

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, SEPTEMBER 11, 2008
IN THE CITY AND COUNTY OF HONOLULU, STATE OF HAWAII

The Board of Directors (Board) of the Hawaii Housing Finance and Development Corporation (HHFDC) met for their Regular Meeting at 677 Queen Street, Suite 300, Honolulu, Hawaii, on Thursday, September 11, 2008, at 9:03 a.m..

Chairman Charles King called the meeting to order at 9:03 a.m., with the following individuals present and excused:

CALL TO
ORDER/
ROLL CALL

- Present: Director Charles King, Chairman
Director David A. Lawrence, Vice Chairman
Director Betty Lou Larson, Secretary
Director Georgina Kawamura
Director Linda Smith
Director Ralph Mesick
Director Allan Los Banos
- Executive Director Karen Seddon
- Excused: Director Theodore E. Liu
Director Richard Toledo
- Staff Present: Sandra Ching, Deputy Attorney General
Janice Takahashi, Chief Planner
Darren Ueki, Finance Manager
Stan Fujimoto, Acting Development Section Chief
Edward Sunada, Fiscal Manager
Rick Manayan, Asset Manager
Marlene Lemke, Real Estate Services Section Chief
Lisa Wond, Planner
Dean Sakata, Housing Finance Specialist
Patrick Inouye, Housing Finance Specialist
Brian Davidson, Housing Finance Specialist
Ryan Morita, Development Project Coordinator
Leonell Domingo, Development Project Coordinator
Ken Takahashi, Development Project Manager
Beth Malivestiti, Development Project Coordinator
Kent Miyasaki, Housing Information Specialist
Marsha Umamoto, Secretary to the Executive Director
Esa Pablo, Secretary to the Board
- Guests: Robyne Nishida Nakao, Hale Mahaolu
Susan Matsumoto, Hale Mahaolu
Makani Maeva, Allied Pacific Development
Joelle Chiu, Allied Pacific Development
Kim Langley, Office of Senator Donna Mercado Kim
Marvin Aways, Pacific Housing Assistance Corporation
Frank Leslie, Concepts Unlimited GMAC
David Bierwert, THM Partners LLC
Serge Krivatsy, THM Partners LLC
Sam Chung, THM Partners LLC
Tom Schnell, PBR Hawaii and Associates Inc.
Don Tarleton, Hawaii Housing Finance
Stacy Sur, Hawaii Housing Finance
Jessica Horiuchi, Hawaii Public Policy Advocate, LLC

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Chairman King noted there was a quorum present.

Director Lawrence moved, seconded by Director Smith, that the minutes of the Regular Meeting held on August 14, 2008, be approved.

The motion was unanimously approved.

Planner Lisa Wond provided a summary of the HHFDC's Consolidated Annual Performance and Evaluation Report (CAPER) for the Program Year 2007, which is required by the U.S. Department of Housing and Urban Development (HUD).

The CAPER assesses the State of Hawaii's performance in meeting the goals, priorities, and objectives of the Consolidated Plan and for the Community Planning and Development (CPD) programs.

The federal CPD programs are the Home Investment Partnership (HOME), Emergency Shelter Grant (ESG), and Housing Opportunity for Persons with AIDS (HOPWA).

HHFDC is the lead agency for the State's CPD programs, maintaining primary responsibility in the preparation of the Consolidated Plan and related Action Plan and CAPER, as well as the administration of the HOME program, while the Hawaii Public Housing Authority (HPHA) is responsible for administering the ESG and HOPWA programs.

The HOME, ESG and HOPWA program funding are focused on the neighbor island Counties (Hawaii, Kauai, and Maui), since the City and County of Honolulu receives its own separate allocation of grant monies for each program.

During Program Year 2007, \$3,420,576 was awarded in federal CPD funds as follows: (1) HOME - \$3,032,266; (2) ESG - \$228,310; and (3) HOPWA - \$160,000.

Ms. Wond reported on the breakdown of funds expended and the accomplishments for each program during the Program Year 2007.

In response to Director Larson's inquiry regarding the transfer of homeless programs to the HPHA, Chief Planner Janice Takahashi clarified that the ESG and HOPWA programs are administered by HPHA. The HHFDC is the umbrella agency that coordinates reporting on the programs to HUD.

In response to Director Lawrence's inquiry, regarding units built with HOME funds, Ms. Wond explained that most of the projects use multiple funding sources, including HOME funds.

With no further discussion, Chairman King thanked Ms. Wond.

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

A. That the Board of Directors of Hawaii Housing Finance and Development Corporation Approve and Defer (as the case may be) the Award of Federal and State Low Income Housing Tax Credits to the following Projects in accordance with the Qualified Allocation Plan and subject to the conditions specified in Exhibit C of this For Action:

1. The Hale Mahaolu Ehiku Phase II project;
 - a) Allocation of up to \$1,000,000 of annual Federal and \$500,000 of annual State Low Income Housing Tax Credits to Hale Mahaolu Ehiku II LP; subject to the terms as described in Section II, Subsection D and the following

QUORUM

**II. A.
APPROVAL
OF MINUTES**
8/14/08
Regular
Meeting

**III. A.
DISCUSSION
AND/OR
DECISION
MAKING**
Consolidated Annual
Performance and
Evaluation Report
for Program Year
2007 (July 1, 2007 -
June 30, 2008)

**III. B.
DISCUSSION
AND/OR
DECISION
MAKING**
Approve an Award
of Federal and State
Low-Income
Housing Tax Credits
from the State's 2008
Volume Cap to Hale
Mahaolu Ehiku -
Phase II, TMK No.:
(2) 2-2-029:003 and
the Villas at
Malu'ohai, TMK No.:
(1) 9-1-016:064.

project specific conditions:

- (1) The Developer's Fee, Overhead, and Related costs of this project does not exceed \$1,500,000.
2. The Villas at Malu'ohai project;
 - a) Allocation of up to \$1,780,000 of annual Federal and \$890,000 of annual State Low Income Housing Tax Credits to Pacific Housing Assistance Corporation; subject to the terms as described in Section II, Subsection D and the following project specific conditions:
 - (1) The Developer's Fee, Overhead, and Related costs of this project does not exceed \$1,525,000.
- B. The Executive Director approving all actions and undertaking all tasks necessary to effectuate the purposes of this For Action.

Finance Manager Darren Ueki presented the For Action, stating that there is an annual limit on the amount of low-income tax credits that can be allocated by each state. On July 26, 2008, the Housing and Economic Recovery Act of 2008, H.R. 3221, (Act of 2008) was passed by Congress, increasing the per capita limit for the Low Income Housing Tax Credit (LIHTC) program from \$2.00 to \$2.20 for the year of 2008.

The deadline for applications for tax credits was January 2008, in which three LIHTC applications were received, requesting a total of approximately \$3.9 million in Federal tax credits and about \$2 million in State tax credits.

The applications were evaluated against the criteria and guidelines of the Qualified Allocation Plan (QAP). In accordance with the QAP, staff considered other relevant factors in its evaluation, but not limited to, zoning, financing commitments, feasibility of the project, experience of the applicant, and market demand.

On June 12, 2008, the Board deferred the requests for the Hale Mahaolu Ehiku - Phase II and the Villas at Malu'ohai projects, due to concerns regarding construction financing and a lack of credits to fully fund the projects.

However, since then, Hale Mahaolu Ehiku - Phase II has been able to obtain a construction loan through the Bank of Hawaii as well as receive additional funding through the U.S. Department of Housing and Urban Development (HUD) 202 program.

With the additional volume cap tax credits received through the Act of 2008 and the returned volume tax credits from the Ewa Villages Phase I and II, both the Hale Mahaolu Ehiku - Phase II and The Villas at Malu'ohai, can be fully funded in the amounts of their original application requests.

Mr. Ueki opened for questions, introducing Ms. Robyne Nishida Nakao, representing the Hale Mahaolu Ehiku - Phase II project and Mr. Marvin Awaya, representing The Villas at Malu'ohai.

In response to Director Smith's inquiry, regarding the reasons for the returned tax credits from the Ewa Villages project, Mr. Ueki stated that there were a number of reasons due to challenges dealing with timing, tax credit market issues, and construction pricing. As a result, the Ewa Villages project has proceeded in a different direction and has a pending application to obtain non-volume cap 4% tax credits, as well as use of the Hula Mae Multi-family (HMMF) Tax-exempt Bond program for the project.

In response to Director Lawrence's inquiry regarding higher per unit construction costs for the Hale Mahaolu Ehiku - Phase II project vs. the Villas at Malu'ohai, Ms. Nishida Nakao stated that the Phase II project is just one part of a larger project and the estimated construction costs are the amounts provided by their contractor.

Mr. Awaya stated that although construction costs are high, the costs on Maui are much higher than they are on Oahu.

Mr. Ueki noted that there were errors made on the Hale Mahaolu Ehiku project sheet as follows: (1) the land is to be leased to the Hale Mahaolu Ehiku II Limited Partnership, not "transferred;" (2) the Lease Term is still being determined, but is somewhere between 55 and 70 years; and (3) the unit types is "1 – Bedroom Units" not "2 – Bedroom Units."

In response to Director Larson's inquiry, regarding the 41-year length of affordability, Mr. Ueki stated that HHFDC does not mandate a minimum affordability, except under the LIHTC program, which requires a minimum affordability period of 30 years (15-year compliance period and 15-year extended use period). Within the QAP, additional points are awarded for longer terms of affordability, maxing out to 61-years; however, the decision is solely up to the applicant.

In response to Director Larson's inquiry, with regard to the plans for the project being kept as an affordable rental, Ms. Nishida Nakao stated that the intent is to keep the project affordable in perpetuity.

With no further discussion, the motion was unanimously approved.

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

That the HHFDC Board of Directors (1) certify THM Partners LLC as an Eligible Developer and (2) approve Holomua for processing under the provisions of Chapter 201H, HRS, including the exemptions that are generally described in Exhibit "F", subject to the following terms and conditions:

1. The exemptions do not substantially deviate from this For Action (County Council may make modifications to the exemptions);
2. Other terms and conditions as may be required by: 1) statutes; 2) administrative rules; and 3) the Office of the Executive Director; and
3. The Executive Director is authorized to take all actions necessary to effectuate the purposes of this For Action.

Executive Director Karen Seddon indicated that staff is very excited about the Holomua project (Project), in that the project provides HHFDC an opportunity to take part in an urban project.

Development Project Coordinator Leo Domingo presented the For Action, stating that staff's request is to approve the certification of the developer and project, as well as 201H exemptions.

The project is located within the Makiki neighborhood, along the beginning of Kalakaua Avenue. The project will consist of 176 units, which will be primarily affordable at or below the 140% area median income (AMI). There will be 90 affordable units and 86 market units. The developer is THM Partners LLC, who will touch upon their project and highlight their proposed 201H exemptions to the Board.

Mr. Serge Krivatsy introduced himself to the Board, along with Mr. David Bierwert, and Mr. Samuel Chung, making up the Principals of THM Partners LLC, a Hawaii based real estate development company.

Mr. Krivatsy gave a brief presentation on the Project's centralized location, challenges, site footage, building specs, amenities, targeted income bracket under the U.S. Department of Housing and Urban Development's (HUD)'s standards,

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

Approve the Certification of THM Partners LLC as an Eligible Developer and the Proposed Holomua Affordable For-Sale Condominium Project, TMK No.: (1) 2-4-6:017 and 018, Including the Developer's Proposed Exemptions, for Processing Under the Provisions of Chapter 201H, Hawaii Revised Statutes.

proposed 201H exemptions, and status of the Project. THM Partners LLC proposes to start construction within the first quarter of 2009, with a target completion date in mid 2010.

In response to Director Larson's inquiry regarding the breakdown of the actual cost to consumers, Mr. Krivatsy stated that according to the requirements of the 201H and Dwelling Unit Revolving Fund (DURF), the affordable units are priced at the 140% AMI and below bracket. Approximately 11% of the units will be below the 120% AMI and about 54% of the units will be below the 140% AMI. However, due to the cost per unit exceeding the sales price, no units are able to be priced below the 100% AMI to keep the project feasible.

In response to Director Larson's inquiry on the placement of the affordable and market units within the building, Mr. Krivatsy stated that the units would be stacked rather than segregated by floors.

Director Larson raised concern regarding the senior project of Kulana Hale One, which will be facing the parking structure and impacted by the project. Mr. Krivatsy responded that the side facing the Kulana Hale building will be enclosed, limiting noise and light impacts.

Director Larson inquired about visual aesthetics being added to the parking structure wall. Mr. Krivatsy responded that it is something that is yet to be determined and would be considered in the future design.

Director Lawrence inquired on a listing of affordable prices based on HUD guidelines. Mr. Krivatsy stated that the information was available and copies will be handed out.

In response to Director Smith's inquiry, regarding exactions being placed by the City and County of Honolulu, Mr. Krivatsy indicated that there are Board of Water Supply fees that are built into the price of the units.

Chairman King asked the guests in the audience for any testimonies and/or comments on the Project.

Ms. Jessica Horiuchi, Hawaii Public Policy Advocate, LLC, indicated that she was hired by and spoke on behalf of the senior residents at Kulana Hale. Ms. Horiuchi stated that there are 32 units that will be adversely impacted by the concrete wall of the parking structure, asking that the Board take that into consideration and possibly allow more time for the residents to get a better understanding of the aspects of the project.

With no further testimony, discussion ensued on additional comments received at the neighborhood board meetings covering blockage of views, additional traffic, as well as comments commending the plans to build such a project in town.

Director Larson suggested that there be interaction with the residents of Kulana Hale. Mr. Krivatsy responded that they are responding to the concerns and working to mitigate the impact of the parking structure, while keeping in mind construction costs in an attempt to keep the units as affordable as possible.

Director Lawrence inquired about providing additional credits to assist buyers in their purchase. Mr. Krivatsy stated that with today's construction costs, and land costs, the pricing of the units are as low as possible. Mr. Chung added that they are working with Central Pacific Bank (CPB) Home Loans, regarding a loan program for homebuyers and introduced Mr. Tom Zimmerman, with CPB.

Mr. Zimmerman stated that although the mortgage rates seem to be changing hourly, CPB has a 3% down program available for buyers of affordable and market units.

The motion was unanimously approved.

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

That the HHFDC Board of Directors approve the DURF interim loan request of up to a total of \$25 million, one percent (1.0%) loan origination fee, one-thousand dollars per unit administrative fee, four percent (4.0%) interest per annum, and two (2) year loan term, with two (2) potential six (6) month extensions, substantially as described in this For Action, subject to the following additional terms and conditions:

- A. Availability of DURF funds;
- B. Approval and release of funds by the Governor;
- C. Approval of loan documents by the Department of the Attorney General;
- D. Completion of an Environmental Assessment or an Environmental Impact Statement as required by Chapter 343, Hawaii Revised Statutes, prior to execution of the DURF loan documents; and
- E. The Executive Director shall be authorized to take all actions necessary to effectuate the purpose of this For Action.

Executive Director Karen Seddon introduced Development Project Coordinator Ryan Morita to present the For Action.

Mr. Morita noted that an updated copy of "Exhibit B," is being circulated.

THM Partners LLC (THM) requested an interim Dwelling Unit Revolving Fund (DURF) loan in the amount up to \$25 million, with an interest rate of 4% for the first 2 years with two 6-month extensions. The estimated total cost for the land purchase and development for the Holomua project (Project) is \$66.3 million (approximately \$377,000/unit or \$427/sf).

The Cal National Bank (CNB) will commit to a first mortgage construction loan of up to \$37.6 million (approximately 57% of the total development cost) and the remaining \$3.7 million will be provided by THM, of which \$1.6 million will be in the form of cash equity and \$2.1 million in land equity.

The range of sales prices for the affordable one-bedroom units is approximately \$245,000 to \$354,000 and the two-bedroom units are priced at \$399,000.

In response to Chairman King's inquiry, in the case of not being able to get the proposed prices or meet the aggressive timeline, Mr. Chung stated that through past experiences with Mr. Frank Leslie, Concepts Unlimited GMAC; Mr. Ricky Cassidy, Data@Work; and Nordic Construction; THM will be able to meet their project timelines.

In response to Director Mesick's inquiry, regarding pre-sale requirements in terms of down payment, Mr. Chung stated that THM is looking at a non-refundable 5% down payment for the affordable units and 5% - 10% down payment for the market units.

Director Lawrence inquired on market requirements under the 201H. Real Estate Services Section Chief Marlene Lemke explained that with the mix of affordable and market units, there is a statutory requirement that developers are to offer the market units first over a 30-day period to owner occupant buyers, in which the developer has the option of how the units will be distributed (i.e., first come, first served or through a drawing).

Mr. Leslie introduced himself to the Board, indicating that there has been very minimal advertising done on the Project and based on the 350 registrations received, there is a need for a project like this in an urban location.

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

Approve the Dwelling Unit Revolving Fund (DURF) loan requested by THM Partners LLC for the Holomua project, TMK No.: (1) 2-4-6:017 and 018.

In response to Director Smith's inquiry, regarding hurdles on the State level that should be addressed, Mr. Chung stated that from a developer's point of view, the permitting process takes a while, holding up the approval of the actual plans for the Project. Mr. Krivatsy added that the Department of Planning and Permitting (DPP) will not even start the permitting process until the City and County of Honolulu City Council approves the project.

In response to Director Mesick's inquiry, on cost overruns, Mr. Chung indicated that there is a completion guarantee with their lender and if there should be an increase in costs, there is a contingency plan.

In response to Director Larson's inquiry, in terms of addressing the interior of the units, Mr. Chung stated that THM is working with IBS Architects, providing function and quality in the units by installing tile versus laminate, granite counters versus laminate, and a good quality carpet.

In response to Director Mesick's inquiry, regarding provisions of DURF that allows HHFDC to acquire the units on our right of first refusal, Executive Director Seddon stated that in the case where a project is not successful, the monies would be allocated from the DURF funds to buy-out the project, with the approval of the Board.

In response to Director Lawrence's inquiry, regarding buy-backs, Executive Director Seddon stated that there has not been a buy-back for quite some time; however, there is approximately \$7 million in funds allotted for buy-backs if needed.

In response to Director Lawrence's inquiry, on monitoring units subject to the shared appreciation and 10-year buy-backs, Mr. Bierwert indicated that it is attached to the buyer's deed. Executive Director Seddon added that it is monitored by the Real Estate Services Section. In addition, Ms. Lemke stated that there is an annual letter that is sent out to all homeowners that are subject to those restrictions.

Director Larson commended THM on their overall design of the Project, focusing on cost-effective ways of making it as livable as possible.

The motion was unanimously approved.

The meeting recessed at 10:35 a.m.

RECESS
10:35 a.m.

Chairman King reconvened at 10:45 a.m., with Director Larson returning at 10:50 a.m.

RECONVENED
10:45 a.m.

Executive Director Karen Seddon opened for questions.

**IV.
REPORT
OF THE
EXECUTIVE
DIRECTOR**

Director Smith referred to the Finance Branch Monthly Status Report and inquired on the Hula Mae Multi-Family (HMMF) Bond Program. Finance Manager Darren Ueki reported on the status of the HMMF Bond Program (Program), stating that the Program is mainly used for the acquisition and rehabilitation of existing projects, allowing HHFDC to act as a conduit and issue bonds on behalf of a project for construction and permanent financing. Currently, the Program has a bond authority of approximately \$500 million. To date, HHFDC has issued over \$134 million for seven different projects, with approximately \$131.5 million in pending issuances that were approved by the Board. Mr. Ueki pointed out that there are six additional HMMF projects under review, totaling approximately \$73.5 million, leaving about \$150 million in the program bond authority.

In addition, each project would need a bond volume cap, in which Director Kawamura indicated that the volume cap has a set formula used by the Internal Revenue Service (IRS). Unused volume cap from other state entities are returned and is usually allocated for housing.

Mr. Ueki stated that there are some concerns regarding the non-volume cap Low

Income Housing Tax Credit (LIHTC) appetite for the State credits, but staff will keep the Board apprised.

In response to Director Larson's inquiry regarding legislative actions, Mr. Ueki stated that the volume cap is something no one has control over; however, there is the ability to seek additional volume cap from other state entities and counties.

In response to Director Smith's inquiry regarding the six applications received for the Rental Housing Trust Fund (RHTF), Mr. Ueki reported that the six applications are currently under review, with one existing application from the first funding round for the Senior Residence of Iwilei, which is expected to come back at the next Board meeting.

In reference to the Report of the Executive Director, Exhibit A: HHFDC Program Resources (Major Programs), page 3 of 4, Mr. Ueki handed out and explained the Rental Housing Trust Fund September 10, 2008 bar chart, summarizing the RHTF's available funds, outstanding commitments, and pending applications under review.

In response to Director Smith's inquiry, in terms of all six projects coming forward, Mr. Ueki stated that the intent is to make recommendations and create an Approved and Rejected List by the next Board meeting. However, there are continued discussions with the applicants that will remain on the approved list, which the Board may take action from the time the approved list is established to when a new approved list is created.

In response to Director Mesick's inquiry, regarding delays caused by the government, Mr. Ueki stated that there are a number of things, one being the permitting process, as indicated by developers.

Director Mesick commented that by selling the RHTF loan, developers are able to utilize the housing credits either to satisfy an affordable housing requirement or build additional density within a project, which would allow HHFDC to create capital to replenish the RHTF funds.

Mr. Ueki asked that Director Mesick further discuss his ideas with staff on the selling of the loans.

Director Lawrence commented in addition to Director Mesick's comment, stating that research should be pertinent in finding other sources of funding.

In response to Director Lawrence's inquiry on the following projects, Executive Director Seddon, Acting Development Branch Chief Stan Fujimoto, Development Project Coordinator Ryan Morita, and Ms. Makani Maeva, with Allied Pacific Development, reported on the following:

- **Lokahi Ka'u** - Ms. Maeva stated that if the Board should approve the RHTF request and bond documents for the Lokahi Ka'u project, construction on the project could begin.
- **Halekauwila Place** - Mr. Fujimoto reported that the staff met with the developer on August 29, 2008, regarding their financing plans for the project. Staff is currently reviewing their proposed budget and will come before the Board for approval.

In response to Director Lawrence's inquiry in terms of the New Market Tax Credits (NMTC), Executive Director Seddon indicated that the developer is to receive an answer sometime in October.

- **Mali Self-Help** - Mr. Morita reported that the developer is in the process of getting a building permit for the project. Construction has not started yet; however, the developer hopes to start construction in the last quarter of this

year or first quarter of next year.

- **Puukolii Mauka** - Mr. Fujimoto reported that he and Executive Director Seddon attended a Land Use Commission (LUC) hearing on August 22, 2008, in which the pending resolution was deferred due to Department of Transportation (DOT) issues. The developer is currently in discussions with DOT.

In response to Director Smith's inquiry on the DOT issues being valid, Executive Director Seddon stated that staff has had discussions with the developer on revisiting some of those issues in hopes of coming to a reasonable agreement.

Director Lawrence inquired on other meeting legalities that would allow the Board to make a decision on pressing approvals for a project before a regularly scheduled board meeting. Deputy Attorney General Sandra Ching responded that emails and teleconferences would be a violation of the rules, but would need to look into video conferencing further.

In response to Director Smith's inquiry regarding the Request For Proposal (RFP) for the Villages of Kapolei, Village 8, Executive Director Seddon stated that staff is looking at re-issuing an RFP; however, in recent discussions with Micah Kane, Chairman of the Department of Hawaiian Home Lands, he has suggested a purchase of the land for use as a park. Staff is exploring the suggestion along with other uses.

Director Smith referenced the Asset Management Status Report and inquired about the Honokowai Kauhale project. Asset Manager Rick Manayan reported on the following:

- Society Contracting was recently awarded the contracts for the renovation and repair of the units.
- The goal is to have at least half of the units renovated and on the market within two to three months.
- Once the units become available, there are possible tenants on a waiting list.

Chairman King was excused from the meeting, leaving Director Lawrence to chair the remainder of the meeting.

In response to Director Larson's inquiry, regarding reserves for the projects, Mr. Ueki stated that within the indenture of the revenue bonds there are specific requirements as to the levels of reserves that are needed for a particular project. Rents are sources of revenues that cover operations and reserves. If there are not enough reserves, then we look at rent increases.

In response to Director Kawamura's inquiry regarding monies that come in from the projects, Mr. Ueki stated that the rents are accounted for as if the project is a standalone subsidiary with the intent that each project is self-sufficient.

Director Smith commented to look at the demands of the DURF and see what assets can be monetized.

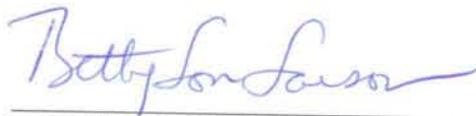
In response to Director Larson's inquiry with regard to Kamaaina Hale, Mr. Manayan stated that Executive Director Seddon is in negotiations with Kamehameha Schools to determine the lease rent.

In response to Director Larson's inquiry in terms of future sales in perpetuity, Executive Director Seddon stated that each project has its own unique characteristics and is handled differently. If a property should be sold, the proceeds would be used to build more affordable housing.

Acting Chairman Lawrence called for a motion to adjourn.

Director Smith moved, seconded by Director Los Banos, to adjourn the meeting at 12:00 p.m.

V.
ADJOURNMENT



BETTY LOU LARSON
Secretary