

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

MINUTES OF THE REGULAR MEETING
OF THE HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
HELD AT THEIR OFFICE AT 677 QUEEN STREET, SUITE 300,
ON THURSDAY, OCTOBER 12, 2006
IN THE CITY AND COUNTY OF HONOLULU, STATE OF HAWAII

The Board of Directors of the Hawaii Housing Finance and Development Corporation met for their Regular Meeting at 677 Queen Street, Suite 300, Honolulu, Hawaii, on Thursday, October 12, 2006, at 9:00 a.m.

Chairman Charles King called the meeting to order at 9:01 a.m.

**CALL TO
ORDER/
ROLL CALL**

PRESENT: Director Charles King
Director David A. Lawrence
Director Betty Lou Larson
Director Theodore E. Liu
Director Charles P. Wathen
Director Georgina Kawamura
Director Linda Smith

Executive Director Orlando (Dan) Davidson

Staff Present: Sandra Ching, Deputy Attorney General
Janice Takahashi, Chief Planner
Darren Ueki, Finance Manager
Stanley Fujimoto, Development Specialist
Chris Sadayasu, Development Specialist
Leo Domingo, Development Specialist
Gary Umeda, Housing Inspection Technician
Dean Sakata, Finance Specialist
Lloyd Fukuoka, Housing Loan Specialist
Fay Morinaga-Pang, Chief Financial Officer

Guest: Leslie Kondo, Director, Office of Information Practices

Others: Warren Wegesend, General Manager, Villages of Kapolei
Association
Jaime Gentry, Director, Villages of Kapolei Association Board
Claudia Shay, Executive Director, Self-Help Housing
Corporation of Hawaii
Tony Mizuno, Vice President, Commercial Real Estate
Loan Division, Bank of Hawaii
William T. Barton, RPR, Independent Court Reporter

Chairman King declared a quorum present.

QUORUM

Chairman King introduced Mr. Leslie Kondo, Director of the Office of Information Practices, who provided an overview of the Sunshine Law including the purpose, permitted interactions, notice requirements, agenda, testimony and minutes. Mr. Kondo distributed a booklet titled **Open Meetings**, a guide to “The Sunshine Law” dated February 2005.

**II.
OFFICE OF
INFORMATION
PRACTICES
TRAINING**

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

Chairman King indicated that the September 14, 2006 meeting minutes were received by the Board fairly late and seemed incomplete. Therefore, the Chair asked for a motion to defer approval of the minutes until the next Regular Board Meeting on October 12, 2006.

III.A.
APPROVAL
OF MINUTES
9/14/06
Regular
Meeting

Director Smith moved, seconded by Director Larson,

To defer approval of the Regular Meeting Minutes of September 14, 2006 until the next Regular Board Meeting on October 12, 2006.

The motion was unanimously carried.

The Chair indicated that there is no Executive Session on the agenda; however, Deputy Attorney General Sandra Ching indicated that the Board did not have to enter into executive session to approve the Executive Session Meeting Minutes for September 14, 2006.

III.B.
APPROVAL
OF MINUTES
8/10/06
Executive
Session

The Chair asked for a motion to approve.

Director Wathen moved, seconded by Director Kawamura,

That the Executive Session Meeting Minutes of September 14, 2006 be approved.

The motion was unanimously carried.

Chairman King stated that this discussion is related to the discussion that the Board of Directors held at last month's Board meeting regarding the proposed Villages of Kapolei Request for Proposals (RFP). He turned over the floor to Executive Director Dan Davidson who introduced project coordinator Chris Sadayasu to make the presentation of the For Discussion.

IV.A.
DISCUSSION
AND/OR
DECISION
MAKING
Discussion
on Request
for Proposals
(RFP) for
the Villages
of Kapolei

Mr. Sadayasu explained that the two remaining issues were:

1. Whether the RFP should provide a preference for affordable housing units (for sale and/or rental) or a preference for affordable rental units; and
2. Per staff's recommendation, that the RFP include the Village Center, Village 4 and Village 5 parcels, rather than issuing three separate RFPs.

Executive Director Davidson stated that since the September 14, 2006 Board meeting, he and staff did meet with Messrs. Jaime Gentry and Warren Wegesend of the Villages of Kapolei Association (VOKA) to discuss their entity's preferences for the upcoming developments.

Mr. Wegesend stated that the VOKA voted against rental units in the Village Center but voted to allow rental units within Village 4 despite the single-family homes zoning. He also stated that the VOKA would like to see a 2.5 acre portion of the Village Center developed into a second recreation center rather than keeping the recreation center in Village 8 as it is currently planned. The VOKA also supports a church site in the Village Center.

Executive Director Davidson stated that staff was amenable to moving the recreation center to the Village Center because the HHFDC would gain approximately one half to one acre of land for a future affordable housing project in Village 8.

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

Discussion regarding issuing a detailed versus a broad RFP, rental preferences and the community center component took place. The Board stressed the need for the RFP to remain attractive to developers and financially viable. The Board Members discussed rental versus for-sale issues.

Executive Director Davidson recapped the discussion and thanked the Board for its guidance. Staff will continue the RFP process for three Kapolei parcels.

The Chair asked for a motion to approve.

Director Wathen moved, seconded by Director Larson, to approve staff's recommendation.

Project Manager Stanley Fujimoto summarized the For Action as follows:

1. The Kona Non-ceded land is 272 acres of non-ceded land on Palani Road in Keahuolu, Kona, Hawaii.
2. The DLNR approved the fee simple conveyance of the property to the HHFDC for affordable housing. The HHFDC obtained final subdivision approval of the north boundary between DHHL's Villages of La'i'opua and this property on September 7, 2006, and the HHFDC has submitted a request to the DLNR for title to the property.
3. Last month, staff discussed retaining a master planning consultant for the Kona Non-ceded lands. In accordance with that discussion, this For Action seeks approval of a DURF budget of \$1 million to retain a consultant for master planning studies for the property, which will include:
 - a. Archaeological and botanical assessments;
 - b. On-site and off-site infrastructure master plans;
 - c. Community input;
 - d. Design guidelines; and
 - e. Completed and approved environmental impact statements.
4. The proposed budget is based upon this agency's experience at the Villages of La'i'opua, which required extensive archaeological and botanical assessments. After assessments, the Villages of La'i'opua project ended up with a 28-acre archaeological preserve, three major botanical preserves, and seven mini-botanical preserves.
5. Staff initially considered going out with an RFP for the raw land; however, after talking with the County, and in this case, because the off-site costs are so large and variable with the possible CIP contribution, staff felt it would be better to proceed with the master planning studies and get the EIS, while any CIP funds or other public-private cost sharing for off-site costs firms up.

The EIS will be a product which the developer will be able to use and staff intends to recover the planning costs from the land when the RFP is issued.

6. The HHFDC received a letter of support from Mayor Harry Kim of the County of Hawaii supporting the development of a residential community at this site.
7. This For Action seeks approval of a DURF budget of \$1 million for master planning studies for the Kona Non-ceded land, subject to release of funds by the Governor.

IV.B.
Approval of
DURF
Budget for
Master
Planning
Studies for the
Non-Ceded
Land on
Palani Road,
Kona, Hawaii

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

Questions were raised by the Board as to why the DHHL’s regional plans could not be used as a basis for the RFP. Staff indicated that the DHHL’s plans were regional in nature, and the proposed planning studies would be more detailed and focused on the development of this project site specifically.

Executive Director Davidson acknowledged the Board’s input to work with the DHHL. The Executive Director indicated that the HHFDC could also do an RFP after doing a portion of the studies, e.g., before doing the EIS.

There was further discussion by Board Members that master planning the site now was a good idea and would increase the land value for HHFDC in the future.

The Board inquired what the estimated duration for the studies would be. Staff indicated that this project would need a full-time staff, and assuming a full-time staff, the order of magnitude time would be three years, hopefully shorter.

The Board indicated that the request to the Governor to retain the planning consultant could be included with the request for approval of the DURF funds, and that the budget is a maximum, and that staff should negotiate contracts and expenses as low as necessary in the best interest of the State.

There being no further discussion, the Chair asked for a vote on the motion.

The motion was unanimously carried.

Chairman King asked for a motion to approve.

Director Kawamura moved, seconded by Director Wathen, to approve staff’s recommendation.

Project Coordinator Chris Sadayasu summarized the For Action as follows:

1. Ms. Claudia Shay, Executive Director of the Self-Help Housing Corporation of Hawaii (SHHCH), a Hawaii non-profit corporation, approached the HHFDC with this request for an interim Dwelling Unit Revolving Fund (DURF) loan to finance the acquisition and infrastructure development of approximately 9.48 acres in Maili, Oahu, Hawaii, after she met with the Bank of Hawaii on this development. The Bank of Hawaii was interested in funding a portion of the proposed acquisition and development costs but would only fund up to 75% of the loan-to-value of the project. Therefore, the SHHCH asked the HHFDC to loan them up to \$2.1 million to provide the funding gap. Without HHFDC’s loan, SHHCH would be unable to purchase the lands and complete the self-help project.
2. The HHFDC would fund approximately \$2 million when SHHCH purchases the lands in January 2007 and be repaid in approximately 15 months when SHHCH sells the lots to its self-help program participants. The HHFDC will be in a second mortgage position behind the Bank of Hawaii.
3. The SHHCH proposes to build 80 single-family homes, all of which will be sold at prices within the 80% to 120% of the HUD area median income. The 80-unit development will require a 201H exemption to provide for the increased in density under the current R-5 zoning.

Mr. Sadayasu then introduced Ms. Claudia Shay of SHHCH and Mr. Tony Mizuno of the Bank of Hawaii. Ms. Shay proceeded to discuss SHHCH’s affordable housing development concept and her development experience. Ms. Shay then handed out a fact sheet detailing her recently-completed and ongoing self-help projects throughout the State of Hawaii.

IV.C
Approval of an Interim Dwelling Unit Revolving Fund (DURF) Loan to the Self-Help Housing Corporation of Hawaii for the Purchase and Development of 9.48 Acres in Maili, Oahu, Hawaii

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

Mr. Tony Mizuno stated that the Bank of Hawaii is excited to partner with the HHFDC on this project. A Director asked if the Bank would receive CRA credits for this project to which Mr. Mizuno responded in the affirmative.

Mr. Sadayasu stated that the HHFDC and the Executive Branch will need to proceed in an expedited manner in order to be able to execute the loan documents and be in a position to make the loan funds available for the January 31, 2007 closing.

Chairman King asked for a vote on the motion.

The motion was unanimously carried.

Chairman King asked for a motion to recess.

RECESS

Director Liu moved, seconded by Director Wathen,

To recess the meeting. (No time was noted in the court reporter's proceedings on when the recess occurred.)

Chairman King reconvened the Regular Meeting of the Board.

RECONVENED

Mr. Darren Ueki, Finance Manager, presented the For Information.

Mr. Ueki briefly explained to the Board the current rental assistance contract which is administered under the Rental Assistance Program (RAP). To date, there are 17 projects consisting of over 1,400 units participating in the program. Of those 17 projects, 5 contracts will be expiring in 2006 and 2007. Staff wanted the opportunity to bring those five contracts to the Board's attention as well as seek guidance on how to proceed. Granting extensions to the expiring contracts will help to preserve existing inventory. Further, this is the only program that serves the population earning up to 80% of the median income.

**IV.D.
For Information
Program to
Preserve
Affordable
Rental Projects:
Status of
Current Rental
Assistance
Contracts
Administered
under the
Rental Assistance
Program**

Mr. Ueki and Director Kawamura explained that the Department of Budget and Finance made available a \$100 million guarantee to the program. The intent was for the program to seek a budget appropriation being that the contractual commitments exceed the approximate \$15.5 million currently in the fund. There is also a \$10 million set aside within the fund.

Further, Mr. Ueki explained to the Board that should the contracts expire without being renewed, the owners have the option to make the units available as regular market units. In addition, if the owners choose to sell the project, the shared appreciation, which would be collected by the Corporation, would not be all of the money paid from the subsidy.

The Board requested that at the time staff comes back to the Board with the requests for extensions, that staff make available the program utilization at each project, contract expiration dates for each project, and project owners.

Mr. Ueki stated that staff would like guidance from the Board of the length of extensions the Board would like to grant to the projects.

Chairman King asked for a motion to approve.

Director Wathen moved, seconded by Director Lawrence, to approve staff recommendations to :

1. Adopt the 2007/2008 Qualified Allocation Plan with proposed amendments;
2. Authorize the Executive Director to undertake all actions necessary to effectuate the intent and purpose of this For Action.

Mr. Ueki briefly explained the proposed amendments to the Board. Mr. Ueki stated that staff received six comments. Two of the comments were incorporated in the proposed changes. An additional two comments were reviewed by staff and staff elected to stay with what is already contained in the QAP. The final two comments are being addressed via other measures.

Executive Director Davidson commented that staff will work cooperatively with the end users of the program and determine whether substantive changes are required prior to the next round.

There being no further discussion, the Chair asked for a vote on the motion.

The motion was unanimously carried.

Chairman King asked for a motion to approve.

Director Smith moved, seconded by Director Larson, to approve staff recommendations to:

1. Approve the application cycles for the FY 2007 Rental Housing Trust Fund Project Award program as noted in Section III.A. of the For Action. With respect to Rental Housing Trust Fund applications, all requests will be subject to the availability of funds in the Rental Housing Trust Fund;
2. Authorize staff to begin marketing of the FY2007 RHTF Project Award application cycles; and
3. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Mr. Ueki summarized for the Board that the RHTF currently has approximately \$19.2 million available for the funding rounds in FY2007. There are three outstanding commitments totaling \$6.5 million and \$16.2 million pending applications currently under review.

Director Kawamura noted that an amendment to the For Action needed to be made to June 22, 2007 not June 22, 2006.

Mr. Ueki pointed out that the RHTF does have the ability to provide capacity building grants and predevelopment loans. However, those two programs were suspended by the former HCDCH Board in June 2003 due to the limited amount of resources. The capacity building grant program was designed to assist new developers in developing affordable low-income rentals.

Responding to a Board Member, Mr. Ueki clarified that the RHTF balance does not take into account any additional monies that may be received from the conveyance taxes.

There being no further discussion, the Chair asked for a vote on the motion.

The motion was unanimously carried.

IV.E.
Approval to
Adopt the
2007/2008
Qualified
Allocation
Plan for the
Low-Income
Housing Tax
Credit
Program

IV.F.
Approval of
the Application
Cycles for the
Rental
Housing
Trust Fund
Project
Award
Program for
FY 2007

Director Liu left the meeting at this point of the meeting.

Ms. Janice Takahashi, Chief Planner, presented the For Information and informed the Board that the Consolidated Annual Performance and Evaluation Report (CAPER) is part of the State's Consolidated Plan, which consists of a five-year strategy, annual action plans, and the CAPER. It covers the HOME Investment Partnership Program (HOME), Emergency Shelter Grant (ESG), and Housing Opportunities for Persons with AIDS (HOPWA) programs in the counties of Hawaii, Kauai and Maui. The City and County of Honolulu receives its own allocation of funds from HUD. The CAPER was due to HUD on September 30, 2006 and was actually submitted on September 28.

IV.G
For Information
Consolidated
Annual
Performance
and Evaluation
Report for
Program Year
2005 (7/1/05 to
6/30/06)

During the 2005 Program Year (July 1, 2005 to June 30, 2006), the HHFDC received approximately \$3.5 million from HUD – approximately \$3 million in HOME funds, \$169,000 in HOPWA funds, and \$224,000 in ESG funds. During the program year, the HOME funds were distributed to the County of Hawaii and County of Kauai. While HHFDC executed an agreement with the County of Maui, HOME funds were not distributed to them due to outstanding monitoring issues relating to budget control and the Wailuku Small Business Center.

Ms. Takahashi highlighted the goals and accomplishments for the first year of the five-year planning period. Director Smith noted that the HHFDC annually gives the HOME money to the neighbor islands, and since there is not enough to do anything significant, they accumulate the funds. Director Smith added that there was discussion with the neighbor islands and HUD to rework how funds are allocated and felt that at some point this needs to be reexamined with HUD.

Ms. Takahashi concluded her presentation.

Executive Director Dan Davidson indicated the following:

- His Activities for the Month, for October 12, 2006, was included in the Board Members' packets.
- There was one change order over \$25,000 for a new irrigation contract at the Villages of Kapolei
- The Activities Report lists the activities that have been happening in the Development and Finance Branches as well as in the Planning and Evaluation Office. The Personnel Office has also been busy with staffing up of the critical vacant positions within the HHFDC.

V.
REPORT
OF THE
EXECUTIVE
DIRECTOR

Executive Director Davidson indicated that he was available for questions from the Board.

Some comments raised by the Board Members were:

- Director Wathen indicated that the National Council of State Housing Agencies (NCSHA) conference and trade show that he attended in San Francisco with Executive Director Davidson and HHFDC staff was an extremely good conference and included handouts and great ideas for staff.
- In response to the status of the Pohukaina RFP, the consultants for the HCDA master plan have concerns about a planning affordable rental housing project in that location. Public uses are favored. The HHFDC staff will continue to aggressively pursue the project and inform the Board of any outcome with the HCDA.

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

- In response to a query of whether or not an outside firm would do an annual financial audit for the HHFDC like the HCDCH, staff indicated that an audit is currently underway for the HCDCH only; however, an audit for the HHFDC would be done at fiscal year end June 30, 2007. It was suggested that perhaps Chairman King could talk to the audit firm so that this Board could be provided with a financial report while both the public housing and finance and development entities were under the HCDCH.
- The HHFDC is still using the existing accounting system; however, staff has begun to look at a new system.
- Staff will provide the Board with the DURF cash flow balances and the RHTF balances at the November 9, 2006 Regular Board meeting.
- Executive Director Davidson responded to questions regarding a request from Kalopa'a to use Lot 79 in Waiahole Valley by indicating that the issue has been deferred and all parties are participating in a mediation process. On October 30, Mr. Davidson, and staff, will be meeting with some of the stakeholders and with the mediator and will have a report to the Board at the next regular meeting on November 9, 2006.

There being no further discussion, Chairman King asked for a motion to adjourn the meeting.

**VI.
ADJOURNMENT**

Director Lawrence moved, seconded by Director Larson,

That the meeting be adjourned at 12:45 p.m.

The motion was unanimously carried.

BETTY LOU LARSON.
Secretary

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