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, FEBRUARY 12, 2009
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, February 12, 2009 at 9:00 a.m.

Chairman Charles King called the meeting to order at 9:02 a.m.

Present:
Director Charles King, Chairman
Director David A. Lawrence, Vice Chairman
Director Betty Lou Larson, Secretary
Director Georgina Kawamura
Director Linda Smith
Director Theodore E. Liu
Director Allan Los Banos, Jr.
Director Francis Jung
Executive Director Karen Seddon

Excused:
Director Ralph Mesick

Staff Present:
Sandra Ching, Deputy Attorney General
Craig Iha, Deputy Attorney General
Janice Takahashi, Chief Planner
Darren Ueki, Finance Manager
Rick Prahler, Development Branch Chief
Stan Fujimoto, Development Project Manager
Edward Sunada, Fiscal Manager
Lisa Wond, Planner
Dean Sakata, Housing Finance Specialist
Patrick Irouye, Housing Finance Specialist
Brian Davidson, Housing Finance Specialist
Byron Chock, Housing Finance Specialist
Jocelyn Iwamasa, Housing Finance Specialist
Kent Miyasaka, Housing Information Specialist
Esa Pablo, Secretary to the Board

Guests:
Kali Watson, Hawaiian Community Development Board
Mike Kahikina, Nanakuli Hawaiian Homestead Community Association
Wade Soares, Hawaii Coalition of Christian Churches
Micah Kane, Department of Hawaiian Home Lands
Marvin Awaya, Pacific Housing Assistance Corporation
Makani Maeva, Allied Pacific Development
Joelle Chiu, Allied Pacific Development
Terry Metcalfe, Metcalfe Construction

Chairman King declared a quorum present.

Chairman King permitted Mr. Kali Watson and other Hale Makana O Nanakuli supporters, thirty minutes to speak on behalf of their project. The Nanakuli Village Center brochure, Hale Makana O Nanakuli Conceptual Site Plan, and Regional Community Development Plan handouts were distributed to the Board members.
Director Smith inquired on the project’s challenges in terms of securing other funding sources. Mr. Watson stated that there were several attempts for funding with minimal success. Therefore, the project’s application was repackaged and funding mechanisms were reanalyzed, cutting down on developer fees and other anticipated expenses.

Chairman King asked Mr. Watson on their intent to reapply for the RHTF Project Award by the February 27, 2009 deadline. Mr. Watson responded that they will have to reapply, with another option being for the Board to fund the proposed project at the March 12, 2009 Board meeting.

Director Lawrence moved, seconded by Director Larson, to take a short recess.

Chairman King reconvened the meeting at 9:40 a.m.

Director Kawamura moved, seconded by Director Los Banos to approve the meeting minutes of January 8, 2009.

The motion was unanimously approved.

Chairman King noted The Courtyards at Mililani Mauka project thank you letter in the Board meeting packets.

Chairman King asked that Agenda Item III. E. be taken first on the meeting agenda.

Director Lawrence moved, seconded by Director Los Banos, to approve staff’s recommendation:

That the Hawaii Housing Finance and Development Corporation’s Board of Directors accept the audited financial statements for the fiscal year ending June 30, 2008 and authorize the Executive Director to finalize responses to management responses.

Fiscal Manager Edward Sunada presented the For Action, stating that there were no changes made to the financial statements for the fiscal year ended June 30, 2008, except for: (1) Footnote 16, being compliant with the Department of Accounting and General Services (DAGS), with contribution amounts of approximately $137,000 for Post Retirement Health Care and approximately $152,000 in Life Insurance Benefits for 2006 and 2007; and (2) The iHHFDC Management memo response to KMH LLP’s (KMH) Communication Letter, which concurs with KMH’s recommendation and notes that the HHFDC is in the process of developing a formalized approach to the risk management reviews of the Agency.

Mr. Sunada opened for questions.

In response to Chairman King’s inquiry regarding the HHFDC’s risk management review plan, Mr. Sunada stated that the proposed plan will be available for the Board’s review.

Chairman King asked Mr. John Quinn, with KMH, for any additional comments. Mr. Quinn stated that he believed Management’s response to be appropriate and is available for questions.

Director Larson inquired on the Government-Wide Financial Analysis regarding the total net assets balance. Mr. Quinn stated that the total net assets balance includes all of the Organization’s cumulative assets to date, with all liabilities being subtracted and noted that the reason for the large increase in the total net assets...
balance is primarily due to the Kukui Gardens transaction.

In response to Director Smith’s analogy, Mr. Quinn clarified that the total net assets balance is based on the historical cost basis of the Agency’s net assets and is not based on a market value assessment of the investment in housing since the Corporation’s existence.

The motion was unanimously approved.

Director Larson moved, seconded by Director Lawrence, to approve staff’s recommendation:

That the HHFDC Board of Directors approve the following:

A. Waive the RHTF Project Award requirement for a 100% Payment and Performance Bond for the General Contractor.

B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Finance Manager Darren Ueki presented the For Action, stating that the Lokahi Ka’u project (Project) is a 306-unit family project, located in Kailua-Kona, Hawaii.

Mr. Ueki provided background information on the Project, touching upon the following approvals made by the Board:

- December 13, 2007 - Resolution No. 088, providing for official intent with respect to the issuance of Hula Mae Multi-Family (HMMF) Bonds and a Low Income Housing Tax Credit (LIHTC) award in the amount of approximately $2,120,882 in Federal LIHTC and approximately $1,060,441 in State LIHTC.

- March 13, 2008 - Resolution No. 011, authorizing the issuance of bonds and an increase in the reservation of approximately $2,454,285 in Federal LIHTC and approximately $1,227,142 in State LIHTC.

- October 5, 2008 - a Rental Housing Trust Fund (RHTF) Project Award for $9.75 million in the form of an interim/permanent loan.

- November 13, 2008 - Resolution No. 016, authorizing the issuance of bonds, an increase in the Bond Cap allocation of up to $33.5 million, an increase in the RHTF Project Award loan amount to $11.75 million, and various amendments to the RHTF Project Award loan terms.


Due to the contraction in the credit market, the General Contractor, Metcalf Construction, was unable to obtain a 100% Payment and Performance Bond for the vertical construction. The HHFDC had suggested to the Developer, Allied Pacific Development LLC, and the General Contractor, to seek as an alternative, a Materials Bond, which proved to be unsuccessful. Therefore, Ho’olehua Housing, LP, the Partnership, is requesting a waiver of the RHTF Project Award requirement and is closing the Bond transaction without a 100% Payment and Performance Bond.

However, the Bond Underwriter/Servicer (Citibank N.A.) and the LIHTC syndicator (Boston Capital) have accepted two Stand-by Letters of Credit
amounting to 10% of the vertical construction contract, with the Trustee (U.S. Bank) as the beneficiary.

The U.S. Bank is able to call on the Stand-by Letters of Credit upon failure of the General Contractor. The HMMF Bonds’ Construction Reimbursement Agreement requires that any proceeds from the Stand-by Letters of Credit can only be used towards the completion of the Project.

Mr. Ueki noted that the Stand-by Letters of Credit are set to expire on December 1, 2009, with an automatic 1-year renewal provision.

The Contractor for the Project’s site work has been able to provide a 100% Payment and Performance Bond.

The Project’s completion would be reliant upon Citibank N.A., of which the entity will be responsible for the following: (1) drawing on the Stand-by Letters of Credit; (2) finding a replacement contractor; and (3) paying any outstanding obligations to the subcontractors and any associated costs related to the failure of the General contractor.

Citibank N.A. and the Developer estimates that the maximum exposure of unpaid construction costs resulting from the failure of the General Contractor is one month, totaling approximately $1.4 million in vertical construction costs. An additional $250,000 per month is estimated for costs associated with delays in finding a replacement of a general contractor.

In the assumption that there is only a one month delay in finding a replacement general contractor, there will be approximately $1.45 million in the Stand-by Letters of Credit to cover any premiums that a replacement general contractor may charge to take over a project that is already in progress.

Mr. Ueki noted that the Project Budget also contains a $1,777,850 hard cost contingency to cover any additional project overruns.

Mr. Ueki opened for questions, along with Ms. Makani Maeva, with Allied Pacific Development.

Director Jung stated that his law firm represents a subcontractor in this Project and therefore will be recusing himself from voting or participating in any discussion on this matter.

Ms. Maeva thanked the Board and staff for all their hard work and provided the Board with an update on the Project’s progress, noting the following anticipated timeline schedule: (1) February 24, 2009: the first set of walls for Building 15 will be in place, followed by Buildings 17 and 18; (2) August 2009: occupancy of Buildings 15, 17, and 18; (3) March 31, 2009: deadline for tenant applications; and (4) April 4, 2009: a lottery will be held.

Ms. Maeva added that the Contractor has chosen to secure $3.1 million in cash with First Hawaiian Bank and Merrill Lynch. The $3.1 million is to be utilized for any potential problems that the Project may run into, in addition to the hard cost contingency.

Director Lawrence inquired on the amount of the site work contract. Ms. Maeva stated that the site work contract is approximately $6.4 million, with the vertical construction contract being approximately $32 million, which is 10% of the entire contract.

Director Lawrence inquired on the Board’s ability to waive the RHTF Project
Award requirement. Mr. Ueki stated that in prior discussions with Counsel, staff was instructed to seek the Board's approval.

Chairman King commented that a 100% Payment and Performance Bond was difficult to obtain. Ms. Maeva concurred, stating that with the contraction of the credit market, a 100% Payment and Performance Bond is very difficult to obtain. Mr. Terry Metcalf, with Metcalf Construction, added that with the stimulus plan surfacing, the industry would probably start to move towards using Letters of Credit.

Chairman King inquired on the outcome, if the Board should choose to rebuff this For Action. Mr. Ueki stated that the HHHFDC would not be able to close the RHTF loan, leaving the Developer in a position where construction on the Project would cease and the bonds would be in default.

Director Kawamura inquired on Section III.H. of the For Action. Mr. Ueki responded that the responsibilities of Citibank are established in the actual bond documents itself. Ms. Maeva indicated that in Section 6.4 of the Reimbursement Agreement, it states that Citibank will draw on the Stand-by Letters of Credit.

Mr. Ueki reiterated that the construction reimbursement agreement specifically states that the Stand-by Letter can only be used for construction purposes.

In response to Director Kawamura’s inquiry regarding the waiver being the first of its kind, Mr. Ueki concurred.

The motion was approved, with Director Jung and Director Kawamura abstaining.

Director Jung moved, seconded by Director Los Banos, to approve staff’s recommendation:

That the HHHFDC Board of Directors approve the following:

A. Waive the requirements of Resolution No. 088 and accept an appraisal ordered by the borrower.

B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Mr. Ueki presented the For Action, stating that the Senior Residence at Kapolei 2 project (Project) is a 20-unit elderly project, located in Kapolei, Oahu.

On June 12, 2008, the Board approved a Rental Housing Trust Fund Project Award to the Pacific Housing Assistance Corporation (PHAC) for the development of the Project in the loan amount of approximately $850,000 and approximately $250,000 in the form of a grant.

The Project contains U.S. Department of Housing and Urban Development (HUD) Section 202 program funds and subsides. The HUD Section 202 Capital Advance is a grant program for the construction of the new affordable elderly housing. Under HUD’s guidelines, the Project is subject to repayment, should the project cease to be operated. The HUD Section 202 also has a rent subsidy program that subsidizes the difference between the published rent and 30% of the tenant’s income.

The Project’s estimated construction timeline is as follows: (1) Construction Start Date - Prior to April 30, 2009; (2) Project Completion of the last building - February 2010; and (3) Occupancy - March 2010.

The Project applied for building permits in October 2008 and anticipates permits to
be issued sometime this month, with its final commitment for the HUD 202 funds in March 2009.

The HUD 202 funding commitment is set to expire on April 30, 2009. The expiration of this commitment would jeopardize the ability of this Project to proceed, being that the HUD 202 program funds 75% of the Project’s costs, as well as operating subsidies.

The RHTF Project Award has a statutory 100% Loan to Value requirement. Staff recommends that the 100% Loan to Value requirement of Resolution No. 088 be waived.

Mr. Ueki opened for questions.

Director Lawrence inquired on the 100% Loan to Value requirement. Mr. Ueki clarified that the For Action should state “up to” a 100% Loan to Value requirement.

Director Lawrence inquired on the group of appraisers. Mr. Ueki explained that nine out of ten RHTF Project Awards contain other financial sources, which require an appraisal. In the event that there is no other funding source, the HHFDC would procure an appraisal. However, due to State Procurement issues, staff has consulted with Counsel, who has in return, instructed staff to seek the Board’s approval to waive the appraisal requirement.

Director Jung inquired on the State Procurement process for procuring an appraisal. Mr. Ueki stated that there is a protracted procurement process that the HHFDC would need to follow. The intent of having an appraisal is to ensure that the HHFDC is not financially exposed. In this case, although the HHFDC would be exposed by approximately $1.1 million, there is sufficient value to cover the 100% Loan to Value ratio, with HUD providing the majority of the funding for the Project. Deputy Attorney General Sandra Ching clarified that the requirement to order an appraisal is a condition set forth in the Board Resolution. Therefore, it is the Board’s decision to either waive or amend that particular requirement within the Resolution.

Director Jung complemented the HHFDC staff and Counsel for handling such procedural difficulties efficiently.

The motion was unanimously approved.

Director Kawamura moved, seconded by Director Lawrence, to approve staff’s recommendation:

That the HHFDC Board of Directors approve the conveyance of Lots 269 (Map 60) and 65-B-3-B (Map 1150) to the Hawaii Public Housing Authority for the benefit of the adjacent Kamalu and Hoolulu Elderly Housing Projects substantially as described in this For Action, and authorize the Executive Director to take all actions necessary to effectuate the purpose of this For Action, subject to approval of the conveyance documents by the Department of the Attorney General.

Development Project Manager Stan Fujimoto stated that this is a housekeeping For Action for the Kau‘oulu Properties Development in Waipahu, Oahu. The developer of the Plantation Town Apartments project received final subdivision approval from the City and County of Honolulu (C&C), thus creating three remnant lots.

Lot 270 is the maintenance access ramp to the Wailani Stream and the deed for this lot was sent to the C&C in January 2009. Lots 269 and 65-B-3-B are used as the parking lot for the Hawaii Public Housing Authority’s (HPHA) Hoolulu Elderly

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Housing project.

Currently, the HHFDC is maintaining Lots 269 and 65-B-3-B at approximately $400 per month.

Lots 269 and 65-B-3-B were offered to the Department of Accounting and General Services (DAGS). However, DAGS indicated that they were not interested. Through discussions with HPHA, the HHFDC understands that these Lots will be presented to the HPHA Board next week for approval.

This For Action seeks the Board’s approval for conveyance of Lots 269 and 65-B-3-B to the HPHA, As-Is, and as substantially discussed in this For Action.

Mr. Fujimoto opened for questions.

There being no further discussion, the motion was unanimously approved.

Director Lawrence moved, seconded by Director Smith, to approve staff’s recommendation:

That the HHFDC Board of Directors:

A. Approve the proposed amendment, as described in item III.C. above and the attached Exhibit A, “Addendum to the State of Hawaii Consolidated Plan Action Plan for Program Year 2008-2009”; and

B. Authorize the Executive Director to undertake all tasks necessary to submit and implement the proposed amendment to the State of Hawaii’s Consolidated Plan, Action Plan for Program Year 2008-2009.

Planner Lisa Wond stated that this For Action seeks the Board’s approval to amend the State of Hawaii Action Plan for Program Year 2008-2009 (2008 Action plan) to include pre-award language for the HOME Investment Partnership (HOME) program.

For Program Year 2008-2009, the State received $3,013,027 in HOME funds, of which approximately $989,345 is allocated to each of the Counties, with the remaining $45,000 being retained with the HHFDC, Administrator of the HOME program.

The HOME regulations allow participating jurisdictions, such as the State of Hawaii, to incur costs, which may be charged to the HOME allocation after the award of the HOME allocation but before the effective date of the HOME Investment Partnership Agreement. Any pre-award costs are limited to 25% of the HOME allocation amount and will help the Counties to avoid the interruption of service and/or projects supported by HOME funds.

On May 8, 2008, the Board approved the 2008 Action Plan, setting forth the planned uses for the Emergency Shelter Grant, Housing Opportunities for Persons with AIDS, and the HOME programs.

This For Action seeks the Board’s approval to amend the 2008 Action Plan by formally including the pre-award language for the HOME program and in future annual action plans.

Ms. Wond opened for questions.

Chairman King inquired whether the inclusion of the pre-award language would

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III. D. DISCUSSION AND/OR DECISION MAKING

Approve an Addendum to the State of Hawaii’s Consolidated Plan, Action Plan for Program Year 2008 - 2009, to Permit Pre-awards of up to Twenty-five Percent of the HOME Investment Partnerships Program Allocation.
expedite the awarding process for the HOME program. Ms. Wond clarified that the pre-award regulation would not speed up the process, but rather allows the Counties to draw up to 25% of the allocated funds after the HOME allocation is awarded and before the effective date of the HOME contract with the State.

Director Kawamura asked for clarification on staff’s recommendation. Ms. Wond stated that with the pre-award language added into the 2008 Action Plan, the Counties would be able to incur HOME-eligible activity costs prior to entering into the HOME Investment Partnership Agreement. Housing Finance Specialist Brian Davidson clarified that any HOME-eligible activity costs that were incurred by the Counties between the time of the HOME allocation award and the Agreement could be reimbursed.

Director Smith inquired on the anticipated lag time between the awarding of the HOME allocation and the signing of the Agreement. Mr. Davidson stated that the lag time is approximately three months.

Director Smith inquired if there was consultation with Counsel as to whether the State allows an awardee to incur costs in advance of a signed contract. Deputy Attorney General Sandra Ching stated that she was not aware of that issue and could look into the matter.

Director Kawamura inquired whether pre-awards are permitted by HUD. Mr. Davidson stated that the pre-awards are allowed by HUD.

The motion was unanimously approved.

Chairman King opened for discussions on the Report of the Executive Director, touching upon the Hale Makana O Nanakuli project’s (Nanakuli Project) presentation by Mr. Kali Watson.

Chairman King noted for the Board Directors that he had previously met with Senator Clayton Hée, along with Executive Director Karen Seddon, Chief Planner Janice Takahashi, Finance Manager Darren Ueki, and Mr. Watson, regarding the Nanakuli Project and called on Mr. Ueki to address the issues.

Mr. Ueki reported that the Nanakuli Project is one of six projects that were submitted in June 2008. Each project was scored based on the Rental Housing Trust Fund (RHTF) criteria and tiered into two categories: tier one projects include those with commitments of tax credits, HUD, or USDA financing, with all other projects falling into tier two. With none of these forms of financing included in the project’s application, the Nanakuli Project was categorized in tier two.

Due to the softness of the tax credit market and overall challenges of the economy, HHFDC became concerned that the previously awarded projects might be impacted financially. At that point, staff suggested that additional gap financing through the RHTF could be an option.

Dependant on the number of applications received by projects with existing commitments as first priority, all remaining projects in tier two would be eligible to reapply for RHTF monies by the February 27, 2009 deadline and remain on the Approved List. The Board could then award a project at any point until the next list is approved in April.

However, the Applicant for the Nanakuli Project feels that that they are project-ready and would be able to start construction within 60 to 90 days of the RHTF award. With building permits and other essential items still pending, staff estimates an approximate 12 to 18-month timeline for commencement of the project.
Therefore, due to the lack of project-readiness of the Nanakuli Project, staff has decided to delay new awards until all applications received are reviewed and projects with existing commitments are accounted for.

Chairman King noted the Revenue Bond Issuance - Staff Analysis attachment, in reference to the Finance Branch Monthly Status Report, encouraged by Senator Hee.

Mr. Ueki reported that during the 2001 Legislation, when conveyance taxes and support by the Legislature were at an all time low, the HHFDC received authorization to issue bonds of up to $30 million. To implement at this time with an interest rate of 8.10% over 20-years, the total amount of the loan would cost approximately $61 million. Staff believes it to be untimely at this point, unless otherwise directed by the Board.

Director Larson suggested that an informational chart be composed as a tool to assist the Board in making decisions on proposed projects. Mr. Ueki stated that staff will have something in place by the March Board Meeting.

Chairman King inquired on the Nanakuli Project receiving funding once the applications are received by the February deadline. Mr. Ueki clarified that depending on the demand of RHTF requests received by projects with existing commitments, the Nanakuli project may be eligible for a recommendation to the Board and possibly receive RHTF funding in April.

Director Larson inquired on the Nanakuli Project preference for “Hawaiians,” as stated in their presentation. Mr. Ueki stated that the Nanakuli Project’s application was scored based upon a “family” project to the general public, having no preference towards “Hawaiians” or any specific ethnic background indicated in the Applicant’s application.

Director Smith inquired on commitments made by the legislature for the Nanakuli Project. Mr. Ueki stated that there were none.

In response to the Board’s inquiries in reference to the activities of the executive director, Executive Director Seddon reported on the following:

- HPHA has prepared a Draft Request for Proposal (RFP) for the Kuhio Park Terrace renovation and revitalization project.

- There were discussions with Senator Clayton Hee regarding the need to replace the waterline in Waiahole Valley. Senator Hee was informed that approximately $4 million from the Dwelling Unit Revolving Fund (DURF) will be used to pay for the waterline infrastructure.

Director Larson inquired on funding for the Riverside Apartments. Executive Director Seddon stated that the Riverside Apartments and the Nanakuli Project, are both dependent upon the application requests received and available funding from the RHTF.

Director Lawrence inquired on the 2009 Legislation Status Report, Exhibit “C.” Ms. Takahashi reported on the following:

Administration Bills:

- HB1043/SB861 Reduces the period over which state Low-Income Housing Tax Credits are taken from 10 years to 5 years. The house bill is alive; SB861 is dead but the contents of the bill were inserted into SB1118.
HB1044/SB 862 - Enables the HHFDC to collect the value of shared appreciation equity and other restrictions when an affordable housing property is publicly sold through a foreclosure. Requires a written notification within 45-days of intent to foreclose on properties encumbered by such priority liens and both bills are alive.

HB1045/SB863 - Makes necessary housekeeping amendments to Chapter 201H, Hawaii Revised Statutes and clarifies the HHFDC’s authority to impose service fees to recoup program administrative expenses. Both bills are alive.

Many bills originating from the Governor’s Regulatory Barriers Task Force are moving in the House and Senate. The proposed bills would expedite government reviews for mixed-use housing (including transit-oriented development) and related infrastructure projects; provide time limits for issuance of county ministerial permits, as well as dedication of public infrastructure; establish affordable housing receiving zones; and facilitate third-party reviews of affordable housing projects.

Other bills would provide additional resources to support the provision of affordable housing including G.O. bond appropriations for the RHTF and DURF; increasing the amount of conveyance taxes for the RHTF with or without increasing the rate of the conveyance tax; and requiring developers to provide a larger percentage of housing units in their developments as affordable housing.

Staff is monitoring bills relating to public or ceded lands and has provided comments to the AG’s office, which is the lead for these bills.

Director Jung inquired on the proposed legislative bill regarding board meeting participation, particularly with respect to neighbor island participants. Executive Director Seddon stated that SB906 is not specifically related to housing and therefore, is not tracked within the distributed 2009 Legislature Report but will be added to the report. Director Smith noted that the proposed proposition was made by the administration as one of seventy-seven measures. The proposed bill allows the Public and board members to participate via teleconference, voice of internet protocol, audio, and in other forms of modern communication technology. The proposed bill has received strong support from the disabled community due to the participation challenges they are faced with access.

Director Jung expressed appreciation for the proposed bill as a neighbor island member, stating that the proposed bill would cut down on expenses not only to the State, but individually as well.

Ms. Takahashi addressed SB265, which requires the HHFDC Board of Directors to provide public notice, conducting a public hearing to allow public comment prior to the development of any affordable housing project.

Director Smith commented that the SB265 could damper projects coming through, stating that there are many opportunities for the public’s input throughout the approval process.

Director Larson commented that the neighborhood board system seems to be a much more effective way to inform the community and receive public input.

Chairman King inquired on HB236. Ms. Takahashi stated that the proposed bill has not yet been scheduled for hearing.

Director Larson inquired on the delinquency and foreclosure rates reflected in the Finance Branch Status Report. Mr. Ueki stated that the increase in delinquencies and foreclosure rates are primarily due to a decrease in loans that the Corporation
Director Larson inquired on the status of the Holomua project. Development Branch Chief Rick Prahler stated that the main concerns of the neighboring projects have been addressed and the project was approved by the City Council.

Director Smith inquired on the completion of the Dwelling Unit Revolving Fund (DURF) loan agreement for the Holomua project. Mr. Prahler stated that the DURF loan agreement is currently in progress.

Director Smith inquired on DURF funded projects. Executive Director Seddon stated that the Holomua, Kamakana at Keahulu, and the Senior Residence at Iwilei projects are approved by the Board for DURF funds. A DURF agreement for the Senior Residence at Iwilei is unable to be written until a Capital Improvement Project request is approved by the Legislature. The draft DURF agreements for the remaining projects are currently in progress and a summary of the DURF loan progress will be available at the next Board meeting.

With no further business on the Agenda, Director Lawrence moved, seconded by Director Larson, to adjourn the meeting at 11:23 a.m.

BETTY LOU LARSON
Secretary