Chairman Charles King asked for any comments to the Meeting Minutes of January 11, 2007.

On page 50, number 6, last sentence, the meeting minutes should be amended to read: The Iwilei Senior Residence Project is close to being permitted.

Director Smith moved, seconded by Director Lawrence, to approve the minutes, as amended.

The motion was unanimously carried.

Chief Planner Takahashi introduced Karen Seddon, Development Branch Chief and Darren Ueki, Finance Branch Chief to present the Five-Year Affordable Housing Unit Delivery Plan for FY 2007 thru FY 2011. Mr. Ueki gave the opening description of the criterion and organization of the unit delivery plan spreadsheet, Exhibit “A.”
The Board asked if the spreadsheet could be sorted to show totals for the different programs and if for-sale (FS) and rental housing (RH) could be broken out as well. Mr. Ueki pointed out that the different programs are indicated under the column headed "Assist" and that although the information is included in the spreadsheet, for-sale and rental units can be sorted separately.

The Board commended Staff for generating the unit delivery plan, indicating that the next step is to explore ways to shorten the duration to unit delivery and leveraging resource funds, while asking for clarification on the number of units for additional projects shown under “Additional Unit Delivery with Additional Resources.” Mr. Ueki noted that while the unit total may seem conservative relative to the fund amounts, the basis is historical and blended for the different programs and various types of projects for projecting the number of units.

The Board continued the discussion related to the overall need for affordable housing relative to HHFDC efforts and to development conditions beyond HHFDC control. Ms. Seddon related that additional promotion of development programs is being pursued by the Executive Director, Development Branch Chief, and Development Branch Staff through presentations to development related organizations, meetings with developers, and meetings with various County officials to alert them to available HHFDC support for affordable housing. As suggested by the Board, development conditions outside HHFDC control include lack of Urban zoning (only 10% Statewide), duplicated development approval processes between State and Counties, protection of funding resources, and expansion of capacity in the public sector to synchronize and private sector to develop and construct affordable housing projects.

Chief Planner Takahashi gave the opening statement regarding the need for additional affordable rental housing statewide and for preservation of existing affordable rental housing. The scope of the For Discussion relates to the advisability of requiring Rental Housing Trust Fund (RHTF) projects to remain affordable in perpetuity.

Interviews were conducted with nonprofit entities regarding the concept of requiring rental housing projects to remain affordable in perpetuity. With the exception of one nonprofit entity, the nonprofits warned that it was inadvisable to require RHTF projects to remain affordable in perpetuity as private sector participation would be hindered and reinvestment in the projects could be stifled. The nonprofits felt that it was not necessary to require perpetual affordability for rental housing projects on State-owned land since the real property reverts to the State at the end of the lease. However, the nonprofits stated that the useful life of the structure built on private land is the limiting factor and questioned how HHFDC could require a property to remain affordable beyond its useful life. A board member felt that perpetuity beyond the useful life of the property is not a difficult hurdle. At the end of the useful life, the property is redeveloped. With low income housing tax credits, an investor provides money for a project based upon a specific tax write-off. The question is what is the discount the investor will pay for the tax credit? Therefore, with perpetuity, the question is how much extra should the State pay to ensure that units for households at less than 80 percent of the median income are kept affordable in perpetuity? A board member added that if we have invested state moneys into a project, we cannot afford to lose that inventory in 30 or 60 years.

Chief Planner Takahashi introduced Marvin Awaya, Executive Director of Pacific Housing Assistance Corporation, to expand on the rationale contributed in the original interview regarding the concept of requiring RHTF projects to remain affordable in perpetuity. Mr. Awaya reaffirmed the points he and others made in the interviews and added that in effect “rent control” would result and the economic consequence of rent control becomes a supply issue, which really reduces the affordable rental housing inventory. Additionally, perpetuity requirements reduce investor involvement for financing and land owner leasehold contribution, with the most endangered participant being the landowner due to the finite availability of land. Perpetuity requirements appear to work best as a part of the community land trust concept and for State-owned lands, not for private land ownership. As an
operator of affordable rental housing projects, Mr. Awaya also suggested that retaining affordability requires economic feasibility for the operator, accordingly with the given of rising costs, renters must have increased income to pay increasing rents.

Board members raised a concern regarding the future net number of affordable rental housing units in light of the expiring government restrictions and asked if there is any research on sustaining affordable rentals. Chief Planner Takahashi responded that the Chicago Preservation Compact, which was assembled with the assistance of the Urban Land Institute (ULI), with funding from the MacArthur Foundation, made recommendations to stem the loss of workforce housing. Reducing or stabilizing operating costs through government subsidies was highlighted. Examples of subsidies include project-based Section 8 vouchers (which is not an option for the Hawaii Public Housing Authority since they’re doing that for Palolo Housing) or tax rate reductions.

The Board continued the discussion raising the question if rental housing perpetuity should actually be the goal. The broad effect of rental perpetuity would be keeping things the way they are, not envisioning and committing to create a citizen residency that has the financial wherewithal to accumulate equity and buy into the “American Dream” of home ownership. Supplementing the income of individuals rather than putting an artificial restraint on rents through perpetuity requirements will better attain the goal of affordability.

Chairman King asked for a motion to recess.

Director Larson moved, seconded by Director Smith, to recess the meeting.

At 10:40 a.m., Chairman King reconvened the Regular Meeting of the Board.

Chief Planner Takahashi introduced Chris Sadayasu, Project Manager to the Board and asked him to present the Request for Proposals (RFP) parameters of this affordable housing opportunity recently made available to HHFDC. Mr. Sadayasu stated that this discussion is a continuation of last month’s discussion regarding RFP preferences to shape developer proposals.

After reviewing the facts provided in the For Discussion, Mr. Sadayasu stated the RFP would include preferences for the following: 1) Multi-family housing units; 2) Rental housing units; 3) Minimum of 61-year lease terms with affordable rent requirements for the entire term of the lease; 4) Mixed income; and 5) Maximum number of affordable units. Furthermore, the developer will be required to rezone the parcels and the applicants can propose to develop either one or both of the parcels with no preference to developers that propose to develop both parcels. The RFP is projected to be advertised in early March and construction to start in 2009 when the Department of Transportation (DOT) and the Department of Hawaiian Homelands (DHHL) complete off-site improvements.

The Board asked whether HHFDC should allow a mixed income project in light of the previous For Discussion regarding maximizing the number of affordable rental units and keeping those units affordable in perpetuity. Mr. Sadayasu indicated staff’s intent is to leave the RFP flexible regarding the income ranges because some developers may propose to develop market rent units in order to offer affordable units to renters at lower income levels. HHFDC wants to make sure these projects serve a wide range of renters and the projects remain financially viable.

The Board then inquired whether HHFDC could shorten the RFP process and bring the recommended proposal to the Board prior to the projected August Board meeting. Karen Seddon, Development Branch Chief, stated staff is looking at ways to shorten the Selection Committee’s review period, which would result in bringing the recommended proposal to the Board at an earlier date.

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The Board then wanted to know whether it was in this agency's best interest to rezone the parcels "in-house" and then issue the RFP rather than issuing the RFP now and having the developer rezone the parcel. The Board wanted to have HHFDC control the allowable density. Executive Director Dan Davidson stated he would rather have the developers rezone the parcels and save staff resources to assist projects currently under development, generate additional RFPs, and process new 201H project applications. He considers the RFP process the best vehicle to select the most effective development proposal and utilize the expertise of the developer and their consultants to entitle the parcels, while controlling maximum use and density through the development agreement.

Executive Director Davidson indicated that the Activities Report for March 8, 2007 had been distributed to the Board, that he did not have any additional items to add, and that he was available for any questions. Mr. Davidson did say that staff has been working diligently, and that they are involved actively in the Kukui Gardens matter. Major legislative items are all moving forward.

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

Director Lawrence moved, seconded by Director Wathen,

That the meeting be adjourned at 11:10 a.m.

BETTY LOU LARSON
Secretary