

**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 9, 2008  
IN THE CITY AND COUNTY OF HONOLULU, STATE OF HAWAII

The Board of Directors (Board) of the Hawaii Housing Finance and Development Corporation (HHFDC) met for their Regular Meeting at 677 Queen Street, Suite 300, Honolulu, Hawaii, on Thursday, October 9, 2008, at 9:00 a.m.

Chairman Charles King called the meeting to order at 9:03 a.m. with the following individuals present and excused:

**CALL TO  
ORDER/  
ROLL CALL**

- Present: Director Charles King, Chairman  
Director David A. Lawrence, Vice Chairman  
Director Betty Lou Larson, Secretary  
Director Allan Los Banos  
Director Ralph Mesick  
  
Executive Director Karen Seddon
- Excused: Director Georgina Kawamura  
Director Linda Smith  
Director Theodore E. Liu  
Director Richard Toledo
- Staff Present: Sandra Ching, Deputy Attorney General  
Janice Takahashi, Chief Planner  
Darren Ueki, Finance Manager  
Rick Praher, Development Branch Chief  
Edward Sunada, Fiscal Manager  
Marlene Lemke, Real Estate Services Section Chief  
Dean Sakata, Housing Finance Specialist  
Jocelyn Iwamasa, Housing Finance Specialist  
Byron Chock, Housing Finance Specialist  
Kent Miyasaki, Housing Information Specialist  
Esa Pablo, Secretary to the Board
- Guests: Kali Watson, Hawaiian Community Development Board  
Marian Gushiken, EAH Housing, Inc.  
Stacy Sur, Hawaii Housing Finance  
Don Tarleton, Hawaii Housing Finance  
Joelle Chiu, Allied Pacific Development  
Makani Maeva, Allied Pacific Development  
Keith Kato, Hawaiian Island Community Development Corporation  
Jonathan Kwon, Urban Housing Community  
Staci Kashiwabara, Urban Housing Community  
Michael Kahikina, Nanakuli Hawaiian Homestead Community Association  
Georgette Meyers, Waianae

Chairman King declared a quorum present.

Director Mesick moved, seconded by Director Los Banos, to approve the meeting minutes of September 11, 2008.

Director Larson inquired if the statement made on page 189, second paragraph:

**QUORUM**

**II. A.  
APPROVAL  
OF MINUTES  
9/11/08**

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“Approximately 11% of the units will be below the 120% AMI and about 54% of the units will be below the 140% AMI,” is true to the City and County of Honolulu’s (C&C) income eligibility standards. Executive Director Karen Seddon responded that the project complies with the income eligibility standards of HRS Section 201H, rather than the C&C income eligibility standards.

Regular Meeting

The motion was unanimously approved.

Director Lawrence moved, seconded by Director Los Banos, to approve Staff’s recommendation:

That the HHFDC Board of Directors approve the following items subject to other terms and conditions deemed necessary and acceptable by the Executive Director:

- A. Approve the Negotiated Lease Rent for the Kama’aina Hale Leasehold Project, Kona, Hawaii that is described in the Offer letter.
- B. Approve the possible sale of the project.
- C. The Executive Director approving all actions and undertaking all tasks necessary to effectuate the purposes of this For Action.

**III. A. DISCUSSION AND/OR DECISION MAKING**  
Approve the Negotiated Lease Rent for the Kama’aina Hale Leasehold Project, Kona, Hawaii and Approve Possible Sale of the Project, TMK No.: (3) 7-5-09:57.

Real Estate Services Section Chief Marlene Lemke presented the For Action, stating that the request before the Board is to approve the negotiated lease rent and possible sale of the Kama’aina Hale leasehold project (Project), located in Kona, Hawaii.

On October 22, 1976, the 128 two-bedroom unit complex leased from Kamehameha Schools (KS) was purchased for \$1.8 million from the Dwelling Unit Revolving Fund (DURF).

On April 11, 2006, KS forwarded a lease rent offer of \$420,000 per annum. However, by the end of 2007, KS and HHFDC were unable to reach an agreement and an appraisal was obtained as a basis to settle the lease rent.

On September 16, 2008, HHFDC met with KS and negotiated a lease rent of \$3,850,000 for the 10-year period, subject to the approval of both the HHFDC and KS Boards. The basis for the negotiated rent was the fair market value of the land.

After analyzing the heavy costs associated with the operations of the Project (Exhibit D), staff is recommending a possible sale of the project.

Ms. Lemke opened for questions.

In response to Director Lawrence’s inquiry, in terms of the appraised value for selling the Project, Executive Director Seddon stated that the complete Project has not yet been appraised for market purposes; only the land was appraised for purposes of settling the lease rent for the Project.

In response to Director Larson’s inquiry, regarding the new anticipated rent amount for the Project, Ms. Lemke stated that the rents averaged \$761. However, a feasibility study for the Project was done two years ago and indicated that a mix of rents from market to affordable could be charged if the structure was brought up to market standards at a projected cost of \$14,000,000.

Director Larson inquired on the anticipated plan for the Project in terms of perpetuity and the community. Executive Director Seddon responded that the intent is to find a buyer that could continue with affordable rents, but if that is not possible a sale would still have to be completed. Meanwhile, the Project is using cash from the DURF that could otherwise be used towards the support of more viable projects.

In response to Director Mesick’s inquiry, regarding the basis of the appraisals, Ms.

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Lemke stated that the appraisers looked at comparable land uses around the area on both the HHFDC and KS appraisals, averaging for a value of \$5.5 million times 7% of the land value, for \$385,000 a year. However, KS has allowed HHFDC to tier the amounts over the 10-year lease period.

Director Lawrence inquired on divesting or selling the Project. Executive Director Seddon responded that there were prior discussions with KS to take over the Project, but due to the economic down turn, all related discussions ceased. However, if the Board should choose to approve the recommendation, staff could start the selling process and will keep the Board apprised.

In response to Director Larson's inquiry, in terms of a plan in notifying the community, Executive Director Seddon stated that the intent is to inform the community upon approval by the Board and before action is taken on selecting a Broker for the sale.

In response to Chairman King's inquiry, regarding increased lease rents, Executive Director Seddon stated that there had been an increase in rents earlier in the year.

In response to Director Larson's inquiry, regarding community involvement on the rehabilitation of the units, Executive Director Seddon stated that it is difficult to bring in the community to perform work on asbestos abatement.

The motion was unanimously approved.

Director Larson inquired on previous requests made to the Rental Housing Trust Fund (RHTF) Project Award (Project Award) from the first funding round that are set to expire. Finance Manager Darren Ueki stated that there is a request of \$5 million for the Senior Residence of Iwilei project that will expire once the Approved and Rejected List for FY 08-2 is approved. However, the developer does have the opportunity to re-apply during the next funding round.

Director Larson moved, seconded by Director Los Banos, to approve Staff's recommendation:

That the Board of Directors of the HHFDC:

- A. Approve the Approved Project list for the 2008-02 funding round for Project Awards, subject to the following provisions and conditions:
1. The approval of the Approved Project List does not obligate or guarantee that any and all applicants on the Approved Project List will receive funding;
  2. HHFDC may elect to select, reject, or defer an applicant's request, if HHFDC judges such action to be in the best interest of the Program;
  3. The amount of an award is subject to the availability of Program funds. HHFDC is not obligated to approve or fund the full amount of the applicant's request;
  4. The actual form, terms, and conditions of each award shall be determined by HHFDC and are subject to negotiation between the applicant and HHFDC, and the completion of all appropriate legal documentation satisfactory to HHFDC and its legal counsel;
  5. The approval of each award and the disbursement of funds are subject to the final approval of the Governor of the State of Hawaii;
  6. The applicants will agree to abide by all the terms and conditions that may arise due to the use of public funds; and

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

Adopt the Approved and Rejected List for the Rental Housing Trust Fund Project Award FY 08-2 Funding Round.

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- B. Authorize the Executive Director of HHFDC to take all action necessary to effectuate the purposes of this For Action.

Mr. Ueki presented the For Action, stated that the second funding round of the RHTF Project Award for FY 08-02 closed on June 20, 2008. Six applications were received requesting a total of approximately \$41.3 million from the RHTF Program.

Individual project reviews were coordinated among the Finance and Development Branches. All applications scored in excess of the 125 minimum point (based on the Criteria Point System), placing all six of the applications on the Approved Project List.

Mr. Ueki pointed out that the approval of the Approved Project List does not obligate or guarantee that the applicant will receive funding and that HHFDC may elect to select, reject, or defer an applicant's request.

Mr. Ueki referred to the list of first priority projects as follows:

- Ewa Villages Phase I
- Lokahi Ka'u
- Hale Ohana Apartments
- Honokowai Villa

Additional project details and recommendations will be provided in separate For Actions today or at a future meeting.

The Approved Project List shall remain in effect until the awards have been made to all approved projects or until the next Approved List is approved.

Mr. Ueki opened for questions.

In response to Chairman King's inquiry regarding sufficient funding for the remaining projects once the Ewa Villages Phase I and Lokahi Ka'u projects are approved, Mr. Ueki stated that the RHTF currently has approximately \$20 million, which does not include the \$15 million appropriation approved by the Legislature. Furthermore, there will be additional RHTF monies in the form of conveyance taxes, offering an opportunity to provide sufficient funding for all the projects listed.

Director Larson commented that she finds the listing of the project names helpful within the For Action.

The motion was unanimously approved.

Director Los Banos moved, seconded by Director Lawrence, to approve Staff's recommendation:

- A. That the Hawaii Housing Finance and Development Corporation Board of Directors approve the following:
1. Amend the For Action dated October 11, 2007 issuing an Inducement Resolution for Hale Mohalu II project by extending the deadline to issue Hula Mae Multi-Family Bonds through October 31, 2009.
  2. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this for Action.

Mr. Ueki presented the For Action, stating that the Hale Mohalu II Project (Project) is a 164-unit elderly project located in Pearl City, with Hale Mohalu II Senior, LP

**III. C.  
DISCUSSION  
AND/OR  
DECISION  
MAKING**  
Approve an Extension to Resolution No. 004, Which Provides for Official Intent with Respect to the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds for the Hale Mohalu II Project Located in Pearl City, Oahu, TMK No.: (1) 9-7-019:035.

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(Applicant) developing, owning, and operating the Project's facility.

In October 2007, the Board approved a reservation of Federal and State Low Income Housing Tax Credits (LIHTC) and adopted Inducement Resolution No. 004, to facilitate the issuance of up to \$30 million in Hula Mae Multi-Family (HMMF) bonds, conditioned upon the HHFDC issuing the bonds within 12 months from the date of approval.

On September 22, 2008, the Applicant requested an extension for the issuance of the HMMF Bonds and provided a status update on the Project.

Mr. Ueki noted that the Applicant continues to work with the City and County of Honolulu's Department of Planning and Permitting, on the 201H zoning application process and building permits.

Mr. Ueki pointed out that the Inducement Resolution No. 004 does not authorize the sale of the tax-exempt bonds for the Project. Staff will return to the Board to present a subsequent resolution, requesting approval for the actual issuance, sale, and delivery of the bonds, subject to the availability of volume caps approved by the Department of Budget & Finance (B&F) and the Governor.

Mr. Ueki opened for questions.

In response to Director Larson's inquiry, regarding the Project meeting its scheduled completion date of 2010, Mr. Ueki stated that the Project is on track with some challenges regarding the permitting process and financial market. However, the extension will allow the Applicant to continue to work forward.

The motion was unanimously approved.

Director Lawrence moved, seconded by Director Mesick, to approve Staff's recommendation:

- A. Approve a Project Award loan of \$4,690,240 with terms as shown in III.I. of this For Action, and the issuance of the Letter of Intent subject to the following:
1. Authorization and approval by the Governor of the proposed project and the release of Program funds as mandated under Chapter 15-180, Hawaii Administrative Rules.
  2. Execution of documentation satisfactory to the HHFDC outlining the terms and conditions of the Project Award. The documents will specify the standard terms and conditions as required in order to meet all statutory requirements of the RHTF Program and the specific terms and conditions that are applicable to the applicant's request for Project Award funds.
  3. Completion of all documentation necessary and required to secure the release of RHTF funds.
  4. Certification of the applicant to comply with all applicable statutory and Program requirements, including but not limited to, Chapters 343, 103D, §103-50 and §104, Hawaii Revised Statutes, as they may relate to the use of State funds.
  5. Availability of the Rental Housing Trust Fund program funds.
- B. Authorize the Executive Director of the HHFDC to take all action necessary to effectuate the purpose of the For Action.

Mr. Ueki presented the For Action, stating that the Ewa Villages Phase I Project

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

Approve a Rental Housing Trust Fund Project Award to the Ewa Homes LP for the Ewa Villages Phase I Project Located in Ewa Beach, Oahu TMK No.:

(1) 9-1-17:76 and 77.

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(Project) is a 64-unit family project located in Ewa Beach.

On June 20, 2008, Hui Kauhale, Inc. (Applicant) submitted a consolidated application for financing, requesting: (1) Private Activity Bond Cap from the Hula Mae Multi-Family (HMMF) Tax Exempt Revenue Bond Program; (2) Low Income Housing Tax Credits (LIHTC) reservation of both annual Federal and State LIHTC; and (3) Rental Housing Trust Fund (RHTF) Interim/Permanent Loan.

Mr. Ueki pointed out that on January 20, 2008, the Board approved a Project Award of up to \$1.3 million from the RHTF.

The Project consists of eight 2-story residential buildings in four clusters, with an estimated construction timeline as follows: (1) Building Permit Acquisition - November 2008; (2) Construction Start Date - January 2009; and (3) Project Completion (Last Building) - April 2010.

Mr. Ueki noted that due to the instability of the financial market, the Applicant was not able to find an investor for the State LIHTC, resulting in the current request for the RHTF funds. However, in the event that a State LIHTC investor is found, the RHTF Award will be reduced accordingly.

Staff has reviewed the Applicant's request, proposing that the Applicant obtain an interest rate of 1% as opposed to the Applicant's original request of a 0% interest rate.

Mr. Ueki opened for questions, introducing Ms. Marian Gushiken, representing the Applicant.

In response to Director Lawrence's inquiry regarding an interest limit, Mr. Ueki stated that each project is underwritten on a case-by-case basis and that on rare occasions HHFDC has allowed loans at zero percent interest.

In response to Chairman King's inquiry, regarding having only one funding round, Mr. Ueki stated that an additional round is possible, depending on the availability of funds. However, staff will continue to provide a monthly update on the RHTF and seek guidance from the Board.

The motion was unanimously approved.

Director Lawrence moved, seconded by Director Mesick, to approve Staff's recommendation:

A. That the HHFDC Board of Directors approve the following:

1. Adopt Resolution No. 014, attached as Exhibit E, which provides for official intent with respect to the issuance of revenue bond up to \$17,028,993 for the Ewa Villages Phase I project subject to the provisions recommended in Exhibits B and D;
2. Reserve up to \$1,134,355 in annual Federal LIHTC and \$567,177 in annual State LIHTC from the non-competitive pool for the Ewa Villages Phase I project subject to the provisions recommended by Exhibits C & D; and
3. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Mr. Ueki presented the For Action, stating that the request before the Board is to take action on the Hula Mae Multi-Family (HMMF) Bonds and both Federal and State 4% Low Income Housing Tax Credits (LIHTC) for the Ewa Villages Phase I Project (Project).

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

Approve: (1) Resolution No. 14 Which Provides for Official Intent with Respect to the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds and (2) Reservation of Low Income Housing Tax Credits for the Ewa Villages Phase I Project Located in Ewa Beach, Oahu, TMK Nos.: (1) 9-1-17:76 and 77.

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Mr. Ueki noted that the Project did receive competitive 9% LIHTC in June 2006 and in April 2007. However, on two occasions the credits were returned due to delays in obtaining building permits, inflated construction costs, and the inability to find a State LIHTC investor for the Project. As a result, the Applicant has restructured their financing to include funding from the HMMF Bonds, 4% LIHTC, and the Rental Housing Trust Fund (RHTF).

The Project is estimated to start construction in January 2009 and is estimated to be complete by April 2010.

The Applicant is considering private placement of the bonds to an investor or group of investors for the HMMF Bonds.

Mr. Ueki pointed out that an Inducement Resolution is a non-binding resolution, which states that it is the HHFDC's intent to possibly issue tax-exempt revenue bonds for the Project.

Staff conducted a review of the preliminary information submitted and the Project meets the requirements for tax-exempt bond financing. Upon submittal of all other information requested, staff will be able to make a final recommendation to the Board for the commitment and actual issuance of the bonds at a future meeting.

Mr. Ueki pointed out that the adoption of the Inducement Resolution deals with the recognition of expenditures made by the Applicant, allowing reimbursement from bond proceeds on any eligible expenditures made 60 days prior to the adoption of the Inducement Resolution.

The adoption of the Inducement Resolution may be viewed as an "Official Action" being undertaken by the issuer. However, the adoption does not authorize the sale of bonds for the Project.

If the Board adopts Resolution No. 014 and the bond issuance is determined feasible, staff will return to the Board and seek approval of both the Department of Budget & Finance and the Governor.

Mr. Ueki opened for questions, along with Ms. Marian Gushiken, on behalf of the Applicant.

In response to Director Lawrence's inquiry, in terms of meeting the November 2008 acquisition of the building permits, Ms. Gushiken stated that the date has been pushed back by a month or two.

The motion was unanimously approved.

Director Lawrence moved, seconded by Director Mesick, to approve Staff's recommendation:

That the HHFDC Board of Directors approve the following:

- A. Extend the Letter of Intent dated May 18, 2007 for the Ewa Villages Phase II Project to October 31, 2009, subject to the requirements as set forth in the For Action dated April 12, 2007.
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purpose of this For Action.

Mr. Ueki presented the For Action, stating that the Ewa Villages Phase II Project (Project) is a 76-unit family project located in Ewa Beach.

In April 2007, the Board approved a project award of approximately \$6.8 million from the Rental Housing Trust Fund (RHTF) and both Federal and State 9% Low Income Housing Tax Credits (LIHTC) to the Hui Kauhale, Inc (Awardee).

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

Approve an Extension of the Rental Housing Trust Fund Letter of Intent ("LOI") to the Ewa Villages Phase II Project Located in Ewa Beach, Oahu, TMK Nos.: (1) 9-1-017-076 and 77.

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In May 2007, a Letter of Intent (LOI) was issued to the Awardee, stating that the loan was to be closed no later than January 31, 2008. Subsequently, the LOI was extended by the HHFDC Executive Director through October 31, 2008.

In June of 2008, the HHFDC received an application for up to \$18.8 million in bond cap from the Hula Mae Multi-Family (HMMF) bond program and a reservation of both the Federal and State 4% LIHTC for the Project. The Applicant's requests will be presented to the Board in a separate For Action in today's meeting.

Due to the inability of the Project meeting program deadlines of obtaining a State LIHTC investor, the Applicant has returned the original 9% Federal and State LIHTC that were awarded in 2007.

On September 26, 2008, the Applicant submitted a request to extend the expiration of the LOI.

Staff has evaluated the request for extension based on the progress made on the three basic milestones of site control, zoning approvals, and securing financing commitments.

As mentioned in the prior For Action, the Applicant has restructured their financing to utilize the HMMF Bonds and 4% LIHTC.

Mr. Ueki opened for questions, along with Ms. Marian Gushiken, representing the Applicant.

In response to Chairman King's inquiry, regarding the permitting process holding up the Project, Ms. Gushiken clarified that it is primarily due to the inability of obtaining a State LIHTC investor.

In response to Director Lawrence's inquiry, in terms of the variation in construction costs between Phase I and Phase II, Ms. Gushiken stated that Phase I includes construction of a community building and additional site work.

The motion was unanimously approved.

Director Lawrence moved, seconded by Director Larson, to approve Staff's recommendation:

- A. That the HHFDC Board of Directors approve the following:
1. Adopt Resolution No. 015, attached as Exhibit E, which provides for official intent with respect to the issuance of revenue bond up to \$18,800,000 for the Ewa Villages Phase II project subject to the provisions recommended in Exhibits B and D;
  2. Reserve up to \$1,129,929 in annual Federal LIHTC and \$564,964 in annual State LIHTC from the non-competitive pool for the Ewa Villages Phase II project subject to the provisions recommended in Exhibits C & D; and
  3. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Mr. Ueki presented the For Action, indicating that this For Action is in relation to the Ewa Villages Phase II Project (Project) located in Ewa Beach.

Mr. Ueki pointed out that on June 20, 2008, Hui Kauhale, Inc (Applicant) submitted a consolidated application for financing, requesting the following:

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

Approve: (1) Resolution No. 15 Which Provides for Official Intent with Respect to the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds and (2) Reservation of Low Income Housing Tax Credits for the Ewa Villages Phase II Project Located in Ewa Beach, Oahu, TMK Nos.: (1) 9-1-17:76 and 77.

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1. Private Activity Bond Cap of \$18.8 million from the Hula Mae Multi-Family (HMMF) Tax-Exempt Revenue Bond Program; and
2. Low Income Housing Tax Credit (LIHTC) reservation of \$1.13 million in Federal and \$564,964 in State LIHTC.

On June 25, 2008, the Applicant returned the LIHTC awarded in 2007, due to the inability to meet program deadlines and State LIHTC investor.

In April 2007, the Board approved a Rental Housing Trust Fund (RHTF) Award, which has been extended through the previous For Action.

The Applicant is considering the private placement of the bonds to an investor or group of investors.

Mr. Ueki opened for questions, along with Ms. Marian Gushiken, on behalf of the Applicant.

In response to Director Larson's inquiry, regarding addressing the need of providing permanent affordable housing for the homeless, Ms. Gushiken stated that they would need to be mindful in fulfilling the initial commitment, but are open to working with shelter providers in the area.

Director Lawrence inquired on Section III. K., third paragraph: "Staff is requesting that the Board extend the closing of the bonds to 12 months," not being in the recommendation. Mr. Ueki stated that the statement is an error and does not apply to the For Action.

The motion was unanimously approved.

Director Lawrence moved, seconded by Director Larson, to approve Staff's recommendation that:

Staff respectfully recommends that the HHFDC Board:

- A. Approve a Project Award loan of \$9,750,000 with terms as shown in III.J. of this For Action, and the issuance of the Letter of Intent subject to the following:
  1. Authorization and approval by the Governor of the proposed project and release of Program funds as mandated under Chapter 15-180, Hawaii Administrative Rules.
  2. Execution of documentation satisfactory to the HHFDC outlining the terms and conditions of the Project Award. The documents will specify the standard terms and conditions as required in order to meet all statutory requirements of the RHTF Program and the specific terms and conditions that are applicable to the applicant's request for Project Award funds.
  3. Completion of all documentation necessary and required to secure the release of RHTF funds.
  4. Certification of the applicant to comply with all applicable statutory and Program requirements, including but not limited to, Chapter 343, 103D, §103-50 and §104, Hawaii Revised Statutes, as they may relate to the use of State funds.
  5. Availability of the RHTF program funds.
- B. Authorize the Executive Director of the HHFDC to take all action necessary to effectuate the purposes of the For Action.

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

Approve a Rental Housing Trust Fund Project Award to the Ho'olehua Housing LP for the Lokahi Kau Project Located in Kona, Hawaii, TMK No.: (3) 7-3-010:003.

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Mr. Ueki presented the For Action, stating that the Lokahi Ka'u Project (Project) is a 306-unit family project located in Kona, on the Big Island of Hawaii.

In December 2007, the Board adopted Resolution No. 008, providing official intent with respect to the issuance of the Hula Mae Multi-Family (HMMF) Bonds and an award of both Federal and State 4% Low Income Housing Tax Credits (LIHTC) for the Project.

In March 2008, the Board approved Resolution No. 011, authorizing the issuance of bonds and increased the reservations of the Federal LIHTC to approximately \$2.5 million and approximately \$1.23 million in State LIHTC.

Subsequent to the Board's actions taken in March 2008, the project faced challenges due to the financial market, resulting in the resubmission for the Rental Housing Trust Fund (RHTF) Project Award request in the amount of \$9.75 million.

The Project's estimated construction timeline is as follows: (1) Bond Issuance Date - November 2008; (2) Construction Start Date - December 2008; (3) Completion of the First Building - August 2009; and (4) Completion of the Last Building - October 2010.

Mr. Ueki stated that the Project has been negatively affected by the softness in the economy and the Applicant has not been able to sell the County Housing Credits generated by the Project, creating a shortfall in funding sources. However, if the Applicant is able to sell the County Housing Credits higher than the anticipated price, the RHTF loan will be reduced.

An updated bond application was submitted modifying the bond structure. The new bond structure is a public issuance of variable rate bonds utilizing a swap instrument allowing the Project to fix the interest rate. The bond principal has increased from \$30.5 million to \$33.5 million.

A recommendation to adopt a new resolution to issue bonds based on the proposed bond structure will be presented for consideration at the November Board meeting.

Mr. Ueki opened for questions, introducing Ms. Makani Maeva, representing the Project.

In response to Director Lawrence's inquiry, regarding the sale of the County Housing Credits, Ms. Maeva stated that County Housing Credits are critical; however, with the current financial and housing markets there is a reduced demand.

In response to Director Larson's inquiry, in terms of the low cost of the units, Ms. Maeva stated that the Project construction is at a good price, but will continue to work on lowering the construction cost further.

In response to Director Larson's inquiry, in terms of perpetuity, Ms. Maeva stated that their mission is to keep the Project affordable; however, there needs to be some incentive to put money into the Project after the 55-year period.

The motion was unanimously approved.

Director Lawrence moved, seconded by Director Mesick, to recess at 10:20 a.m.

Chairman King reconvened the meeting at 10:35 a.m.

Director Lawrence moved, seconded by Director Mesick, to approve Staff's recommendation:

A. That the Hawaii Housing Finance and Development Corporation Board of

RECESS

RECONVENED

III. I.  
DISCUSSION  
AND/OR  
DECISION  
MAKING

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Directors approve the following:

1. Extend the Letter of Intent dated May 18, 2007 for the Ainakea Senior Residences to March 31, 2009, subject to the requirements as set forth in the For Action dated April 12, 2007.
2. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Mr. Ueki stated that the For Action seeks the approval to extend the Letter of Intent (LOI) for the Ainakea Senior Residences Project (Project) set to expire on October 31, 2008.

The Ainakea Senior Housing LLLP believes they are able to close the Rental Housing Trust Fund (RHTF) loan before the October 31, 2008 deadline. However, as a precautionary measure, the Applicant has submitted a request to extend the expiration of the LOI to March 31, 2009.

Mr. Ueki opened for questions, introducing Mr. Keith Kato, representing the Project.

In response to Director Lawrence's inquiry regarding the high cost of the Project, Mr. Kato indicated that Ainakea Senior Housing LLLP wanted to design a project that was durable and would withstand the 60-year commitment.

The motion was unanimously approved.

Director Lawrence moved, seconded by Director Larson, to approve Staff's recommendation:

- A. That the Board of Directors of the Hawaii Housing Finance and Development Corporation approve a 5-year renewal of the Rental Assistance Contract to the Hilo Maile Terrace Partners for the Hilo Maile Terrace project through October 31, 2013; and
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the intent and purposes of this For Action.

Mr. Ueki presented the For Action, stating that in 1991, the Housing Finance and Development Corporation approved a Low Income Housing Tax Credit (LIHTC) Award and a project based rental subsidy from the Rental Assistance Program (RAP) for the Hilo Maile Terrace Project (Project).

The Rental Assistance Contract (RAC) was for a 15-year period beginning in November 1992 to the end of October 2007. In October 2007, the Board approved a 1-year extension of the RAC through October 31, 2008.

Mr. Ueki pointed out that during the initial 15-year period and first eight months of the extension the RAP payments totaled approximately \$513,000; leaving a balance of about \$330,000.

The RAP currently supports 1,268 units in 15 projects. There is an available balance of approximately \$16 million in RAP subsidies and about \$56 million in outstanding commitments for all 15 projects.

In response to Chairman King's inquiry, in terms of utilizing 100% of the RAP commitments, Mr. Ueki explained that the maximum annual payment is about \$2.95 million. However, historically the actual payment has been around \$1.4 million or 48% of the maximum RAP commitment.

Assuming there are no additional commitments made to the Rental Assistance Revolving Fund (RARF), the \$16 million available balance would last for

Approve an Extension of the Rental Housing Trust Fund Letter of Intent ("LOI") to the Ainakea Senior Housing, LLP for Ainakea Senior Residence Project Located in Kapa'au, Hawaii, TMK No.: (3) 5-3-011:102.

### III. J. DISCUSSION AND/OR DECISION MAKING

Approve a 5-year Extension Through October 31, 2013 of the Rental Assistance Contract to the Hilo Maile Terrace Partners for the Hilo Maile Terrace Project, Located in Hilo, Hawaii, TMK No.: (3) 2-2-053-008.

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approximately 5 years at the maximum annual payout and approximately 10 years based on the average disbursements over the last three years.

Mr. Ueki stated that the income generated by the RAP has allowed HHFDC to cover all subsidy payments.

In a letter dated August 20, 2008, the Hilo Maile Terrace Partners (Project ownership) requested a 5-year extension to the existing RAC. The remaining commitment under the original approval is about \$330,000. Based on a 100% utilization of the Project's approved 24 RAP units, the \$330,000 remaining commitment is sufficient to cover about 6 years of RAP payments.

Staff supports and recommends a 5-year extension to the RAP contract through the end of October 2013, based on:

1. Sufficiency of funds remaining under the Project's original RAP commitment to cover another 5.9 years of RAP payments at a 100% utilization rate;
2. Available RARF funds provide adequate coverage of existing RAP commitments for at least another 5 years, even without income generated by investment holdings;
3. The RAP subsidy helps maintain the Project's affordability for its tenants by enabling them to continue receiving rental assistance; and
4. A 5-year renewal allows the project to represent a subsidy program that will remain stable for more than 1 year, potentially encouraging program use among prospective tenants.

Mr. Ueki opened for questions, noting that all approvals for an extension to the RAP commitments are also subject to the approval of Budget & Finance, which is currently pending.

In response to Chairman King's inquiry, regarding the source of the \$16 million, Mr. Ueki stated that the \$16 million in funds are within the RARF, which consists of two components: the construction loan and subsidy programs.

In response to Director Lawrence's inquiry, in terms of the condition of the properties, Mr. Ueki stated that the units are privately owned. However, staff does conduct compliance monitoring on an annual basis.

The motion was unanimously approved.

Director Lawrence moved, seconded by Director Los Banos, to approve Staff's recommendation:

That the HHFDC Board of Directors:

1. Authorize the Executive Director, or her designated representative, to conduct a public hearing on proposed changes to the 2009/2010 Qualified Allocation Plan of the Low-Income Housing Tax Credit Program; and
2. Authorize the Executive Director to take all action necessary to effectuate the purposes of this For Action.

Mr. Ueki presented the For Action, stating that Section 42 of the Internal Revenue Code (IRC) requires that each state housing credit agency allocate Low Income Housing Tax Credits (LIHTC) in accordance with a Qualified Allocation Plan (QAP).

The QAP specifies: (1) the selection criteria to determine the housing priorities of

### III. K. DISCUSSION AND/OR DECISION MAKING

Approve a Request to Conduct a Public Hearing on the Low-Income Housing Tax Credit Program's 2009/2010 Qualified Allocation Plan.

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the housing credit agency; (2) the preference in allocation of housing tax credit amounts among projects; and (3) the compliance monitoring procedures. Any changes to the QAP must go through a public hearing process.

Mr. Ueki noted that on July 31, 2008, President Bush enacted the Housing and Economic Recovery Act of 2008 (HERA of 2008), which included amendments to the LIHTC program.

Staff is seeking the authorization to conduct public hearings and accept public comments on the QAP. Based on the public's comments, staff will amend the QAP and come back to the Board for final approval of the QAP at the December Board meeting.

Mr. Ueki opened for questions.

In response to Director Larson's inquiry regarding information on the public hearing, Mr. Ueki stated that a public hearing would be conducted on November 18, 2008, 1:00 p.m., at HHFDC. A public notice will be placed in newspapers and the draft QAP will be available on the HHFDC website.

In response to Director Larson's inquiry on "the historic nature of the project" with regard to the selection criteria, Mr. Ueki stated that the criteria relates to construction done on land or to buildings that are determined as a historic site by a national or state historic registry.

Director Larson inquired on the requirement set on page 2, number 5, stating: "Eliminates the annual income recertification requirement for 100% LIHTC projects. Requires all owners to recertify households at least once on the first anniversary of their initial tenancy . . ." Mr. Ueki stated that it is a "win-win" situation for the owner as well as the tenants in 100% tax credit projects.

Director Larson inquired about the Qualified Contracts section. Mr. Ueki explained that the change would require developers to decide at the time of application whether to utilize the Qualified Contract, which allows for the exit from the project at year 15.

Chairman King noted that he would not be attending the December Board meeting.

The motion was unanimously approved.

Executive Director Karen Seddon reported on the following:

- Due to the State's budget restrictions, staff is taking measures to reduce costs as much as possible. For Action exhibits will be on CD when warranted, saving on paper and postage for the board meeting packets; meetings are teleconferenced whenever possible, saving on travel and parking costs; and airline reservation changes will be held to a minimum, avoiding additional charges.
- Executive Director Seddon welcomed new Development Branch Chief Rick Prahler aboard.
- The Holomua project is preparing to go to the City Council and commended the Development Branch staff for their dedication.

Executive Director Seddon opened for questions.

Director Lawrence inquired on the State's budget cuts affecting existing funds in terms of the upcoming legislation. Executive Director Seddon stated that there is a possibility that monies could be reduced from special funds. The more commitments made would indicate the need for the funds and hopefully avoid special fund cut backs.

## IV. REPORT OF THE EXECUTIVE DIRECTOR

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Executive Director Seddon stated that the Keahuolu project is expected to be on the Board Agenda for the November 13, 2008 meeting relating to a Dwelling Unit Revolving Fund (DURF) commitment.

Director Larson inquired on staffing being impacted by the budget cuts. Executive Director Seddon stated that the Department of Business, Economic Development, and Tourism (DBEDT) is currently in discussion regarding staffing and it is possible that staffing will be affected by the budget restrictions and reductions.

Chairman King inquired on the Housing and Economic Recovery Act of 2008 (HERA). Chief Planner Janice Takahashi reported on the following:

- **Neighborhood Stabilization Program (NSP):** The HHFDC is eligible to receive a \$19.6 million grant through the NSP to acquire and redevelop foreclosed properties. All four counties are to submit to HHFDC their proposals on how they plan to use the NSP. The first set of draft proposals are expected by October 10, 2008, with the final proposals by Friday, October 17, 2008. Staff will seek Board approval of an amendment to the State Consolidated Plan, Action Plan for Program Year 2008-2009 at the November 13, 2008 meeting.

In response to Chairman King's inquiry regarding equal distribution of funding among the counties, Ms. Takahashi stated that the allocation of funding is usually determined by areas of greatest need, which are based on factors such as foreclosure rates and sub-prime loans, as well as the local factors. Although, there had been discussions on evenly distributing the funds among the counties, the decision will depend on the counties' proposals.

Ms. Takahashi noted that Finance Manager Darren Ueki has called the First Hawaiian Bank (FHB) and Bank of Hawaii (BOH) regarding foreclosed homes available for purchase. Mr. Ueki indicated that FHB stated that they had no foreclosures in their inventory, with BOH having one property available. Staff will continue to search other possibilities.

In response to Chairman King's inquiry regarding the HHFDC's use of the NSP grant, Ms. Takahashi stated that HHFDC does not plan to retain affordable homes. If any properties were to be purchased, those homes would go to market.

In response to Director Lawrence's inquiry regarding availability of other non-government monies, Ms. Takahashi stated that the Community Development Block Grant (CDBG) monies would be able to be utilized with the NSP, but HOME Investment Partnerships Program (HOME) monies would not.

Director Larson inquired on the terms and conditions of the NSP funds. Ms. Takahashi stated that HHFDC has asked for clarification and what is included in the Report of the Executive Director is the response that we received from the U.S. Department of Housing and Urban Development (HUD); some aspects remain unclear.

- **National Foreclosure Mitigation Counseling Program (NFMC):** The HHFDC has applied for \$600,000 to assist in preventing foreclosures. Staff is currently working with non-profit entities to provide counseling and anticipates awards by November 2008.

Chairman King inquired on proposed legislation for the HHFDC. Ms. Takahashi reported on the following:

- CIP Requests:
  - \$25 million in FY10 and FY11 for Rental Housing Trust Fund

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(RHTF);

- \$25.4 million in FY10 and \$25 million in FY11 for the DURF;
- \$33 million in FY10 for permanent financing for the Senior Residence at Iwilei; and
- \$4.3 million in FY10 to construct the Waiahole water system
- Increase the share of the conveyance tax for the RHTF from 30 to 50 percent.
- Change the period over which the State Low Income Housing Tax Credits (LIHTC) are taken from 10 years to 5 years.
- Extend the sunset or establish a grant authority from the RHTF for units at 30 percent and below the area median income (AMI).

Executive Director Seddon noted that the \$400,000 amount from the \$25.4 million request for DURF is a reimbursement of the contribution made to the Kahikolu project.

Chairman King congratulated the HHFDC on the DBEDT Team of the Year Award for the Kukui Gardens project.

Chairman King thanked everyone for coming and called for a motion to adjourn.

**V.  
ADJOURNMENT**

Director Lawrence moved, seconded by Director Larson, to adjourn the meeting at 11:20 a.m.



BETTY LOU LARSON  
Secretary