its August 12, 2021 Meeting regarding Private Activity Bond Cap, Executive Director Iseri-Matsubara stated that HHFDC anticipates closing out the 2021 funding round with remaining applicants encouraged to apply for the next funding round in 2022.

Executive Director Iseri-Matsubara reported that since its submittal of Hawaii's Homeowner Assistance Fund (HAF) Plan to the Department of Treasury (Treasury) in August 2021, the HAF Plan has been posted on the HHFDC's website as well as the National Council for State Housing Agency's website and is awaiting approval from the Treasury. The state's award is the minimum amount of \$50 million, which includes an initial allocation of \$5 million deployed to the counties of Hawaii and Kauai, who volunteered to do a pilot program anticipated to begin in October/November 2021.

In response to complaints relating to the traffic hazard created by the Poi Factory in Waiahole, Executive Director Iseri-Matsubara stated that HHFDC development branch staff presented traffic mitigation measures to the Neighborhood Board

Meeting held last night, with short term solutions for parking being limited due to zoning challenges and denial of a permit for off-site parking on HHFDC vacant lots by the City and County of Honolulu. An exception to HHFDC's subleasing policy is being explored.

With no further discussion and business on the agenda, Director Kahele moved, seconded by Director Sparlin, to adjourn the meeting at 9:57 a.m.

VI.
ADJOURNMENT
9:57 a.m.

Rona Fukumoto

RONA FUKUMOTO
Secretary