

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 12, 2012
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 12, 2012, at 9:00 a.m.

Chairman David Lawrence called the meeting to order at 9:00 a.m.

**CALL TO
ORDER/
ROLL CALL**

Present: Director David Lawrence, Chairman
Director Ralph Mesick, Vice Chairman
Director Betty Lou Larson, Secretary
Director Michael Ng
Director Francis Jung
Director Paul Kyno
Director Allan Los Banos
Designee Luis Salaveria for Director Kalbert Young
Designee Mary Alice Evans for Director Richard Lim

Executive Director Karen Seddon

Excused: Director Richard Lim
Director Kalbert Young

Staff Present: Sandra Ching, Deputy Attorney General
Colette Honda, Deputy Attorney General
Janice Takahashi, Chief Planner
Darren Ueki, Finance Manager
Rick Prahler, Development Branch Chief
Galen Lee, Fiscal Manager
Stuart Kritzer, Asset Manager
Marlene Lemke, Real Estate Services Section Chief
Stan Fujimoto, Development Section Chief
Patrick Inouye, Housing Finance Specialist
Byron Chock, Housing Finance Specialist
Jocelyn Iwamasa, Housing Finance Specialist
Glori-Ann Inafuku, Housing Finance Specialist
Lorna Kometani, Housing Sales Coordinator
Elaine Goma, Housing Sales Coordinator
Lorraine Egusa, Budget Analyst
Kent Miyasaki, Housing Information Specialist
Esa Pablo, Secretary to the Board

Guests: Stephen Arnett, Hawaii County - Office of Housing and
Community Development
Paul Zweng, Waiahole-Waikane Community Association
Robert Cappella, Waiahole-Waikane Community Association
Bob Nakata, Faith Action for Community Equity
Patti Barbee, Hawaiian Community Development Board
Kali Watson, Hawaiian Community Development Board
Doug Bigley, Urban Housing Communities

A quorum was present.

QUORUM

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

Director Jung moved, seconded by Vice Chairman Mesick, to approve the Meeting Minutes of March 8, 2012.

The motion was unanimously approved.

Development Branch Chief Rick Prahler presented the For Information, noting that agenda item III. B. is to be deferred until the next Board of Directors Meeting held on May 10, 2012.

Mr. Prahler provided the Board with background information on the Waiahole Valley Agricultural Park Residential Lots Subdivision (Valley). A Site Map of the Valley (Exhibit A) and the Corporation's predecessors' historical involvement from 1977 - 1999 (Exhibit B) were noted.

There were two major capital improvement projects with the Valley's roadways and a potable water system prior to the HHFDC taking over as owners of the Valley. Constructed roadways and water system was found to be non-compliant to the standards of the City and County of Honolulu (City) and the Board of Water Supply (BWS), prohibiting proper dedicated to take place in its current state.

The HHFDC has spent approximately \$10 million in Capital Improvement Project (CIP) appropriations from the Legislature and approximately \$22 million in Dwelling Unit Revolving Fund (DURF) funds. Additional DURF funding will be needed to rebuild the roadways and water system in accordance with the City and BWS standards.

In acknowledging the Board's desire to dispose of real property assets that do not contribute towards achieving the Corporation's mission to support affordable housing, staff is working to bring its agricultural leases into compliance by bringing the existing water system and roadways up to the standards of the BWS and City as well as conducting annual compliance inspections.

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

1. Letters have been distributed, notifying agricultural lessees of their defaults and the HHFDC's resolve to bring all leases into compliance. Ongoing notifications and meetings with the farmers in default are in progress.
2. Meetings with the Waiahole-Waikane Community Association (WWCA); Mr. Russell Kokubun, from the Department of Agriculture (DOA); and Mr. Tony Ching, from the Hawaii Community Development Authority (HCDA), were utilized to discuss management and disposition of the Valley moving forward.
3. The HHFDC is currently working with an engineer to explore replacement of a significant portion of the water system and installing a master meter to control operational costs.
4. Currently, everyone in the Valley is on the HHFDC's water system.
5. Water rates have not been changed since the system was improved. New water rules have been created to comply with the standards and rates of the BWS, which is pending approval. Members of the community will be informed accordingly.
6. The new water reservoir will be a half a million gallon tank and will require a new booster pump due to the placement of the tank above the current BWS service zone.

II. A.
APPROVAL
OF MINUTES
3/8/12
Regular
Meeting

III. A.
DISCUSSION
AND/OR
DECISION
MAKING
Information on
Waiahole Valley
Agricultural Park and
Residential Lots
Subdivision Located in
Waiahole,
Koolaupoku, Oahu

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

- 7. A Bill with the intent to transfer the Valley to the DOA was unsuccessful at the Legislature.
- 8. There are no affordability restrictions on the tenants of the Valley.
- 9. There are a number of vacant lots that could be leased; however, the HHFDC is in the process of changing the lease document to conform to the DOA lease.

Mr. Prahler acknowledged the WWCA, which have been very cooperative in helping the HHFDC work with the farmers. A copy of a letter from the WWCA was distributed and emailed to the Board.

- 10. Farmers do have the ability to hire workers to help farm their land.
- 11. Total cost estimates for the revised water system plan is to be determined.
- 12. There is a demand for agriculture lots.
- 13. The HHFDC has a 55-year lease obligation to provide water and upkeep the roadways of the Valley.
- 14. Possible transfers of the Valley would be to the DOA or the Agribusiness Development Corporation.
- 15. The Valley is agriculturally zoned and it is highly preferred by the community to remain agricultural.

With no further discussion, Chairman Lawrence reiterated the deferral of agenda item B and proceeded to Item C.

Planner Lisa Wond presented the For Information, to provide background for an Action that will be presented for the Board’s approval at the upcoming May 10, 2012 Board of Directors Meeting.

The 5-Year Consolidated Plan (CP) covers the period of July 1, 2010 through June 30, 2015, projecting the uses of funds anticipated to be received from the U.S. Department of Housing and Urban Development (HUD) under the programs of the HOME Investment Partnerships (HOME), Emergency Solutions Grant (ESG), and the Housing Opportunities of Persons with AIDS (HOPWA).

The HHFDC administers the HOME program, while the Department of Human Services (DHS) administers the ESG and HOPWA programs.

The Substantial Amendment to the 5-Year CP will incorporate the following three HOME and ESG provisions:

- 1. An annual rotation of the State’s HOME allocation between the counties of Hawaii, Kauai, and Maui, respectively starting in June 2012;
- 2. Encourage the counties to invest their HOME fund in activities that would generate program income by allowing them to use 10 percent of program income for administrative expenses; and

**III. B.
DISCUSSION
AND/OR
DECISION
MAKING**
Information and Discussion on Agricultural Lease, Lessees Guy and Harriet Nakamoto, Lot 138, TMK No.: (1) 4-8-001: 001

**III. C.
DISCUSSION
AND/OR
DECISION
MAKING**
Information on the Draft Substantial Amendments to the Five-Year Consolidated Plan for Program Years (PY) 2010 through 2014 and the PY2011 Annual Action Plan, and the Draft Annual Action Plan for PY2012

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

3. New activities, under the Emergency Solutions Grant program (formerly known as the Emergency Shelter Grant program), assisting individuals, and families living on the streets to achieve stability in permanent housing.

A Substantial Amendment to the Program Year (PY) 2011 Action Plan is being considered to include new activities funded by a second allocation of ESG funds totaling approximately \$130,000.

The Draft Annual Action Plan (AP) for PY2012 (July 1, 2012 - June 30, 2013) identifies projects and programs to be funded with HOME, ESG, and HOPWA funds during the PY2012.

All three draft documents are available for public review at the main and regional public libraries, the county housing agencies, HHFDC, the DHS, and on the HHFDC's website.

Public comments are being accepted through April 26, 2012.

Staff plans to return to the Board in May 2012 for approval of the Final Substantial Amendment and the 2012 AP, due to HUD by May 15, 2012.

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

1. Any program income generated by the counties may be used in addition to the 10 percent of the regular HOME allocation, for administrative expenses.
2. Under HUD's Community Planning and Development Program, only one taxpayer ID number can be accepted. HUD designated the HHFDC to submit the CP under its taxpayer ID number because the HHFDC receives the bulk of the CPD money under the HOME program.
3. Each county is responsible for filing its own CPs and APs with HUD. Any amendments to the counties' CPs could be done during their turn in the rotation, with the County of Hawaii being in 2012, Kauai in 2013, and Maui in 2014.
4. Projects and programs approved by the County Councils are incorporated into the State contract.

With no further discussion, Chairman Lawrence proceeded to Item D.

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

That the HHFDC Board of Directors approves the following:

- A. Extend and amend the RHTF loan as requested by the County of Hawaii.
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Finance Manager Darren Ueki presented the For Action, stating that the Ouli Ekahi Apartments (Project) consists of 32 family units, located in Kamuela, Hawaii.

The Project was originally approved in October 1995, with a Rental Housing Trust Fund (RHTF) loan maturity date of February 2011.

Staff is requesting a 30-year amendment to the Project's RHTF Loan set to expire on February 27, 2041.

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

Approve an Amendment to the Rental Housing Trust Fund Loan for the Ouli Ekahi Apartments Project Located in Kamuela, Hawaii, TMK No.: (3) 6-2-001: 085

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

Project background information from October 1993 through December 2010 was noted.

The County is responsible for the daily operation of the Project as the fee simple owner, as well as repayment of its RHTF loan.

The County currently does not have the resources to pay off the balance of the RHTF loan and is requesting the following amendments to its loan terms:

1. The County is assuming the Loan as Borrower. Terms of the loan to be extended for 30 years from the last expiration date of February 27, 2011.
2. A zero percent interest rate with a minimum payment of \$4,125.00 per quarter or quarter ending positive cash flow amount after expenses, whichever is higher. Payments will be due by the 25th of the month following the end of the calendar year.
3. A fee simple mortgage on the Ouli Ekahi Project naming HHFDC as the mortgagor will be executed along with the proposed note amendment.

Staff recommends approval of the County's request, based on the following:

1. HHFDC obtains a 1st position lien on the fee simple interest in the project.
2. Revised payment terms focus on principal reduction. Return to fixed payments.
3. Existing borrower, Ouli Ekahi LP, was a single asset entity; asset evaporated with the expiration of the lease; being replaced by the County, which shall maintain project affordability.
4. As part of the assumption, the existing borrower would be released; considered acceptable as the borrower was a single asset entity and the RHTF loan is non-recourse; additionally borrower recourse would go back to the County.

Mr. Ueki opened for questions along with Mr. Stephen Arnett, from the County of Hawaii.

Director Jung asked that Mr. Arnett be permitted to address the Board.

Mr. Arnett thanked the Board and stated that this Project is very valuable and is in need of additional rehabilitation. Money is available for the repainting of all 32 units, which are full, with a waiting list. Rents have increased from \$660 a month to \$720 a month, still being within the affordable housing requirements.

In response to the Board, Mr. Arnett noted the following:

1. The Project is cosmetically challenged due to aging.
2. A reserve fund is being maintained for future project repairs.
3. The County's intent is to keep the Project affordable.
4. There was a 15-year time limit to provide affordable units, effective since December 2010.

Director Jung stated that he would strongly recommend that the County be allowed to continue its work and is very pleased with the outstanding job Mr. Arnett and his administration is doing.

5. The goal of the County is to pay off its RHTF as quickly as possible, with

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

the rent increase providing an opportunity to pay down the principal amount.

With no further discussion, the motion was unanimously approved.

Designee Evans moved, seconded by Vice Chairman Mesick, to approve staff's recommendation:

- A. Resolution No. 044, attached as Exhibit D, which provides for the approval of amendments to the Hula Mae Multi-Family Bonds Issued for the Benefit of the Kukui Gardens Makai Project.
- 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 Kukui Gardens Makai (Project) consists of 389 family units, located in Honolulu, Oahu.

Board approvals for the Project from August 2007 through December 2009 were noted.

The proposed Financing Structure, Proposed Budget and Use of Funds, and the Project's estimated construction timeline were cited, with the completion of the project anticipated in February 2011.

The Kukui EAH/DGI Associates, LP (Partnership) is requesting the following amendments to the terms of its Hula Mae Multi-Family (HMMF) Bonds:

- 1. Allow the HMMF Bonds to have an additional permanent series to allow an increase in the maximum permanent bond amount to \$13,665,000 from \$10,395,000.
 - a. Higher permanent bond amount requested primarily to offset a decline in State Low Income Housing Tax Credit (LIHTC) pricing; HHFDC's approval of \$4,781,610 out of a \$7 million Tax Credit Assistance Program (TCAP) fund request in August 2009 partially covered the lower State LIHTC pricing.
 - b. The Partnership worked preliminarily with the bondholder to underwrite an increase in the permanent bond amount to cover the remainder of the State LIHTC equity shortfall; Partnership deferred the request to amend the HMMF Bond until conversion in order to have the permanent financing budget.
- 2. Allow the HMMF Bonds to have more than one interest rate mode. This accommodates fixed rate pricing on the additional \$3,270,000 permanent bond series.
 - a. The HMMF Bonds only allow one pricing mode and the existing permanent series is based on a variable rate pricing structure. Citibank cannot accommodate a variable rate mode on the additional \$3,270,000 series; as such the Project is requesting the addition of a fixed rate mode to facilitate the added permanent series.
 - b. The interest rate for permanent bonds in excess of \$10,395,000 shall bear interest at a rate of 6.25%. The interest rate for permanent bonds up to \$10,395,000 shall remain at Securities Industry and Financial Markets Association (SIFMA) Index Rate + 0.90% (at conversion).
- 3. Extend the interim term of the HMMF Bonds to June 30, 2012 from

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

Approve Resolution No. 044, Authorizing An Amendment to the Hula Mae Multi-Family Tax-Exempt Revenue Bonds Issued for the Benefit of the Kukui Gardens Makai Project Located in Honolulu, Oahu, TMK No.: (1) 1-7-026: 053

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

March 31, 2012 to allow consideration and documentation of the request for an additional bond series and an additional interest rate mode. Permanent Period terms, conditions, and maturity remain the same.

Staff recommends approval of the requested amendments based on the following:

1. Allows the Project to reconcile with its permanent budget and convert to permanent financing.
2. Requests do not require any additional bond cap.
3. Project exhibits satisfactory debt service coverage on increased permanent bond amount; bond holder increase debt coverage requirement to 1.20x from 1.15x.

In response to Chairman Lawrence, Mr. Ueki stated that the \$10 million contemplated in the issuance of the bond is no longer available with Citi Bank and another vehicle was sought in order to allow for the \$13 million originally requested. The Bond Counsel has advised that the bonds be amended to clearly recognize the second mode.

With no further discussion, the motion was unanimously approved.

Director Jung moved, seconded by Vice Chairman Mesick, 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 July 31, 2012.
- 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 Affordable Rental (Project) consists of 48 family units, located in Waianae, Oahu.

The original approval date of this Project was on April 9, 2009, with its Hula Mae Multi-Family (HMMF) Bonds set to expire on April 30, 2012.

Staff is requesting a 3-month extension to July 31, 2012.

Board approvals for the Project from April 2009 through August 2011 were noted.

The proposed Finance Structure, Project Budget and Use of Funds, and the estimated construction timeline were cited, with construction anticipated to start in June 2012 and project completion in August 2013.

Staff has evaluated progress made in three basic milestones of site control - the Nanakuli Kauhale, LP (Partnership) has site control; zoning approval - the property site is zoned R-5 Residential on Hawaii Homelands and is exempt from zoning requirements. The Finding of No Significant Impact (FONSI) was published on January 23, 2006; and financing commitments - the Partnership continues to work with Hunt Capital Partners, LLC on the private placement of the HMMF Bonds and the sale of the LIHTC. The Partnership has bid out the project and is working on the final budget.

Resolution No. 020 does not authorize the sale of the tax-exempt bonds for the Project.

Staff will present a subsequent resolution request to the Board for approval of the

**III. F.
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

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

actual issuance, sales, and delivery of the bonds, if it is deemed feasible.

The bond issuance is subject to the availability of volume cap, approval by the Department of Budget and Finance, and the Governor.

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

Director Larson thanked staff for noting that there is a subsidy within the rent structure, reminding the Board that the tenant rents are affordable even though the rents may seem high.

In response to Designee Salaveria, Mr. Ueki stated that the HMMF Bonds expiration date is being requested 3 months out to July 31, 2012 and will be a private placement.

In response to Director Kyno, Mr. Ueki stated that the HMMF Bond documents have been prepared with the Project budget under final review.

Chairman Lawrence commended Mr. Watson on the progress made on the Project.

Mr. Watson acknowledged and thanked Finance Manager Darren Ueki, Housing Finance Specialist Patrick Inouye, and Executive Director Karen Seddon, for all their help as well as project team members Patti Barbee and Dough Bigley.

In response to the Board, Mr. Watson noted the following:

1. The purpose for this Project is to help the homeless families on the leeward coast as well as provide families with dilapidated homes into transitional rental units while their homes are being rehabilitated.
2. A working relationship with the University of Hawaii West Oahu has been established in building a resource center for the Project. The Project also received a HUD grant, which will provide a 3-year counseling project.
3. The Project will look into the City and County of Honolulu's ready to rent certificate program.
4. With having USDA Rental Assistance, a credit check is required. However, the Project does have scoring flexibility.
5. The Project affordability targets families at or below the 30% - 40% area median income.

With no further discussion, the motion was unanimously approved.

Vice Chairman Mesick moved, seconded by Director Jung, to approve staff's recommendation:

That the HHFDC Board of Directors approve the following:

- A. Extend the RHTF Project Award Letter of Intent (LOI) to July 31, 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 project Facts and Discussion are the same to the previous For Action approved, noting staff's request to

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

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

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

procedurally extend the Hale Makana O Nanakuli Affordable Rental (Project) Rental Housing Trust Fund Award to July 31, 2012.

With no further discussion, the motion was unanimously approved.

Vice Chairman Mesick moved, seconded by Director Jung, to recess the meeting at 10:05 am.

RECESS
10:05 am

The motion was unanimously approved.

The meeting was reconvened at 10:12 am.

RECONVENED
10:12 am

Director Larson asked about the decrease in Rental Housing Trust Fund collections, Exhibit A, on page 5. Executive Director stated that posting was delayed and next month's figure will reflect the correct amount.

IV.
REPORT
OF THE
EXECUTIVE
DIRECTOR

With no further discussion, Chairman Lawrence asked for a motion to go into Executive Session.

Vice Chairman Mesick moved, seconded by Director Jung, to convene in executive session at 10:13 am, pursuant to Section 92-5(a)(2), Hawaii Revised Statutes.

V.
EXECUTIVE
SESSION

The motion was unanimously approved.

The Board reconvened into Regular Session at 11:25 am.

RECONVENED
11:25 am

Vice Chairman Mesick moved, seconded by Director Jung, to recess the meeting at 11:25 am.

RECESS
11:25 am

The motion was unanimously approved.

The Board reconvened into Regular Session at 11:29 am.

RECONVENED
11:29 am

Chairman Lawrence announced that a subcommittee was established to oversee the evaluation of the Executive Director. In addition, the Board authorized the hiring of a consultant to conduct a leadership study of the HHFDC, of which Chairman Lawrence stated that he would work with the Executive Director to accomplish. The Executive Director Evaluation Subcommittee will consist of Board Members Lawrence, Kyno, Jung, and Evans.

With no further items on the agenda, Designee Evans moved, seconded by Vice Chairman Mesick, to adjourn the meeting at 11:30 am.

VI.
ADJOURNMENT

The motion was unanimously approved.



BETTY LOU LARSON
Secretary