

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 09, 2007  
IN THE CITY AND COUNTY OF HONOLULU, STATE OF HAWAII

The Board of Directors of the Hawaii Housing Finance and Development Corporation met for their Regular Meeting at 677 Queen Street, Suite 300, Honolulu, Hawaii, on Thursday, August 09, 2007, at 9:00 a.m.

Acting Chairman David Lawrence called the meeting to order at 9:12 a.m.

**CALL TO  
ORDER/  
ROLL CALL**

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

Excused: Director Charles King, Chairman  
Director Theodore E. Liu

Staff Present: Sandra Ching, Deputy Attorney General  
Janice Takahashi, Chief Planner  
Darren Ueki, Finance Manager  
Edward Sunada, Fiscal Manager  
Rick Manayan, Asset Manager  
Karen Seddon, Development Branch Chief  
Beth Hallinan, Project Coordinator  
Marlene Lemke, Real Estate Services Section Chief  
Chris Sadayasu, Project Manager  
Ryan Morita, Project Coordinator  
Scott Kami, Administrator Dept. of Budget and Finance  
Stan Fujimoto, Project Manager  
Marsha Umamoto, Secretary to the Executive Director  
Kent Miyasaki, Housing Information Specialist  
Cynthia Okubo, Property Management Coordinator  
Peter Nelson, Property Management Coordinator  
Merry Balatico, Acting Secretary to the Board

Guests: Matt Steinle, EAH Housing Inc.  
Mary Murtagh, EAH Housing Inc.  
Kevin Carney, EAH Housing Inc.  
Marvin Awaya, Pacific Housing Assistance Corp.  
D. Scott MacKinnon, Special Deputy Attorney General  
Rev. Bob Nakata, FACE  
Rod Tam, Councilman City & County  
Carol Anzai, Kukui Gardens  
Clifford Isara, Sonoda & Isara LLC. (CPA)  
Robert Faleafine, Property Manager: Urban Realty

Other: Jessica Perry, Court Reporter

Acting Chairman David A. Lawrence declared a quorum present.

**QUORUM**

Acting Chairman David A. Lawrence asked for a motion to approve the Meeting Minutes for July 12, 2007.

Director Wathen moved, seconded by Director Smith.

The motion was unanimously carried.

Acting Chairman Lawrence requested a motion to approve the discussion of Item III.A.

Director Smith moved, seconded by Director Kawamura to approve staff's recommendation to:

- A. Adopt Resolution No. 003, attached as Exhibit C, which provides for official intent with respect to the issuance of revenue bonds up to \$42,000,000 for the Kukui Gardens project, subject to:
  - 1. The terms and conditions attached hereto in Exhibit D of this For Action;
  - 2. Developer Fee limited to no greater than \$1,600,000.
- B. Authorize the Executive Director to undertake all tasks necessary to undertake the intent and purposes of this For Action.

Executive Director Dan Davidson introduced Darren Ueki, Finance Manager, to present Item III.A. Adopt Resolution No. 0003 Which Provides for Official Intent with Respect to the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds for the Kukui Gardens Project (TMK No. (1)1-7-26:07)

Mr. Ueki walked the Board through the For Action, noting that one of the reasons for requesting the adoption of the inducement resolution deals with recognizing the developer's expenditures. Federal guidelines governing the tax credit program enable the developer to be reimbursed for eligible expenditures made 60 days prior to the adoption of the resolution.

Further, if the Board adopts the resolution and the bond issue is determined to be feasible, staff will return at a later date for Board approval on the issuance, sale, and delivery of the bonds. Additionally, the bond issuance is subject to the approval of the Department of Budget and Finance, as well as the Governor.

In response to Director Kawamura, Mr. Ueki gave the Board a brief explanation of the proposed State's financial involvement in the Kukui Gardens Project.

Director Wathen recused himself from voting on the For Action, because he sits on the Housing Hawaii board with Kevin Carney from EAH Housing, which both lobbied very heavily to get legislation supporting the acquisition of Kukui Gardens approved. Additionally, because the property was not offered to other non-profits, he disagrees with the process of awarding Kukui gardens to only EAH.

Director Smith expressed concern with the developer fee and inquired about the role of Devine & Gong in this transaction. Mr. Ueki and Executive Director Davidson, clarified that this is a financial consulting firm, now a partner with EAH, Inc., and believe that they act as a developer in deals like this on the mainland.

Responding to the Board, Mr. Ueki explained that the replacement reserves for the project would be for long-term capital expenditures such as the replacement of the roof. Operating reserves deal with day-to-day operations to maintain and operate the project.

In addition, Mr. Matt Steinle, of EAH Housing Inc., clarified that currently there is no proposed figure for the operating reserves; however, it is typically three months of project expenditures.

**II.A.**  
**APPROVAL**  
**OF MINUTES**  
7/12/07  
Regular  
Meeting

**III.A.**  
**DISCUSSION**  
**AND/OR**  
**DECISION**  
**MAKING**  
Adopt Resolution  
No.003 Which  
provides for  
Official Intent with  
Respect to the  
Issuance of Hula  
Mae Multi-Family  
Tax-Exempt Revenue  
Bonds for the Kukui  
Gardens Project  
TMK No.(1)1-7-26:07

There being no further discussion, Acting Chairman Lawrence asked for a vote on the motion.

Majority Approved, Director Wathen abstained.

Acting Chairman Lawrence requested a motion to approve the discussion of Item III.B.

Director Smith moved and Director Wathen seconded a motion to approve staff's recommendation.

Project Manager Stan Fujimoto summarized the For Action, requesting an extension of the deadline for the approval of a revised financing plan for the project, from August 31, 2007 to March 31, 2008. He mentioned that the developer was scheduled to advertise for qualifications from contractors this Saturday as the first step in seeking sealed bids from qualified contractors in October 2007.

The developer's representative, Marvin Awaya, clarified that construction bids weren't solicited sooner because of the uncertainty of the timing for the building and foundation permits. Grading, pile, and foundation permits were now expected in September 2007.

The Board discussed the unit sizes, construction cost, density, easements, difficulty of the project, and the developer's perseverance. The project's proposed 2010 net rents of \$652/month for a 1-bedroom unit (at 50% and below the HUD median income), and \$805/month for a 1-bedroom and \$961/month for a 2-bedroom unit (at 60% and below the HUD median income) were also mentioned. (For gross rents, add \$110/month and \$140/month for 1-bedroom and 2-bedroom units, respectively.)

The Board also discussed the appropriateness of HHFDC's bond fee of 0.25% of the initial bond amount per year during operations where, as in this case, the bond amount is substantially reduced upon conversion to a permanent loan.

There being no further questions asked, Acting Chairman Lawrence asked for a vote and the motion was unanimously carried.

Acting Chairman Lawrence asked for a motion to approve the discussion of Item III.C.

Director Wathen moved, seconded by Director Los Banos.

Executive Director Dan Davidson introduced Rick Manayan, Asset Manager, to present Item III.C. Accept the Audited Financial Statement of Kekuilani gardens for the Fiscal Year ending June 30, 2006.

A short recess was taken.

Acting Chairman Lawrence requested a motion to approve the discussion of Item III. C.

Director Wathen moved, seconded by Director Los Banos, to approve staff's recommendation.

Asset Manager Rick Manayan summarized the For Action requesting the Board's acceptance of the Kekuilani Gardens Audit for the fiscal year ended June 30, 2006.

Mr. Manayan stated that corrective measures have been taken to dramatically reduce the account receivables and delinquencies, as well as vacancies. In addition, Mr. Manayan pointed out that with the Landlord-Tenant Code being followed, the eviction process can be completed within 90 days, thereby

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

Extension of  
Condition to  
Dwelling Unit  
Revolving Fund  
(DURF) financing  
for the Senior  
Residence at Iwilei  
Project, Iwilei, Oahu,  
Hawaii;  
TMK (1) 1-5-7:002

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

Accept the Audited  
Financial Statement  
of Kekuilani Gardens  
for the Fiscal Year  
Ended June 30, 2006.

**RECESS**

reducing the prior lengthy administrative eviction process.

Cynthia Okubo, HHFDC Property Manager, Robert Faleafine of Urban Land Management, and Clifford Isara, Auditor from Sonoda & Isara, were available for questions.

In response to Director Kawamura, Mr. Manayan concurred that each federally-funded financial statement would be reviewed annually, each requiring a separate, individual audit. Ms. Okubo added that Kekuilani Gardens is one of two USDA federally-funded projects in HHFDC's Private Property Management Portfolio, and therefore requires an independent audit.

In response to Director Toldeo's inquiry regarding the ability to filter bad applicants from acquiring housing with HHFDC during the application process, Mr. Manayan stated that all prospective tenants must agree to a credit report.

There being no further questions asked, Acting Chairman Lawrence asked for a vote and the motion was unanimously carried.

Acting Chairman Lawrence requested a motion to go into Executive Session to approve the discussions for Item III.D. and Item III.E.

Director Toledo moved, seconded by Director Wathen to go into Executive Session.

Director Kawamura moved for Item III.D., seconded by Director Los Banos.

Director Wathen moved for Item III.E., seconded by Director Los Banos.

Acting Chairman Lawrence reconvened the Regular Meeting of the Board with the Executive Director's Report.

Executive Director Davidson stated that he was available for questions on his report. He also stated that at the request of the Governor's office, he did a blog the previous day, participating on The Honolulu Advertiser's "Hot Seat" which was interesting. All types of questions, from the very basic to philosophical, were asked. Excerpts of his responses were to be printed in the upcoming Sunday Honolulu Advertiser.

Acting Chairman Lawrence commended Executive Director Davidson for his participation in the recent affordable housing workshop which HHFDC co-sponsored with the County of Maui to familiarize developers with HHFDC's development and financing tools. He also commended Executive Director Davidson and Development Branch Chief Karen Seddon for taking the time to fly out to Maui for this workshop.

In response to Acting Chairman Lawrence's inquiry regarding the Villages of Leiali'i, Belt Collins, DHHL, and OHA are eager to partner with HHFDC to develop the land.

Director Smith stated that the Board should take note of the following:

- Kahikolu Ohana Hale O Waianae has broken ground; a major accomplishment, both on the part of Staff as well as the faith-based groups that have been associated with it.
- Kauolu (Crown) has received notice to proceed.

The following were responses to inquiries raised by Director Smith:

- Regarding the East Kapolei II Planned Community, the proposals for the RFP

**EXECUTIVE SESSION**

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

Authorization to Increase the Salary of the Executive Director Pursuant to Chapter 201H, Hawaii Revised Statutes

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

Discussion on Composition of Evaluation Committees for Request for Proposals for Housing Related Projects.

**IV. REPORT OF THE EXECUTIVE DIRECTOR**

may change due to infrastructure costs which may be assessed to the developer for water and sewage drainage. HHFDC was notified of these costs after the RFP was issued.

- Development Branch Chief Karen Seddon responded that the lottery for the Nohona at Kapolei, will be held at the end of September. August 31, 2007 is the deadline for the receipt of applications.
- The Maili Self-Help Project had to re-describe their development with the City. They had submitted their 201H application to the Department of Planning and Permitting.
- Waiahole Valley – Housing Development Specialist Chris Sadayasu explained that HHFDC is still working with the Board of Water Supply to resolve the water system upgrade plan which will end up being very costly. Director Smith stated that HHFDC may have to re-look at our options if we cannot get the Board of Water Supply to agree to accept the water system.
- Hokulele Subdivision – A broker has been selected to market this property pending approval from the Attorney General’s office. However, the Department of Transportation has stated that they will need a portion of this land for roadway maintenance, so this parcel has been removed from sale until further notice.
- Villages of Kapolei – Although there still remains the question of infrastructure costs, and HHFDC is responsible for this cost since we do have the responsibility of maintaining the infrastructure, looking at the long-term project, Executive Director Davidson felt that this project is a success financially as well as in terms of our mission, and up to a thousand units will be added in the future.

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

Director Toledo moved, seconded by Director Kawamura.

That the meeting be adjourned at 12:20 p.m.

The motion was unanimously carried.



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BETTY LOU LARSON  
Secretary

**V.  
ADJOURNMENT**