

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 FRIDAY, APRIL 11, 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 Friday, April 11, 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:

Present: Director Charles King, Chairman  
Director David A. Lawrence, Vice Chairman  
Director Betty Lou Larson, Secretary  
Designee Scott Kami for Georgina Kawamura  
Director Linda Smith  
Director Theodore E. Liu  
Director Charles Wathen  
Director Richard Toledo  
  
Executive Director Orlando (Dan) Davidson

Excused: Director Allan Los Banos

Staff Present: Diane Taira, Deputy Attorney General  
Janice Takahashi, Chief Planner  
Darren Ueki, Finance Manager  
Karen Seddon, Development Branch Chief  
Edward Sunada, Fiscal Manager  
Rick Manayan, Asset Manager  
Marlene Lemke, Real Estate Services Section Chief  
  
Dean Sakata, Finance Specialist  
Stan Fujimoto, Project Manager  
Chris Sadayasu, Project Manager  
Ryan Morita, Project Coordinator  
Gary Umeda, Project Coordinator  
Lorna Kometani, Housing Sales Coordinator  
Cynthia Okubo, Property Management Coordinator  
Kent Miyasaki, Housing Information Specialist  
Marsha Umamoto, Secretary to the Executive Director  
Esa Pablo, Secretary to the Board

Guests: Jon Wallenstrom, Forest City  
Roger McKeague, Forest City  
Tom Yamamoto, Forest City  
Gerry Rott, Forest City  
Jim Lyon, Lyon Associates  
Michael Riehm, Riehm Owensby  
Dean Yamamoto, Yamamoto & Settle  
Scott Settle, Yamamoto & Settle  
Alison Kunishige, Yamamoto & Settle  
Bruce Barrett, Castle & Cooke  
Andrew Furuta, Castle & Cooke  
Mary Hakoda, Castle & Cooke  
Rick Prahler, Castle & Cooke  
Marvin Awaya, Pacific Housing Assistance Corporation

CALL TO  
ORDER/  
ROLL CALL

Chairman King noted that there was a quorum present.

Director Lawrence moved, seconded by Director Toledo, to approve the Meeting Minutes of March 13, 2008.

With no objection to the Minutes, the motion was unanimously approved.

The Executive Session meeting minutes of March 13, 2008, was deferred to the next Board Meeting (May 8, 2008).

Director Larson moved, seconded by Director Toledo, to approve Staff's recommendation, as follows:

- A. Extend Resolution No. 002 to July 31, 2008, which provides for official intent with respect to the issuance of revenue bonds up to \$9,000,000 for the Kahului Town Terrace project;
- B. Authorize the Executive Director to undertake all tasks necessary to undertake the intent and purposes of this For Action.

Executive Director Dan Davidson introduced Finance Manager Darren Ueki, to present the For Action.

Mr. Ueki stated that Kahului Town Terrace is a 72-unit project that is located on Maui. The affordability requirement for the Project expired in December of 2006 and the proposed action is to allow the Project to remain affordable for 55 years, moving forward.

Mr. Ueki indicated that the HHFDC Board previously approved the intent to issue the revenue bonds, as well as award the Project a loan from the Rental Housing Trust Fund and non-volume cap (4 percent) Low Income House Tax Credits. He noted that the Board also approved the official intent to issue the bonds. The purpose of this For Action is to keep alive the inducement Resolution, that is set to expire today, for an additional 3 months.

Director Lawrence inquired on the Project's inability to sell the State Low Income Housing Tax Credit (LIHTC) to an investor. Mr. Ueki reassured Director Lawrence that the issue had been resolved, in that the current owner offered a seller take-back loan to the buyer.

In response to Director Larson's inquiry in terms of the length of affordability, Mr. Ueki indicated that the developer is committed to 55 years on the Project.

In response to Director Wathen, Mr. Ueki stated that once the appraisal is received, the final financial numbers will determine the actual take-back loan size for the Project.

Responding to Director Larson's inquiry on the Project's rents remaining the same, Mr. Ueki explained that there will be some increases in rents; however, the rents will remain under the tax-credit limits.

Chairman King abstained himself from voting on the For Action.

With no further discussion, the motion was unanimously carried.

Chairman King called for a motion to approve Agenda Item III. B.

Director Lawrence moved, seconded by Director Wathen, to approve Staff's

**QUORUM**

**II.A.  
APPROVAL  
OF MINUTES**  
3/13/08  
Regular  
Meeting

**II.B.  
APPROVAL  
OF MINUTES**  
3/13/08  
Executive  
Session

**III.A.  
DISCUSSION  
AND/OR  
DECISION  
MAKING**  
Approve an Extension  
to Resolution No. 002  
Which Provides for  
Official Intent with  
Respect to the  
Issuance of Hula Mae  
Multi-Family  
Tax-Exempt  
Revenue Bonds for  
the Kahului Town  
Terrace Project;  
TMK No. (2)  
3-7-012:80.

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

recommendation as follows:

- A. Proposal for Kamakana Villages at Keahuolu submitted by Forest City Hawaii Residential, Inc., a 2,206-unit mixed-use affordable housing project targeted to families within 80% to 140% of the HUD median income, with a transit stop, town center, parks, and elementary school, archaeological preserves and common areas;
- B. Execution of a development agreement with Forest City Hawaii Residential, Inc. substantially consistent with this For Action; and
- C. Conveyance of the Property to the applicable party substantially in accordance with this For Action and the executed development agreement.

Subject to the following:

- D. If a development agreement is not executed with the developer within one calendar year from the date of this approval, HHFDC reserves the sole and absolute right to terminate negotiations with the developer and reissue the RFP; and
- E. Other terms and conditions deemed necessary and acceptable by the Executive Director.

Executive Director Davidson introduced Project Manager Stan Fujimoto to present the For Action.

Mr. Fujimoto briefed the Board on the Request for Proposal (RFP) process and Forest City Hawaii Residential, Inc.'s (Forest City) proposal of a 2,206-unit master planned mixed-use affordable housing project, Kamakana Villages at Keahuolu (Project).

Mr. Fujimoto introduced Senior Vice-President of Forest City Jon Wallenstrom, to give a short presentation on Forest City's experiences in the development field and to answer any questions the Board may have on the Project.

The Board discussed the following:

- The developer's management, financial and other qualifications and the reasons for the developer's interest in the RFP;
- Traffic improvement concerns and use of public resources for the project;
- Cost reduction measures, including a suggestion to install overhead utilities;
- Expansion capacity of the private sewage treatment plant to accommodate the DHHL lands (mauka of this project), provided that maintenance fees are prorated;
- The mix of the affordable and market units; phase 1 will consist of about 75 percent market units and the mix in the next 5 phases should be about equal;
- Desire to review the developer's internal rate of return calculations;
- The developer's estimated \$28 million of subsidies required for the estimated \$77 million of off-site improvements required for the project;
- Preference for more rental units and for some units at a target market lower than 80 percent and below the median income using tax credits and other government assistance; and
- The design concept of the master plan.

Director Smith moved, seconded by Director Lawrence, to accept Staff's

**DECISION  
MAKING**  
Approval of Proposal, Execution of Development Agreement, and Conveyance of Property for a New Master Planned Mixed-Use Affordable Housing Project on Palani Road in Keahuolu, Kailua-Kona, Hawaii; TMK No. (3) 7-4-021:020

recommendation with the following addition to the IV. Recommendation Section, subject to the following:

- F. Forest City to provide the internal rate of return (IRR) for the Board's information.

The motion was unanimously approved.

The main motion was approved as amended.

Chairman King called for a recess at 10:35 a.m.

The meeting was reconvened at 10:45 a.m.

Chairman King asked for a motion to approve Agenda Item III. C.

Director Lawrence moved, seconded by Director Toledo, to approve Castle & Cooke Homes Hawaii, Inc.'s request to:

- A. Sell 20 percent (20%) of the Nohona at Kapolei For-Sale Units as Market Units;
- B. Sell 20 percent (20%) of the Kealakai For-Sale Units as Market Units; and
- C. Sell the Remaining 80 percent (80%) of the Kealakai For-Sale Units as Affordable Housing Units at 140 percent AMI and below.

Subject to:

1. Execution of an Amended Development Agreement incorporating the terms and conditions for this For Action.
2. Compliance with all rules and regulations of Chapter 201H, Hawaii Revised Statutes and such other terms and conditions as may be required by the Executive Director.

Executive Director Davidson introduced Project Coordinator Ryan Morita, to present the For Action.

Mr. Morita introduced the following members of the Castle & Cooke Homes Hawaii (Castle & Cooke): Mr. Rick Prahler, Ms. Mary Hakoda, Mr. Brue Barrett, and Mr. Andrew Furuta.

Mr. Morita reported that Castle & Cooke originally proposed to develop 118 for-sale affordable housing units on the Villages 5 parcel (Nohona at Kapolei) and 114 for-sale affordable housing units on the Village 6 parcel (Kealakai). However, due to the lack of sales—receiving 14 executed contracts as of March 2008, Castle & Cooke has submitted a letter (dated March 14, 2008) requesting approval of the recommendation stated above.

Executive Vice-President Bruce Barrett, gave an overview of Castle & Cooke's proposed marketing incentives for the Nohona at Kapolei and Kealakai project:

- Buy down the mortgage interest rates by 1 percent, 30-year fixed financing, with 5 percent down payment
- Model homes scheduled to open on Saturday, May 17, 2008
- Pay for buyer's maintenance fees until January 2010
- Increase design center credit with cost allocation flexibility
- Outside brokers offered 3 percent courtesy

**RECESS**  
10:35 a.m.  
**RECONVENED**  
10:45 a.m.

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

Approve Castle & Cooke Homes Hawaii, Inc.'s Request to Sell Eighty Percent of the Nohona at Kapolei and Kealakai For-Sale Units as Affordable Housing Units and Twenty Percent of the Project's For-Sale Units and Market Units, Located In Kapolei, Ewa, Oahu, Hawaii, TMK No.: (1) 9-1-16:59 and 64

In response to Director Wathen's inquiry with regard to flexibility in HHFDC's Request for Proposal (RFP), Mr. Barrett stated that Castle & Cooke would ask that there would be a mechanism, allowing the units to go to market in the case that eligible affordable-buyers are exhausted.

In response to Director Larson, Mr. Barrett clarified that the special incentives will apply only to the affordable for-sale units; however, with the market-units, there will be no shared appreciation and 10-year buy-back.

Mr. Furuta noted that the market-unit prices will be kept within the 140 percent AMI.

Director Larson raised concern that the goal of the Board is to provide more affordable housing rather than housing for market. However, Director Lawrence indicated that it would defeat the purpose to keep building affordable housing if there is no one buying.

The motion was unanimously approved.

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

- A. Development of a new 20 unit affordable senior rental housing project on Lot 8280-A-2 in lieu of an adult day health center; and
- B. A 75-year lease at \$1.00/year lease rent to the Senior Residence at Kapolei 2, Inc., a non-profit subsidiary of the Pacific Housing Assistance Corporation.

Subject to compliance with applicable rules and regulations and any such other terms and conditions that may be required by the Executive Director.

Executive Director Davidson introduced Project Manager Chris Sadayasu, to present the For Action.

Mr. Sadayasu gave a brief presentation, stating that the plans for the Adult Day Health Center have been set aside, due to the lack of funding sources. Construction of the 60 unit Affordable Senior Rental Project (Project)—adjacent to Lot 8280-A-1, is scheduled to be completed in the spring of 2009.

Mr. Sadayasu introduced Mr. Marvin Awaya, from Pacific Housing Assistance Corporation (PHAC).

Mr. Awaya reported that there are some issues that PHAC is working through with regard to private entity-owned roads and an electrical transformer.

In response to Director Larson's inquiry on services being provided for the seniors, Mr. Awaya stated that the housing project is basically for independent seniors. However, in the case where the seniors should lose their ability to live independently, those seniors would need to seek outside services.

The motion was unanimously approved.

Executive Director Davidson introduced Development Branch Chief Karen Seddon to present the For Discussion.

Ms. Seddon gave a brief description of the proposed project, stating that HHFDC will issue a Request for Proposal (RFP) for the development of 827 Waiaka Road.

Director Wathen suggested that HHFDC look at selling the project and using those funds to subsidize another project, considering the size of the project and inefficiency of operation. Ms. Seddon responded that HHFDC looked at this project as adding to the affordable unit inventory and an opportunity to see what the developers could provide, considering it is a non-ceded property.

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

Approve 75-Year Lease to the Pacific Housing Assistance Corporation for the Development of a Twenty-unit Affordable Senior Rental Project Located in Kapolei, Ewa, Oahu, Hawaii, TMK No.: (1) 9-1-16:93 (por.)

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

Discussion of Potential Request For Proposals for 827 Waiaka Road Parcel, TMK No.: (1) 2-7-027:14

Director Larson commented that the focus should be on obtaining projects for individuals with low income. Ms. Seddon responded, stating that the RFP process is open to all possible scenarios for affordable units and that staff will evaluate the proposals for the best response.

With discussions regarding the market issues, Director Larson commented that if it is a bad time to get a good 'low-cost' project done now, there are always other opportunities that may come along next year.

On the other hand, Director Smith felt that now would be a good time to carry out this type of development, when developers would be a little more eager for development projects such as this.

Executive Director Dan Davidson reported on the following Items:

- \$25 million infusion and permanent transfer of 50 percent of conveyance tax into the Rental Housing Trust Fund—SB 3174, SD2, HD1 extends sunset to 2013; and the Budget bill, HB 2500 includes appropriations for RHTF. The HD1 includes a \$10 million appropriation; we believe the SD1 includes \$15 million.
- \$25 million infusion into the Dwelling Unit Revolving Fund—HB 2500, HD1 includes a \$10 million appropriation for DURF; we believe the SD1 includes \$15 million.
- \$26 million to completed structured transaction to preserve long-term affordability of Kukui Gardens—HB 2500, HD1 appropriates \$26 million; we believe the SD1 also appropriates \$26 million.
- Increase Hula Mae Multi-Family Bond authority—SB 3714, SD2, HD1 increases the multifamily bond authority from \$400 million to an unspecified amount.
- Increase value of State Low Income Housing Tax Credit by shortening the period to take the credits from 10 to 5 years. Also increases applicable percentage of qualified basis from 50 percent to 100 percent—HB 3059, HD1, SD2.

**IV.  
REPORT  
OF THE  
EXECUTIVE  
DIRECTOR**

Executive Director Davidson called upon Finance Manager Darren Ueki to give an update to the Board regarding the tax credit market, referring to the "Status of Federal and State Low Income Housing Tax Credit (LIHTC)" attachment, in the Finance Branch Status Report.

Executive Director Davidson added that updates on the State and Federal LIHTC will be a regular feature of the Board Meetings, allowing the Board to make informed decisions on new or increased awards for the pipeline projects.

In response to Designee Kami, Mr. Ueki stated that there have been discussions with the Department of Taxation (TAX), regarding the tracking of the State credits that are distributed and what is actually claimed; however, the TAX has not been able to provide a report, tracking such information to HHFDC.

Designee Kami referred to the "Projection of Proceeds from State LIHTC" chart on page 3 of the attachment, and noted that at 50 cents on the dollar, the State is giving up \$75 million of potential revenue loss and getting only \$37 million into the rental projects. He asked staff to look at possibly eliminating the State tax credit and just putting more money into the Rental Housing Trust Fund. Instead of having a revenue loss of \$75 million and only \$37 million going to the projects, eliminate the State tax credit and put \$40 million into the Trust Fund.

Director Smith commented that her perspective on the tax credits is that it has been very successful historically in attracting money to the market. She suggested that perhaps the Board should look into the basis of why our tax credits are less competitive in the market, as it was prior to Act 221 and Act 215 going into effect.

Discussion ensued on marketing tactics for the State tax credits. Mr. Ueki stated that Housing Finance Specialist Dean Sakata had suggested that HHFDC market the credits, having everything run through the Corporation rather than allocating the credits out to individual developers.

With no further discussion on the State and Federal Tax Credits, Chairman King asked Executive Director Davidson, on the status of: 1) the Waiahole Waikane water system; and 2) the master plan for Kukui Gardens and Mayor Wright.

Executive Director Davidson stated that HHFDC testified regarding a resolution requesting HPHA and HHFDC to develop a joint master plan for Kukui Gardens and Mayor Wright Homes. Regarding the Waiahole Waikane water system, Executive Director Davidson stated that Development Branch Chief Karen Seddon and Housing Development Specialists Chris Sadayasu and Gary Umeda, whom he commended, provided a tour of the Waiahole potable water system for Senator Clayton Hee and members of the Waiahole-Waikane Community Association (WWCA). With regard to health and safety issues, HHFDC is looking at various alternatives to fix the water system.

With no further business on the Agenda, Chairman King called for a motion to adjourn.

**VI.  
ADJOURNMENT**

Director Lawrence moved, seconded by Director Larson, to adjourn the meeting at 12:30 p.m.



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BETTY LOU LARSON  
Secretary