

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, APRIL 8, 2010
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, April 8, 2010, at 9:00 a.m.

Vice Chairman David Lawrence called the meeting to order at 9:00 a.m.

**CALL TO
ORDER/
ROLL CALL**

Present: Director David Lawrence, Vice Chairman
Director Betty Lou Larson, Secretary
Designee Scott Kami for Director Georgina Kawamura
Designee Pearl Imada Iboshi for Director Theodore Liu
Director Linda Smith
Director Ralph Mesick
Director Allan Los Banos

Executive Director Karen Seddon

Excused: Director Georgina Kawamura
Director Theodore Liu
Director Francis Jung

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 Section Chief
Marlene Lemke, Real Estate Services Section Chief
Cynthia Okubo, Acting Asset Manager
Patrick Inouye, Housing Finance Specialist
Mavis Masaki, Planner
Lisa Wond, Planner
Beth Malvestiti, Development Project Coordinator
Kent Miyasaki, Housing Information Specialist
Esa Pablo, Secretary to the Board

Guests: Charles King, former HHFDC Board Director
Dr. Jim Anthony, Hawaii-La'ieikawai Association, Inc.
Kali Watson, Hawaiian Community Development Board
Liz Char, Hawaii Community Reinvestment Corporation
John Quinn, KMH, LLP
Robin Freitas, KMH, LLP
Dawn Wasson, Ko'olauloa Neighborhood Board

Vice Chairman David Lawrence noted a quorum present and stated that the agenda will be rearranged to accommodate the events of today's meeting schedule.

QUORUM

Director Mesick moved, seconded by Director Smith, to approve the Meeting Minutes of March 11, 2010.

**II. A.
APPROVAL
OF MINUTES**
3/11/10
Regular
Meeting

Prior to Section V. Adjournment, Deputy Attorney General Sandra Ching asked that the minutes reconfirm that all three Executive Session Minutes of February 11, 2010 were approved.

The motion was unanimously approved.

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The approval of the Executive Session Minutes of March 11, 2010 was postponed to the end of the meeting.

Director Mesick moved, seconded by Designee Kami, to approve staff's recommendation:

That the HHFDC Board of Directors adopt Resolution No. 024 expressing appreciation to Charlie King.

Chief Planner Janice Takahashi presented the For Action, noting former Chairman Charles King's years of exceptional service on the Housing and Community Development Corporation of Hawaii (HCDCH) and the HHFDC Boards.

Ms. Takahashi summarized Resolution No. 024, which stated the Board's accomplishments under the direction of Mr. King, also providing his business experience and involvement in voluntary community activities, through which he brought a unique perspective and balance to the Board.

With no further discussion, the motion was unanimously approved.

Vice Chairman Lawrence read and presented Mr. King with a Commendation from the State of Hawaii Governor Linda Lingle and Lieutenant Governor James "Duke" Aiona, Jr.

Executive Director Karen Seddon presented Mr. King with an "Affordable Creator" LEGO home building kit and wished him luck.

Mr. King thanked the Board and HHFDC staff.

Vice Chairman Lawrence asked for a motion to recess.

Designee Kami moved, seconded by Director Los Banos, to recess the meeting at 9:06 a.m.

The motion was unanimously approved.

The meeting was reconvened at 9:15 a.m.

Director Mesick moved, seconded by Director Larson to elect a successor officer to fill the Chairperson position until the next annual meeting due to the resignation of Chairperson Charles King.

Designee Kami nominated Vice Chairman David Lawrence, to serve as the Chairman of the HHFDC Board, until the next Annual Board meeting on July, 8 2010.

The motion was unanimously approved.

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

That the HHFDC Board of Directors approve the expenditure of up to \$1.2 million in DURF Funds for the construction of the Large Capacity Cesspool Remediation project at the Jack Hall Memorial Housing project including all on-site improvement, existing cesspool remediation and necessary tie-ins to the

**II. B.
APPROVAL
OF MINUTES**

3/11/10
Executive
Session

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

Approve Resolution
No. 024, Expressing
Appreciation to
Mr. Charles G. King.

RECESS
9:06 a.m.

RECONVENED
9:15 a.m.

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

Election to Fill the
Chairperson with a
Successor Officer for
the Remainder of the
Vacant Term until the
next Annual Meeting
due to the Resignation
of Chairperson Charles
King.

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

Approve the
Expenditure of DURF
funds for Remediation

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existing La'ilani trunk line, substantially as described in this For Action, as well as authority to negotiate a final settlement amount as to the EPA fines, subject to the following:

- A. Availability of DURF funds; and
- B. The Executive Director shall be authorized to take all actions necessary to effectuate the purposes of this action, including the negotiation and execution of future loan, settlement, and other documents.

Development Branch Chief Rick Prahler noted that any discussion regarding settlement offers may want to be addressed in executive session. Deputy Attorney General Iha clarified and reiterated that if the Board wishes to seek the advice of its attorney on matters dealing with the Jack Hall Memorial Housing (Project) remediation plan, then convening in executive session would be advised.

The Board proceeded with the presentation.

Mr. Prahler presented the For Action, restating the background information on the Project previously provided in a For Information presented at the February 11, 2010 Board Meeting.

The Project has requested permission from the United States Department of Agriculture (USDA) to spend \$400,000 of its reserves for the construction of the remediation project. A Capital Needs Assessment is necessary in order for the Project to increase its rents to pay for the remediation work.

An estimated \$1.2 million in preliminary construction costs were provided by the Project.

Therefore, staff is requesting that the Board approve an expenditure of up to \$1.2 million in Dwelling Unit Revolving Fund (DURF) funds for the construction of the remediation project.

In addition to raising its tenants' rents for the payment of the remediation work, the Project anticipates to repay HHFDC by using its \$400,000 in reserves, with any remaining balance being paid through a long-term DURF loan.

Executive Director Seddon stated that the sooner the HHFDC is able to address this matter, the lower the cost of the fines will be. Director Smith concurred.

In response to Director Larson, Mr. Prahler stated that the \$1.2 million is anticipated to be returned to the DURF; however, the \$1.2 million amount does not include costs generated for the design work of the remediation project, which was paid through funds the Hawaii Public Housing Authority (HPHA) controls.

In response to Chairman Lawrence, Mr. Prahler stated that the only requirement of the State was to provide the design of the new sewer system, which the HPHA had completed, with construction costs being the responsibility of the Project. However, because the Project is subject to USDA requirements, approval would have to be received before they could commit to the necessary remediation work. Since HHFDC, the landowner, is responsible for any United States Environmental Protection Agency (EPA) fines imposed, this For Action will allow HHFDC to move forward while the details of the repayment plan are being approved.

Director Kami commented that staff should explore other forms of payment available for the remediation work for the Project, like the AG's Settlement Bill (ATG-1) submitted to the Legislature each year. Deputy Attorney General Craig Iha stated that he did not believe that the settlement would need to go through the ATG-1 Bill process and recommended that the Board convene in executive session to further discuss its funding options.

Work and Settlement
Related to the United
States Environmental
Protection Agency's
mandated closure of
thirteen Large Capacity
Cesspools at Jack Hall
Memorial Housing
Project Located in
Kailua-Kona, Hawaii,
TMK No.:
(3) 7-4-017: 030.

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In response to Director Larson, Executive Director Seddon reiterated that any further discussion on the status of the settlement would need to be convened in executive session; however, the Board will be informed once a settlement is determined.

The motion was unanimously approved.

Mr. Prahler presented the For Information on the Waiahole Valley Agricultural Park & Subdivision Lots 48 and 49, (Waiahole Valley Lots) noting that the Mark Family, the Lessors, entered into the lease agreement prior to the State's attainment of the Waiahole Valley Lots in 1977.

On February 22, 2000, the lease for the Waiahole Valley Lots were purchased by the Hawaii-La'ieikawai Association, Inc. (HLA), which paid a lease rent of \$1,890.72 per year. As of February 1, 2008, a renegotiated lease was established, showing an appraised market value of \$540,000 and a stipulated 6% return, thereby increasing the lease rent up to \$32,400 per year, which was agreed upon by the HLA's attorney in September 2009.

The HLA then made an agreement of sale with the Friends of Samoa Organization, (FOS) who took over the lease in 2004.

Due to the FOS's inability to pay its lease rent payments, the HLA has filed a foreclosure complaint against the FOS.

The HHFDC has met with Dr. Jim Anthony, the executive director of HLA. A payment offer was received by the HHFDC in February 2010, in which HLA proposed an 8-year repayment plan of the approximately 2 year's worth of delinquent rents. However, the HHFDC corresponded that those terms were unacceptable.

The HHFDC met again with Dr. Anthony on March 16, 2010, in which Dr. Anthony requested to speak before the Board; hence, the purpose for this For Information.

Mr. Prahler called upon Dr. Anthony, who informed the Board on the events that lead to its current situation and proposed that the Board consider directing staff to terminate the existing lease and renegotiate an arrangement that is consistent with current leases within the Waiahole Valley surroundings.

In response to Director Smith, Dr. Anthony clarified that the foreclosure hearing will be held on April 21, 2010.

Director Smith inquired on HLA's intent for the property, should the foreclosure action become complete. Dr. Anthony stated that HLA would have the option to either renegotiate with the HHFDC, as stated, or breach its lease contract.

In response to Chairman Lawrence, Dr. Anthony stated that the HLA has no interest in obtaining the Waiahole Valley Lots, other than to protect its investments.

In response to Director Larson, Executive Director Seddon stated that the HHFDC's intent is to avoid losing additional funds on properties the Corporation owns, and therefore, leases are being reviewed and eviction notices are being distributed to those who decline to comply with their leases.

Executive Director Seddon added that the HLA proposed an 8-year term of repayment for the delinquent rents and HHFDC has proposed a counteroffer of a 1-year repayment, which has now been rejected.

In response to Director Smith, Deputy Attorney General Iha stated that he did not believe the HLA to have additional assets other than the Waiahole Valley Lots.

III. E. DISCUSSION AND/OR DECISION MAKING

For Information
Regarding the
Renegotiated Lease
Rent and Amount in
Arrears for Waiahole
Lots 48 & 49,
TMK Nos.:
(1) 4-8-12: 020 &
(1) 4-8-12: 030.

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With no further discussion, Chairman Lawrence proceeded to agenda Item III. C.

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

That the HHFDC Board of Directors approve the following:

- A. Extend the RHTF Project Award LOI to April 30, 2011, subject to the requirements as set forth in the For Action dated April 9, 2009.
- 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 Hale Makana O Nanakuli Affordable Rental (Project) consists of 48 family units, located in Nanakuli, Oahu.

In June 2008, the Hawaiian Community Development Board (Applicant) submitted a consolidated application for the following: (1) \$7,100,000 million in Hula Mae Multi-Family (HMMF) Bonds; (2) \$509,313 in federal and \$254,659 in state Low Income Housing Tax Credits (LIHTC); and (3) \$5,700,587 million in a Rental Housing Trust Fund (RHTF) loan.

In April 2009, the Board approved the Applicant's request for \$7,100,000 in HMMF Bonds and \$509,313 in federal and \$254,659 in state LIHTC. However, due to the availability of RHTF funds, the Board only awarded \$1.9 million out of the \$5,700,587 million requested.

Mr. Ueki noted a correction, that in November 2009, the Nanakuli Kauhale Development, LP (Partnership) submitted a consolidated application for an increase to their RHTF loan "of" \$2.5 million and not "to" \$2.5 million as stated in the For Action.

The Project's proposed Financing Structure, Budget and Use of Funds, and the estimated construction timeline were cited.

Staff has evaluated the Partnership's request for an extension based on the progress made on three milestones of: (1) Site Control - The Project has site control; (2) Zoning Approvals - Although the property site is zoned R-5 Residential, it is on Hawaiian Homelands and is exempt from zoning requirements; and (3) Financing Commitments - The Partnership has received HHFDC awards for 4% LIHTC, HMMF Bond Cap, and RHTF.

Mr. Ueki noted that due to the LIHTC equity shortfall and receiving only \$1.9 million in RHTF awarding, the Partnership sought other sources of financing and has been able to secure the following commitments: (1) a United States Department of Agriculture (USDA) 515 loan of \$559,979; (2) \$1.6 million in HOME Investment Partnership program (HOME); and (3) a verbal commitment of \$143,135 in Alaska Native/Native Hawaiian Institutions Assisting Communities, Department of Urban Housing and Development grant.

Mr. Ueki opened for questions along with Mr. Kali Watson, on behalf of the Project.

In response to Chairman Lawrence, Mr. Watson explained that the estimated \$3.8 million financing gap has been reduced to approximately \$2.2 million due to commitments received from the mentioned entities and noted that the USDA 515 loan amount is actually \$1 million, not \$559,979. Housing Finance Specialist Patrick Inouye clarified that the \$559,979 USDA 515 loan amount is the funding that the project will receive during the construction period, with the remaining balance being received once construction is completed.

Chairman Lawrence congratulated Mr. Watson on the Project's progress.

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

Approve an Extension to the Rental Housing Trust Fund Letter of Intent for the Hale Makana O Nanakuli Affordable Rental Project Located in Waianae, Oahu, TMK Nos.: (1) 8-9-002: 001 & 067.

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The motion was unanimously approved.

Director Mesick moved, seconded by Designee Iboshi, to approve staff's recommendation:

That the HHFDC Board of Directors approve the following:

- A. Amend the For Action dated April 9, 2009 issuing an Inducement Resolution for the Hale Makana O Nanakuli project by extending the deadline to issue HMMF Bonds to April 30, 2011.
- 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 request before the Board is to approve an extension to Resolution No. 020, which provides for official intent with respect to the issuance of HMMF tax-exempt revenue bonds for the Hale Makana O Nanakuli Affordable Rental (Project).

Mr. Ueki opened for questions along with Mr. Kali Watson, on behalf of the Project.

In response to the Board, Mr. Ueki stated that the proposed April 30, 2011 extension date is anticipated to be adequate in meeting the proposed construction schedule.

Director Smith inquired on permitting requirements, such as environmental assessments and environmental impact statements, being exempt due to the Project being on Hawaiian Homelands. Mr. Ueki clarified that the Department of Hawaiian Homelands has its own requirements, but the Corporation's programs have requirements that must be met regardless of the Hawaiian Homelands exemptions.

In response to Director Larson, Mr. Inouye explained that under the USDA Rental Assistance Program (Program), tenants would pay 30% of their qualified income, with the remaining rental balance being covered by the USDA. The Program will cover all tenant units within the Project.

The motion was unanimously approved.

Director Smith was excused from the meeting at 10:10 a.m.

Director Mesick moved, seconded by Director Larson, to approve staff's recommendation:

That the HHFDC Board of Directors accept the audited financial statements for the fiscal year ending June 30, 2009.

Ms. Takahashi presented the For Action, stating that the HHFDC Audited Financial Statements are complete, introducing Mr. John Quinn, and Mr. Robin Freitas, of KHM, LLC, and acknowledged Chief Accountant Pauline Wong, who has worked with the auditors and provided them with the information needed.

Ms. Takahashi noted a repeat finding from last year's audit and stated that the HHFDC anticipates addressing its finding by September 2010, assuming that the fiscal manager position is filled by June 2010.

In response to the Board, Mr. Quinn stated that the repeated finding is more a matter of informing the HHFDC of a potential risk for a large audit adjustment due to the nature of the Corporation dealing with significant estimates, which are being operationally addressed. However, once the fiscal manager position has been filled, the HHFDC should eventually incorporate those significant estimates into the financial statements that will enable such adjustments to be recognized

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

Approve an Extension to Resolution No. 020, Which Provides for Official Intent with Respect to the Issuance of Hula Mae Multi-Family Tax Exempt Revenue Bonds for the Hale Makana O Nanakuli Affordable Rental Project Located in Waianae, Oahu, TMK Nos.: (1) 8-9-002: 001 & 067.

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

Accept the Audited Financial Statements of the Hawaii Housing Finance and Development Corporation for the Fiscal Year Ended June 30, 2009.

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from an accounting perspective.

The motion was unanimously approved.

Chairman Lawrence proceeded to the Report of the Executive Director.

Executive Director Seddon reported that HHFDC has been working aggressively to fill its fiscal manager position as well as addressing its audit responsibilities as best as possible under the circumstances. Such substantial dollar amounts, due to the nature of the Corporation's business, will be explored and addressed accordingly, keeping in mind that the investments of the Corporation are not always returned in dollar form, but in affordable units.

In response to the Board, Ms. Takahashi reported on the following updates of the 2010 Legislation Session:

1. April 8, 2010 is the second crossover, with one Administrative Bill alive regarding the monetization of the LIHTC.
2. Senate Bill 2111 has enrolled to the Governor, which requires acceptance of the dedication of infrastructure in affordable housing projects by the counties, within 60 days of the acceptance of a complete application for dedication to council.
3. The Senate has incorporated \$1 million in its budget bill version regarding the RHTF budget, with the House version incorporating \$10 million.
4. Act 176, requires HHFDC to conduct public hearings to sell in fee-simple lands. All of HHFDC's Resolutions are progressing through the legislative process.
5. House Bill 2845, related to the Act 176 process, exempts the fee-simple resale of individual dwellings on non-ceded public lands that are repurchased or foreclosed by the HHFDC. Differences between the House and Senate versions of the bill at this time are the "effective dates."
6. HHFDC congratulates Director Los Banos, who was confirmed on April 1, 2010, extending his term to June 30, 2014.

In response to Director Larson, Ms. Takahashi concurred that state projects on non-ceded land will still need to go through the Legislature process and noted that the HHFDC will be meeting with the Office of Hawaiian Affairs regarding ceded lands.

7. Senate Bill 2402 temporarily suspends the exemptions for certain persons and certain amounts of gross income or proceeds from the general excise tax and requires the payment of the tax at a one-half of one per cent rate. Effective July 1, 2010 to June 30, 2015.

With no further discussion, Chairman Lawrence reverted to the approval of the Executive Session Minutes of March 11, 2010.

Director Larson moved, seconded by Director Los Banos.

The motion was unanimously approved.

Director Larson announced that she will be retiring from the Catholic Charities Hawaii, effective June 1, 2010; however, will continue to serve on the HHFDC Board.

**IV.
REPORT
OF THE
EXECUTIVE
DIRECTOR**

**II. B.
APPROVAL
OF MINUTES**
3/11/10
Executive
Session

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

Chairman Lawrence congratulated Director Larson and called for a motion to adjourn.

Designee Kami moved, seconded by Director Los Banos, to adjourn the meeting at 10:27 a.m.

The motion was unanimously approved.



BETTY LOU LARSON
Secretary

V.
ADJOURNMENT