

**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, DECEMBER 19, 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, December 19, 2008, at 9:00 a.m.

Chairman Charles King called the meeting to order at 9:00 p.m.

**CALL TO  
ORDER/  
ROLL CALL**

Present: Director Charles King, Chairman  
Director David A. Lawrence, Vice Chairman  
Director Georgina Kawamura  
Director Linda Smith  
Director Alan Los Banos  
Director Francis Jung  
  
Executive Director Karen Seddon

Excused: Director Theodore E. Liu  
Director Betty Lou Larson  
Director Ralph Mesick

Staff Present: Sandra Ching, Deputy Attorney General  
Craig Iha, Deputy Attorney General  
Janice Takahashi, Chief Planner  
Darren Ueki, Finance Manager  
Rick Prahler, Development Branch Chief  
Stan Fujimoto, Development Project Manager  
Edward Sunada, Fiscal Manager  
Marlene Lemke, Real Estate Services Section Chief  
Dean Sakata, Housing Finance Specialist  
Patrick Inouye, Housing Finance Specialist  
Byron Chock, Housing Finance Specialist  
Leonell Domingo, Development Project Manager  
Kent Miyasaki, Housing Information Specialist  
Esa Pablo, Secretary to the Board

Guests: Mike Condry, Micon Real Estate  
Sarah VanDeVanter, Micon Real Estate  
Kali Watson, Hawaiian Community Development Board  
Jesse Wu, Stanford Carr Development  
Richard Riegels, Stanford Carr Development  
Teney Takahashi, Hawaiian Community Development  
Authority  
Andrew Furuta, Castle & Cooke Homes Hawaii, Inc.  
Jon Shimizu, Castle & Cooke Homes Hawaii, Inc.  
Bruce Barrett, Castle & Cooke Homes Hawaii, Inc.  
Mary Hakoda, Castle & Cooke Homes Hawaii, Inc.  
Bill Azzara, UniDev Hawaii, LLC  
Jeff Minter, UniDev Hawaii, LLC  
Marvin Awaya, Pacific Housing Assistance Corporation  
Stacy Sur, Hawaii Housing Finance

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Chairman King declared a quorum present and welcomed newly appointed Interim Director Francis Jung on the Board.

Director Lawrence moved, seconded by Director Los Banos, to approve the meeting minutes of November 13, 2008.  
The motion was unanimously approved.

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

That the HHFDC Board of Directors approves the following:

- A. The 2009/2010 QAP as there was no testimony at the public hearing and no material changes were made since the QAP was presented at the October 9, 2008 HHFDC Board of Directors Meeting;
- B. Authorize the Executive Director to establish the funding round for the state's 2010 LIHTC volume cap subject to the 2009/2010 QAP; and
- C. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Finance Manager Darren Ueki summarized the For Action, stating that a previous For Action regarding the Draft Qualified Allocation Plan (QAP) was presented to the Board at the October 2008 meeting. The Board approved staff's request to hold a public hearing on the draft QAP. A notice was published on October 17, 2008, for a public hearing held on November 18, 2008. No comments were received to the Draft QAP.

Therefore, this For Action seeks the Board's final approval of the 2009/2010 QAP.

The projected timeline of events for the Federal and State LIHTC from the State's 2009 volume cap is as follows: 1) December 29, 2008 - Consolidated Applications available to public; 2) February 27, 2009 - Deadline to submit Consolidated Application for Federal and State LIHTC; and 3) May/June 2009 - For Action presentations to award the LIHTC. However, applications for the Federal and State LIHTC, in addition to the state's annual volume cap, are accepted throughout the year.

Mr. Ueki opened for questions.

Director Smith inquired on the legislative proposal regarding the period for which the LIHTC is claimed. Chief Planner Janice Takahashi stated that the LIHTC is currently taken over a 10-year period and the HHFDC has proposed to reduce the period from 10 years to 5 years in order to increase the present value of the tax credit. The HHFDC will again propose this measure in the 2009 Legislative Session.

The motion was unanimously approved.

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

That the HHFDC Board of Directors approve the following:

- A. The application cycle for the FY2009 RHTF Project Award program as noted in Section III.A., above. With respect to the RHTF applications, all requests will be subject to availability of funds in the RHTF program;

**QUORUM**

**II. A.  
APPROVAL  
OF MINUTES**  
11/13/08  
Regular  
Meeting

**III. A.  
DISCUSSION  
AND/OR  
DECISION  
MAKING**  
Approve the 2009/  
2010 Qualified  
Allocation Plan for  
the Low Income  
Housing Tax Credit  
Program.

**III. B.  
DISCUSSION  
AND/OR  
DECISION  
MAKING**  
Approve the FY2009  
Application Cycle  
for the Rental  
Housing Trust Fund

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Project Awards.

- B. Authorize staff to begin marketing of the FY2009 RHTF Project Award application cycle; and
- C. 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 Rental Housing Trust Fund (RHTF) Project Award program provides “Equity Gap” low-interest loans or grants to qualified owners and developers constructing affordable rental housing units.

Staff conducted two funding rounds for the RHTF Project Award during the Fiscal Year 2008 (FY2008). In the FY2008-1 funding round three applications were received, two of which were awarded project awards by the Board.

In the FY2008-2 funding round, six applications were received, two of which were awarded project awards by the Board and two out of the four remaining is seeking the Board’s approval at today’s meeting.

As of November 2008, the RHTF has an estimated available balance of approximately \$21.5 million.

Due to the incorporation of changes to the LIHTC Program by the Housing and Economic Recovery Act of 2008, the QAP and release of the 2009 Consolidated Application for the FY2009-1 funding round has been delayed. The proposed FY2009-1 funding round for the RHTF Project Award program applications are scheduled to be available on December 29, 2008, and due on February 27, 2009. Therefore, a second funding round for FY2009 is questionable and subject to the availability of funds.

Mr. Ueki noted that the Board should be mindful of the limited resources that the RHTF will have in determining whether a second funding round is obtainable within the 2009 calendar year.

Mr. Ueki opened for questions.

Director Smith inquired on a second funding round should additional RHTF funds be appropriated during the upcoming 2009 Legislative Session. Mr. Ueki responded that a second round would be considered depending on the appropriation amount.

Director Kawamura inquired about the RHTF funding round being limited to only one round per calendar year. Mr. Ueki stated that the RHTF generally has two funding rounds per fiscal year, one being in January and another at the end of June. However, given the short timeframe due to the delay of the FY2009-1 funding round, a second funding round is uncertain, but possible.

The motion was unanimously approved.

Executive Director Karen Seddon asked that Agenda Item I, regarding the Halekauwila Place project be advanced on the Agenda, due to a conflict of scheduling.

Director Kawamura moved, seconded by Director Smith, to approve Staff’s recommendation:

That the HHFDC Board of Directors approve the following revisions for the Halekauwila Place new affordable family rental housing project at the makai-diamond head corner of the intersection of Halekauwila and Keawe Streets in Kakaako, Oahu, Hawaii, TMK (1) 2-1-51: por. 009, substantially as described in

**III. I.  
DISCUSSION  
AND/OR  
DECISION  
MAKING**  
Approve a  
Rent-to-Own Program  
for the Halekauwila

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this For Action:

- A. Development of the project as a leasehold condominium project to enable the developer to offer a rent-to-own program in the project;
- B. Allocation of a maximum of 68% of the units in the project as rent-to-own units under a rent-to-own program as approved by HHFDC;
- C. Revised affordable prices and target market as described in this For Action; and
- D. Authorize the Executive Director to take all actions necessary to effectuate the purpose of this For Action.

Subject to the following:

- E. Approval by the Board of Land and Natural Resources.

Development Project Manager Stan Fujimoto presented the For Action, stating that the Halekauwila Place project (Project) is a leasehold family rental project at the corner of Halekauwila and Keawe Street in Kakaako, Oahu.

The Project was approved by the Board with funding from Federal 501(c)3 bonds (Federal Bonds) as part of the Request for Proposal (RFP) process in March 2008.

Due to increased construction costs, in March 2008 Stanford Carr Development, Inc. (Developer) applied for the New Market Tax Credits (NMTC) as supplemental financing for the Project. However, the Developer did not receive an NMTC award.

Therefore, the Developer is requesting that 68% (136 units) of the units be placed under the Program for families at or below the 140% area median income (AMI), with the remaining 65 units as rental units affordable to families between the 80% - 100% AMI.

Under this Program, the tenants are given a 5-year rental period while deciding whether to purchase the unit at prescribed sales prices established at the beginning of the rental period. A portion of the tenants' rent is credited toward the down payment or purchase price if the tenant decides to purchase the unit. Any unit sold under the Program will be subject to HHFDC's 10-year buyback and shared appreciation restrictions. At the end of the 5-year rental period, if the tenant decides not to buy the unit, the accrued credits are forfeited. Any unsold unit after the 5-year period will then be open to a new tenant, subject to the current sales price and rent.

The Developer has applied for a \$15 million grant or soft second mortgage from the Hawaiian Community Development Authority (HCDA), but HCDA is unable to grant final approval until after this Board's approval of the Program. Approval of this Program does not preclude the development of the Project as a 100% rental project should the credit markets improve.

Mr. Fujimoto opened for questions, introducing Mr. Jesse Wu, from Stanford Carr Development, Inc. (SCD).

Mr. Wu stated that Mr. Stanford Carr sends his regrets for not being able to attend today's meeting and introduced the development team: Mr. Richard Riegels, Executive Vice President of SCD; Mr. Jeff Minter and Mr. Bill Azzara, from UniDev; and Mr. Teney Takahashi, from HCDA.

Director Lawrence inquired on the new purchase rent and pricing of the unsold units. Mr. Wu indicated that the price of the unsold units will be adjusted to the current sales prices and rental rates.

Place Affordable Family Rental Project at the Pohukaina Site in Kakaako, Oahu, Hawaii; TMK No.: (1) 2-1-051: por. 009.

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Director Lawrence inquired on the HHFDC's 10-year buyback and shared appreciation restrictions. Real Estate Section Chief Marlene Lemke stated that a unit is subject to the HHFDC's shared appreciation restrictions beyond the 10-year buyback period until the unit is resold. During the 10-year buyback period, HHFDC has the right to buy back the unit with limited appreciation to the buyer.

Director Smith commended: (1) the Developers for working through the tough financing environment and finding a way to enable the Project to proceed; and (2) the HCDA for offering and possibly providing additional funds for the Project.

The motion was unanimously approved.

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

That the HHFDC Board of Directors approve the following:

- A. A two-year renewal of the Rental Assistance Contract to the Lincoln Courtside Associates or its successors approved by the Executive Director for the Lincoln Courtside Apartments project through December 31, 2010; and
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Mr. Ueki stated that the approval of this For Action would enable HHFDC to retain the Lincoln Courtside Apartments project (Project) as an affordable project.

The total Rental Assistance Program (RAP) commitment over the 15-year period was for approximately \$1.62 million or approximately \$250 per unit/month.

During the 15-year period, RAP payments were made for qualified tenants leaving a balance of approximately \$550,000 on HHFDC's original commitment. The HHFDC's RAP currently supports 1,268 units in 15 projects, with a maximum total annual commitment of about \$2.95 million, of which approximately \$1.4 million was disbursed annually over the last three years.

As mentioned, staff is requesting a 2-year extension to maintain the affordability of the Project, being mindful of existing projects as well as other potential projects in the future.

Mr. Ueki opened for questions, noting that the owner of the Project was unable to attend.

Chairman King inquired on the remaining funds of the Rental Assistance Revolving Fund (RARF). Mr. Ueki stated that the HHFDC has an estimated total of \$56 million in outstanding commitments under the RAP subsidy program, with approximately \$15 million in actual funds.

Director Smith inquired on the dynamics of the RARF. Mr. Ueki stated that the imbalance has not required HHFDC to request an infusion of funds from the Legislature.

In response to Chairman King's inquiry regarding the RARF funding, Director Kawamura stated that if the Rental Assistance Contract were to expire on December 31, 2008, the remaining funds would be distributed back into the RARF.

The motion was unanimously approved.

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

Approve a 2-year Extension Through December 31, 2010 of the Rental Assistance Contract to the Lincoln Courtside Associates for the Lincoln Courtside Apartments Project Located in Hilo, Hawaii, TMK No.: (3) 2-3-012:045.

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

That the HHFDC Board of Directors approve the following:

- A. A Project Award loan of \$6,620,903 to the Koloa Hale Ohana, LP or its successors approved by the Executive Director 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 RHTF 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 RHTF program funds.
  - 6. Applicant will actively renew the USDA 515-RA contract.
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Mr. Ueki noted the deferral of this For Action at the November 13, 2008 Board Meeting stating that the Hale Ohana Apartments project (Project) is a 48-unit rental project located in Koloa, Kauai.

The Koloa Hale Ohana, LP (Applicant) submitted a consolidated application in June 2008, requesting \$9 million in Hula Mae Multi-Family (HMMF) bonds, \$229,734 in State and \$459,469 in Federal Low Income Housing Tax Credits (LIHTC), as well as a \$6.62 million Project Award from the Rental Housing Trust Fund (RHTF).

On October 9, 2008, the Board approved the Fiscal Year (FY) 2008-2 RHTF Project Award Approved List.

The Project consists of two phases. The first phase consists of 30 units with the second phase consisting of 18 units, both funded by the Farmers Home Administration 515, now known as the United States Department of Agriculture 515 (USDA 515) program and LIHTC.

The Project is currently at risk of going to market. The LIHTC restrictions for the project expired in 2005. The Project also qualifies for prepayment on the existing USDA 515 loan, enabling the Project to exit the USDA 515 program.

The Applicant proposes to assume the existing USDA 515 loan and use the requested financing to purchase and rehabilitate the Project, extending its affordability for an additional 30 years.

Under the USDA 515-Rental Assistance (USDA 515-RA) program, the tenants of 47 units in the Project will be able to pay 30% of their income and subsidize the

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

Approve a Rental Housing Trust Fund Project Award to the Koloa Hale Ohana, LP for the Hale Ohana Apartments Project Located in Koloa, Kauai, TMK Nos.: (4) 2-8-033:036 and 038.

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balance of their contract rent that is due.

The contract rent for the USDA 515-RA program is higher than the restricted rent for both the LIHTC and RHTF programs. The majority of the debt service of the RHTF loan will be paid from the higher contract rent from the USDA 515-RA program. Without the USDA 515-RA, the RHTF loan is not feasible. The principal amount of the permanent bond is based on cashflow generated from the lower of market rents or the restricted rents, resulting in a lower principal amount.

Staff has reviewed the Applicant's request and proposes the following terms:

Loan Amount:	\$6,620,903 Permanent Loan
Form of Loan:	Third mortgage Loan secured by the fee simple interest
Interest Rate:	1.00 percent
Origination Fee:	None
Loan Term:	360 months (30 years)
Payment Terms:	Years 1 to 30: Annual Debt Service consisting of Interest Only payment for the RHTF loan plus 100% of the surplus cash flow after payment of operating expenses, debt service on the bonds, debt service on the USDA.

Any accrued interest and outstanding loan principal shall be due and payable at end of Loan term.

If the Board approves staff's recommendation, a Letter of Intent will be issued for the Project, subject to all conditions met with satisfaction of the HHFDC, approval of the Governor, and the availability of funds.

Based on last month's Board concerns, staff has had further discussions with the Applicant regarding the length of affordability period, in which the Applicant has chosen to remain at 30 years to comply with the use restriction of the LIHTC program and the term of financing provided by the bond purchaser and the USDA 515-Rural Development (USDA 515-RA). At the end of 30 years, the Project will be approximately 50 years old and will most likely need major repairs which will necessitate refinancing of the Project.

Mr. Ueki opened for questions, introducing Mr. Mike Condry, with Micon Real Estate.

Director Smith inquired on the RHTF priority. Mr. Ueki stated that the HMMF bonds would come first, with the USDA 515 loan second, and the RHTF third.

Director Smith inquired on the Project's percentage margin. Mr. Ueki stated that staff would provide that information for the Board at a future date.

Director Smith inquired on the acquisition of funds for the Project. Mr. Ueki indicated that approximately \$6.2 million out of the \$14 million RHTF available balance would go towards the acquisition and rehabilitation of the Project.

Chairman King inquired on the restoration of funds for the USDA program. Mr. Condry stated that Congress appropriates funding for the USDA program on an annual basis.

Director Lawrence inquired on anticipated issues with the USDA 515-RA. Mr. Condry stated that the USDA 515-RA is reliable in terms of appropriating funds and should close by Spring of 2009.

Director Smith stated that the 30-year affordability period is sensible in terms of providing affordable housing, being mindful of the commitment to the investors.

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Chairman King noted that there is a set minimum threshold requirement with regard to the length of affordability and the threshold should not be changed.

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:

- A. Resolution No. 017, attached as Exhibit E, which provides for official intent with respect to the issuance of revenue bond up to \$9,000,000 to the Koloa Hale Ohana LP for the Hale Ohana Apartments project subject to the provisions recommended in Exhibits B and D;
- B. Reserve up to \$459,469 in annual Federal LIHTC and \$229,734 in annual State LIHTC from the non-competitive pool to the Koloa Hale Ohana LP for the Hale Ohana Apartments project subject to the provisions recommended in Exhibits C & D; and
- C. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Mr. Ueki stated that this For Action reiterates majority of the information discussed in the previous For Action, and seeks the approval of the official intent with respect to the issuance of the Hula Mae Multi-Family (HMMF) bonds of up to \$9 million and reservation of Low Income Housing Tax Credits (LIHTC).

The Koloa Hale Ohana LP (Applicant) proposes a private placement of the bonds to a local bank or a qualified investor for a 30-year term that includes a 30-year amortization with a fixed interest rate.

If the Board approves Resolution No. 017, and the bond issue is determined feasible, staff will return at a future date to seek the Board's final approval for the issuance, sale, and delivery of the bonds, subject to the approval of the Department of Budget & Finance and the Governor.

Mr. Ueki opened for questions along with Mr. Mike Condry, from Micon Real Estate.

Responding to Director Smith and Chairman King, Mr. Ueki stated that the Inducement Resolution No. 017 allows the developer to recognize costs to be reimbursed from bond proceeds.

Director Lawrence inquired on the formality of the existing USDA loan. Mr. Condry stated that USDA's program is designed to preserve affordable housing. Therefore, the Applicant will be requesting an increase in annual rental subsidy for the next 30 years.

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:

- A. A Project Award loan of \$8,300,000 to the Lahaina Honokowai Villa, LP or its successors approved by the Executive Director with terms as shown

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

Approve: (1) Resolution No. 017, 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 Hale Ohana Apartments Project Located in Koloa, Kauai, TMK Nos.: (4) 2-8-003:036 and 038.

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

Approve a Rental Housing Trust Fund Project Award to the



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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 RHTF 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 RHTF program funds.
6. Applicant will actively renew the USDA 515-RA subsidy contract.

B. 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 Honokowai Villa Apartments project (Project) is a 56-unit family project located in Lahaina, Maui.

On June 20, 2008, Lahaina Honokowai Villa, LP (Applicant) requested \$13 million from the Hula Mae Multi-Family (HMMF) Bond program, \$617,502 in Federal and \$308,757 in State Low Income Housing Tax Credits (LIHTC), and a loan of \$8.3 million from the RHTF Project Award program.

The Board approved the Fiscal Year 2008-2 (FY2008-2) RHTF Project Award Approved List in October 2008.

The Project was completed in 1989 and funded by the Farmers Home Administration 515, now known as the United States Department of Agriculture 515 (USDA 515), as well as LIHTC.

The Project is at risk of going to market as its LIHTC restrictions expired in 2005, qualifying the Project to prepay its USDA 515 loan and exit the USDA 515 program. The Applicant proposes to assume the existing USDA 515 loan and use the requested financing to purchase and rehabilitate the project and extend its affordability for an additional 30 years.

Under the USDA 515-Rental Assistance (USDA 515-RA) program, the tenants of 35 units in the Project will be able to pay 30% of their income and subsidize the balance of their contract rent that is due. In addition, the Applicant submitted an application to the USDA-RD for an additional 20 units of rent subsidy and if approved, all the rental units will be eligible for the rent subsidy.

The contract rent for the USDA 515-RA program is higher than the restricted rent for both the LIHTC and RHTF program. The majority of the debt service of the RHTF loan will be paid from the higher contract rent from the USDA 515-RA program. Without the USDA 515-RA, the RHTF loan is not feasible. The principal amount of the permanent bond is based on cashflow generated from the lower of market rents or the restricted rents, resulting in a lower principal amount.

Lahaina Honokowai Villa, LP for the Honokowai Villa Apartments Project Located in Lahaina, Maui, TMK No.: (2) 4-4-001:054.

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If the Board approves staff's recommendation, a Letter of Intent will be sent to the Applicant.

Mr. Ueki opened for questions, along with Mr. Mike Condry, with Micon Real Estate.

Director Smith inquired on how the project's net proceeds are managed. Mr. Condry stated that the USDA requires an annual budget process consisting of all operating expenses. The budgets are then submitted to USDA for approval and once approved, rents are collected, bills and debt services are paid, and reserve payments are set aside. At the end of the process there is an audit completed by an independent auditor, who reviews and determines any excess cash. Any excess cash found is distributed accordingly.

Director Smith inquired on vacancy rates. Mr. Condry stated that the vacancy rates are virtually zero.

Chairman King inquired on the additional 20 units proposed to be under the USDA 515 program. Mr. Condry stated that the additional 20 units would enable the Project to expedite the payment of the RHTF loan. The USDA is in the process of notifying owners of underutilized rental assistance projects, giving a 30-day notice. If no response is received after the given time, the rental assistance is reallocated to other projects that are in need. Originally, the entire Project received rental assistance; however, due to negligent use of the program, the rental assistance was reallocated.

Director Lawrence inquired on potential tenants for the Project. Mr. Condry stated that based on the Kauhaleolu project in the Big Island, about a fourth of the tenants received some type of assistance and suspects that this Project would have a greater percentage of working tenants due to the job availability in Lahaina.

The motion was unanimously approved.

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

That the HHFDC Board of Directors approve the following:

- A. Resolution No. 018, attached as Exhibit E, which provides for official intent with respect to the issuance of revenue bond up to \$13,000,000 to the Lahaina Honokowai Villa, LP for the Honokowai Villa Apartments project subject to the provisions recommended in Exhibits B and D;
- B. Reserve up to \$617,502 in annual Federal LIHTC and \$308,751 in annual State LIHTC from the non-competitive pool to the Honokowai Villa, LP for the Honokowai Villa Apartments project subject to the provisions recommended in Exhibits C & D; and
- C. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Mr. Ueki stated that this For Action seeks the approval of an Inducement Resolution with regard to the Hula Mae Multi-Family (HMMF) bonds and reservation of Low Income Housing Tax Credits (LIHTC) for Honokowai Villa project (Project) located in Lahaina, Maui.

The Lahaina Honokowai Villa, LP (Applicant) is requesting: \$13 million in tax-exempt bond cap from the HMMF program; \$617,502 in annual Federal and \$308,751 in annual State LIHTC; and \$8.3 million from the Rental Housing Trust

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

Approve: (1)  
Resolution No. 018,  
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  
Honokowai Villa  
Project Located in  
Lahaina, Maui,  
TMK No.:  
(2) 4-4-001:054.

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Fund (RHTF) Project Award program, which has been approved by the Board in the previous For Action.

If the Board approves Resolution No. 018, staff will come back at a future date for the Board's final approval for the issuance, sale, and delivery of the bonds.

The Applicant proposes to privately place the bonds to a local bank or qualified investor.

Mr. Ueki opened for questions, along with Mr. Mike Condry, from Micon Real Estate.

Director Smith inquired on anticipated challenges with regard to the sale of the LIHTC. Mr. Condry stated that challenges are anticipated; however, is hopeful to obtain a commitment and close by April or May of next year.

Director Lawrence inquired on the project's building design and location. Mr. Condry stated that the Project is a 4-story concrete building with an elevator. The Project is in a great location surrounded by high-rise properties.

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 subdivision and dedication of title and easements required for Phase 1A of the proposed Lahaina By-Pass Highway and the Keawe Street Extension projects at the southern portion of the Villages of Leiali'i project, TMK (2) 4-5-21: portion of 003, to the Department of Transportation and/or the County of Maui, substantially as discussed in this For Action, subject to the following:

- A. Approval of conveyance of fee title and easements to ceded lands by the Department of Attorney General; and
- B. Other terms and conditions as may be required by the Executive Director.

Development Project Manager Stan Fujimoto presented the For Action, stating that the Villages of Leiali'i project (VOL Project) is a master planned community on 1,128 acres of land that consists of approximately 4,800 units and a golf course, east of the Lahaina Civic Center in Lahaina, Maui.

In 2007, the HHFDC procured Belt Collins Hawaii Ltd. To reconstruct a new master plan and complete an Environmental Impact Statement (EIS) for the VOL Project, which is currently ongoing.

In 1994, the HHFDC's predecessor agency, the Housing Finance and Development Corporation, acquired 544 acres, in which VOL 1A and 1B were later transferred to the Department of Hawaiian Home Lands (DHHL) located west of the proposed Lahaina By-Pass Highway.

The conveyance of the 544 acres lot precipitated the ceded lands litigation, in which the Hawaii Supreme Court ruled in favor of barring the State from selling or transferring ceded lands to third parties. However, a Petition for a Writ of Certiorari was filed with U.S. Supreme Court, who has agreed to hear the State's appeal on the decision of the Hawaii Supreme Court.

In 2006, the Department of Transportation (DOT) selected Hawaiian Dredging Construction Company to design and build Phase 1A of the By-Pass Highway

**III. H. DISCUSSION AND/OR DECISION MAKING**  
Approve the Subdivision and Conveyance of Rights-of-Ways to the Department of Transportation and the County of Maui for Phase 1A of the Proposed Lahaina By-Pass Highway and the Keawe Street Extension Projects, Respectively, at the Villages of Leiali'i in Lahaina, Maui, Hawaii, TMK No.: (2) 4-5-21: por. 003.

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(Highway 1A), south of the VOL Project.

Due to an inadvertent discovery of archaeological significant agricultural terraces found near Kahoma Stream within the southern portion of the VOL Project, in 2007, DOT searched for other alternatives to an alignment for Highway 1A within the VOL Project.

Based on conducted onsite surveys in 2008, the DOT informed the HHFDC that there were no issues with the new proposed T-intersection realignment of Highway 1A and requested title to the Right-a-Way of Highway 1A and the Keawe Street Extension.

The acquisition is proposed to be paid for by exchange of DOT remnant lots acceptable and of equal value to HHFDC as determined by appraisals supplied by DOT.

The DOT acknowledges that the requested property is ceded land and the conveyance is subject to the approval of the State of Hawaii Attorney General's Office. If DOT's request is approved by the State Attorney General, Highway 1A will be granted to DOT, and the County of Maui will receive the Keawe Street Extension.

The DOT estimates a construction start date of Highway 1A within the VOL Project in the fall of 2009. The schedule for the construction of the balance of the Bypass Highway within the VOL Project north of Highway 1A is 2013.

Mr. Fujimoto opened for questions.

Director Jung inquired on the anticipated ruling hearing date with regard to the ceded lands litigation by the U.S. Supreme Court. Deputy Attorney General Sandra Ching stated that the hearing is anticipated to be sometime in February.

Director Jung inquired on the conveyance between the State of Hawaii agencies. Mr. Fujimoto clarified that during a presentation at a previous Board meeting, the Attorney General indicated that conveyance between state agencies is acceptable.

Director Lawrence inquired on transfers to the County of Maui. Deputy Attorney General Craig Iha stated these types of issues are currently being reviewed. Ms. Ching reiterated that this For Action is subject to the Attorney General's approval.

Director Jung inquired on the affects of the Supreme Court's ruling in terms of the HHFDC's properties. Executive Director Karen Seddon stated that the current policy is to develop ceded lands under leasehold rather than transferring fee simple title.

Director Jung inquired on the possibilities of owning ceded lands if the Supreme Court ruled in favor of the State Attorney General. Executive Director Seddon stated that the ruling would probably enable the HHFDC to make fee simple sales.

Director Lawrence inquired on developing properties in leasehold in Lahaina where there is a dire need for workforce housing. Executive Director Seddon stated that the HHFDC is in the process of revising the Villages of Leiali'i master plan to that end.

Director Lawrence inquired on the legalities of the Highway 1A transfer. Executive Director reiterated that the transfer is between state agencies and should be acceptable.

Chairman King inquired on the exchange of potential properties between DOT and HHFDC. Executive Director Seddon stated that the HHFDC will need to negotiate

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with DOT regarding the available properties.

The motion was unanimously approved.

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

That the HHFDC Board of Directors approves the change in the product mix and homeownership status for the Villages of Kapolei Multi-Family Affordable Housing Project, subject to the following:

- A. The term “Developer” shall include future successors and assigns to Castle and Cooke Homes Hawaii and its co-developers, as approved by the Executive Director;
- B. Other terms and conditions as may be required by: 1) statutes; 2) administrative rules; and 3) the Office of the Executive Director; and
- C. Authorize the Executive Director to take all actions necessary to effectuate the purpose of this For Action.

Executive Director Karen Seddon commended all the developers for working diligently to keep affordable projects progressing, stating that this project is another example of that tremendous effort.

Development Project Coordinator Leonell Domingo presented the For Action.

On June 16, 2005, the Housing and Community Development Corporation of Hawaii Board of Directors selected Castle & Cooke Homes Hawaii (Developer) as the developer for the Villages of Kapolei Multi-Family projects.

The Developer originally proposed to develop 118 for-sale affordable housing units on the Village 5 parcel (Nohona), targeting at or below the 140% Area Median Income (AMI) market. To date, the Developer has completed construction of 58 units in the first increment of Nohona, of which 38 units are closed. The second phase is currently undergoing Condominium Property Regime (CPR) approval. In order to mitigate the slow sales, the developer is proposing to expand the number of market units from 20% to 49% to boost sales for earlier project completion.

The Developer had also proposed 110 for-sale affordable housing units on a portion of the Village 6 parcel (Kealakai), targeting at or below the 120% AMI market. The Developer has expressed concern that the original proposed product of 4-story buildings served by elevators and interior hallways, which have higher building costs and lower market acceptability, would not draw enough sales to begin vertical construction. To mitigate this concern, the developer is proposing to reduce the number of units from 110 to 80 by converting to regular 2-story buildings of stacked flat units, similar to other multi-family units in the Villages of Kapolei. While the number of units will be reduced, there is confidence that the market will better accept this product resulting in improved sales. The Developer is also proposing an increase in the number of market units from 20% to 49% of the project total. These units will be made available to market buyers only after the list of affordable buyers has been exhausted.

The Developer also originally proposed 100 Gap Rental units on another portion of the Village 6 parcel (Kealakai) serving the 100% AMI market. Due to the overall deterioration of the market and the lack of profits to subsidize this project as originally proposed, the Developer is proposing to reduce the number of units from 100 to 60 and change to for-sale affordable units available to buyers at or below the 120% AMI market. The 4-story buildings will be replaced by 2-story stacked flats as

**III. J. DISCUSSION AND/OR DECISION MAKING**  
Approve a Request to a Change in the Product Mix and Homeownership Status for the Villages of Kapolei Multi-Family Affordable Housing Project, TMK Nos.: (1) 9-1-016:059 and 064.

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discussed above. The Developer is also proposing to sell up to 49% of the units to market buyers after the list of affordable buyers had been exhausted.

Staff concurs with the Developer that the proposed amendments to the product mix and homeownership status of the affordable and for-sale units will allow the project to proceed and progress in a timely manner.

Mr. Domingo opened for questions, introducing Mr. Bruce Barrett, with Castle & Cooke Homes Hawaii.

Director Smith inquired on the Developer's proposed plan as related to the current projects. Mr. Barrett responded that the Nohona project progress has improved since the commencement and is pleased with an approximate absorption rate of 1 sale per week, with 30 units closed and another 10 units in escrow. Considering the instability of the economic market, Mr. Barrett indicated that Castle & Cooke Home Hawaii is hopeful of meeting the absorption schedule by next year.

Mr. Barrett introduced Castle & Cooke's development team consisting of Ms. Mary Hakoda, Mr. Marvin Awaya, Mr. Andrew Furuta, and Mr. Jon Shimizu.

Director Smith inquired if the 49% of market sales meets HHFDC's affordability requirements. Executive Director Seddon stated that the 49% is the maximum number of units that could be converted to market units. However, the Developer will market the units only if affordable buyers are not found. Mr. Barrett added that the unit prices will remain at or below the 120% - 140% AMI pricing.

Director Lawrence commented that the project is reasonable in terms of the HHFDC's mission and should proceed in its affordable marketing efforts.

The motion was unanimously approved.

Director Lawrence moved, seconded by Chairman King, to recess the meeting at 10:20 a.m.

Chairman King reconvened the meeting at 10:30 a.m.

Executive Director Karen Seddon opened for questions.

Chairman King inquired on the fire damaged units at Lailani. Executive Director Seddon stated that the damage occurred some time ago and there is renewed effort on the repairs.

Chairman King inquired on emerging trends in the real estate market with regard to the Urban Land Institute seminar. Executive Director Seddon stated that it was presented that 2009 - 2010 will be mediocre. However, housing and the economy should start to improve towards the end of 2010.

Director Kawamura inquired on the start of construction for the Lokahi Ka'u project. Finance Manager Darren Ueki stated that staff will report back to the Board at a future date with the construction progress. However, the Lokahi Ka'u project has made progress regarding the number of building permits for the project.

Director Smith and Director Jung inquired on the Principals of the Lokahi Ka'u project. Mr. Ueki stated that Mr. Steve Whyte is the Principal of Allied Pacific Builders with Ms. Makani Maeva, as their local representative for the project.

Director Jung inquired on the Lokahi Ka'u project having any relation with Mr.

**RECESS**  
10:20 a.m.

**RECONVENED**  
10:30 a.m.

**I.V.**  
**REPORT**  
**OF THE**  
**EXECUTIVE**  
**DIRECTOR**

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John Stevens. Mr. Ueki said that he was not aware of a relationship, stating that the HHFDC is not involved in the larger aspect of the planned community around the Lokahi Ka'u project.

Director Smith inquired on pending actions with the Department of Budget & Finance with regard to the Lokahi Ka'u project. Mr. Ueki stated that a request for the release of funds from the Rental Housing Trust Fund (RHTF) is currently under review.

Director Smith inquired on outstanding items for the Lokahi Ka'u project. Mr. Ueki stated the outstanding items are addressing the DCAB comments, the FONSI, and acceptance of the existing appraisal, which is currently under review with the Attorney General's Office.

Chairman King inquired on the Legislative request of \$33 million for the Iwilei project. Mr. Ueki stated that if the Legislature appropriates the \$33 million for the project, the developer will need to submit a revised proposed budget.

Director Kawamura inquired on expressing the Board's appreciation for former Director Richard Toledo services. Executive Director Seddon stated that a thank you letter was sent.

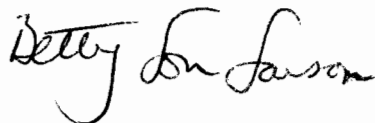
Chairman King inquired on suggestions for assisting the Hawaii Public Housing Authority (HPHA). Director Smith stated that there are not enough government resources to achieve the goals of the agency and suggested that the HHFDC could support HPHA by assisting in the analyzing of Request For Proposals.

Director Lawrence inquired on HPHA's Palolo Valley property. Director Smith stated that there was a survey completed of the residents regarding a change of management. The results indicated that the residents would prefer keeping the property as public housing, but managed by a private property manager.

Chairman King noted that the local U.S. Department of Housing and Urban Development has approved the HHFDC's Neighborhood Stabilization Program.

With no further business on the agenda, Director Lawrence moved, seconded by Director Smith to adjourn the meeting at 10:50 a.m.

**V.  
ADJOURNMENT**



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BETTY LOU LARSON  
Secretary