

**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, JULY 10, 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, July 10, 2008, at 9:15 a.m.

Chairman Charles King called the meeting to order at 9:05 a.m.

**CALL TO  
ORDER/  
ROLL CALL**

Present: Director Charles King, Chairman  
Director David A. Lawrence, Vice Chairman  
Director Betty Lou Larson, Secretary  
Director Georgina Kawamura  
Designee Scott Kami for Georgina Kawamura  
Director Linda Smith  
Director Ralph Mesick  
Director Richard Toledo

Interim Executive Director Janice Takahashi

Excused: Director Theodore E. Liu  
Director Allan Los Banos

Staff Present: Sandra Ching, Deputy Attorney General  
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, Housing Finance Specialist  
Patrick Inouye, Housing Finance Specialist  
Stan Fujimoto, Acting Development Section Chief  
Ryan Morita, Development Project Manager  
Leonell Domingo, Development Project Manager  
Beth Malivestiti, Development Project Coordinator  
Ken Takahashi, Development Project Manager  
Cynthia Okubo, Property Management Coordinator  
Kent Miyasaki, Housing Information Specialist  
Esa Pablo, Secretary to the Board

Guests: Keith Kato, Hawaii Island Community Development Corporation  
Gary Furuta, Hawaii Housing Development Corporation  
Marvin Awaya, Pacific Housing Assistance Corporation  
Jessie Wu, Stanford Carr Development, LLC

Chairman King declared a quorum present.

**QUORUM**

Subsequent to the approval of the Regular Meeting Minutes of June 12, 2008, Director Lawrence moved, seconded by Director Kawamura, to move into Executive Session for the selection and hiring of an executive director, pursuant to Section 92-5(a)(2), Hawaii Revised Statutes.

**II.  
EXECUTIVE  
SESSION**  
9:10 a.m.

The motion was unanimously approved.

Director Lawrence moved, seconded by Director Kawamura, to approve the Regular Meeting Minutes of June 12, 2008.

**III. A.  
APPROVAL  
OF MINUTES**  
6/12/08  
Regular  
Meeting

The motion was unanimously approved.

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

The approval of the Executive Session Meeting Minutes of June 12, 2008, was taken up in Executive Session.

Chairman King reconvened the meeting at 9:20 a.m. and called for a motion to appoint the new executive director.

Director Kawamura moved, seconded by Director Toledo, to appoint former Development Branch Chief Karen Seddon as the new HHFDC Executive Director.

The motion was unanimously approved.

Executive Director Seddon thanked and assured the Board that there had been previous discussions with staff regarding the vision and strategic goals of the Organization.

On behalf of the Board, Director Smith commended the HHFDC Staff for all their hard work and commitment on affordable projects, especially to Chief Planner Janice Takahashi, for serving as Interim Executive Director.

Chairman King also thanked Staff on persevering through the split of the two Agencies.

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

- A. Approve a modification of the Rental Housing Trust Fund Project Award to the Ainakea Senior Residences LLLP based on the recommended terms in Section III. F. of this For Action;
- B. Authorize the Executive Director of the HHFDC to take all action necessary to effectuate the purposes of the For Action.

On behalf of the Staff, Finance Manager Darren Ueki congratulated the slate of Board Officers for the upcoming year and welcomed newly appointed Executive Director Karen Seddon.

Mr. Ueki presented the For Action relating to the Ainakea Senior Residence Project (Project), stating that on April 12, 2007, the HHFDC Board approved a Rental Housing Trust Fund (RHTF) construction loan in the amount of \$5.3 million and a permanent loan of just under \$1.7 million.

In a letter dated June 24, 2008, the Ainakea Senior Housing LLLP (Awardee) requested a modification to the terms of their RHTF Project Award, due to challenges faced with the Low Income Housing Tax Credit (LIHTC) market and increased construction costs.

Due to the decrease in demand for the State LIHTC, the Project has not been able to secure an investor affecting the equity generated from the LIHTC by approximately \$2.1 million.

Concurrently, the Project's cost has increased by approximately \$900,000 with the rise of labor and materials costs.

The Awardee has been able to secure \$471,000 in HOME funds from the County of Hawaii and an increase in the Rural Community Assistance Corporation's interim loan commitment by approximately \$106,000.

The Awardee is also seeking an additional \$328,000 in HOME funds from the County of Hawaii.

**III. B.**  
**APPROVAL**  
**OF MINUTES**  
6/12/08  
Executive  
Session

**RECONVENED**  
9:20 a.m.

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

Approve  
Amendments to the  
Rental Housing  
Trust Fund (RHTF)  
Project Award to  
The Ainakea Senior  
Housing, LLLP for  
The Ainakea Senior  
Residences Project,  
TMK No.  
(3) 3-5-011:102

## HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

While the Awardee continues to pursue an investor for the State LIHTC, approving Staff's recommendation will allow the Awardee to begin construction.

Mr. Ueki noted that there was a change to the repayment schedule with years 3 to maturity being based on available cash flow up to 1.10-debt service coverage, payable annually in arrears.

The Project's estimated construction timeline is as follows: (1) building permit acquisition - Summer 2008; (2) construction start date - Fall 2008; and (3) building completion - Fall 2009.

Mr. Ueki opened for questions, introducing Mr. Keith Kato, with Hawaii Island Community Development Corporation (HICDC), on behalf of the Project.

In response to Director Lawrence's inquiry with regard to the significance of project based Section 8, Mr. Ueki stated that under project based Section 8, the developer or owner is able to pay off their trust fund loan in a shorter period. If an equity investor were to be found, the monies would be added to the Project, further reducing the amount of the trust fund loan.

In response to Director Larson, in terms of the Project remaining sustainable without the approval of Section 8, Mr. Ueki stated that there will be enough equity built into the project, to allow the debt to be restructured and the RHTF loan can be paid off.

In response to Director Lawrence, with regard to the 58-year use life of the building, Mr. Kato responded that the design of the project includes non-wood materials and he believes that with the proper maintenance, the use life of the building could last 58 years. Mr. Ueki added that all projects are required to have monies reserved for future capital needs.

Director Toledo commented that this project will help address the growing need of affordable housing on the Big Island.

The motion was unanimously approved.

Director Larson recused herself from voting on the Hale Wai Vista project.

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

- A. Extend the Letter of Intent dated June 28, 2006 for the Hale Wai Vista Phase I project to June 30, 2009, subject to the requirements as set forth in the For Action dated June 15, 2006; and
- 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 Hale Wai Vista Phase I Project (Project) is an 83-unit project located on the Leeward Coast of Oahu.

On June 15, 2006, the Housing and Community Development Corporation of Hawaii (HCDCH) Board approved a Project Award of \$4.5 million to Hale Wai Vista I LP (Awardee) for the Project. In addition, the Project was also awarded Federal and State Low Income Housing Tax Credits (LIHTC).

A Letter of Intent (LOI) dated June 28, 2006, was issued to the Awardee. Subsequent extensions to the LOI were granted for the Project.

On June 27, 2008, the Awardee submitted a request to extend the expiration of the LOI from June 30, 2008 to June 30, 2009.

#### **IV. B. DISCUSSION AND/OR DECISION MAKING**

Approve an Extension of the Rental Housing Trust Fund Letter of Intent ("LOI") for the Hale Wai Vista Phase I Project, Waianae, Oahu, TMK No. (1) 8-6-001:035

Due to delays on the zoning approvals and building permits, Hawaii Housing Development Corporation (HHDC) will not be able to complete the Project by the December 31, 2008 deadline, required by the LIHTC Program. The Awardee plans to return its volume cap LIHTC before the end of this calendar year and will reapply for LIHTC in 2009.

The requested extension allows the Awardee to continue with the permitting process and resubmit an application in 2009 for the LIHTC. The Awardee is aware that HHFDC will not close or fund the RHTF Project Award until a permanent financing source for the Project is found.

Mr. Ueki noted that the general contractor, Mistunaga Construction, is maintaining its pricing on the Project, despite the delays and a three-year-old price quote.

In addition, HHDC is also developing the Hale Wai Vista Phase II, a 132-unit affordable rental housing facility, located on the same parcel as the Project. With the Projects having different financing structures, the parcel will eventually be CPR'ed (Condominium Property Regime) to secure the senior lien position for the financing of both phases.

Mr. Ueki opened for questions, introducing Mr. Gary Furuta, with HHDC.

In response to Director Smith's inquiry regarding the anticipated financing with the current issues of the tax credit market, Mr. Furuta stated that HHDC has been fortunate in filling a considerable amount of the financing gap with a \$1.3 million grant recently received for site work on the property and an additional \$1.53 million for the acquisition of the land.

In response to Director Mesick, in terms of the funding for the interim loan, Mr. Ueki stated that one of the major sources of funding would have come from the equity obtained by the LIHTC. Until the Project is awarded additional credits or finds another permanent source of funding, HHFDC will not close or fund the loan.

The motion was approved, with Director Larson abstaining.

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

- A. Extend the Letter of Intent dated November 15, 2006 for the Hale Wai Vista Phase II project through November 30, 2008, subject to the requirements as set forth in the For Action dated November 9, 2006.
- B. Authorize the Executive Director to undertake all the tasks necessary to effectuate the purpose of this For Action.

Finance Manager Darren Ueki presented the For Action, stating that the Hale Wai Vista Phase II Project (Project) is a 132-unit project on the Leeward Cost of Oahu.

On November 9, 2006, the Board approved a Rental Housing Trust Fund (RHTF) Award in the amount of a little under \$16.3 million for the Project. In addition, the Project also received Federal and State Low Income Housing Tax Credits (LIHTC) and an allocation of up to \$30 million in tax-exempt volume cap under the Hula Mae Multi-Family (HMMF) Bond Program.

A Letter of Intent (LOI) for the Project was issued on November 15, 2006. Subsequent extensions to the LOI were granted for the project.

On June 27, 2008, the Awardee submitted a request to extend the expiration of the LOI to December 31, 2008. Staff is recommending shortening the extension request to November 30, 2008 to match the existing deadline to issue HMMF Bonds for the Project.

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

Approve an Extension of the Rental Housing Trust Fund Letter of Intent ("LOI") for the Hale Wai Vista Phase II project, Waianae, Oahu, TMK No. (1) 8-6-001:035

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

Mr. Ueki opened for questions, with Mr. Gary Furuta, from Hawaii Housing Development Corporation, representing the Project.

With no further discussion, the motion was approved, with Director Larson abstaining.

Chairman King excused Directors Smith and Kawamura at 10:00 a.m. and welcomed Designee Scott Kami, who sat in place of Director Kawamura.

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

- A. Additional funds to the Land Search Budget from DURF funds in the amount of \$1,500,000, subject to:
  - 1. Approval and release of funds by the Governor; and
  - 2. Such other terms and conditions as may be required by the Executive Director.
- B. Authorize the Executive Director to take all actions necessary to effectuate the purpose of this For Action.

Executive Director Seddon introduced Development Project Manager Leonell Domingo to present the For Action.

Mr. Domingo reported that the For Action's request is for additional funds for Land Search in the amount of \$1,500,000, to pursue opportunities in acquiring developable lands for affordable housing, having sufficient funds in DURF to cover the budget increase.

The Land Search budget (Budget) supports identification of property, due diligence, contract negotiation, and allows HHFDC the opportunity to option a property prior to purchase.

HHFDC intends to recover the expended funds as much as possible through an agreement with the successful developer.

Director Larson commented that this was a creative way of moving forward, but inquired on how that process would work. Executive Director Seddon responded that the Budget had been set up previously with approximately \$125,000 in funds. Initially, the funds were used for securing appraisals and generating pro-forma on projects. Approving this Budget would provide an opportunity to obtain an option on a piece of potential property and allow Staff to explore different avenues for purchase. The monies would remain in the fund until a property is found. If a property is found to be an opportunity, Staff will bring the information to the Board for approval.

Director Larson commented that she would like to explore this option further and perhaps work with non-profits or other entities, in keeping the costs down.

Director Toledo suggested that perhaps Staff could look into exchanging private properties in comparable value with state properties rather than purchasing.

Director Lawrence stated that he liked the idea and inquired if Staff was closer in finding potential state lands. Executive Director Seddon stated that Staff is working through the listed properties and re-evaluating the possibility of State properties before issuing a Request for Proposal (RFP).

In response to Designee Kami's inquiry on the funding to purchase the property, Executive Director Seddon stated that the funds would come from DURF.

The motion was unanimously approved.

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

Approve a Request for additional funds from the Dwelling Unit Revolving Fund (DURF) into the Land Search Budget account in The amount of one Million and five-Hundred thousand Dollars (\$1,500,000) to pursue opportunities in acquiring privately-owned and non-State government lands and to conduct pre-development studies on lands deemed suitable for affordable housing development

Chairman King called for a motion to recess.

**RECESS**  
10:25 a.m.

Director Larson moved, seconded by Director Lawrence, to approve a motion to recess.

Chairman King reconvened the meeting at 10:33 a.m.

**RECONVENED**  
10:33 a.m.

Chief Planner Janice Takahashi congratulated the slate of Board Officers and Executive Director Karen Seddon.

**IV. E.  
DISCUSSION  
AND/OR  
DECISION  
MAKING**  
Findings and  
Recommendations  
of the Long-Term  
Preservation of  
Affordable  
Housing Task Force

Ms. Takahashi gave a brief background on the Long-Term Preservation of Affordable Housing Task Force (Task Force), stating that the Task Force was appointed on February 14, 2008, consisting of the following Board members: Chairman Charles King, Vice Chairman David Lawrence, Director Linda Smith, and former Director Charles "Chuck" Wathen.

The purpose of the Task Force was to provide the necessary oversight and direction to recommend a balanced housing policy that would preserve long-term affordability while supporting additional investment in rental or for-sale housing.

A literature review and interviews with local non-profit developers and a national expert in the development, financing, and syndication of affordable housing were conducted. As a result, the findings and recommendations of the Task Force are as follows:

Findings:

- Burdensome affordability restrictions will curtail new development of rental housing.
- Burdensome affordability restrictions will impact the sustainability of housing projects.
- A reasonable affordability period for a rental property is the length of the initial mortgage or the useful life of the property.
- Financing and development incentives are necessary for the development and long-term preservation of affordable rental housing.
- Strategies for the long-term preservation of affordable housing should be comprehensive, taking into account market forces, the financial market, and the long-term operating costs and capital needs of the project.

Recommendations:

- The HHFDC should not require rental housing owners/developers to maintain affordability in perpetuity or impose affordability restrictions that unduly restrict a developer/owner's return on investment.

Ms. Takahashi noted that rental projects that are located on state land have the potential of remaining affordable in perpetuity because the land and improvements revert to the state at the end of the lease term.

- A reasonable affordability period for rental projects that are located on private land for which the HHFDC is providing financing or development assistance is the length of HHFDC's loan agreement or the useful life of the rental property.
- The provision of financing and development incentives is necessary for the development and long-term preservation of affordable rental housing. We should evaluate the effectiveness of HHFDC's financing incentives and revise, as needed.

- Explore different ways to structure the rental project.

Director Larson commented on the following, with regards to the Task Force's report: (1) maintaining inventory within a 60-year period to avoid spending additional funding every 20 years; (2) there needs to be more assistance in terms of maintaining housing over time; (3) the policy should have community input before making a final decision; and (4) would like to share the report with Partners in Care.

Director Lawrence commented that the Task Force could continue to do research and look further into the matter because the report seems to lend support that "business as usual" is pretty much the soundest way to affect our mission. Chairman King indicated that there would be more discussion at a future meeting.

Executive Director Karen Seddon stated that questions regarding this month's Report of the Executive Director would be referred to Chief Planner Janice Takahashi, who was the Interim Executive Director at that time.

In response to Chairman King's inquiry on the HHFDC's reorganization, Ms. Takahashi stated that the organization would consist of the following changes: (1) relocating some of the responsibilities of the executive director under the deputy executive director; (2) combining sections with like-functions (such as moving Real Estate Services from Asset Management to Development); and (3) elevating the Development and Finance Branches to Division level, enabling reclassification of positions at a higher level.

The HHFDC's reorganization was recently submitted to the Department of Business, Economics, Development, and Tourism (DBEDT). It will ultimately be sent to the Department of Budget & Finance (B&F) for approval.

In response to Director Larson's inquiry, regarding the status on Hale Mahaolu Ehiku - Phase II and Villas at Malu'ohai projects, Finance Manager Darren Ueki stated that with the previous Rental Housing Trust Fund (RHTF) round ending on June 20, 2008, approximately \$2 million in Low Income Housing Tax Credit (LIHTC) have been returned. Staff continues to work with the developers and anticipates returning to the Board within a month or two.

In response to Director Larson's inquiry, regarding returned LIHTC, Mr. Ueki stated that if the LIHTC are returned prior to the deadline to place the project in service, the credits would be added to the 2009 pool of LIHTC.

In response to Chairman King with regard to the Senior Residence of Iwilei (Iwilei) project, Executive Director Seddon stated that Iwilei has come back with a revised budget and a Senior Residence at Iwilei Fact Sheet report (Report) is available for the Board's viewing.

Mr. Ueki added that the purpose of the Report is to provide background information on the project prior to making a decision.

The Corporation's participation has increased from about \$4.9 million to approximately \$26 million. For Actions on this project are forthcoming for the Board's approval and changes in the amount of resources, required by the Corporation for this project, may have an impact on future and existing projects.

In response to Director Toledo's inquiry regarding the primary reason on the lengthy timeframe for funding approval, Mr. Ueki stated that there were a number of challenges involved and called upon Mr. Marvin Awaya, with Pacific Housing Assistance Corporation. Mr. Awaya commented on the following obstacles of the project: (1) environmental clean-up; (2) zoning; (3) project re-design by the previous city administration; (4) height limits; (5) numerous easements; and (6) transit issues.

**V.  
REPORT  
OF THE  
EXECUTIVE  
DIRECTOR**

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

Director Toledo thanked Mr. Awaya for his perseverance on the project.

Executive Director Seddon stated that the Iwilei project has many challenges and the decision of the Board will have a great impact on the HHFDC programs. Staff anticipates returning to the Board for approval during the September Board Meeting.

In response to Director Toledo, in reference to the Finance Status Report, Riverside Apartments, Mr. Ueki stated that the applications are under review and will come back to the Board sometime in September or October.

Chairman King inquired on the thirteen pineapple workers who applied for assistance with the Pineapple Workers and Retirees Housing Assistance Fund Program. Mr. Ueki responded that at this point, only two workers were funded. However, a majority of the workers have found employment and are able to keep up with their mortgages or rent.

In response to Director Larson's inquiries, Executive Director Seddon reported on the following Projects in reference to the Development Status Report:

Kahikolu Ohana Hale O Waianae – The grand opening for the project will be on August 24, 2008.

Pohukaina – Due to the money market crisis, the Developer has applied for New Market Tax Credits (NMTC), requiring an allocation change of a minimum of 65% of the units to a Rent to Own Program that is subject to Board approval. Jessie Wu, with Stanford Carr, Inc. stated that 2/3 of the units will be rent to own (leasehold) and 1/3 of the units will be rental. A market study will be done to concur that the set prices are reasonable.

Wilikina Parcels – No proposals were received. The developers did not specify reasons other than the basic economic risk.

Kapolei of Kapolei, Village 8 – No proposals were received. Comments by the developers were received. Staff will re-evaluate the RFP's (Request for Proposal) before re-issuing another RFP.

Pearl City Vista - Project may be eligible under the new exemptions approved by the Environmental Council for HHFDC.

Ms. Takahashi explained that all agencies were asked to submit a proposed list of actions that are exempt from the Chapter 343, HRS environmental assessment requirement. Once the Environmental Council approves the list, those actions are exempt from having to prepare an environmental assessment. This shortens the time it would normally take for the approval process.

Chairman King thanked Director Ralph Mesick for joining the Board and congratulated Executive Director Karen Seddon.

Director Lawrence moved, seconded by Director Toledo to adjourn the meeting at 11:30 a.m.

VI.  
ADJOURNMENT

  
BETTY LOU LARSON  
Secretary