

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

December 8, 2022

MINUTES

The Board of Directors (Board) of the Hawaii Housing Finance and Development Corporation (HHFDC) held its Regular Board Meeting in-person and virtually via Zoom, at 9:02 a.m. in the HHFDC Board Room, located at 677 Queen Street, Suite 300, Honolulu, Hawaii.

Those present were as follows:

Present: Director Donn Mende, Chair (In-Person)
Director Gary Mackler, Vice Chair (In-Person)
Director Sean Sasaki, Secretary (In-Person)
Director Carol Reimann (In-Person)
Director Jason Bradshaw (Remote; excused at 9:43 a.m.)
Director Jay Kimura (In-Person; arrived at 9:07 a.m.)
Director Chris Sadayasu (In-Person; arrived at 9:11 a.m.)
Designee Roderick Becker (Remote)
Director Nani Medeiros (Remote – excused at 9:47 a.m.)

Executive Director Denise Iseri-Matsubara

Staff: Sandra Ching, Deputy Attorney General
(Remote & Ciara Kahahane, Deputy Attorney General
In-Person) Francis Keeno, Executive Assistant
Chris Woodard, Chief Planner
David Oi, Housing Finance Manager
Holly Osumi, Chief Financial Officer
Dean Minakami, Development Branch Chief
Randy Chu, Development Section Chief
Albert Palmer, Housing Development Specialist
Evahn Beresiwsky, Housing Development Specialist
Marc Orbito, Information Technology Systems Analyst
Esa Pablo, Secretary to the Board

Guests: Dean Sakata, Mark Development, Inc.
Kyle Watase, Mark Development, Inc
Micah Witty-Oakland, Mark Development, Inc.
Brenden Kinoshita, Department of Budget & Finance
Sunny Rosario, PBR Hawaii & Associate, Inc.
Michael Costa, Highridge Costa
Moe Mohanna, Highridge Costa
Chris Deuchar, Form Partners, LLC
Delmond Won (n/a)
Monte (screen name)

Chair Mende asked those attending remotely, to state who, if anyone, was present at their remote location. There being none, Chair Mende proceeded to the approval of minutes.

Director Reimann moved, seconded by Director Sasaki, to approve the regular meeting minutes of November 10, 2022.

The motion was carried unanimously.

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

**II.A.
APPROVAL
OF MINUTES**
Regular
Meeting
11/10/22

Approval of the November 10, 2022 executive session meeting minutes was deferred to later in the meeting.

Chair Mende announced that agenda item III.B. was being deferred to a future meeting and called upon Executive Assistant Francis Keeno to go over the instructions for providing public testimony.

There being no oral testimony provided by the public, Vice Chair Mackler moved, seconded by Director Kimura, to approve staff’s recommendation.

Planner Cynthia Nyross presented the For Action, stating that as the grantee, HHFDC is responsible for allocating the federal grant funds and ensuring that the program recipients comply with the programs’ conditions for the HOME Investment Partnerships Program and the Housing Trust Fund Program. Section 201H-16(b), Hawaii Revised Statutes (HRS), requires that HHFDC adopt necessary rules pursuant to Chapter 91 HRS, the Hawaii Administrative Procedure Act, to carry out any federal program. The proposed Chapter 15-304 Rules authorize HHFDC to:

- 1. delegate the day-to-day administrative authority for the programs to the executive director;
- 2. require and enforce compliance with all applicable federal laws and regulations as a condition of receipt of funds; and
- 3. undertake compliance monitoring and to procure the services of third-party monitoring contractors.

Nyross noted a correction on page 1, under section III.A. of the For Action, which should read:

“The following is a ~~[section-by-section]~~ summary of its ~~[contents]~~ major provisions:”

There being no questions, the motion was unanimously carried.

Agenda item III.B. was deferred to a future meeting.

**II.B.
APPROVAL
OF MINUTES**
Executive
Session
11/10/22

**III.A.
DISCUSSION
AND/OR
DECISION
MAKING**
Approve Proposed
Chapter 15-304
“Administration of
Federal Programs,”
Hawaii
Administrative
Rules, Governing
the Administration
of the U.S.
Department of
Housing and Urban
Development’s
HOME Investment
Partnerships
Program, National
Housing Trust
Fund Program, and
Other
Non-Competitive
Grant Programs

**III.B.
DISCUSSION
AND/OR
DECISION
MAKING**
Authorize an
Application for
Exemptions from
Statutes,
Ordinances, and
Rules Pursuant to
Section 201H-38,
Hawaii Revised
Statutes, and
Approve: (1) the
Certification of
Kakaako Block C
LLC, or Other
Successor Entity
Approved by the
Executive Director,
as an Eligible
Developer Pursuant
to Section
15-307-24, Hawaii
Administrative
Rules; (2) The

There being no oral testimony provided by the public, Director Reimann moved, seconded by Director Sasaki, to approve staff's recommendation.

Housing Development Specialist Albert Palmer presented the For Action, providing background information on Highridge Costa and Forms Partners (Developer), for the development of the Kahoapili project (Project) consisting of either 190 rental or for-sale units, within the Honolulu area.

Palmer stated that the proposed budget for the Project is approximately \$97 million, with an affordability mix for the two scenarios being: (1) an affordable rental apartment project targeted at households earning no more than 60% of the Area Median Income (AMI); or (2) an affordable for-sale condominium project with at least 114 units (60% of units) serving households earning up to 140% of the AMI, with the remaining balance of the units sold at market prices (40% of units). Determination of which scenario would be developed will be made after the 201H Resolution is adopted by the Honolulu City Council.

Palmer stated that the Project will include several sustainability features, with construction anticipated to commence in September 2024, followed by completion of the Project in September 2026, subject to State financing awards received.

Exhibit G was referenced, listing the 201H exemptions being requested by the Developer. Palmer stated that any modifications made by the Honolulu City Council would not require further action from the Board.

(Director Sadayasu arrived at this time – 9:11 a.m. and Director Medeiros was excused at this time – 9:14 a.m.)

Mr. Moe Mohanna, with Highridge Costa, and Mr. Chris Deucher, with Form Partners, were available for questions.

Vice Chair Mackler asked how the Project was received by the Aliamanu/Salt Lake/Foster Village/Airport Neighborhood Board and community. Mr. Moe Mohanna stated that there was no opposition received and questions regarding affordability were addressed at a subsequent meeting.

Vice Chair Mackler inquired about the comments received by the Department of Parks & Recreation, which asks to expand the Project's recreational spaces or commit to improving parks in the project facility. Mohanna stated that although the objective is to develop the rental scenario, adjustments can be made to address the park requirement.

Given the current bond constraints and the increased demand for limited resources, Executive Director Iseri-Matsubara expressed her appreciation for the flexibility contributed by the developers for this Project and recognized Mr. Mike Costa in attendance.

Project Proposal; (3) Execution of Development Documents for Approved Exemptions for the Kakaako Block C Rental and For-Sale Project Located in Honolulu, Oahu, TMK No.: (1) 2-1-054: 001

III.C. DISCUSSION AND/OR DECISION MAKING
Authorize an Application for Exemptions from Statutes, Ordinances, and Rules Pursuant to Section 201H-38, Hawaii Revised Statutes, and Approve: (1) the Certification of Salt Lake Housing, LP, or Other Successor Entity Approved by the Executive Director, as an Eligible Developer Pursuant to Section 15-307-24, Hawaii Administrative Rules; (2) The Project Proposal; and (3) Execution of Development Documents for Approved Exemptions for the Kahoapili Rental or For-Sale Project Located in Honolulu, Oahu, TMK No.: (1) 1-1-061: 003

Mohanna commended HHFDC for their immediate pivot with the RHRF Tier II program, which allowed a significantly larger number of affordable units to be produced for the much needed income group within the 60 – 100% AMI range.

There being no questions, the motion was carried unanimously.

There being no oral testimony provided by the public, Director Sasaki moved, seconded by Director Reimann, to approve staff's recommendation.

(Director Medeiros returned at this time – 9:23 a.m.)

Chief Planner Chris Woodard, presented the For Action, providing background information on the Kulia I Ka Nuu Affordable Rental Housing project (Project), which HHFDC took control of in 2013 from the developer and converted into permanent housing. In early 2022, the property was marketed for sale through a Request for Proposals (RFP) process, subject to a ground lease from HHFDC. CBRE was retained to assist in the marketing process based on a previously provided broker opinion of value.

Woodard stated that Catholic Charities Hawaii (CCH) was awarded the RFP at the June 2022 Board Meeting. However, by letter dated August 4, 2022, CCH confirmed its withdrawal from the sales process primarily due to changes in capital-market conditions.

Woodard then recapped the Board action taken at its August 2022 Meeting in approving staff's request to rescind the RFP award to CCH, cancel the RFP, and enter into direct negotiations with the offeror that scored second in the RFP evaluation, joint offerors Mark Development, Inc., Pacific Development Group, Inc., and Skyler Pacific, LLC (collectively, the Buyer Group).

Woodard announced that the Buyer Group has completed their due diligence on the Project and formed an entity called Solar Farm View Estates, LLC (the Buyer), to acquire and own the leasehold interest in the Project.

The Buyer's due diligence identified capital needs and safety issues that far exceed the repairs and replacements identified in the April 2021 property condition report procured by HHFDC. Therefore, a Dwelling Unit Revolving Fund (DURF) loan is being recommended, which the initial RFP did not allow for. Although the current Board policy requires a \$10,000 annual ground rent, due to the property's current cashflow and issues that need to be addressed, a reduction in the annual ground rent to \$1.00 is being recommended, which the Board has jurisdiction to adjust on a case-by-case basis, among other things.

Under the DURF administrative rules (DURF rules), Woodard stated that staff finds the Buyer as an eligible developer and that their proposed capital improvement plan are consistent with the minimum requirements and the use of DURF funds.

Deputy Attorney General Sandra Ching noted a correction on page 7 of the For Action, under section III.G.3., which should read: "On November 22, 2022, ~~[Kōmohale]~~ Solar Farm View Estates, LLC applied for financing in accordance with Section 15-307-161.5, Hawaii Revised Statutes (HRS)."

Mr. Dean Sakata, with Mark Development, Inc., delivered a PowerPoint presentation, providing an overview of the Project and their plan to improve the Project's historical and current issues by stabilizing operation and preservation of the asset, while addressing the compounded effects of COVID resulting in the increased chronically delinquent tenants and receivables.

There being no questions, Director Sadayasu moved, seconded by Vice Chair Mackler, to convene in executive session at 9:59 a.m., pursuant to Section 92-5(a)(3),

**IV.A.
EXECUTIVE
SESSION**
(9:59 a.m.)
Approve the
Following Actions
Relating to the
Leasehold
Disposition of the
Kulia I Ka Nuu
Affordable Rental
Housing Project
Located in
Waianae-Kai,
Waianae, Oahu,
TMK Nos.: (1) 8-5-
027; parcels 71, 72,
and 73 (the Project):
(1) the Execution of
a Purchase and Sale
Agreement with
Solar Farm View
Estates, LLC (the
Buyer); (2) the
Certification of the
Buyer as an Eligible
Developer Under
Section 15-307-24,
Hawaii
Administrative
Rules; and (3) the
Making of a
Dwelling Unit
Revolving Fund
Loan to the Buyer

HRS, to deliberate the authority of persons designated by the board to conduct negotiations to acquire 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 reconvened the meeting at 10:33 a.m.

Chair Mende noted that the executive session meeting minutes of November 10, 2022, were approved in executive session.

Woodard read staff's recommendation on page 9 of the For Action.

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

Executive Director Iseri-Matsubara welcomed HHFDC's new Board Directors from Governor Josh Green's cabinet selection: Mr. Chris Sadayasu from the Department of Business, Economic, and Development & Tourism (DBEDT); Mr. Luis Salaveria, from the Department of Budget and Finance (B&F), who was represented by his designee, Mr. Rod Becker; and the Governor's representative, Ms. Nani Medeiros.

Executive Director Iseri-Matsubara commended the Finance Branch staff and thanked the State Legislators for their work and their assistance in addressing the State's bond cap issues through the creation of the RHRF Tier II Program, contributing about 2,100 housing units to the housing pipeline.

She also reported on the status of the RFPs issued by the Development Branch for the 690 Pohukina, Kahului Civic Center, the 9 acre parcel in Kapolei's Village 8 (which was later decided to be transferred to the Department of Hawaiian Home Lands (DHHL)) and the Kapolei Northwest Corner, leading up to another 1,000 housing units.

In the upcoming Legislative session, Vice Chair Mackler asked whether HHFDC plans to seek an additional infusion of RHRF Tier II monies, which addresses the much needed income group (60% - 100% AMI) that often gets overlooked. Executive Director Iseri-Matsubara responded that budget discussions with the new Administration has not occurred yet.

Director Sadayasu stated that the Governor has made affordable housing his number one priority in which HHFDC and DBEDT will play a vital role in making that priority a successful initiative.

Director Iseri-Matsubara stated that one of HHFDC's bill proposal will be to fix the language within the Affordable Homeownership Revolving Fund (AHRF) statute to have the monies revolve back into the AHRF instead of the General Fund, and the lapse date on the Act 236 infusion of \$300 million. B&F advised that they would work on an omnibus bill to fix this issue since it also affects the \$600 million infusion for DHHL.

There being no further business on the agenda, Director Sadayasu moved, seconded by Director Sasaki, to adjourn the meeting at 10:41 a.m.

Sean Sasaki

SEAN SASAKI
Secretary

RECONVENED
10:33 a.m.

**V.
REPORT
BY THE
EXECUTIVE
DIRECTOR**

**VI.
ADJOURNMENT**
10:41 a.m.