

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

**MINUTES OF THE REGULAR MEETING
OF THE HAWAII HOUSING FINANCE AND DEVELOPMENT
CORPORATION
HELD AT LAHAINA CIVIC CENTER, 1840 HONO'APIILANI HIGHWAY,
ON THURSDAY, OCTOBER 11, 2007
IN THE COUNTY OF MAUI, STATE OF HAWAII**

The Board of Directors of the Hawaii Housing Finance and Development Corporation (HHFDC) met for their Regular Meeting at 1840 Hono'apiilani Highway, Lahaina, Hawaii 96761, on Thursday, October 11, at 10:00 a.m.

Director Betty Lou Larson called the meeting to order at 10:00 a.m.

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

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

Staff Present: Sandra Ching, Deputy Attorney General
Darren Ueki, Finance Manager
Karen Seddon, Development Branch Chief
Stan Fujimoto, Project Manager
Marlene Lemke, Real Estate Services Section Chief
Beth Hallinan, Project Coordinator
Esa Pablo, Secretary to the Board

Guests: Gary Furuta, Coalition for Specialize Housing
Howard Hanzawa, Kaanapali Land Management Corporation
Jo-Ann Ridao, County of Maui - Housing Commissioner
Vanessa A. Medeiros, County of Maui - DHHC
Danny Mateo, Maui County Council – Housing Committee
Chair
Ed Lindsey, Maui Cultural Lands
Puanani Lindsey, Maui Cultural Lands
Roy Katsuda, Hale Mahaolu
Gene Moore, Kaanapali Land Management Corporation
Hans Michel, Kaanapali Land Management Corporation
Joseph Pluta, West Maui Taxpayers Association
Henry Ariyoshi, Kaanapali Land Management Corporation
Patricia Nishiyama, Kaanapali Land Management Corporation
Al Palayn, Private
Thelma Shimaoka, OHA
Chad Fukunaga, Kaanapali Land Management Corporation
Rowena M. Dagdag, Munekiyo & Hiraga, Inc.
Douglas M. Zaan, Lahaina-Honolua Senior Club
Kazue Zaan, Lahaina-Honolua Senior Club
Shirley Tobita, Lahaina-Honolua Senior Club
Fume Shinyama, Lahaina-Honolua Senior Club
Violet Nishijima, Lahaina-Honolua Senior Club
Fred Hyuch, Lahaina-Honolua Senior Club
John Kuia, Kaanapali Land Management Corporation
John Cote`, Kaanapali Land Management Corporation
Don Tarleton, Hawaii Housing Finance
Stacy Sur, Hawaii Housing Finance
Lanny Tihada, Kaanapali Land Management Corporation

**CALL TO
ORDER/
ROLL CALL**

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Kathleen Giambalvo, Kaanapali Land Management Corporation
Pat Hearn, Kaanapali Land Management Corporation
Jeff Rebugio, Kaanapali Land Management Corporation
Jeff Furuta, Coalition for Specialized Housing
Glenn Okino, Coalition for Specialized Housing
Karl Bossert, Maui Land and Pineapple Company, Inc.
Carole Lau, Central Pacific Bank
Robbie Wares, IND

Director Larson declared a quorum present.

Director Wathen moved, seconded by Director Toledo that the Meeting Minutes of August 9, 2007, be approved as circulated.

Motion carried unanimously.

Director Wathen moved, seconded by Director Toledo, that the Meeting Minutes of September 13, 2007, be approved as circulated.

Motion carried unanimously.

Director Larson called for a motion to move to Item III.B., for approval.

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

Director Wathen moved, seconded by Director Toledo, to Adopt Resolution No. 004 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 Hale Mohalu II Project located on TMK (1) 9-7-019:035.

Mr. Ueki indicated that the Coalition for Specialized Housing (Applicant) submitted a consolidated application for financing on January 19, 2007, requesting the following: (1) Private Activity Bond Cap of \$25,000,000 from the Hula Mae Multi-Family Tax-Exempt Revenue Bond Program; (2) LIHTC reservation of \$1,587,656 in annual Federal LIHTC and \$793,828 in annual State LIHTC; and (3) Rental Housing Trust Fund (RHTF) Interim/Construction Loan/Grant for \$17,000,000.

Mr. Ueki then provided a background description on the Hula Mae Multi-Family (HMMF) Bond and the LIHTC Programs. He stated that the HMMF is a federally authorized program, allowing HHFDC to issue tax-exempt revenue bonds to finance the acquisition and rehabilitation or development of privately owned affordable rental projects. The LIHTC Program was established by the Tax Reform Act of 1986 and granted permanent authority by the 1993 budget act to replace traditional tax incentives for investment in low-income housing, permitting eligible taxpayers to claim tax credits on their federal income tax returns for qualified expenditures for newly constructed or the acquisition and rehabilitation of existing affordable rental units.

Mr. Ueki referred to the application summary, which contained the Project's description, facts, and findings, attached as Exhibit D in the For Action.

Mr. Ueki then referred to the proposed financing structure, providing the Project's estimated construction timeline as follows: (1) building permit acquisition – 1st Quarter 2009; (2) construction start date – 2nd Quarter 2009; (3) first building completion – 4th Quarter 2010 and (4) last building completion – 3rd Quarter 2011.

Mr. Ueki indicated that the Applicant is considering private placement of the bonds to an investor or group of investors. He continued to say that the applicant's consultant, Mr. Gary Furuta, CSH, is well versed in affordable housing development, having completed eight projects with the HHFDC to date.

Mr. Ueki stated that if the Board adopts this resolution, and the bond issue is

QUORUM
II.A.
APPROVAL
OF MINUTES
8/9/07
Regular
Meeting
II.B.
APPROVAL
OF MINTUES
9/13/07
Regular
Meeting

III.B.
DISCUSSION
AND/OR
DECISION
MAKING
Adopt Resolution
No. 004 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
Hale Mohalu II
Project; TMK
(1)9-4-019:035

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determined to be feasible, staff will return at a later date to seek the Board’s final approval for the issuance, sale and delivery of the bonds, which is subject to the approval by the Department of Budget and Finance and the Governor. However, in the event that there are unforeseen circumstances that may delay the closing, staff is requesting that the Board extend the closing of the bond by 12 months.

In response to Director Smith’s inquiry with regards to the timeframe of the bond proceeds, Mr. Ueki called upon Mr. Furuta, who stated that the anticipated schedule of the bond closing is in the 1st Quarter of 2008, with each phase thereafter, being accelerated.

Staff recommended that the HHFDC Board:

- A. Adopt Resolution No. 004, attached as Exhibit E, which provides for official intent with respect to the issuance of revenue bonds up to \$30,000,000 for the Hale Mohalu II project subject to the provisions recommended in Exhibits A and C;
- B. Reserve up to \$1,587,656 annual Federal LIHTC and \$793,828 in annual State LIHTC from the non-competitive pool for the Hale Mohalu II project subject to the provisions recommended in Exhibits B & C; and
- C. Authorize the Executive Director to undertake all tasks necessary to undertake the intent and purpose of this For Action.

With no further discussions, the motion was unanimously approved.

In awaiting Acting Chairman David Lawrence’s arrival, the Board Members introduced themselves to the Maui Community.

Director Larson called for a motion to approve Agenda Item III. C.

Director Smith moved, seconded by Director Kawamura, to Approve a Rental Housing Trust Fund (RHTF) Project Award for the Hale Mohalu II Project located on TMK (1) 9-7-019:035.

Mr. Ueki indicated that this For Action is a follow-up to the previous For Action, which has just been approved by the Board, but relating to the RHTF project award request. Mr. Ueki also indicated that an approved list for the RHTF was created and approved by the Board at the April 12, 2007 HHFDC Board of Directors Meeting.

Mr. Ueki stated that staff reviewed the Applicant’s request and proposes an approval of the terms as presented by the Developer. The RHTF Project Award will be a second mortgage and the tax-exempt bond proceeds being the first mortgage. Without the loan and grant from the RHTF the project would not be feasible.

If the Board should approve staff’s recommendation, a Letter of Intent describing the terms and conditions of the Project Award will be sent to the applicant. The Letter of Intent will be subject to all conditions being met to the satisfaction of the HHFDC, approval of the Governor of Hawaii, and availability of funds. The terms outlined in the Letter of Intent will expire on November 16, 2007, at 4:00 p.m. unless the HHFDC receives an executed copy by the said date. After this date, the HHFDC has no further obligation, unless extended or modified by the HHFDC.

Director Smith suggested that the formatting of the financial impact to the RHTF, with regards to implications, should be presented in a chart rather than in narrative form.

Director Larson thanked staff for providing a fact sheet, making it easier to refer back to when needed.

Staff’s recommendation is as follows:

- A. Approve a Project Award with terms as shown in III.C. of this For Action,

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

Approve a Rental Housing Trust Fund (RHTF) Project Award For the Hale Mohalu II Project; TMK (1)9-7-019:035

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and the issuance of the Letter of Intent subject to the following:

1. Authorization and approval by the Governor of the proposed project and the release of Program funds as mandated under Chapter 15-180, Hawaii Administrative Rules.
 2. Execution of documentation satisfactory to the HHFDC outlining the terms and conditions of the Project Award. The documents will specify the standard terms and conditions as required in order to meet all statutory requirements of the RHTF Program and the specific terms and conditions that are applicable to the applicant's request for Project Award funds.
 3. Completion of all documentation necessary and required to secure the release of RHTF funds.
 4. Certification of the applicant to comply with all applicable statutory and Program requirements, including but not limited to, Chapters 343, 103D, §103-50 and §104, Hawaii Revised Statutes, as they may relate to the use of State funds.
- B. Authorize the Executive Director of the HHFDC to take all action necessary to effectuate the purposes of the For Action.

With no further discussion, the motion was unanimously approved.

Acting Chairman Lawrence arrived to the meeting at 10:15 a.m.

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

Director Kawamura moved, seconded by Director Wathen to approve the Rental Assistance Program – Extension of Rental Assistance Contract to October 31, 2008 for the Hilo Maile Terrace Project, Located on TMK (3) 2-2-053:008.

Mr. Ueki provided background information on the Rental Assistance Contract to the Hilo Maile Terrace Partners for the Hilo Maile Terrace Project (Project), stating that in 1991, the HFDC approved a LIHTC award and subsidy from the Rental Assistance Program (RAP) for the Project. The affordability period for the LIHTC was for a 15-year compliance period and a 15-year extended use period, for a total of 30-years. The 15-year Rental Assistance Contract for the RAP began on November 1, 1992 and will expire on October 31, 2007.

Mr. Ueki stated that the total RAP commitment over the 15-year period, was \$842,400, or \$195 per unit per month. To date, \$502,420 in RAP payments were made for qualified tenants, leaving an outstanding balance of \$339,980 of HHFDC's commitment.

Mr. Ueki stated that a letter dated September 24, 2007, from the Hilo Maile Terrace Partners requested a 15-year extension to the RAP subsidy contract for the Project. He then indicated that overall, HHFDC's RAP Program supported approximately 1,365 units in 16 projects, and as of September 30, 2007, the available balance in the Rental Assistance Revolving Fund to fund the RAP subsidy was \$15,856,790, with all outstanding commitments for all projects estimating at approximately \$58 million.

Given the limited funds available in the Rental Assistance Revolving Fund, and because the request was received so close to HHFDC's deadline to place items on the HHFDC's Board of Directors' agenda for the October 2007 meeting, staff requires additional time to conduct an analysis of the issues involved with an extension of the requested 15-years. As such, staff currently supports a 1-year extension to the RAP subsidy contract. If approved, a 1-year extension will allow staff to conduct its due diligence, to include discussions with the Owner, and a

III.D.
DISCUSSION
AND/OR
DECISION
MAKING
Rental Assistance
Program– Extension
of Rental
Assistance Contract
to October 31, 2008
for the Hilo
Maile Terrace
Project, Located on
TMK
(3)2-2-053:008

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follow-up item will be presented to the Board at a future date.

Discussion ensued by Director Smith, in regards to units being occupied with individuals who do not qualify for rent subsidy. Mr. Ueki explained that the rent subsidy is based on the individual’s income. Therefore, if there is an increase in a tenant’s income, the RAP subsidy will decrease.

In response to Director Larson’s inquiry regarding having sufficient funding over the next 5 to 6 years, Mr. Ueki said that the revolving fund is broken into the Subsidy Payment Program and Construction Loan Program. Any revenues that are generated out of the Construction Loan Program will go back into a RAP subsidy program. In all likelihood, the current funding should last longer than 5-6 years.

In response to Acting Chairman Lawrence’s inquiry on consequences if of the For Action is not approved by the Board, Mr. Ueki stated that there are 9 out of 24 units that are receiving RAP subsidy. If the Board should choose not to approve the For Action, the out of pocket payment for those 9 units will go up, which may force tenants to leave.

Staff recommended that the HHFDC Board:

- A. Approve a 1-year extension of the Rental Assistance Contract to the Hilo Maile Terrace Partners for the Hilo Maile Terrace project through October 31, 2008; and
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the intent and purposes of this For Action.

The motion was unanimously approved.

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

Director Kawamura moved, seconded by Director Wathen.

Project Manager Stan Fujimoto summarized the For Action, requesting approval of the revisions to the Puukolii Mauka Project in Lahaina, Maui, Hawaii, TMK (2) 4-4-15: 1 to 23, 32, and portion of 33, previously approved by the Housing Finance and Development Corporation in 1993. Mr. Fujimoto indicated that Puukolii Villages consists of two villages - Puukolii Mauka and Puukolii Triangle. This request revises only Puukolii Mauka and does not affect the previous approval affecting Puukolii Triangle.

The revised Puukolii Mauka project will be a mixed-use, master planned community consisting of a total of 940 residential units, of which 480 units will be affordable to families at 160% and below the HUD median income and at least 100 of the 480 affordable units will be senior rental housing. The project will also comply with the County’s Workforce Housing Ordinance as described in a Housing Agreement, which will be executed by HHFDC, the developer, and the County. HHFDC’s normal HRS Chapter 201H requirements and process are not required, as Act 198 SLH 2005 provides for different requirements and process for the Puukolii Village project.

Mr. Howard Hanzawa, Vice President of the Kaanapali Land Management Corporation (KLM), thanked the Board for coming to Maui to review the project. He also acknowledged community members involved in the planning of the Puukolii Mauka project over the last several years, stating that the project is unique as one of the first community-based planning projects in the State. Mr. Hanzawa then provided a short presentation on the project.

Ms. Jo-Ann Ridao, Housing Commissioner of the Mayor’s office, testified in support of the project and Director of the County of Maui Department of Housing and Human Concerns, Ms. Vanessa A. Medeiros, echoed Ridao’s support of the project.

**III.A.
DISCUSSION
AND/OR
DECISION
MAKING**
Approval of Revisions to the Puukolii Mauka Project within the Puukolii Village Project in Lahaina, Maui, Hawaii; TMK (2)4-4-15:1 to 23, 32, and Por. 33

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Councilman Danny Mateo testified that he was not in favor, nor against the project, but as the County Council's Housing Committee Chairman, he was interested in following the progress of the project.

The following community members testified in favor of the project: (1) Mr. Ed Lindsey; (2) Mr. Roy Katsuda; (3) Mr. Gene Moore; (4) Mr. Hans Michel; (5) Mr. Joe Pluta; (6) Mr. Henry Ariyoshi; (7) Ms. Patricia Nishiyama, and (8) Mr. Al Palayn.

No one testified against the project.

The HHFDC Board discussed the preferences proposed by the developer (West Maui workers, then residents of West Maui, then other residents of Maui) and whether approval by the Land Use Commission (LUC) is actually required considering the specific language in Act 198, SLH 2005 specifying that the affordable housing requirement would be governed by agreement between the developer, HHFDC, and the County.

Director Wathen moved, seconded by Director Toledo to delete paragraph III.I.3 on page 5 of the For Action, which states:

- III. I. 3. Preference of the workforce units to Maui residents, Sections 2.96.090, 2.96,100, MCC; which KLM proposes to amend by providing first preference to residents whose principal place of employment is in West Maui; second, to residents whose current principal place of residency is in West Maui; and third, to applicants whose principal place of residency is in the County of Maui, but outside of West Maui;

The motion was unanimously approved.

Director Smith proposed an amendment to the For Action to: (1) Add, "if needed", to paragraph IV.G; and (2) Deletion of paragraph IV.H.2.

Director Wathen moved, seconded by Director Toledo, to amend the For Action on page 7, IV.G. and delete paragraph IV.H.2, to read:

- G. HHFDC joining, as co-petitioner, in motions to the Land Use Commission, if needed, seeking approval of the revisions granted hereunder as they affect the Puukoolii Mauka lands only;
- H. Subject to:
 - 1. Approval by the County of Maui, as required by Act 198, Session Laws of Hawaii 2005;
 - 2. ~~Approval of the amendment by the Land Use Commission;~~
 - 3. Approval of the Housing Agreement and any agreement revising the Puukoolii Village Development Agreement, by the Department of Attorney General; and
 - 4. Compliance with all laws and rules, and such other terms and conditions as may be required by the Executive Director.

The motion was unanimously approved.

Director Kawamura moved, and Director Wathen seconded a motion to approve staff's recommendation as amended.

The motion was unanimously approved.

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Director Lawrence called for a short recess; moved by Director Toledo, Director Kawamura seconded the motion. **RECESS**
11:39 a.m.

The Meeting was reconvened at 11:50 a.m., followed by the Executive Director's Report. **RECONVENED**
11:50 a.m.

Executive Director Davidson stated that he was available for questions regarding his report. He indicated that the Regulatory Barriers Task Force (Task Force) consisted of 22 members, which included Directors Smith and Wathen, and himself. He stated that on October 16, 2007, the Task Force will be meeting with HUD, followed by the Housing Hawaii Regulatory Barriers Conference on October 17, 2007. **IV. REPORT OF THE EXECUTIVE DIRECTOR**

In response to Acting Chairman Lawrence's inquiry regarding the proposed successors of the Task Force, Director Smith stated that the members consisted of County and State representatives in hopes of tackling both governmental levels which in many respects, significantly overlap each other, as well as Federal. Executive Director Davidson added that he is looking at incorporating this information into his monthly report to keep the Board members apprised.

Director Larson commended Executive Director Davidson on his report last year where he actually pinned down the number of units to the amount of money requested to the Legislature, based on facts developed, and hoped that the same would be done again. Executive Director Davidson stated that HHFDC is working on a new version of this report, based on tying everything to a reasonable production schedule.

In response to Acting Chairman Lawrence's request for an update on the Kukui Gardens project, Executive Director Davidson stated that both he and Janice Takahashi, Chief Planner, will be going to the environmental council the following day, under the leadership of the Attorney General, to seek a specific exemption to Chapter 343, regarding the acquisition of the existing affordable housing projects. Concurrently, to meet the various deadlines, HHFDC is also preparing an environmental assessment.

In response to Director Smith's inquiry regarding the Mokuola Vista being converted to a rental project, Development Branch Chief Karen Seddon stated that it is currently for sale, but due to some challenges with sales, the developer is looking at turning it into a rental project. Discussion ensued on the possible reasons for the difficulty in unit sales, which appeared to be due to the location and restrictions.

In response to Director Smith's inquiry regarding Pohukaina and the sale of bonds, finance Manager Darren Ueki stated that the application was about 50% completed, and pretty much on track.

Proposals for the Keahuolu Request for Proposals (RFP) are due at the end of November. In response to Director Wathen's inquiry regarding a feasibility analysis being done prior to a commitment, Project Manager Stan Fujimoto stated that it will not be done since developers are the ones that do the analysis and tell us what is needed in the marketplace per their proposals submitted.

In response to Director Smith's inquiry regarding the Villages of Leialii, Project Manager Stan Fujimoto explained that the Department of Health needs a permit from the State every five (5) years, and since the NPDES permit is expiring on November 6, an application has been submitted for coverage.

Director Wathen left the meeting at 12:15 p.m.

Acting Chairman Lawrence stated the Board still has a quorum and called for a motion to move into Executive Session. **V. EXECUTIVE SESSION**
12:18 p.m.

Director Kawamura moved, seconded by Director Larson.

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Acting Chairman Lawrence reconvened the Regular Meeting at 12:19 p.m.

RECONVENED
12:19 p.m.

Acting Chairman Lawrence stated that the Executive Session Meeting Minutes of September 13, 2007, was approved.

With no further discussion, Acting Chairman Lawrence called for a motion to adjourn.

VI.
ADJOURNMENT
12:20 p.m.

Director Kawamura moved, seconded by Director Smith to adjourn the meeting.

The motion was unanimously approved.

The Meeting adjourned at 12:20 p.m.

BETTY LOU LARSON
Secretary