

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

October 12, 2023

MINUTES

The Board of Directors (Board) of the Hawaii Housing Finance and Development Corporation (HHFDC) held its regular meeting on Thursday, October 12, 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 (<https://www.youtube.com/channel/UCJP6i8hhsS9EK769RJJfT5w>).

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

A roll call was taken with a quorum present. Those present and excused were as follows:

Present: Director Gary Mackler, Chair (in-person)
Director Carol Reimann, Vice Chair (in-person)
Director Sean Sasaki, Secretary (in-person)
Director Donn Mende (in-person)
Director Jay Kimura (remote)
Designee Scott Murakami for Director James Tokioka (in-person)

Interim Executive Director Dean Minakami

Excused: Director Luis Salaveria
Director Jason Bradshaw

Staff: Delmond Won, Executive Assistant
Sandra Ching, Deputy Attorney General
Ryan Kanakaole, Deputy Attorney General
Chris Woodard, Chief Planner
David Oi, Housing Finance Manager
Randy Chu, Interim Development Branch Chief
Holly Osumi, Chief Financial Officer
Dean Watase, Housing Planning Manager
Lanz Dong, Real Estate Portfolio Manager
Lorna Kometani, Sales & Counseling Section Chief
Melissa Loy, HHFDC Corporate Controller
Danielle Guthrie, Housing Finance Specialist
Claude Allen, Jr., Housing Finance Specialist
Lee Miller, Property Management Specialist
Hunter Miller, Real Estate & Planning Analyst
Albert Palmer, Housing Development Specialist
Gordon Pang, Housing Information Officer
Cathy Ho, Human Resource Manager
Marc Orbito, Information Technology Systems Analyst
Helmer Betiong, Information Technology Intern
Esa Pablo, Secretary to the Board

Guests: Chris Matika, Eide Bailly LLP
Stanford Carr, Stanford Carr Development
Darren Ueki, City & County of Honolulu
Crystal Schip, Settle Meyers
Evan Oue, Imanaka Asato LLC
Theresa Ng, Hawaii State Senate
Thomas Fischer, Ikaika Ohana
Tim Cantwell, Cloudbreak Hawaii
Richelle Taylor, Cloudbreak Hawaii

Daniel Simonich, Prospac Holding Group
Jereanne Raza
Michaels Development (screen name)
TMO Hawaii (screen name)
ChunKB (screen name)
Tai (screen name)
PKM (screen name)

Chair Mackler confirmed that there was no one present at the remote location of Director Kimura.

Executive Assistant Delmond Won went over HHFDC’s protocol for providing testimony, stating that a testifier will be limited to three minutes, at the discretion of the presiding officer, to address matters directly related to the agenda. Instructions on how to submit written testimony was noted to be on the first page of the meeting agenda.

Vice Chair Reimann moved, seconded by Director Mende, to approve the minutes of the regular Board of Directors meeting held on September 14, 2023, as circulated.

The motion was carried unanimously.

Approval of the minutes of executive session held on September 14, 2023 was deferred to executive session.

Chair Mackler stated that an Executive Director Search and Selection Permitted Interaction Group (PIG) was established to conduct a search for a permanent executive director. Pursuant to the Sunshine Law, Chair Mackler stated that this being the second meeting of the full Board since the establishment of the PIG, its findings and recommendation will be reported to the Board in executive session.

Director Mende moved, seconded by Vice Chair Reimann, to convene in executive session at 9:04 a.m., pursuant to Sections 92-5(a)(2), Hawaii Revised Statutes (HRS), to consider the hiring of an officer or employee where consideration of matters affecting privacy will be involved and/or Section 92-5(a)(4), HRS, to consult with the board’s attorney on questions or issues regarding the board’s powers, duties, immunities, privileges, and liabilities.

The motion was carried unanimously.

The meeting was reconvened at 9:15 a.m..

Chair Mackler stated that in executive session the PIG reported its findings and recommendation on a permanent executive director, which is to be considered at the November 9, 2023 Board of Directors Meeting.

The executive session meeting minutes of September 14, 2023, was also noted to have been approved, as circulated, in executive session.

**II.A
APPROVAL
OF
MINUTES**

Regular
Meeting
9/14/23

**II.B.
APPROVAL
OF
MINUTES**

Executive
Session
9/14/23

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

Report by the
Executive Director
Search and
Selection Permitted
Interaction Group –
Findings and
Recommendations

**EXECUTIVE
SESSION**
9:04 a.m.

RECONVENED
9:15 a.m.

Director Mende moved, seconded by Director Sasaki, to approve staff's recommendation.

There being no testimony provided by the public, Chief Financial Officer Holly Osumi presented the For Action, stating that the Nani O Puna Project is under the Dwelling Unit Revolving Fund (DURF) and comprised of 31 rental units for domestic farmers. Funded through U.S. Department of Agriculture (USDA) grants and mortgage notes, the required audited financial statements (AFS) for the fiscal year ended June 30, 2023 and 2022 were issued by the auditor, Eide Bailly LLP, on September 28, 2023, and rendered an unmodified opinion for the fiscal year ended June 30, 2023 and notated that the AFS for the fiscal year ended June 30, 2022 were issued by another auditor, Accuity LLP, on September 30, 2022 who expressed an unmodified opinion. Osumi stated that the AFS were found to be presented fairly, with no identified deficiencies in internal control and no instances of non-compliance and shall be submitted to USDA by October 31, 2023.

Mr. Chris Matika, Eide Bailly LLP, was introduced to the Board and was made available for questions.

There being no questions, the motion was carried unanimously.

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

There being no testimony provided by the public, Finance Branch Manager David Oi presented the For Action, stating that pursuant to Act 262, Session Laws of Hawaii 2023 (SLH 2023), the State of Hawaii Department of Budget and Finance (B&F) and HHFDC will enter into a cooperative agreement with the City and County of Honolulu (City) to coordinate the award of the City's private activity bond allocation and low-income housing tax credits (LIHTC) for new rental housing projects in the City.

(Due to audio issues on HHFDC's YouTube channel, the meeting was recessed at 9:26 a.m. Audio issues were then resolved, and the meeting was reconvened at 9:37 a.m. Oi presented the For Action again.)

Due to HHFDC's insufficient HMMF bond capacity from the state's 2023 bond allocation, the City has indicated its interest in offering awards of the City's 2022 Allocation Balance for the top scored new construction Kuhio Park Low-Rise and Homes Redevelopment, Phase I and Kaleimao Village projects, based on HHFDC's evaluation of the consolidated funding applications received in December 2022.

Oi stated that the RHRF and LIHTC awards from HHFDC will be contingent upon the applicant's written acceptance of using the City's private activity bonds no later than October 23, 2023, and the City Council's approved Award resolution to HHFDC for the project. He further stated that should the City's 2022 Allocation balance be insufficient to fulfill the aforementioned projects, the City will cover the balance of the award from its 2023 City Allocation or any further City allocation until the project(s) financially close.

Mr. Darren Ueki, with the City, was introduced and made available for questions.

There being no questions, the motion was carried unanimously.

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

There being no testimony provided by the public, Housing Finance Specialist

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

Accept the Audited Financial Statements of the Hawaii Housing Finance and Development Corporation's Nani O Puna Project for the Fiscal Years Ended June 30, 2023 and 2022

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

Approve the Corporation Entering into a Tri-Party Cooperative Agreement with the State of Hawaii Department of Budget and Finance and the City & County of Honolulu (City) to Coordinate the Award of the City's Private Activity Bond 2022 and 2023 Annual Ceiling

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

Claude Allen presented the For Action, stating that the National Housing Fund (HTF) program is administered by the U.S. Department of Housing and Urban Development (HUD), to provide grants to State governments to increase and preserve the supply of decent, safe, and sanitary affordable housing for primarily extremely low-income households and homeless families. The HHFDC is designated as the HTF Grant Recipient for the State of Hawaii.

Allen summarized the program challenges and in assessment of the overall program, the following changes are being proposed:

1. Revised the Program Year (PY) 2024 distribution of the HTF funds by providing the balance of the HTF annual allocation to the County of Hawaii, as a Subgrantee, or alternative activities from the remaining Subgrantees;
2. Clarify and update the application of HTF maximum per-unit development subsidy limits based on the Public Housing Total Development Cost limits; and
3. Replace the Uniform Physical Condition Standards Inspection protocol with the National Standards of the Physical Inspection of Real Estate inspection protocol to comply with HUD's NSPIRE compliance date of October 1, 2024.

There being no questions, the motion was carried unanimously.

Director Sean Sasaki moved, seconded by Director Mende, to approve staff's recommendation.

Mr. Tim Cantwell, Cloudbreak Hawaii, requested a 1-year extension for the Rental Housing Revolving Fund (RHRF) Letter of Intent (LOI) to October 31, 2024 to be considered, as opposed to the May 31, 2024 extension date reflected within the For Action.

Chair Mackler asked for the reason for a full year extension. Cantwell stated that the project cannot receive its Development Permit until the State Historic Preservation Division (SHPD) files the approved National Environmental Policy Act (NEPA) reports.

Oi presented the For Action, stating that based on the progress made, staff is recommending that the RHRF LOI deadline be extended a full year to October 31, 2024, to allow time for the NEPA reports to be filed by SHPD, Hawaii Community Development Authority's 90-day Development Permit process, and 6-month approval from HUD for a RHRF award increase.

Chair Mackler asked about the project's updated budget. Cantwell stated that since the approval of the project in 2019, there has been a significant increase in cost due to inflation, rising interest rates, and receiving half of what they are able to borrow.

Chair Mackler asked when the Board can anticipate the project's request for additional RHRF monies. Oi stated that staff anticipates presenting the request at the next Board of Directors meeting in November 2023.

Chair Mackler reiterated for the record that the RHRF LOI date is being approved to be extended to October 31, 2024.

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

Approve the Program Year 2024 Allocation Plan for the U.S. Department of Housing and Urban Development's National Housing Trust Fund Program

III.E. DISCUSSION AND/OR DECISION MAKING

Approve an Extension to the Rental Housing Revolving Fund Letter to Intent for the Hale Uhiwai Nalu – Phase II Project Located in Kapolei, Oahu, TMK No.: (1) 9-1-013: 052 (por.)

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

There being no testimony provided by the public, Oi presented the For Action, stated that the Hale Moiliili project is requesting an extension to issue the Hula Mae Multi-Family (HMMF) Bond deadline to August 10, 2024, to fulfill all financial requirements for closing anticipated in December 2023.

With a financial closing anticipated in December 2023, Chair Mackler asked if the August 2024 deadline extension was a precautionary measure for any unforeseen issues. Mr. Stanford Carr, Stanford Carr Development, responded in the affirmative.

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

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

There being no testimony provided by the public, Sales & Counseling Section Chief Lorna Kometani presented the For Action, summarizing the substantive provisions within the proposed new Chapter 15-309 below, pursuant to Act 92, Session Laws of Hawaii 2023, authorizing HHFDC to establish a five-year Dwelling Unit Revolving Fund (DURF) equity pilot program and allocating up to \$10 million in DURF funds for the program.

1. The corporation's equity will be allocated towards specific housing units within the for-sale housing development projects identified by the developer, with priority for starter units.
2. The developer will market units under the program to eligible buyers who shall submit a completed affidavit for evaluation by the corporation.
3. The developer will offer units to qualified purchasers via the order in which their names appear on the list, the drawing of lots, or any other reasonable or fair method.
4. Within 30 years of the date of the purchase, if the qualified purchaser sells the unit or upon a variety of circumstances, whichever occurs first, the qualified purchaser shall repay the corporation's equity and equity percentage share.
5. Should the corporation determine non-compliance with program rules and requirements, the corporation will notify the qualified purchaser, who will then have 60 days to correct the non-compliance.
6. A \$250 fee amount charge would apply to each calculation of Program Payoff Amount, Release of Equity Sharing Program, Notice of Demand, and Notice of Non-Compliance.

In reference to Exhibit A, the last sentence on page 309-4, section 1-15-309-8, Designee Murakami asked whether "eligible buyers" should be changed to "qualified purchasers." Kometani responded in the affirmative, for the sentence to read as follows: The corporation's equity shall be allocated to specific units, and the units shall be offered to eligible qualified ~~[buyers]~~ purchasers prioritized by the corporation.

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

Approve an Extension to Resolution No. 180, Which Provides for Official Intent with Respect to the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds for the Hale Moiliili Project Located in Honolulu, Oahu, TMK Nos.: (1) 2-7-008: 018 and 020

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

Approve the Proposed New Chapter 15-309 "Dwelling Unit Revolving Fund Equity Pilot Program," Hawaii Administrative Rules, Implementing the Provisions of Act 92, Session Laws of Hawaii 2023 by Establishing a Dwelling Unit Revolving Fund Equity Pilot Program

Chair Mackler asked whether the funds would be made available statewide through a competitive process or on a first come, first served basis. Interim Executive Director Minakami stated that the funds would be made available to all developers statewide on a first come, first served basis.

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

There being no testimony provided by the public, Woodard presented the For Information, stating that on July 1, 2023, HHFDC and Front Street Affordable Housing Partners (Lessee) entered into an Amended & Restated Ground Lease and related agreements, which reduced the amount of ground rent payable to HHFDC by an amount of approximately \$251,00 annually; extended the lease term to July 1, 2097; and reinstated the Front Street Apartments project's affordability restrictions. However, due to the August 8, 2023 wildfire on Maui, the project was destroyed and the HHFDC approved the Lessee's request for immediate abatement of ground rent and release of capital reserves on September 5, 2023, for a period of one year.

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

Interim Executive Director Minakami reported on the following:

- Fire Relief Housing Program
 - Out of the 1357 properties that applied to provide housing, 600 have been verified and made available on HHFDC's website, placing 370 families into rental housing.
 - HHFDC has received 873 calls to date.
 - With similar relief programs arising, HHFDC is working towards coordinating with the various groups of the programs to avoid confusion among the people being served.
 - Meetings with U.S. Senator Shatz' staff to discuss congressional funding efforts are ongoing.
- Northwest Corner Request for Proposals (RFP)
 - Proposals were received and are currently under review by staff. A developer and proposal are anticipated to be selected and presented for the Board's consideration in January 2024.
- Haggai Institute on Maui
 - The Legislature appropriated funds for HHFDC to acquire the property with the intent to lease it to the County of Maui. However, due to the Maui wildfire, HHFDC may now need to operate the property for the time-being.

There being no further business on the agenda, Director Mende moved, seconded by Vice Chair Reimann to adjourn the meeting at 10:31 a.m.

The motion was carried unanimously.

Sean Sasaki

SEAN SASAKI
Secretary

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

Information on the
Front Street
Apartments
Affordable Rental
Housing Project
Located in Lahaina,
Maui, TMK No.:
(2) 4-5-003: 013

**IV.
REPORT
BY THE
EXECUTIVE
DIRECTOR**

**V.
ADJOURNMENT
10:31 a.m.**