

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

November 18, 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, November 18, 2021 at 9:00 a.m.

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

With a quorum present, Vice Chair Gary Mackler called the meeting to order.

Those present and excused were as follows:

Present: Director Donn Mende, Chair
Director Gary Mackler, Vice Chair
Director Robert Van Tassell
Director Carol Reimann
Director Melvin Kahele
Designee Gloria Chang for Director Craig Hirai
Director Mike McCartney (arrived at 9:01 a.m.)

Executive Director Denise Iseri-Matsubara

Excused: Director Sean Sasaki
Director Kymberly Sparlin

Staff: Sandra Ching, 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
Holly Osumi, Chief Financial Officer
Christopher Woodard, Real Estate Portfolio Manager
Christopher Oakes, Housing Finance Specialist
Mark Ogata, Housing Finance Specialist
Jay Nakamura, Housing Finance Specialist
Sun-Ik Ham, Housing Finance Specialist
Melissa Loy, HHFDC Corporate Controller
Gayle Nishimoto, Project Resource Specialist
Stan Fujimoto, Housing Development Specialist
Cheryl Kajitani, Housing Development Specialist
Lorna Kometani, Sales & Counseling Section Chief
Gordon Pang, Housing Information Officer
Marc Orbito, Information Technology Systems Analyst
Esa Pablo, Secretary to the Board

Guest: Andrew Reenders, CBRE
Tim Flint, CBRE
Douglas Bigley, UHC LLC
Tom Fischer, UHC LLC
Mig Saenz, Ikaika Ohana
Patti Barbee, HCDB

(Director Mike McCartney arrived at this time – 9:01 a.m.)

Vice Chair Mackler asked if there was anyone who wished to provide public testimony. There being none, Vice Chair Mackler proceeded to the Approval of Minutes.

Director Kahele moved, seconded by Director Reimann, to approve the Regular Meeting Minutes of October 14, 2021.

The motion was carried unanimously.

Vice Chair Mackler opened the floor for nominations.

Chair Mende moved, seconded by Director Reimann, to nominate Director Robert Van Tassell as the Board’s Secretary.

There being no objections, the motion was carried unanimously.

Vice Chair Mackler welcomed Director Van Tassell and thanked him for serving as the Board’s Secretary.

Director Van Tassell thanked the Board, stating that it is an honor and privilege to be able to serve the community in this capacity and looked forward to serving with the Board and HHFDC staff.

Director McCartney moved, seconded by Director Reimann, that staff’s recommendation be approved.

Housing Finance Specialist Christopher Oakes welcomed Director Van Tassell aboard and presented the For Action, stating the approval dates of public hearings and subsequent amendments to the 2022/2023 Qualified Allocation Plan (QAP).

Oakes noted a correction to page 2 of the For Action, under section III.E., that should read as follows:

“The tentative timeline of events for applications of 2022 federal and state 9% Low Income Housing Tax Credit (LIHTC) (~~volume cap~~) is projected as follows:

December 17, 2021	Applications Available
February 16, 2022	Applications Due: 9% LIHTC (volume cap)
June 9, 2022	Present 9% Recommendations to the Board
July 14, 2022	Present 4% Recommendations to the Board

~~Applications for federal and state 4% LIHTC (non-volume cap) will be accepted throughout the year.”~~

There being no questions, the motion was carried unanimously.

Director Kahele moved, seconded by Director Chang, that staff’s recommendation be approved.

Oakes presented the For Action, stating that Fiscal Year 2022 requests for the LIHTC (both 9% and 4%) program, Hula Mae Multi-Family (HMMF) Bond, and the Rental Housing Revolving Fund is anticipated to be due on February 16, 2022, with recommendations to the Board being presented in June – August 2022.

There being no questions, the motion was carried unanimously.

**II.A.
APPROVAL
OF MINUTES**

Regular
Meeting
10/14/21

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

Nomination and
Election of Successor
Officer(s) due to the
Hawaii Housing
Finance and
Development
Corporation’s
Secretary Vacancy

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

Approve the 2022/
2023 Qualified
Allocation Plan for
the Low Income
Housing Tax Credit
Program

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

Approve the Fiscal
Year 2022
Application Cycle for
the Low Income
Housing Tax Credit
Program and the
Rental Housing
Revolving Fund

Director Reimann moved, seconded by Director Kahele, that staff’s recommendation be approved.

Oakes stated that Resolution No. 164, provides for official intent with respect to the issuance of revenue bonds of up to \$83,625,000 for the Kaiāulu o Kūku`ia Apartments Project located in Lahaina, Maui.

On behalf of the development team, Mr. Douglas Bigley and Mr. Tom Fischer, presented a PowerPoint presentation ([Attachment A](#)) on the project. Bigley noted that due to the unstable market, construction costs are challenging as well as labor workers.

Director Kahele asked whether local labor will be used. Bigley responded in the affirmative.

In reference to the proposed Project Budget and Use of Funds table on page 5 of the For Action, under section III.E. Construction – Sitework, Director Van Tassell asked what the average sitework percentage for a typical project is. Bigley stated that the sitework percentage is typically within the 14% - 15% range.

Director Van Tassell commented on the Project’s per unit cost of approximately \$750,000 being on the high end and asked what the average total development cost on a per unit basis is. Executive Director Iseri-Matsubara stated that staff will report back to the Board.

Vice Chair Mackler asked that staff include sitework plans within the For Actions going forward in regard to constraints on density and sitework costs.

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

Director McCartney moved, seconded by Director Reimann, that staff’s recommendation be approved.

Oakes stated that this For Action seeks approval for a RHRF Award Loan of \$37,000,000 to A0703 West Maui, L.P. for the benefit of the Kaiāulu o Kūku`ia Apartments Project. Recommended loan terms were noted with a maturity term of 55 years.

There being no question, the motion was carried unanimously.

This agenda item was taken out of order to follow after the presentation of agenda item I.

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

Approve: (1) Resolution No. 164, 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 Kaiāulu o Kūku`ia Apartments Project Located in Lahaina, Maui, TMK No.: (2) 4-5-021: 041 (por.)

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

Approve a Rental Housing Revolving Fund Project Award for the Kaiāulu o Kūku`ia Apartments Project Located in in Lahaina, Maui, TMK No.: (2) 4-5-021: 041 (por.)

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

Further Discussion on the State’s Private Activity Bond Cap and the Impact on the Hula Mae Multi-Family Tax-Exempt Revenue Bond Program

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

Real Estate Portfolio Manager Chris Woodard stated that HHFDC has a portfolio of 32 multi-family projects where HHFDC either owns the land in fee simple (27 projects) or has a set aside through executive order (5 projects), which has continued to grow. When combined with other real property agreements, there will be a total of 46 real property agreements over the next several years. The multi-family projects are subject to long-term ground leases. Most are at \$1.00 per year rent to ensure that the projects were financially feasible and maximize the number of affordable units that could be constructed and preserved on the various sites.

Woodard stated that with the sale of the Rental Housing System portfolio, inevitable aging of such projects requiring rehabilitation, and dissolution of its Hawaii Rental Housing System Revenue Bond Fund, the Dwelling Unit Revolving Fund (DURF) is now burdened with additional ongoing administration and operating costs. By charging a nominal ground rent that is greater than \$1.00 a year, HHFDC can generate predictable, recurring cash flows to help pay for such costs.

Staff estimates that personnel costs and overhead relating to lease administration activities will total approximately \$440,000 during Fiscal Year 2022, or an annual cost of \$9,562 per lease.

Woodard asked that discussion on how HHFDC arrived at the annual cost of \$9,562 per lease and the negotiation of real property transactions for leases going forward be discussed in executive session.

Director Van Tassell moved, seconded by Director Kahele, to convene in executive session pursuant to Section 92-5(a)(3), Hawaii Revised Statutes (HRS), to deliberate concerning the authority of persons designated by the board to negotiate the acquisition of public property, or during the conduct of such negotiations; and Section 92-5(a)(4), HRS, to consult with the board 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 9:58 a.m.)

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

Woodard summarized the key terms and conditions of the proposed policy relating to: (1) cancelation of lease and execution of a new lease; (2) substantial rehabilitation; (3) affordability; (4) maximum term; (5) annual base rent; (6) lease premium; and (7) rehabilitation monitoring.

In reference to page 3 of the For Action, under section III. C.5., Annual Base Rent, Vice Chair Mackler asked if a project was unable to absorb annual rent increases, would the lessee be able to seek relief and adjust the amount. Woodard responded in the affirmative, stating that the executive director would have the discretion to enter into those transactions or projects would be taken to the Board for any exception to the proposed policy.

In reference to page 3 of the For Action, under section III. B.6., Lease Premium, Vice Chair Mackler asked for the reason of the broad language of allowing the lease premium to be adjusted upwards at the discretion of the executive director. Woodard explained that the intent is to cover any third-party costs that may be incurred in monitoring the renovation monitoring program.

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

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

Approve a Policy for the General Terms and Conditions of Ground Lease Extensions for Affordable Multi-family Rental Housing Projects Located on Land Owned by or Set Aside to the Hawaii Housing Finance and Development Corporation

**EXECUTIVE
SESSION**

9:58 a.m.

RECONVENED

10:10 a.m.

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

Woodard stated that staff is requesting approval of the publication of a leasehold sale request for proposals (RFP) for the Kulia I Ka Nuu Affordable Housing Project due to the project's historical struggle to generate positive cash flow and the belief that a private party that offers on-site support services would more effectively own and operate the project and the Waianae community. Key Lease terms are as follows, and proposals will be evaluated on a maximum 110 point criteria:

Lease Term	75 years
Lease Premium	To be proposed by offeror
Annual Lease Rent	\$10,000, increasing by 3% per annum
Affordability Set-Aside	100% of the rentable units at up to 60% AMI

In regard to the Resource Center being leased to Alternative Structures International d.b.a. Kahumana Community (Kahumana) in 2019, Woodard stated that Kahumana has now elected to not proceed with that ground lease and instead take a long-term space lease for the kitchen and adjoining room due to concern about the long-term commitment and capital costs involved for the entire building.

Woodard stated that CBRE was hired to prepare a broker's opinion of value to provide HHFDC an estimate of the property's worth, subject to the 60% AMI affordability restriction, as well as market the property for sale. The requested DURF funds to pay CBRE's sales commission (4% of the leasehold sales price) will ultimately be paid through the sale proceeds. Award of the RFP will be subject to the Board's approval.

Woodard suggested that the board enter into executive session to discuss CBRE's valuation.

Director Van Tassell recused himself from this agenda item, executive session, and in the vote.

Director Kahele moved, seconded by Chair Mende, to convene in executive session pursuant to Section 92-5(a)(3), HRS, to deliberate concerning the authority of persons designated by the board to negotiate the acquisition of public property, or during the conduct of such negotiations; and Section 92-5(a)(4), HRS, to consult with the board 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, with Director Van Tassell recusing himself.

(The Board convened in executive session at 10:32 a.m.)

(The Board convened in regular session at 10:56 a.m.)

Woodard continued with his presentation, reading staff's recommendation.

There being no further discussion, the motion was carried, with the recusal of Director Van Tassell.

Sales & Counseling Section Chief Lorna Kometani noted a correction to Exhibit A, under Part II – Computation of SAE payment with 12% Interest of the For Information, to read as follows:

PLUS: Simple interest of 12% on \$33,000 for 1 year	= \$3,960
TOTAL AMOUNT DUE TO THE HHFDC:	= \$36,960

Kometani stated that HHFDC's Shared Appreciation Equity (SAE) program

III.H. DISCUSSION AND/OR DECISION MAKING
Approve: (1) the Publication of a Leasehold Sale Request for Proposals; and (2) the Establishment of a Dwelling Unit Revolving Fund Budget for the Kulia I Ka Nuu Affordable Housing Project Located in Waianae-Kai, Waianae, Oahu

EXECUTIVE SESSION
10:32 a.m.

RECONVENED
10:56 a.m.

III.I. DISCUSSION AND/OR DECISION MAKING
Information on the Hawaii Housing Finance and Development Corporation's Shared

continues to generate revenue for the DURF.

An estimated \$9,389,285 in SAE payments are expected from the 310 affordable unit owners of the Central Ala Moana project, equating an average of about \$30,000 per unit in SAE payments. The project was built pursuant to Chapter 201H, HRS and did not receive any assistance from the agency.

An estimated \$658,030 in SAE payments are expected from the 29 affordable unit owners of the Block 803 Waimanu project, equating an average of about \$23,000 per unit in SAE payments; and does not include SAE from 48 units that are yet to be sold. The Board approved an interim DURF loan of up to \$9.15 million.

Vice Chair Mackler asked if the SAE restrictions are in perpetuity on such affordable units. Kometani responded in the affirmative, stating that the SAE runs with the land until the HHFDC releases the obligation.

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

Director Reimann moved, seconded by Director Kahele, to convene in executive session pursuant to Section 92-5-(a)(4), HRS, to consult with the board 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 convene in executive session at 11:01 a.m.)

(The Board reconvene in regular session at 11:26 a.m.)

Executive Director Iseri-Matsubara stated that the City and County of Honolulu (City) has declined their \$29 million allocation in Homeownership Assistance Funds (HAF), of which HHFDC will now administer. HHFDC is awaiting Treasury’s approval of its HAF Plan submitted in August 2021, to receive the funds and implement the HAF program.

Chief Planner Janice Takahashi provided an update on the HAF Pilot programs launched on November 15, 2021, by the Counties of Hawaii and Kauai.

Takahashi stated that an RFP to administer the City’s HAF allocation was published on November 15, 2021. A Pre-Proposal Conference is scheduled this afternoon with interested parties.

Executive Director Iseri-Matsubara thanked Development Branch Chief Dean Minakami, Development Section Chief Randy Chu, and their development team for their work on the following RFPs:

1. 690 Pohukaina – the RFP was issued yesterday and solicits for a developer to establish a site plan for the parcel, calling for both housing and school/education components. HHFDC will be working closely with the Department of Education.
2. Northwest Corner – the RFP is anticipated to be issued in the 1st Quarter of

Appreciation Equity (SAE) Program for The Central Ala Moana and The Block 803 Waimanu Projects

III.F. DISCUSSION AND/OR DECISION MAKING

Further Discussion on the State’s Private Activity Bond Cap and the Impact on the Hula Mae Multi-Family Tax-Exempt Revenue Bond Program

EXECUTIVE SESSION
11:01 a.m.

RECONVENED
11:26 a.m.

IV. OVERVIEW OF THE EXECUTIVE DIRECTOR

2022 for the solicitation of a mixed-used development pending sewer capacity information from the City.

3. Kahului Civic Center – the RFP is anticipated to be issued by the 2nd Quarter of 2022 for the solicitation of a mixed-used development of approximately 300 homes, in collaboration with the Department of Accounting and General Services.

Executive Director Iseri-Matsubara wished everyone a Happy Thanksgiving and thanked the Board for their support.

There being no further business on the agenda, Director Reimann moved, seconded by Chair Mende, to adjourn the meeting at 11:33 a.m.

The motion was carried unanimously.

**VI.
ADJOURNMENT**
11:33 a.m.

ROBERT VAN TASSELL
Secretary