

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, JANUARY 10, 2013  
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, January 10, 2013, at 9:00 a.m.

Chairman Ralph Mesick called the meeting to order at 9:00 a.m.

**CALL TO  
ORDER/  
ROLL CALL**

Present: Director Ralph Mesick, Chairman  
Director Allan Los Banos, Vice Chairman  
Director Betty Lou Larson, Secretary  
Director Michael Ng  
Director Francis Jung  
Director Leilani Pulmano  
Director Paul Kyno

Executive Director Karen Seddon

Excused: Director Kalbert Young  
Director Richard Lim

Staff Present: Sandy Ching, Deputy Attorney General  
Janice Takahashi, Chief Planner  
Darren Ueki, Finance Manager  
Rick Praher, Development Branch Chief  
Galen Lee, Fiscal Manager  
Stuart Kritzer, Asset Manager  
Stan Fujimoto, Development Section Chief  
Marlene Lemke, Real Estate Services Section Chief  
Dean Sakata, Housing Finance Specialist  
Lorraine Egusa, Budget Analyst  
Kent Miyasaki, Housing Information Specialist  
Esa Pablo, Secretary to the Board

Guests: Harry Sanders, Castle & Cooke  
Bruce Barrett, Castle & Cooke  
Carleton Ching, Castle & Cooke  
Robert Foggio, Morgan Stanley  
James McIntyre, Morgan Stanley  
Adam Aranda, Morgan Stanley  
Donn Nakamura, Accuity LLP  
Sean Nakamura, Accuity LLP  
Andrew Reenders, CBRE  
Andy Kazama, CBRE

A quorum was present.

Vice Chair Los Banos stated that he did not attend the December 13, 2012 Board Meeting and asked that the attendance list be corrected accordingly.

Director Kyno moved, seconded by Vice Chair Los Banos, to approve the Meeting Minutes of December 13, 2012.

The motion was unanimously approved, as amended.

**QUORUM**

**II. A.  
APPROVAL  
OF MINUTES  
12/13/12  
Regular  
Meeting**

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Chair Mesick announced that approval of the October 11, 2012 Executive Session Minutes would be taken later in the meeting.

Director Kyno moved, seconded by Director Los Banos, to approve staff's recommendation:

That the HHFDC Board of Directors approve the set aside of lands to HHFDC for the balance of the Villages of Leiali'i project and for the Water System improvements for the Villages of Leiali'i project, TMK (2) 4-5-021: 004 (por.), 005 (por.), 013, 022, (por.), 023 (por.), and TMK (2) 4-5-028: 070, and 081, substantially as described in this For Action, and the Executive Director shall be authorized to take all actions necessary to effectuate the purpose of this For Action, subject to the following:

- A. Subdivision of the boundaries for Phase B and the applicable Water System improvements;
- B. Concurrence by DHHL for the set aside of lands for the Water System improvements at TMK (2) 4-5-021:023;
- C. Approval and conditions of the Board of Land and Natural Resources; and
- D. Compliance with all laws and rules, and such other terms and conditions as may be required by the Executive Director.

Development Section Chief Stan Fujimoto presented the For Action, stating that the HHFDC is the Master Developer of the Villages of Leiali'i (Project), a planned community in Lahaina, Maui.

To further register the HHFDC's interest in the Leiali'i lands and to minimize future acquisition by other agencies, HHFDC would like to acquire title of the State lands for the rest of the Project.

Director Pulmano recused herself from voting on this item due to her company's involvement with the Project.

In response to Director Larson, Executive Director Seddon stated that:

- 1. The Department of Land and Natural Resources is holding the requested lands for the set aside to the HHFDC.
- 2. There are no definite timelines; however, discussions with the Office of Hawaiian Affairs and the Department of Hawaiian Home Lands are ongoing, with the HHFDC inching closer towards the objective of issuing a Request for Proposal for the Project.

With no further discussion, the motion was unanimously approved, with Director Pulmano recusing.

Development Chief Rick Prahler presented the For Action, stating previous project facts of the Villages of Kapolei (VOK) with regard to Castle & Cooke Homes Hawaii, Inc. (CCHHI)'s request for the HHFDC to waive its consent requirements for Castle & Cooke, Inc (C&CI) to pledge the stock of its Master Credit Facility and for CCHHI to mortgage the following for sale residential development lots under the Development Agreements dated December 1, 2005 and September 19, 2007:

- 1. One lot in Village 5 of the VOK, TMK 9-1-016:145 (Nohona).
- 2. Four lots in Village 6 of the VOK, TMK 9-1-016:196, 198, 200, and 201

**II. B.**  
**APPROVAL**  
**OF MINUTES**  
10/11/12  
Executive Session

**III. A.**  
**DISCUSSION**  
**AND/OR**  
**DECISION**  
**MAKING**  
Approve Set Aside of Mauka Lands, Lands for Water System and Remnant Parcels to Hawaii Housing Finance and Development Corporation for the Villages of Leiali'i in Lahaina, Maui, TMK Nos.: (2) 4-5-21: 004 (Portion), 005 (Portion), 013, 022 (Portion), and 023 (Portion); (2) 4-5-028: 070 and 081

**III. B.**  
**DISCUSSION**  
**AND/OR**  
**DECISION**  
**MAKING**  
Discussion and Possible Action Requested by Castle & Cooke Homes Hawaii Inc., to Waive the Hawaii Housing Finance and Development Corporation's

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(Kealakai).

3. Six lots located in the Village Center of the VOK, TMK 9-1-016: 214 to 219 (Commercial lot and Nohona III)

By waiving its consent, HHFDC will not be allowed to determine the successor purchaser in the event of a foreclosure. However, with CCHHI's track record staff is confident that the properties will be sold by the end of the 2013 calendar year and deliver the units.

Present were President Harry Sanders and Executive Vice President Bruce Barrett from CCHHI.

In response to Chair Mesick, Executive Director Seddon stated that although there are no guarantees, the chances of having the properties foreclosed on between now and the end of 2013 is rather slim.

In response to Chair Mesick, Mr. Sanders clarified that the Mortgage Facility has a 2-year timeframe and would not require them to come back to the Board if there were unsold units remaining in early 2015. With 25 units in escrow and 93 units remaining, sale of the properties are projected to be completed by the end of 2013.

Director Pulmano made a motion, seconded by Vice Chair Los Banos, to approve the waiver of the HHFDC consent requirements on a one time basis. Subject to other terms and conditions deemed necessary and acceptable by the Executive Director.

The motion was unanimously approved.

Director Jung was not present for discussion and therefore, did not vote on Item B.

Chair Mesick proceeded to Agenda Item C.

Director Jung moved, seconded by Vice Chair Los Banos, to approve staff's recommendation:

That the HHFDC Board of Directors accept the audited financial statements for the fiscal year ending June 30, 2012.

Fiscal Manager Galen Lee presented the For Action, stating that the Audited Financial Statements for fiscal year ending June 30, 2012 were completed on time.

Accuity LLC Auditors Donn Nakamura and Sean Nakamura were introduced.

The Agency's total assets are approximately \$1.07 billion as of June 30, 2012, as a result of key activities within the Rental Housing Trust Fund, Multi-Family Revenue Bonds Fund, and the Dwelling Unit Revolving Fund.

In reference to the Government-Wide Statement of Activities Years Ending June 30, 2012 and 2011 comparison in Exhibit A, page 7, Mr. Lee stated that the Corporation remains a billion dollar agency.

In reference to Moody's Investors Service's rating of the Corporation, page 10, of Exhibit A, Mr. Lee stated that Moody's Aaa rating has been consistent for the past 2 years. Mr. Ueki added that the bond ratings of the Federal Government were downgraded and no other entity should be rated higher than the Government.

With no further discussion, the motion was unanimously approved.

Consent Requirements  
As to Kapolei  
Properties Placed  
Under a Master Credit  
Facility, Located in  
Kapolei, Oahu, TMK  
Nos.: (1) 9-1-016: 145  
(Nohona); (1) 9-1-016:  
198, 200, 201, and 202  
(Kealakai); (1) 9-1-016:  
214 (Commercial Lot);  
And (1) 9-1-016:215 to  
219 (Nohona III)

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

Accept the Audited  
Financial Statements  
of the Hawaii Housing  
Finance and Develop-  
ment Corporation for  
Fiscal Year Ended  
June 30, 2012

Chair Mesick proceeded to Agenda Item D.

Housing Finance Specialist Dean Sakata presented the For Information, providing the Board with the program facts on the Hula Mae Single Family Mortgage Program (Hula Mae Program).

The HHFDC is currently reviewing the refunding of approximately \$43 million in outstanding bonds (bond series of 1998 A, B, and C, 2000 A, and 2002 A & B (Bond Series)) though the public issuance of approximately \$27 million in taxable bonds and approximately \$25 million in cash withheld within the indenture associated with the Bond Series, at an estimated interest rate of 2.50% (Taxable), using the Mortgage Backed Securities (MBS) pass-through bond structure.

The advantage of using taxable bonds is that they are not subject to tax-exempt bond restrictions, providing more flexibility in the Hula Mae Program that will result in an increased spread of approximately 2.20% from a -0.61% interest paid.

Applying the funds held in the Hula Mae indenture associated with the Bond Series is anticipated to reduce exposure to eroding credit quality of repurchase agreements from foreign counter parties and by redeeming bonds, mitigate negative arbitrage.

The HHFDC is also considering paying off \$2 million in whole loans from its indenture as an asset to hold as an investment of the indenture or the Corporation. Research is ongoing.

The tentative schedule for the bond issuance is as follows:

1. February 14, 2013 Recommendation to the Board
2. February 27, 2013 Mail Out Preliminary Official Statement
3. March 27, 2013 Closing/Bond Issuance Date

The HHFDC's Underwriters from Morgan Stanley were noted present and introduced as Mr. Adam Aranda, Mr. Robert Foggio, and Mr. James McIntyre.

In response to Chair Mesick, Mr. Sakata stated that based on the analysis report completed by CSG Advisors, the HHFDC is looking at a present value of approximately \$4 million over time.

With no further discussion, Chair Mesick proceeded to the Report of the Executive Director.

Executive Director Seddon reported that budget meetings have commenced.

Director Larson reported on the following:

1. The Environmental Group and Housing Advocates are working together in proposing a bill that would increase the conveyance tax for the Rental Housing Trust Fund to 50% and increase the conveyance tax on properties over \$2 million.
2. Senator Chun Oakland is proposing \$30 million per year, for the biennium, into the Rental Housing Trust Fund.
3. An Affordable Housing Taskforce under HHFDC is being proposed, which duplicates the work of the State Taskforce Committee on Affordable Housing.
4. A community meeting is in the process of being scheduled with the Hawaii Public Housing Authority (HPHA) to discuss its plan to service

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

Status of Hula Mae  
Single Family Mort-  
gage Program's  
Refunding Bond Issue

**IV.  
REPORT  
OF THE  
EXECUTIVE  
DIRECTOR**

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those under the 30% of the area median income with the amount of resources available.

Executive Director Seddon stated that there are also bills that are targeting the 9% Low Income Housing Tax Credits for the rehabilitation of HPHA projects. However, rehabilitation projects should use 4% tax credits as modeled in the rehabilitation of the Kuhio Park Terrace (KPT) project, which is completed and fully rented.

Chairman Mesick stated that he would be interested in having someone report on the KPT project and have a site visit. Executive Director Seddon stated that a tour of the project could be arranged for the Board.

Attorney General Sandra Ching stated that a planned site visit would need to be placed as an item on the meeting agenda.

In regard to the Qualified Allocation Plan (QAP), Chairman Mesick stated that the Finance Subcommittee will be meeting immediately after this board meeting to further discuss and anticipates reporting back to the Board at the February 14, 2013 Board Meeting.

Director Kyno thanked Executive Director Seddon for the CohnResnick report, "The Low-Income Housing Tax Credit Program at Year 25: An Expanded Look at its Performance," stating that he found it to be very helpful. Executive Director Seddon added that our presumptions are sometimes different from the actual statistics.

Director Larson expressed concern in the lesser amount of points for the affordability period of 61 years within the QAP. Chairman Mesick noted that many acquisition/rehabilitation projects are requesting new subsidies well before the 61 years. Executive Director Seddon added that statistics show that most tax credit projects remain affordable even when they are no longer under affordable restrictions.

Director Larson stated that a well planned project could last 60 years and more.

With no further discussion, Chairman Mesick referred back to the approval of the Executive Session minutes of October 11, 2012, which was moved by Director Kyno and seconded by Director Jung.

The motion was unanimously approved.

Chairman Mesick called for a motion to adjourn the meeting.

Director Jung moved, seconded by Vice Chair Los Banos, to adjourn the meeting at 9:45 am.

The motion was unanimously approved.

BETTY LOU LARSON  
Secretary

**II. B.**  
**APPROVAL**  
**OF MINUTES**  
10/11/12  
Executive Session

**V.**  
**ADJOURNMENT**