

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

February 9, 2023

MINUTES

The Board of Directors (Board) of the Hawaii Housing Finance and Development Corporation (HHFDC) held its Regular Meeting on Thursday, February 9, 2023, at 9:00 a.m., in the HHFDC Board Room, located at 677 Queen Street, Suite 300, Honolulu, Hawaii. The meeting was also livestreamed via Zoom and YouTube.

A roll call was taken with a quorum present. Those present and excused 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)
Director Jay Kimura (in-person)
Designee Mary Alice Evans for Director Chris Sadayasu (remote; excused approx. 9:47 a.m.)
Director Nani Medeiros (in-person)

Executive Director Denise Iseri-Matsubara

Excused: Director Luis Salaveria

Staff: Ciara Kahahane, Deputy Attorney General
Delmond Won, Executive Assistant
Chris Woodard, Chief Planner
David Oi, Housing Finance Manager
Dean Minakami, Development Branch Chief
Holly Osumi, Chief Financial Officer
Stan Fujimoto, Housing Development Specialist
Christopher Oakes, Housing Finance Specialist
Albert Palmer, Housing Development Specialist
Marc Orbito, Information Technology Systems Analyst
Gordon Pang, Housing Information Officer
Esa Pablo, Secretary to the Board

Guests: Theresa Ng, Office of Senator Stanley Chang
Brenden Kinoshita, Department of Budget & Finance
Claire Casazza, Pacific West Communities
Stanford Carr, Stanford Carr Development
Daniel Sandomire, Stanford Carr Development
Kalai Miller, Waiahole
Nick Reppun, Waiahole
Daniel Bishop (screen name)

Director Reimann moved, seconded by Director Sasaki, to approve the regular meeting minutes of January 12, 2023.

The motion was carried unanimously.

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

**II.A.
APPROVAL
OF MINUTES**
Regular
Meeting
1/12/23

Approval of the January 12, 2023 meeting minutes of the executive sessions were deferred to the next Board Meeting scheduled on March 9, 2023.

II.B.
APPROVAL
OF MINUTES
Executive
Sessions
1/12/23

Chair Mende confirmed with Director Bradshaw and Designee Evans that no one was present at their remote location.

Executive Assistant Delmond Won announced HHFDC’s protocol for providing public testimony.

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

III.A.
DISCUSSION
AND/OR
DECISION
MAKING
Approve the Subordination of the Rental Housing Revolving Fund Loan to an Additional Permanent Taxable Loan in the Amount of \$10,000,000 for the Kenolio Apartments Project Located in Kihei, Maui, TMK Nos.: (2) 3-9-001: 157 and 158

There being no testimony provided by the public, Housing Finance Specialist Christopher Oakes stated that the Kenolio Apartments Project (Project) is requesting subordination of the Rental Housing Revolving Fund (RHRF) Loan after financial closing to additional senior financing of \$10 million in a permanent taxable loan. The additional permanent taxable loan does not impact the original terms of the 2017 Hula Mae Multi-Family (HMMF) tax-exempt Bonds and RHRF financing awarded to the Project.

Executive Director Denise Iseri-Matsubara noted a correction on page 2 of the For Action, under section III.C.1., which should read \$50,000,000 from the HMMF Bond Program.

Vice Chair Mackler asked whether a revised pro forma was submitted. Oakes responded in the affirmative.

Vice Chair Mackler inquired about the debt service coverage ratio. Oakes stated that the Project met the minimum 50% Test requirement.

Chair Mende clarified that the terms of the original RHRF Loan remain the same and would now become the third position lien. Oakes responded in the affirmative.

Housing Finance Manager David Oi added that with a revised pro forma based on the actual performance of the Project and secured Section 8 Vouchers received, the RHRF Loan is projected to be paid off in Year 31, being 10 years sooner than what was budgeted in 2018, with a debt service coverage ratio of 1.95% on the senior loan at the time of payoff.

On behalf of the Project, Ms. Claire Casazza, with Pacific West Communities, thanked the Board, Oakes, and Oi for their consideration and efforts on this matter, stating that the project was completed during the peak of the COVID-19 pandemic in 2020. However, has been able to maintain a very low vacancy rate with a waitlist of 1,600 people. The Project is looking to utilize the \$10 million permanent taxable loan to pay down the construction loan due to cost overruns.

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

Director Kimura moved, seconded by Director Sasaki, to approve staff’s recommendation.

III.B.
DISCUSSION
AND/OR
DECISION
MAKING
Approve: (1) a Revised Master Plan; (2) an Amendment and Restated Development Agreement with

There being no testimony provided by the public, Housing Development Specialist Stan Fujimoto presented the For Action to the Board. Fujimoto stated that in 2017, Forest City withdrew as the master developer and the Development Agreement (DA) and Dwelling Unit Revolving Fund loan (DURF Loan) for the Kamakana Villages at Keahuolu Project (Project) were assigned to Alaka’i Development to complete the Manawalea Street Extension. In 2018, the DA, except for the DURF Loan and

completion of Manawalea Street Extension, was assigned to Stanford Carr Development (SCD). In 2019, SCD revised the master plan, which now includes a reduction in units from 2,330 to 1,569 units. This request also seeks approval of an amended and restated DA, and a request for an interim DURF Loan in the amount of \$3 million out of a total amount of \$15 million requested by SCD for off-site project costs. The objective of the \$3 million DURF Loan is to reimburse SCD for its third-party costs to date, provide a budget for maintenance of the site, and to seek permits and approvals from the Commission on Water Resource Management (CWRM) for development of Well #4 for the Project. Since the Project is dependent upon permit approval from CWRM for Well #4, only \$3 million out of the total amount of \$15 million ultimately needed is being recommended for approval for off-site project costs at this time. HHFDC will seek the Board's approval for the remaining balance of the DURF Loan should the CWRM approval for Well #4 is obtained.

Vice Chair Mackler inquired about whether the Project had all its entitlements. Mr. Stanford Carr, of SCD, stated that all entitlements of the original 201H approved by the County Council remain valid. He stated that the reason for the decrease in units and redesign of the master plan was to be conducive to the topography of the land.

Carr further stated that the focus is on obtaining approval from CWRM for Well #4 and proceed to reinstate a water agreement with the Water Board of the County of Hawaii.

In reference to the For Action, Vice Chair Mackler asked what the basis for the National Park Services' (NPS) objection to the development of wells, including Well #4. Carr stated that NPS is opposed to most development in West Hawaii because NPS claims that development of wells, including Well #4, located anywhere mauka of the Kaloko-Honokohau National Park (Park) will negatively impact the Park.

Carr submitted a handout for the Board providing a visual overview of the Project's redesigned master plan and typical unit types.

The Board thanked Fujimoto for his work on the Project.

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

Executive Director Iseri-Matsubara commended the Fiscal Management Branch and HHFDC staff on their work and contribution to the State Office of the Auditor's Financial and Compliance Audit, in which HHFDC received an unmodified opinion with no reported deficiencies considered as material weaknesses required under the Government Auditing Standards and Uniform Guidance.

A handout providing an overview of the effects of the RHRF Tier 2 program was provided to the Board, addressing those with incomes above 60% of the Area Median Income (AMI) – 100% AMI, increasing the number of awards that HHFDC administers by 50%, contributing to almost 760 additional units.

In reference to Exhibit C, 2023 Legislation – House Bills and Senate Bills Status Report, Executive Director Iseri-Matsubara and Planner Cynthia Nyross reported on the following key bills:

House Bill (HB) 675: Requires, if sufficient funding is available, the HHFDC to offer a minimum of two financing application cycles each year for the LIHTC, HMMF, RHRF, and DURF programs.

Executive Director Iseri-Matsubara stated that the two major challenges would be HHFDC's lack of staffing and bond capacity.

SCD Kamakana, LLC, or Other Successor Entities Approved by the Executive Director; (3) Conveyance of the Property and Development of the Project in Accordance with the Amended and Restated Development Agreement; and (4) and Interim Loan from the Dwelling Unit Revolving Fund for Off-Site Project Costs for the Kamakana Villages At Keahuolu Project Located in Keahuolu, North Kona, TMK Nos.: (3) 7-4-021: 020, 024, 028 to 037, 039 to 043, and 045 to 047

**IV.
REPORT
BY THE
EXECUTIVE
DIRECTOR**

HB677: Requires HHFDC to establish a 5-year DURF equity pilot program. Creates one full-time equivalent housing development specialist III position and appropriates funds.

HB679: Amends the lapse date for the general fund appropriation for the HHFDC in Act 236, Session Laws of Hawaii (SLH) 2022, to help the State meet its American Rescue Plan Act maintenance of effort obligations.

Senate Bill (SB) 469: Authorizes the counties to reclassify lands 15 to 150 acres in certain rural, urban, and agricultural districts in which at least 75% of the housing units on the land sought to be reclassified are set aside for persons and families with incomes at or below 100% of the area median income.

Nyross stated that the bill is scheduled to be heard on February 10, 2023. Executive Director Iseri-Matsubara stated that this bill would provide the counties with more flexibility in doing district boundary amendments.

Director Medeiros stated that the Governor's Office is in support of the bill.

SB489: Amends the Supplemental Appropriations Act of 2022 to specify that the appropriation for HHFDC is to be deposited into and expended from the affordable homeownership revolving fund for purposes of the revolving fund.

SB491: Expands from 45 days to 60 days, agency time to review and comment upon an application for a business or development-related permit, license, or approval for a HHFDC housing project shall respond; a county shall approve, or approve with modification, or disapprove housing projects developed by the HHFDC.

Executive Director Iseri-Matsubara expressed concern on bills that would delay the efforts of affordable housing development.

SB678: Increases the conveyance tax rates. Exempt the conveyance tax on property with a restriction on increasing the rental price or resale price above any increase in the consumer price index for at least thirty years. Removes the maximum disposition caps of the conveyance tax allocated to the RHRF and Legacy Land Use Conservation Fund. Allocates 10% of the conveyance tax for homeless services and supportive housing. Creates the Homeless Services Fund.

SB871: Repeals the Board of Directors of the HHFDC and requires the Corporation to employ an Executive Director to be nominated by the Governor, subject to the advice and consent of the Senate. Makes conforming amendments.

Executive Director Iseri-Matsubara and Nyross thanked the Chair and Vice Chair of the Board and DBEDT Director Chris Sadayasu for submitting testimony in opposition to this bill. Nyross added that decision-making on this bill is scheduled for February 14, 2023.

SB858: Requires the HHFDC to prioritize the allocation of LIHTC to state-owned development projects; amend the Qualified Allocation Plan (QAP) to allow up to 20% of the maximum 120 points on the application criteria point system to be allocated to projects offering to convey ownership of the completed project to the State or an organization obliged to use all financial surpluses generated by the project to construct more housing and prioritize applicants based on the timeliness and loan amount repaid to the RHRF.

SB859: Establishes priority for projects that are awarded funds from the RHRF that are owned by the State or an organization obliged to reinvest financial surplus generated by a completed project into a newly constructed housing project. Requires the HHFDC to amend Hawaii Administrative Rules to award application criteria

points to projects that fulfill certain criteria and prioritize applicants who have demonstrated accelerated full repayment of past State housing loans.

SB936: Requires the HHFDC to prioritize the allocation of LIHTC to state-owned development projects.

Nyross stated that SB858, 859, and 936, are of concern because of the complete process involved, cautioning the possibility of providing an unfair advantage.

Vice Chair Mackler asked how legislative mandates would be incorporated with criteria mandated under the Internal Revenue Service Code and other criteria administratively determined. Executive Director Iseri-Matsubara stated that this bill preferences any state-owned facility. With the overall intent of the QAP being to award the least amount of credits to the most efficient projects, adding additional priority levels is of concern and becomes problematic.

(Designee Evans was excused at 9:47 a.m.)

Executive Director Iseri-Matsubara stated that HHFDC has requested \$400 million in RHRF and \$500 million in DURF, which aligns with the Governor's State of the State Address 2023.

Executive Director Iseri-Matsubara stated that administrative approvals are needed for ex-officio Board members before online training on Private Activity Bonds and LIHTC can commence. Oi added that each Board member will receive its own profile and detailed training instructions on how to access and view the online training at their earliest convenience, anticipated to be discussed at the March 9, 2023 Board Meeting.

With this being Deputy Attorney General Ciara Kahahane's last meeting, Executive Director Iseri-Matsubara and the Board thanked Kahahane for her work and dedication to HHFDC.

There being no further business on the agenda, Director Reimann moved, seconded by Director Sasaki, to adjourn the meeting at 9:49 a.m.

**V.
ADJOURNMENT**
9:49 a.m.

Sean Sasaki

SEAN SASAKI
Secretary