

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, APRIL 14, 2011
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, April 14, 2011, at 9:00 a.m.

Chairman David Lawrence called the meeting to order at 9:03 a.m.

**CALL TO
ORDER/
ROLL CALL**

Present: Director David Lawrence, Chairman
Director Ralph Mesick, Vice Chairman man
Director Betty Lou Larson, Secretary
Director Michael Ng
Director Richard Lim
Director Kalbert Young
Director Gary Siracusa
Designee Gary Barbour

Executive Director Karen Seddon

Excused: Director Richard Lim
Director Francis Jung
Director Allan Los Banos

Staff Present: Sandra Ching, Deputy Attorney General
Jennifer Sugita, Deputy Attorney General
Janice Takahashi, Chief Planner
Darren Ueki, Finance Manager
Rick Prahler, Development Branch Chief
Galen Lee, Fiscal Manager
Cynthia Okubo, Acting Asset Manager
Patrick Inouye, Housing Finance Specialist
Byron Chock, Housing Finance Specialist
Jocelyn Iwamasa, Housing Finance Specialist
Stan Fujimoto, Development Section Chief
Ken Takahashi, Development Project Manager
Leonell Domingo, Development Project Coordinator
Beth Malvestiti, Development Project Coordinator
Lorna Kometani, Housing Sales Coordinator
Mavis Masaki, Planner
Lorraine Egusa, Budget Analyst
Kent Miyasaki, Housing Information Specialist
Esa Pablo, Secretary to the Board

Guests: Kali Watson, Hawaiian Community Development Board
Bruce Barrett, Castle & Cooke Homes Hawaii
Andrew Furuta, Castle & Cooke Homes Hawaii
Patrick Seguirant, Patrick Seguirant Architect
Claudia Shay, Self Help Housing Corporation of Hawaii
Gwen Yamamoto Lau, Hawaii Community Reinvestment
Corporation
Roy Katsuda, Hale Mahaolu
Robyne Nishida Nakao, Hale Mahaolu
Byron Ooka, Lokenani Hale

A quorum was present.

QUORUM

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Director Mesick moved, seconded by Director Siracusa, to approve the Meeting Minutes of March 10, 2011.

Director Larson asked that the following statement be added in the minutes, on page 392, after item number 7:

Director Larson expressed concern that the government funds are repeatedly required to purchase these projects to keep them affordable and working with a non-profit could prevent the need to acquire these projects again in the future.

The motion was unanimously approved, as amended.

Chairman Lawrence noted that the Board will take up item III. A. upon Mr. Roy Katsuda and Ms. Robyn Nishida Nakao's arrival, and proceeded to item III. B.

Director Mesick moved, seconded by Director Siracusa, to approve staff's recommendation:

That the HHFDC Board of Directors approve the following:

- A. Extend the deadline to issue HMMF Bonds for the Hale Makana O Nanakuli Project to April 30, 2012.
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Mr. Ueki welcomed newly appointed Board Member, Mr. Michael Ng, from the Governor's Policy Office, and presented the For Action, stating that the Hale Makana O Nanakuli (Project) consists of 48 affordable family units, located in Waianae, Oahu.

The following information was highlighted:

1. On April 9, 2009, the Board approved the following for the Project: (1) Resolution No. 020, which provides official intent to the issuance of the Hula Mae Multi-Family (HMMF) revenue bonds of up to \$7.1 million; (2) reservation of up to \$509,319 in annual Federal Low Income Housing Tax Credits (LIHTC) and \$254, 659 in annual State LIHTC; and (3) a Rental Housing Trust Fund (RHTF) Project Award loan \$1.9 million.
2. On May 13, 2010, the Board approved an increase to the Project's RHTF Project Award loan to \$2,509,748, bringing the total commitment to \$4,409,748.
3. Resolution No. 020 is set to expire on April 30, 2011.
4. The request before the Board is to approve a 12-month extension through April 30, 2012.
5. The Project will be owned by a single asset holding company, the Nanakuli Kauhale Development, LP, and the Managing General Partner is the Hawaiian Community Development Board (Applicant).

II. A.
APPROVAL
OF MINUTES
3/10/11
Regular
Meeting

III. A.
DISCUSSION
AND/OR
DECISION
MAKING
Approve a Rental
Housing Trust Fund
Project Award for
the Lokenani Hale
Project Located in
Wailuku, Maui,
TMK No.:
(2) 3-4-012:045

III. B.
DISCUSSION
AND/OR
DECISION
MAKING
Approve an Extension
to Resolution No. 020,
Which Provides for
Official Intent with
Respect to the Issuance
of Hula Mae
Multi-Family
Tax-Exempt Revenue
Bonds for the Hale
Makana O Nanakuli
Affordable Rental
Project Located in
Waianae, Oahu, TMK
No.: (1) 8-9-002:001

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6. The proposed Financial Structure, Project Budget and Use of Funds and the estimated construction timeline for the Project were cited, with construction anticipated to start in November 2011, completion of the first building in March 2012, and the Project completion being in July 2012.
7. Staff has evaluated the Applicant's request for an extension based on progress made on site control, zoning approvals, and securing financial commitments. The Partnership is currently working with Hunt Capital Partners, LLC on the private placement of up to \$7.1 million in the HMMF Bonds and the sale of its LIHTC.

Mr. Ueki opened for questions, along with Mr. Kali Watson, on behalf of the Project.

In response to Chairman Lawrence, Mr. Watson explained that because there are different funding sources involved for the Project, a Condominium Property Regime (CPR) is needed.

The motion was unanimously approved.

Director Mesick moved, seconded by Director Siracusa, to approve staff's recommendation:

That the HHFDC Board of Directors approve the following:

- A. Extend the RHTF Project Award LOI to April 30, 2012, subject to the requirements set forth in the For Actions dated April 9, 2009 and May 13, 2010.
- 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 Hale Makana O Nanakuli (Project) consists of 48 affordable family units, located in Waianae, Oahu.

The following information was highlighted:

1. Project facts and financial commitments were discussed in the previous For Action.
2. This For Action focuses on the Rental Housing Trust Fund (RHTF) Letter of Intent (LOI), which is set to expire on April 30, 2011.

Mr. Ueki opened for questions, along with Mr. Kali Watson, on behalf of the Project.

Director Larson commended the Project for its efforts in obtaining outside financing and hard work in bringing everything together.

In response to Chairman Lawrence, Mr. Watson stated that the Project's CPR process is approximately 85% completed.

The motion was unanimously approved.

Director Mesick moved, seconded by Director Siracusa, to approve staff's recommendation:

That the HHFDC Board of Directors (1) approve the Proposed Villages of Kapolei, Makalii II, Affordable, For-Sale, Single Family, CPR Project, (2) certify Castle & Cook Homes Hawaii, Inc. as an Eligible Developer, and (3) approve the project for processing under the Provisions of Chapter 201H, HRS, including the

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

Approve an Extension to the Rental Housing Trust Fund Letter of Intent for the Hale Makana O Nanakuli Affordable Rental Project Located in Waianae, Oahu, TMK No.: (1) 8-9-002:001

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

Approve the Proposed Villages of Kapolei,

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exemptions proposed in the Castle & Cooke Homes Hawaii, Inc.'s 201H Application, as amended, subject to the following conditions:

- A. Other terms and conditions as may be required by: (1) statutes; (2) administrative rules; and (3) the Office of the Executive Director; and
- B. Developer's successors and assigns are subject to prior approval of Executive Director.
- C. The Executive Director is authorized to take all actions necessary to effectuate the purpose of this For Action.

Development Branch Chief Rick Prahler presented the For Action, stating that the proposed Villages of Kapolei, Makalii II (Project) consists of 35 single-family Condominium Property Regime (CPR) units.

The following information was highlighted:

- 1. In 2007, Castle & Cooke Homes Hawaii (Developer) was awarded the Request For Proposal (RFP) for the Project.
- 2. The Project was the last parcel developed under Act 15, which allowed the State to override County zoning on the 35 lots, originally intended for self-help housing.
- 3. The City and County of Honolulu (City) informed the Project that the original lot configuration does not conform to the City's zoning and subdivision requirements, thus requesting the developer to submit a 201H application requesting exemptions with the HHFDC to bring the Project into compliance.
- 4. Proposed exemptions are as follows: (1) Exemption from Section 18-6.1 and 18-6.2 Revised Ordinances of Honolulu to allow exemption from building permit plan review and filing fees; (2) Exemption from Land Use Ordinance Section 21-8.20 A, 1 through 5, which limits the parcel to a maximum of eight dwellings on a lot and the requirement for a cluster housing, planned development housing, or subdivision approval for more than eight units; and (3) Exemption from Land Use Ordinance Section 21-4.30(a) relating to yards and street setbacks, to allow gang mailboxes in the required yard.
- 5. Application materials were forwarded to the various agencies and do not appear to affect health and safety.
- 6. HHFDC has reviewed the Developer's 201H Application and finds: (1) that the Developer is an Eligible Developer pursuant to Section 15-307-24, Hawaii Administrative Rules (HAR); (2) the Developer's proposal and application for exemptions meet minimum proposal requirements pursuant to Section 15-307-24, HAR; (3) the Project primarily includes housing units affordable to households with incomes at or below 140% of the area median income, as determined by the U.S. Department of Housing and Urban Development; (4) the Project and proposed exemptions are consistent with the purpose and intent of Chapter 201H, Hawaii Revised Statutes (HRS), and meet minimum requirements of health and safety; and (5) the exemptions recommended for approval do not contravene any safety standards, tariffs, or rates and fees approved by the public utilities commission for public utilities or the various boards of water supply authorized under Chapter 54, HRS.

Mr. Prahler opened for questions, along with Mr. Andrew Furuta, Mr. Patrick Seguirant, and Mr. Bruce Barrett, on behalf of the Project.

Makalii II, Affordable For-Sale, Single Family Condominium Property Regime (CPR) project, TMK Nos.: (1) 9-1-079: 1 thru 35 and 129 thru 134, and the Certification of Castle & Cooke Homes Hawaii, Inc. (Applicant) as an Eligible Developer for Processing Under the Provisions of Chapter 201H, Hawaii Revised Statutes, including the exemptions proposed in Applicant's 201H Application, as amended

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In response to the Board, Mr. Prahler, Mr. Furuta, Mr. Barrett, and Executive Director Seddon, noted the following:

1. The Project will be conveyed in fee, of which HHFDC obtained Legislature approval under Act 176, in 2010.
2. Subsequent to this Project, Makalii I, being of the same product, was very successful in sales and received positive community feedback.
3. All units will be under 140% area median income (AMI), roughly costing \$400,000 - \$450,000 for 3 and 4 bedrooms.
4. To date, the Project has not been able to find a funding source for down payment buyer assistance that works.
5. Based upon the Makalii I Project sales, a majority of the homebuyers fell within the 120% - 140% AMI range, which is common with for-sale products.

The motion was unanimously approved.

Director Larson moved, seconded by Director Siracusa, to approve staff's recommendation:

That the HHFDC Board of Directors approve SHHCH's request for a third twelve (12) month extension of its interim DURF 1 loan with the possibility of two (2) six-month loan extensions (subject to a loan extension fee of 0.5% on each option exercised) and an increase of its loan cap by \$350,00 to \$2,875,000 to continue financing SHHCH's development of the Ma'ili lands, substantially as described in this For Action, subject to the following:

- A. Approval and release of funds by the Governor;
- B. Approval and execution of amendments to the Interim Loan Agreement and the Promissory Note by the Executive Director; and
- C. Compliance with all rules, regulations, and such other terms and conditions as may be required by the Executive Director.

Mr. Prahler presented the For Action, stating that the Ma'ili III Self-Help Housing (Project) consists of 76 single-family units servicing 50% - 80% and below the U.S. Department of Housing and Urban Development (HUD) area median income (AMI).

The following information was highlighted:

1. A Finding of No Significant Impact (FONSI) was issued in January 2008.
2. In 2009, the Project received the City and County of Honolulu's (City) approval for its 201H exemptions.
3. Previous Board approvals were noted from 2006 through 2010.
4. The Project's construction plan is pending City approval.
5. The Project is requesting a third 12-month extension to its interim DURF loan and an increased loan cap by \$350,000, totaling an aggregate amount of \$2,875,000 to continue Project development.

Mr. Prahler opened for questions, along with Ms. Claudia Shay, on behalf of the Project.

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

Approve an Extension to the Dwelling Unit Revolving Fund Interim Loan and an Increase in Loan Amount for the Ma'ili III Self-Help Housing Project Located in Ma'ili, Waianae, Oahu, TMK Nos.: (1) 8-7-002:001, 007, 015, and 016

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In response to the Board, Ms. Shay noted the following:

1. The Project was able to keep the same price of \$256,000 for the units, due to a HUD grant of \$487,000 received.
2. The Project anticipates receiving City approval of its construction plan by the end of April 2011.
3. There remains to be a demand, with loans in process with the Bank of Hawaii and the U.S. Department of Agriculture Rural Development program.

The motion was unanimously approved, with Director Mesick recusing himself.

With the Lokenani Hale (Project) representatives in attendance, Chairman Lawrence reverted to item III. A.

Director Young moved, seconded by Director Siracusa, to approve staff's recommendation:

That the HHFDC Board of Directors approve the following:

- A. A RHTF Project Award Loan of \$2,235,000 to the Wailuku Senior Living L.P. or its successors, as approved by the Executive Director, with the terms and conditions as shown in Section III(G) 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 15-311, Hawaii Administrative Rules.
 2. Execution of documentation satisfactory to the HHFDC, outlining the terms and conditions of the Project Award. The documents shall 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 related to the use of State funds.
 5. Availability of RHTF program funds.
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Finance Branch Manager Darren Ueki, presented the For Action, stating that the Project consists of 62 existing senior units, located in Wailuku, Maui. For Action was previously brought before the Board and discussed at the February 10, 2011 Board Meeting.

The following information was highlighted:

1. Previous Project requests and Board approvals made between May 2003 and 2010 were noted.

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

Approve a Rental Housing Trust Fund Project Award for the Lokenani Hale Project Located in Wailuku, Maui, TMK No.: (2) 3-4-012:045

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2. The Wailuku Senior Living, LP's (Applicant) request for a Rental Housing Trust Fund (RHTF) loan of \$2.235 million for the refinancing of its Dwelling Unit Revolving Fund (DURF) loan approved in May 2010.
3. The Project is owned, managed, and operated by the Applicant with its General Partner being Ooka Super Market, LLC.
4. The Project generated insufficient cash flow to service its Central Pacific Bank (CPB) debt, necessitating the request for the DURF/RHTF takeout.
5. The DURF loan eliminated \$182,424 in annual debt service of the CPB loan and would have allow for sub-metering of units to pass on utility costs to tenants via utility allowances. However, at the May 13, 2010 Board Meeting, the Board requested that the Project explore its AMGI requirements to amend its thresholds to alleviate cash flow concerns.
6. The Applicant wanted to explore higher AMGI thresholds to help offset the impact of the RHTF requirement of having 5% of the units for those earning 30% of the AMGI and below.
7. The following LIHTC requirements were identified: (1) The LIHTC minimum threshold requirement of 20% of units at 50% AMGI cannot be amended and is irrevocable. (2) AMGI requirements for units outside of the LIHTC threshold could be amended. (3) Applicant would have to obtain the consent of its LIHTC investor on the Project AMGI requirements, as there may be tax implications.
8. At the February 10, 2011 Board Meeting, the Board declined the Applicant's request for a \$2.235 million RHTF loan to provide a permanent takeout of the DURF loan. However, in its rejection, the Board indicated that it may reconsider the request if the Applicant explores the possibility of increasing its affordability commitment under the Tax Credit Declaration of Restrictive Covenants.
9. In response to the Board's request, the Applicant indicated that its Tax Credit Investor would have to approve any extensions made to the affordability period, which was rejected by the Tax Credit Investor on May 4, 2011, due to the "investment's long term prospects" that would have been negotiated at the time of entering the Project.
10. The following loan terms are being proposed:
 - a. Loan Amount: \$2.235 million
 - b. Interest Rate: 0.00%
 - c. Fee: None
 - d. Term/Maturity: 45 years
 - e. Repayment: 75% of available Cash Flow
 - f. Collateral: First Mortgage on Project
 - g. Guarantee: Personal guarantee from Mr. Byron Ooka
 - h. Purpose: Repayment of balance under the DURF loan approved by the HHFDC Board on May 13, 2010.
 - i. AMGI: Allow the Project to increase the AMGI threshold on 47 units up to 80% AMGI or below.
 - 1) Enables the project to:
 - a) Increase the number of prospective tenants; by creating a larger spread between the maximum rent limitation and the rent actually charged.
 - b) Offset the impact of the 30% AMGI requirement for

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- the RHTF.
- c) Improve project cash flow and accelerate RHTF repayment.
- 2) Ability of Project to amend AMGI may be subject to LIHTC investor approval.
- j. Other Terms: (a) The Project's loan to value ratio (on the RHTF loan and debt senior to the RHTF loan) shall not exceed 100%.
(b) The RHTF Project Award is subject to the availability of funds.
- k. If the Board approves staff's recommendation, a Letter of Intent (LOI) describing the terms and conditions of the Project Award will be sent to the Applicant. The LOI will be subject to all conditions being met to the satisfaction of HHFDC, approval of the Governor of Hawaii, and the availability of funds. The terms outlined in the LOI will expire on May 15, 2011 at 4:00 PM unless the HHFDC receives an executed copy by the said date. After this date, the LOI shall expire and no obligation shall exist thereafter, unless extended or modified at the sole discretion of HHFDC.

Mr. Ueki opened for questions, along with Mr. Byron Ooka, Mr. Roy Katsuda, and Ms. Robyne Nishida Nakao, on behalf of the Project.

The Board and Staff discussed possible options in utilizing the DURF and/or RHTF, providing the following comments:

1. Perhaps extending the DURF loan term could help in facilitating in the replenishing of the RHTF for other projects.
2. A deeper understating of a project's economics should be obtained to make decisions that are more informed. This will ensure that the Corporation's limited resources are utilized in the best way possible.
3. If this For Action is not approved, the Project could run on its DURF loan for a year, with the possibility of going through the foreclosure process.
4. Perhaps a shorter-term RHTF loan could be done to allow Staff to reevaluate the Project's progress and provide some leverage in working with the Project to the extent that is necessary.

Chairman Lawrence called for the question and a vote was taken, as follows:

Aye: Chairman Lawrence

Abstained: Vice Chairman Mesick, Directors Larson, Siracusa, Young, Barbour, and Ng.

Executive Director Seddon stated that Staff has brought forth this For Action as being in compliance with the policies that the Board has previously put forth; however, if the Board disagrees, staff would need additional clarification and direction from the Board.

The Board and Staff proceeded with further discussion on the matter.

5. If this For Action is not approved, (1) the HHFDC DURF loan will not have a permanent take out source; (2) the Project will lose its eligibility for RHTF funding; (3) there will be increased costs for an RHTF application to reapply; and (4) other costs incurred due to the delay.

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6. The question is not dependent upon which funding source is utilized, but lies within the Agency's willingness to enforce its power of foreclosure.
7. Current Board Policy does not preclude the Board from proposing foreclosure, which would be an expensive option, but has been to avoid owning additional projects.

Director Young stated that he would suggest the Board defer action on this For Action and allow the Project to stay on the DURF to ensure that funds are distributed adequately and responsibly, by executing full power and authority of this Board, unless otherwise directed.

In consideration of Director Young's suggestion, Vice Chairman Mesick added and asked for a better understanding of the economic positions/options of the investor.

With further discussion on the suggested deferral, Director Young stated that he would withdraw his suggestion to defer and would elect to abstain from voting on this matter, due to his concern in ensuring the longevity of both the DURF and RHTF.

Executive Director Seddon noted that policy concerns could be addressed at the HHFDC's Strategic Planning Session in July 2011.

Vice Chairman Mesick commented that in future For Actions dealing with these types of scenarios, he would like the following information to be addressed: (1) what is the cash flow or would there be an opportunity to replenish the RHTF, taking every opportunity to support projects with private capital verses the State's limited funds; and (2) get to know the economics and cooperation of the investors that the Agency deals with.

Executive Director Seddon expressed her appreciation to Vice Chairman Mesick for his comments and stated that Staff will address and provide the Board with this information in the future.

Chairman Lawrence called for the question a second time, and a vote was taken as follows:

Aye: Chairman Lawrence, Vice Chairman Mesick, Directors Siracusa, Ng, and Designee Barbour.

Abstained: Directors Larson and Young.

The motion was carried.

Chairman Lawrence proceeded to the Report of the Executive Director.

Executive Director Karen Seddon and Planner Mavis Masaki reported on the following:

1. The Governor has appointed a new Kauai Board Director, Mr. Paul Kyno, who will be taking the place of interim Director Siracusa effective July 1, 2011.
2. The following House Bills (HB) are going through conference:

HB 200, HD1 – This budget bill includes Capital Improvement Project items of: \$26 million in Fiscal Year (FY) 2012 for the Senior Residence of Iwilei and \$10 million for the Rental Housing Trust Fund (RHTF) with another \$10 million in FY 2013 for RHTF

HB 1270 - Requires the Department of Taxation to evaluate certain tax

**IV.
REPORT
OF THE
EXECUTIVE
DIRECTOR**

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credits and tax exemptions and report to the Legislature. Provides automatic repeal of the tax credits and tax exemptions. Provides automatic repeal of state LIHTC and GET exemptions as of December 31, 2016 pending outcome of review by Do TAX.

HB 960 - Establishes a program for granting low-income housing tax credit loans in lieu of low-income housing tax credits administered by the HHFDC.

SB 1241 - Repeals conveyance tax exemptions for low-income housing projects certified by the HHFDC.

3. Many House and Senate measures of the Legislature this year are focused on homelessness.

In response to the Board, Executive Director Seddon noted the following:

1. The Governor is acquainted with the HHFDC's endeavors and occasionally attends groundbreaking ceremonies for its affordable projects, like the Hale Mahaolu II Project, held on Monday, April 11, 2011.
2. Staff will not be ready to hold the Strategic Planning Session by the June Board Meeting and in consideration for the newly appointed Board Directors Ng and Kyno, the Strategic Planning Session needs to be held at the July Board meeting.

Director Larson noted that she will be unable to attend the upcoming June 9, July 14, and August 11, 2011 Board Meetings.

3. The Holomua Project anticipates starting its construction in June 2011, after at least 65% of its applications are validated by the HHFDC.
4. The Queen Liliuokalani Trust Agreement for the Kamakana Villages at Keahuolu project is under review by the HHFDC and the Attorney General's Office.

Executive Director Seddon thanked everyone for coming and expressed appreciation to the Board for their time and commitment to the HHFDC to keep business moving forward.

With no further business on the agenda, Chairman Lawrence called for a motion to adjourn.

Designee Barbour moved, seconded by Director Siracusa, to adjourn the meeting at 10:45 a.m.

The motion was unanimously approved.



BETTY LOU LARSON
Secretary

V.
ADJOURNMENT