

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, DECEMBER 13, 2007
IN THE CITY AND COUNTY OF HONOLULU, STATE OF HAWAII

The Board of Directors (the 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, December 13, 2007, at 9:30 a.m.

Acting Chairman David Lawrence called the meeting to order at 9:30 a.m.

**CALL TO
ORDER/
ROLL CALL**

Present: Director David A. Lawrence, Vice Chairman
Director Betty Lou Larson, Secretary
Director Georgina Kawamura
Director Linda Smith
Director Richard Toledo
Executive Director Orlando (Dan) Davidson

Excused: Director Charles King, Chairman
Director Charles Wathen
Director Theodore E. Liu
Director Allan Los Banos

Staff Present: Sandra Ching, Deputy Attorney General
Darren Ueki, Finance Manager
Karen Seddon, Development Branch Chief
Rick Manayan, Asset Manager
Stan Fujimoto, Acting Development Section Chief
Marlene Lemke, Real Estate Section Chief
Dean Sakata, Finance Specialist
Lisa Wond, Housing Sales Coordinator
Patrick Inouye, Finance Specialist
Chris Sadayasu, Project Manager
Elaine Goma, Housing Sales Coordinator
Lorna Kometani, Housing Sales Coordinator
Marsha Umamoto, Secretary to the Executive Director
Esa Pablo, Secretary to the Board

Guests: Gary Furuta, Coalition for Specialized Housing
Joelle Chiu, Pacific Housing Advisors
Kali Watson, KW Inc.
Don Tarleton, Hawaii Housing Finance
Tim Cantwell, Cloudbreak Hawaii, LLC
C. Patterson, Cloudbreak Hawaii, LLC
Mike Kimura, M & M Investments
Peter Savio, Hawaiian Island Homes Ltd.
Barry Kaplan, Hawaiian Island Homes Ltd.
Vito Galati, Cades Schutte
Missy Tenneson, Hawaii Coalition of Christian Churches
D. Roberts, Waiahole/Waikane Community Association
Hannah Salas, Waiahole/Waikane Community Association
Chula Clark, Waiahole/Waikane Community Association
L. Salas, Waiahole/Waikane Community Association
P. Rapoza, Waiahole/Waikane Community Association

Acting Chairman Lawrence declared a quorum present.

QUORUM

Acting Chairman Lawrence asked for a motion, moved by Director Smith, seconded by Director Toledo to approve the Meeting Minutes of November 8, 2007.

The motion was approved unanimously.

Acting Chairman called for a motion to approve Agenda Item III.A.

Director Larson moved, seconded by Director Smith to approve Item III.A. Adopt Resolution No. 008 Which Provides for Official Intent with Respect to the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds and Reservation of Low Income Housing Tax Credits for the Lokahi Ka'u Project, Kona, Hawaii, TMK (3) 7-3-010:003.

Executive Director Dan Davidson introduced Mr. Darren Ueki, Finance Manager, to present the For Action.

Mr. Darren Ueki summarized the For Action, indicating that the Lokahi Ka'u Project is a 360-unit reconstruction project in Kona, Hawaii.

On August 14, 2007, Ho'olehua Housing, L.P. (Applicant) submitted a consolidated application for financing, requesting the following:

1. Private Activity Bond Cap of \$27,000,000 from the Hula Mae Multi-Family (HMMF) Tax-Exempt Revenue Bond Program.
2. Low Income Housing Tax Credits (LIHTC) reservation of \$2,120,882 in annual Federal LIHTC and \$1,060,441 in annual State LIHTC.

Mr. Ueki stated that staff will come back to the Board before there is any issuance of the bonds.

Staff recommends that the Board approve the following:

- A. Adopt Resolution No. 008, attached as Exhibit E, which provides for official intent with respect to the issuance of revenue bonds up to \$30,500,000 for the Lokahi Ka'u project subject to the provisions recommended in Exhibits B and D;
- B. Reserve up to \$2,120,882 annual Federal LIHTC and \$1,060,441 in annual State LIHTC from the non-competitive pool for the Lokahi Ka'u project subject to the provisions recommended in Exhibits C and D; and
- C. Authorize the Executive Director to undertake all tasks necessary to undertake the intent and purposes of this For Action.

Mr. Ueki introduced Ms. Joelle Chiu, on behalf of the Applicant, with Pacific Housing Advisors, to the Board, stating they were available for questions.

In response to Director Smith's inquiry with regards to the January 2, 2008, construction start date, Ms. Chiu stated that the construction start date has been delayed to mid February, followed by the construction of the buildings in March.

Director Smith commented that as a Board, there is often some resistance on these kinds of resolutions and it is pleasing to see that the Project's estimated construction timeline, in the For Action, is close to the schedule being followed.

**II.A.
APPROVAL
OF MINUTES**
11/08/07
Regular
Meeting

**III.A.
DISCUSSION
AND/OR
DECISION
MAKING**
Adopt Resolution
No. 008 Which
Provides for Official
Intent with Respect
to the Issuance of
Hula Mae
Multi-Family
Tax-Exempt Revenue
Bonds and
Reservation of Low
Income Housing Tax
Credits for the Lokahi
Ka'u Project, Kona,
Hawaii, TMK (3)
7-3-010:003.

In response to Director Larson's inquiry on the delay affecting the June 2009 completion date, Ms. Chiu indicated that they are now targeting about 85 units to be completed and ready for individuals to move in by December 2008.

With no further discussions, the motion was unanimously carried.

Acting Chairman Lawrence asked for a motion to approve Agenda Item III.B.

Director Smith moved, seconded by Director Kawamura to approve III.B. Approval of Extension of the Rental Housing Trust Fund Letter of Intent for Building 34 Residence Hall Project, Kalaeloa, Oahu, TMK (1) 9-1-013:054.

Mr. Darren Ueki, Finance Manager, gave a brief presentation on the For Action, stating that on June 15, 2006, the Board of Directors of the Housing and Community Development Corporation of Hawaii (HCDCH) approved a Project Award of \$1,000,000 to Cloudbreak Hawaii, LLC (the "Awardee") for the Building 34 Residence Hall Project.

Mr. Ueki indicated that one of the challenges the project faces is that there has been some issues on the availability of government permits and things of that nature, due to it being on Federal land; however, staff is continually working with these issues, in hopes of resolving some of the problems.

Staff's recommendation to the Board is:

- A. Extend the Letter of Intent dated June 28, 2006 for Building 34 Residence Hall Project to June 29, 2008, subject to the requirements as set forth in the For Action.
- B. Authorize the Executive Director to approve the final rehabilitation budget and scope of work.
- C. Authorize the Executive Director to undertake all tasks necessary to effectuate the purpose of the For Action.

Mr. Ueki introduced Mr. Tim Cantwell, Cloudbreak Hawaii, LLC, to the Board, being available for questions.

In response to Director Smith's inquiry on the three month extension being sufficient, Mr. Cantwell concurred that is sufficient, and they are anticipating construction to start around February 2008. In addition, Mr. Cantwell indicated that they have the Disabilities Communications Access Board's (DCAB's) review of the plans, which is expected to be submitted in the next few weeks.

Director Smith suggested that maybe having more future projects on Federal land is something the Board can move towards.

In response to Director Larson's confirmation on the October 2008 being the project completion date, Mr. Cantwell stated that as long as they can get started, the date will remain.

The motion was unanimously approved.

Acting Chairman Lawrence asked for a motion to approve Agenda Item III.C.

Director Toledo moved, seconded by Director Kawamura to approve III.C. Approval of Extension of the Rental Housing Trust Fund Letter of Intent for the Hale Wai Vista Phase I Project, Waianae, Oahu, TMK (1) 8-6-001:035.

Director Larson recused herself from voting on the For Action, for the reason that she sits on the Hawaii Housing Development Corporation board, which is constructing this project.

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

Approval of
Extension of the
Rental Housing Trust
Fund Letter of Intent
for Building 34
Residence Hall
Project, Kalaeloa,
Oahu, TMK (1)
9-1-013:054

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

Approval of
Extension of the
Rental Housing Trust
Fund Letter of
Intent for the Hale

Mr. Ueki stated that with a previous situation dealing with time extensions, staff was advised by the Attorney General's Office to withdraw the For Action for the month and have the Executive Director administratively approve the extension. Staff would return to the Board to ratify the extension.

Director Toledo withdrew the motion, seconded by Director Kawamura to defer Item III.C., to a later Board Meeting.

Acting Chairman Lawrence called for a motion to approve Agenda Item III.D.

Director Smith moved, seconded by Director Kawamura to approve III.D. Rental Housing Trust Fund – Approval of Amendments to Conditions of the Rental Housing Trust Fund Project Award Grant for the Kahikolu Ohana Hale O Waianae Project, TMK No. (1) 8-5-027:071 and 073.

Mr. Ueki summarized the For Action, stating that on April 12, 2007, the HHFDC Board approved a Rental Housing Trust Fund (RHTF) Project Award grant of up to \$2,356,000 to the Hawaii Coalition of Christian Churches (HCCC) for the development of the Kahikolu Ohana Hale O Waianae Project (the "Project").

Mr. Ueki noted that an administrative error was made, in an action taken in April 2007, for the Developer's Fee, Overhead, and Project Management, not to exceed \$355,000, instead of the original amount of \$380,000, as indicated in the Applicant's application.

Director Smith commented that she had the opportunity to go out to the site and see the project, in which she is very pleased with so far.

Staff recommended that the Board approve the following:

- A. Amend the conditions of the RHTF Project Award Grant to the HCCC to allow the Rental Housing Trust Fund Project Award grant to be disbursed prior to all other funds being disbursed;
- B. Amend the conditions of the RHTF Project Award Grant to the HCCC to correct the maximum allowable Developer's Fee, Overhead and Project Management not to exceed \$380,000; and
- C. Authorize the Executive Director to undertake all tasks necessary to effectuate the intent and purposes of this For Action.

The motion was carried unanimously.

Acting Chairman Lawrence called for a motion to approve Agenda Item III.E.

Director Smith moved, seconded by Director Toledo to approve staff's recommendation.

Project Manager Stan Fujimoto summarized the For Action requesting approval of the Mokuola Vista Project as an affordable rental housing project, an increase in the interim DURF second mortgage, and use of the project to satisfy other developer's affordable housing requirements in return for a cash contribution to assist in financing the project as approved by the City and County of Honolulu, and Resolution No. 007 ratifying the zoning.

The Board inquired into the temporary use of the project as a rental project until the market improved, when the units could then be sold in fee simple. Staff indicated that use of the tax credits committed the project as a rental project at 60% and below the HUD median income for a minimum of 15 years, but DURF funds could be used in shorter terms to hold the project as a rental project until the market improved.

Wai Vista Phase I Project, Waianae, Oahu, TMK (1) 8-6-001:035

III.D. DISCUSSION AND/OR DECISION MAKING

Rental Housing Trust Fund – Approval of Amendments to Conditions of the Rental Housing Trust Fund Project Award Grant for the Kahikolu Ohana Hale O Waianae Project, TMK No. (1) 8-5-027:071 and 73.

III.E. DISCUSSION AND/OR DECISION MAKING

Approval as an Affordable Multi-Family Rental Housing Project, an Increase in the DURF Interim Junior Mortgage, and Ratification of Zoning Exemptions for the Mokuola Vista Project, Waipahu, Oahu, Hawaii, TMK (1)

The Board requested staff to review the options of using DURF funds or tax credits as a temporary rental project until the market conditions improve and selling could be resumed in fee simple. The Board noted that if the project converted from rental to for sale, tenant displacement at the end of the rental period should be avoided.

9-4-17:53 & 54

Director Kawamura moved and Director Smith seconded a motion to amend Section IV. A. of the For Action, to delete reference to the target market being at 60% and below the HUD median income, as follows:

IV. A. Approval as an affordable family rental housing project. [~~for a target market group at 60% and below the HUD area median income~~];

The motion to approve the amendment to the For Action was approved unanimously.

The main motion, as amended, was unanimously approved as follows:

That the HHFDC Board of Directors approve the following for the Mokuola Vista project, substantially as discussed in this For Action, subject to compliance with all rules and regulations and such other terms and conditions as may be required by the Executive Director:

- A. Approval as an affordable family rental housing;
- B. Ratification of the exemptions from zoning approved by the HCDCH Board of Directors for the project on June 15, 2006, as a family rental housing project; and
- C. An increase in the interim DURF second mortgage loan to GSF, Inc. by \$9 million up to a total amount not to exceed \$12 million at five percent (5.0%) interest for the duration of the existing \$3 million DURF loan, and a one percent (1.0%) loan origination fee on the amount of the increase; subject to the following:
 - 1. Availability of DURF funds;
 - 2. Approval and release of funds by the Governor; and
 - 3. Approval and execution of necessary loan documents by the Executive Director.
- D. Approval of the use of the Mokuola Vista Project to meet the affordable housing requirements of other developers in the Central Oahu Sustainable Communities Plan area who are subject to preexisting affordable housing requirements, as approved by the City and County of Honolulu Department of Planning and Permitting, in order to assist in reducing the equity gap financing for this project.
- E. Approval and execution of an amendment to the Development Agreement and issuance of a Ground Lease to GSF, Inc., in forms approved by the Department of Attorney General, substantially as described in this For Action.

Acting Chairman Lawrence called for a motion to approve Agenda Item III. F.

Director Smith moved, seconded by Director Toledo to approve staff's recommendation.

Project Manager, Stan Fujimoto, summarized the For Action, requesting approval to

III.F. DISCUSSION AND/OR DECISION MAKING

Approval to Increase
Affordable Target

raise the target market of Plantation Town Apartments to 140% and below the HUD area median income, and to temporarily rent any unsold units upon completion of construction to affordable tenants at 140% and below the HUD area median income, until the units can be sold to affordable buyers.

The developer, Mr. Mike Kimura of M & M Investments, and the project broker, Mr. Peter Savio accounted that the lack of consumer confidence and project restrictions are the main reasons for the difficulty in sales. Staff noted that HHFDC's buy-back and shared appreciation restrictions are statutory requirements and therefore not discretionary.

Staff's recommendation to the Board is as follows:

That the HHFDC Board of Directors approve the following for the Plantation Town Apartments project on TMK (1) 9-4-17; portion of 58, substantially as described in this For Action, subject to other terms and conditions as may be required by, i) statutes; ii) administrative rules; and iii) the Office of the Executive Director:

- A. Approval to sell all units to affordable families at 140% and below the HUD median income; and
- B. Approval to temporarily rent any unsold units at completion of construction to affordable tenants at 140% and below the HUD median income until the units are sold to affordable buyers at 140% and below the HUD median income.

The motion was unanimously approved.

Acting Chairman called for a motion to approve Agenda Item III.G.

Director Smith moved, seconded by Director Kawamura to approve III.G. Approval to Utilize Funds from the Dwelling Unit Revolving Fund (DURF) for Payment of Expenses Related to: 1) Renegotiation of HHFDC Project Lease Rents for Devland Hale, Hale Aupuni, Hui Koolau, Lihue Town Estates, Nahoia Apartments, Nanakai Gardens, Puana Malu, Waianae Community Development Project, and Waiahole Valley; 2) Collection of Delinquent Lease Rents of various HHFDC Project Leases; and 3) Foreclosure of HHFDC units subject to the Buyback and/or Shared Appreciation Equity (SAE) Program.

Ms. Marlene C. Lemke, Real Estate Services Section Chief, presented a brief summary of the For Action, pointing out the following information:

- A. The For Action is a housekeeping item to correctly charge expenses to the projects that in the past were charged to administrative funds.
- B. Exhibit A lists the HHFDC projects that will be renegotiated.
- C. Exhibit B gives the budget for the projected expenses.
- D. Board approval is required to pay the projected expenses from DURF.

Ms. Lemke recommended that the Board approve the For Action, subject to the availability of DURF, approval and release of funds by the Office of the Governor, and compliance with all rules and regulations and such other terms and conditions, as may be required by the Executive Director.

Director Kawamura inquired on the time period in which staff will be back to the Board for this type of request and Ms. Lemke responded that the next request would be made after 2010.

Market for the Plantation Town Apartments Project at Waipahu, Oahu Hawaii, TMK (1) 9-4-17: Por. 58

III.G. DISCUSSION AND/OR DECISION MAKING

Approval to Utilize Funds from the Dwelling Unit Revolving Fund (DURF) for Payment of Expenses Related to: 1) Renegotiation of HHFDC Project Lease Rents for Devland Hale, Hale Aupuni, Hui Koolau, Lihue Town Estates, Nahoia Apartments, Nanakai Gardens, Puana Malu, Waianae Community Development Project (Uluwehi), and Waiahole Valley; 2) Collection of Delinquent Lease Rents of various HHFDC Project Leases; and 3) Foreclosure of HHFDC units subject To the Buyback and/or Shared Appreciation Equity (SAE) Program

Since this Action item asks for the approval to pay expenses from DURF, Director Kawamura inquired about the other side of the ledger that shows monies being returned to DURF. Ms. Lemke responded that projected income is also included in the DURF cash flow as RESS has worked with Ryan Morita, Project Coordinator in the Development Section, in providing estimated incomes from HHFDC Programs and a summary of the RESS expense/income in the DURF cash flow could be supplied to the Board at a future meeting.

Director Toledo inquired if these expenses were accepted uses of DURF for which Ms. Lemke responded affirmatively.

With no further discussion, the motion was unanimously approved, with the Board approving staff's recommendation as follows:

That the HHFDC Board of Directors approve the utilization of funds as referenced under Exhibit B from DURF for payment of expenses related to: 1) Renegotiation of HHFDC Project Lease Rents for Devland Hale, Hale Aupuni, Hui Koolau, Lihue Town Estates, Nahoia Apartments, Nanakai Gardens, Puana Malu, Waianae Community Development Project (Uluwehi), and Waiahole Valley; 2) Collection of Delinquent Lease Rents of various HHFDC Project Leases; and 3) Foreclosure of HHFDC units subject to the Buyback and/or Shared Appreciation Equity (SAE) Program

Subject to:

1. Availability of DURF.
2. Approval and release of funds by the Office of the Governor.
3. Compliance with all rules and regulations and such other terms and conditions as may be required by the Executive Director.

Executive Director Davidson reported a corrected breakdown of units in regards to the For Action presented at the November 13, 2007 Board Meeting, in the adoption of Resolution No. 006, to issue bonds and low income housing tax credits from the acquisition rehabilitation of the Kukui Gardens Project as follows: 1) 366 low income tax credit units; 2) 19 affordable units; 3) 1 manager's unit; and 4) 3 community service units.

Executive Director Davidson announced that the bond closing for Kukui Gardens will be on Tuesday, December 18, 2007.

Director Lawrence congratulated Executive Director Davidson and staff for all their work on the Kukui Gardens Project.

Executive Director Davidson informed the Board that the Hawaii Community Development Authority (HCDA) may be entering into a joint venture with the Development Branch, involving land near Ala Moana Center in an initiative proposed by HCDA.

Discussion ensued on conveyance tax being portrayed to the public as being monies for affordable housing, when only a portion of it is used for affordable housing projects.

In response to Director Lawrence's inquiry on accomplishments by the Board in the last year or two, Executive Director Davidson stated that the first annual report of HHFDC will be coming out in January 2008.

Acting Chairman Lawrence called for a motion to go into Executive Session to

IV. REPORT OF THE EXECUTIVE DIRECTOR

approve the Executive Session Minutes of November 8, 2007.

Director Kawamura moved, seconded by Director Toledo.

The meeting was reconvened at 10:42 a.m.

Acting Chairman Lawrence announced that a motion was made, in which Director Kawamura moved, seconded by Director Toledo to approve to Executive Session Minutes of November 8, 2007.

The motion was unanimously carried.

There being no further discussions, Acting Chairman Lawrence called for a motion to adjourn the meeting.

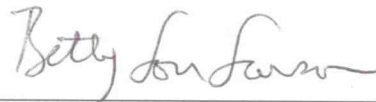
Director Kawamura moved, seconded by Director Toledo to adjourn the meeting at 10:45 a.m.

The motion was unanimously carried.

**V.
EXECUTIVE
SESSION**

RECONVENED
10:42 a.m.

**VI.
ADJOURNMENT**



BETTY LOU LARSON
Secretary