

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, AUGUST 14, 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, August 14, 2008, at 9:00 a.m..

Chairman Charles King called the meeting to order at 9:00 a.m., with the following individuals present and excused:

**CALL TO  
ORDER/  
ROLL CALL**

- Present: Director Charles King, Chairman  
Director Betty Lou Larson, Secretary  
Director Georgina Kawamura  
Director Theodore E. Liu  
Director Linda Smith  
Director Ralph Mesick  
Director Allan Los Banos  
Director Richard Toledo
- Executive Director Karen Seddon
- Excused: Director David A. Lawrence, Vice Chairman
- Staff Present: Sandra Ching, Deputy Attorney General  
Janice Takahashi, Chief Planner  
Darren Ueki, Finance Manager  
Stan Fujimoto, Acting Development Section Chief  
Rick Manayan, Asset Manager  
Edward Sunada, Fiscal Manager  
Marlene Lemke, Real Estate Services Section Chief  
Dean Sakata, Housing Finance Specialist  
Patrick Inouye, Housing Finance Specialist  
Jocelyn Iwamasa, Housing Finance Specialist  
Byron Chock, Housing Finance Specialist  
Ryan Morita, Development Project Manager  
Leonell Domingo, Development Project Manager  
Ken Takahashi, Development Project Manager  
Beth Malivestiti, Development Project Coordinator  
Cynthia Okubo, Property Management Coordinator  
Lisa Wond, Planner  
Mavis Masaki, Planner  
Natalie Alexich, Personnel Management Specialist  
Kent Miyasaki, Housing Information Specialist  
Esa Pablo, Secretary to the Board
- Guests: Marvin Awaya, Pacific Housing Assistance Corporation  
Makani Maeva, Pacific Housing Advisors  
Gregg Robertson, Robertson & Company

Chairman King declared a quorum present.

**QUORUM**

Director Smith moved, seconded by Director Mesick, that the minutes of the Regular Meeting held on July 10, 2008, be approved with the following amendment:

**II. A.  
APPROVAL  
OF MINUTES**

Page 175, sixth paragraph from the bottom, third sentence, delete [per], and replace with "pro."

7/10/08  
Regular  
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The motion was unanimously approved.

Director Liu moved, seconded by Director Mesick, that the minutes of the Executive Session held on July 10, 2008, be approved.

The motion was unanimously approved.

Acting Development Section Chief Stan Fujimoto presented the For Action, stating that the Senior Residence of Iwilei Project (Project) is a 160-unit affordable elderly rental project on State land. The land is owned by the Department of Land and Natural Resources (DLNR) and has been set aside to HHFDC by Executive Order.

In August of 2002, the Housing and Community Development Corporation of Hawaii (HCDCH) Board approved Pacific Housing Assistance Corporation (PHAC) as the developer for the Project and \$35.5 million from the Dwelling Unit Revolving Fund (DURF) in permanent financing.

The deadline for the approval of a revised DURF funding financing plan for the Project is March 31, 2009.

On January 18, 2008, PHAC submitted an application for a Rental Housing Trust Fund (RHTF) Grant of \$5 million, in which the Board selected the Project as a candidate on the RHTF Award Approved list in May 2008.

Initially, \$4.8 million was approved in DURF permanent financing for the project. However, in June 2008, HHFDC Staff met with the developer to review the latest project budget and plans for the Project, requiring an estimated \$21.5 million in permanent financing from DURF funds.

Due to the significant increase in DURF permanent financing for the Project, Staff is seeking an approval to rescind the previously approved use of DURF funds as interim and permanent financing.

Mr. Fujimoto opened for questions, introducing Mr. Marvin Awaya, with PHAC.

Mr. Awaya asked that the Board defer this For Action by one month, allowing him to continue working with the Legislature, in hopes to replenish some of the DURF funds used for permanent financing.

Director Smith stated for the record that the Board has been very committed in pursuing the development of affordable housing and its commitment to see this Project succeed has been unwavering.

The Board discussed the following:

- A. Impacts of deferring the For Action a month for preliminary legislative commitments for bond funding that is not guaranteed;
- B. The \$5 million grant in RHTF funds that are pending;
- C. Projected DURF cash flows of proposed projects;
- D. Re-applying for DURF funding being dependant on the amount and timing of the funds requested; and
- E. To construct an Exit Plan for current and future projects.

Chairman King asked for a motion.

Director Liu moved, seconded by Director Toledo to approve Staff's recommendation, with the following amendment:

**II. B.**  
**APPROVAL**  
**OF MINUTES**  
7/10/08  
Executive  
Session

**III. A.**  
**DISCUSSION**  
**AND/OR**  
**DECISION**  
**MAKING**  
Approve Rescission  
Use of Dwelling  
Unit Revolving  
Fund (DURF) for  
Interim and  
Permanent Financing  
for the Senior  
Residence at Iwilei  
Project, Iwilei, Oahu,  
Hawaii, TMK No.:  
(1) 1-5-7:002.

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That the HHFDC Board:

- A. Approve DURF financing to the Senior Residence at Iwilei Project in the following amounts:
  - 1) DURF Interim Loan of \$24,100,000;
  - 2) DURF Permanent Loan of \$5,000,000; and
- B. Instruct the HHFDC Staff to continue assisting the Iwilei developer with their financing plan and other funding resources as well as accommodate other potential projects on the list for available DURF funds.

The motion was unanimously approved, as amended.

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

That the HHFDC Board of Directors approve the conveyance of Lot 270 (Map 60) to the City and County of Honolulu as a maintenance access ramp to Wailani Stream, substantially as described in this For Action, subject to the following:

- A. Approval of the conveyance documents by the Department of the Attorney General; and
- B. Other terms and conditions as may be required by, i) statutes; ii) administrative rules; and iii) the Office of the Executive Director.

Acting Development Section Chief Stan Fujimoto summarized the For Action, requesting approval to transfer Lot No. 270 at HHFDC's Kau'olu Properties Development in Waipahu, Oahu, Hawaii, to the City and County of Honolulu, to use as an access ramp to Wailani stream for maintenance purposes.

Lot No. 270 was recently subdivided from the balance of the Plantation Town Apartments project site and is currently being used by the City and County of Honolulu as an access ramp to Wailani Stream.

The motion was unanimously approved.

The meeting recessed at 10:45 a.m., with Director Liu excused.

Chairman King reconvened the meeting at 10:54 a.m.

Executive Director Karen Seddon reported that the HHFDC Staff is working on the Holomua Project and will be presented to the Board at the September 11 Board of Directors Meeting for approval.

Chairman King announced that lunch was available for the Strategic Planning Session.

Chief Planner Janice Takahashi provided the Board with a general overview of the 2008 HHFDC Strategic Planning Session, stating that the purpose of the planning discussion is to obtain renewed commitments to the Hawaii Housing Finance and Development Corporation's (HHFDC) mission as well as agreement on the proposed goals and strategies. The resulting product would be a Yearly Activity Plan, which consists of goals or outputs, strategies, activities and performance measures.

Ms. Takahashi covered the following topics:

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

Approve Transfer of Lot No. 270 at HHFDC's Kau'olu Properties Development at Waipahu, Oahu, Hawaii, to the City and County of Honolulu, TMK No. (1) 9-4-17:por. 58.

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

**RECONVENED**  
10:54 a.m.

**IV.  
REPORT  
OF THE  
EXECUTIVE  
DIRECTOR**

**V.  
STRATEGIC  
PLANNING**

- **Legislative History** - Act 196, SLH 2005, as amended by Act 180, SLH 2006, separated the housing financing and development functions from the Housing Community Development Corporation of Hawaii (HCDCH) to create the HHFDC.
- **“Working” Mission Statement of HHFDC** - Is “to increase the supply of workforce and affordable housing by providing tools and resources to facilitate housing development.”

Director Toledo inquired on the distinction between workforce and affordable housing. Ms. Takahashi indicated that the terms are often used interchangeably with affordable housing being broader in that it also includes housing for the elderly who may no longer be in the workforce. Director Smith added that affordable housing is also defined as housing that is made available for certain income groups.

- **Logic Model** - There is a need to increase the supply of housing. Over a 5-year span, the desired amount of newly constructed or preservation of housing would included over 5,000 affordable units. We plan to achieve this goal by: 1) providing tools and resources to developers and property owners to develop or preserve housing, and 2) expanding our network of partners and linkages to support and promote housing opportunities and incentives.
- **Resources** - Primary financing resources for rental housing production include low-income housing tax credits (LIHTC), the Hula Mae Multi-Family (HMMF) Program (tax-exempt revenue bonds), the Rental Housing Trust Fund (RHTF), and the Rental Assistance Revolving Fund. The Dwelling Unit Revolving Fund (DURF) is primarily used for interim construction financing for both rental and for-sale housing. State land is also available. Chapter 201H, Hawaii Revised Statutes, provides exemptions for the development of affordable housing projects related to planning, zoning, and construction standards that do not negatively affect the health and safety of the general public.
- **Production Activities** - We will facilitate the production and preservation of housing by sponsoring housing projects under Chapter 201H, HRS, providing financing resources, issuing RFPs for state land, and imposing reasonable affordability requirements. We also propose to create new incentives including assisting with entitling land, infrastructure, and due diligence. In addition, we will seek to obtain additional resources including state legislative appropriations and Federal funds; leverage our resources with Private resources, including land and other private properties; and restructure our programs, as needed. Director Los Banos added that the national union trust funds could be a source of investment capital for workforce housing in Hawaii.
- **Partnering Activities** - Continue to market tools and resources, and increase participation in targeted housing efforts, such as housing committees and task forces. Director Mesick noted that the ULI is committed to helping with workforce housing and could help with education.
- **Activities to Improve Efficiency** - Efforts to improve efficiency include simplifying the review and approval process, such as simpler application forms, standardized reviews, and clear review criteria; improving operations internally, as well as between agencies; and phase out non-core functions.

Staff is preparing exit plans for non-core functions and intends to proceed cautiously and under the direction of the Board. Communication on our objectives and the process will be essential.

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Director Smith indicated that the Hawaii Public Housing Authority (HPHA) has a model in place as far as a communication plan, marketing to the community, and requirements to ensure affordability.

- **Promoting Energy Efficiency** - Is an effective way of lowering operational costs. To promote energy efficiency, we plan to include a project evaluation criterion that encourages energy-efficiency, establish solar water heating allowances for rental properties, as well as initiating energy-efficient measures in the HHFDC work place.

Director Smith cautioned the Board that although energy-efficiency may lower operational cost, we need to be wary of imposing standards that increase costs and may undermine our affordability efforts.

Following introductions of the staff in attendance, the Board discussion continued.

- Accelerating the production schedule particularly with the slowdown in the construction industry.
- Accelerate the project permitting process by HHFDC supporting developers in obtaining permits for projects.
- Seek Legislative action on regulatory barriers. Take a closer look at assisting with third party reviews.
- Consider entitling properties for affordable housing as a package through the Land Use Commission.
- Promote sustainable development by looking at areas where there is infrastructure that allows an increase in density within the urban core. This would include providing affordable housing along transit lines.
- Look at different models of affordability with the intent of preserving affordable housing over the long-term in ways that are fair.
- Creating more soft capital to replenish the DURF funds. HHFDC generates value when it provides 201H exemptions such as increasing project density. Developers could offset their affordable housing requirements in HHFDC projects. Director Mesick indicated that a good example of how the military monetized its assets is the Military Housing Privatization Initiative. They have found a way to generate sources of capital without having to go back to Congress.
- It does not appear that existing financing programs need to be restructured. While DURF may provide interim and permanent loans, interim financing is the priority as it enables the fund to revolve and assist more projects. To encourage rental housing production, we should continue to competitively allocate the 9 percent low-income housing tax credits (no set asides for HHFDC-sponsored projects or preservation projects). HHFDC should continue to make rental housing trust fund grants for rental units that are targeted for households at 30 percent and below the AMI despite producing fewer housing units.
- The housing continuum ranges from the unsheltered homeless, to emergency/transitional shelters for the homeless, to public housing, to affordable rentals and to homeownership. HPHA focuses on the homeless shelters and public housing. HHFDC should continue to focus on affordable rentals and for-sale housing for first-time homebuyers. We should ensure that tenants are fully utilizing federal and state rent subsidy programs.

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In conclusion, Ms. Takahashi acknowledged the Staff and thanked the Board.

Chairman King stated that more of the Agency participated in the planning process this year and thanked Ms. Takahashi.

With no further business on the Agenda, Director Smith moved, seconded by Director Los Banos, to adjourn the meeting at 1:18 p.m.

**VI.  
ADJOURNMENT**



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BETTY LOU LARSON  
Secretary