

**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 12, 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, August 12, 2010, at 9:00 a.m.

Chairman David Lawrence called the meeting to order at 9:02 a.m.

**CALL TO  
ORDER/  
ROLL CALL**

Present: Director David Lawrence, Chairman  
Director Ralph Mesick, Vice Chairman  
Director Georgina Kawamura  
Director Linda Smith  
Director Francis Jung  
Director Allan Los Banos

Executive Director Karen Seddon

Excused: Director Theodore Liu  
Director Betty Lou Larson, Secretary

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  
Marlene Lemke, Real Estate Services Section Chief  
Galen Lee, Fiscal Manager  
Cynthia Okubo, Acting Asset Manager  
Patrick Inouye, Housing Finance Specialist  
Byron Chock, Housing Finance Specialist  
Jocelyn Iwamasa, Housing Finance Specialist  
Ken Takahashi, Development Project Manager  
Beth Malvestiti, Development Project Coordinator  
Lorna Kometani, Housing Sales Coordinator  
Kent Miyasaki, Housing Information Specialist  
Esa Pablo, Secretary to the Board

Guests: R.J. Martin, Green Homes at Lualualei  
Ardis Shaw, Green Homes at Lualualei  
David Murphy, Green Homes at Lualualei  
Roy Katsuda, Hale Mahaolu  
Robyne Nishida Nakao, Hale Mahaolu  
Byron Ooka, Lokenani Hale

A quorum was present.

**QUORUM**

Director Smith moved, seconded by Director Los Banos, to approve the Meeting Minutes of July 8, 2010.

**II. A.  
APPROVAL  
OF MINUTES  
7/8/10  
Regular  
Meeting**

The motion was unanimously approved.

Chairman Lawrence noted Director Larson's absence.

This item was removed from the agenda.

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

That the HHFDC Board of Directors (1) approve the Proposed Green Homes at Lualualei, Affordable, For-Sale, Single Family, CPR Project, (2) certify Pacific Island Investments LLC as an Eligible Developer, and (3) approve the project for processing under the Provisions of Chapter 201H, HRS, including the exemptions proposed in Pacific Island Investments LLC 201H Application, as amended, subject to the following conditions:

- A. Coordination by the Developer with the appropriate utility agency for the payment of any deferred wastewater fees, water fees, and facility charges.
- B. Other terms and conditions as may be required by: (1) statutes; (2) administrative rules; and (3) the Office of the Executive Director; and
- C. Developer's successors and assigns are subject to prior approval of Executive Director.
- D. The Executive Director is authorized to take all actions necessary to effectuate the purpose of this For Action.

Chairman Lawrence inquired on the amendment made to this For Action. Development Project Coordinator Beth Malvestiti stated that the recommendation was amended to include the certification of Pacific Island Investments LLC (Developer) as an eligible developer for the proposed Green Homes at Lualualei (Project).

Ms. Malvestiti proceeded and presented the For Action as amended, stating that the Project offers fee-simple ownership at affordable prices to families at or below the 140% of the Department of Housing and Urban Development (HUD) area median income (AMI). The Project has minimized its infrastructure and amenity costs by its choice of location, having the Project developed near existing public utilities, shops, restaurants, parks, and public transportation.

An overview of Exhibits A through D were discussed and cited.

In a letter dated June 1, 2009, the Department of Planning and Permitting (DPP) informed the Project that it did not meet the minimum standards of the City and County of Honolulu's (City's) 201H application of providing the minimum 50-unit requirement and a non-profit developer.

Therefore, staff is requesting that the Board approve the Project, certifying the Developer, and approve the project for processing under the provisions of the HHFDC's Chapter 201H, including the exemptions proposed by the Developer.

Ms. Malvestiti opened for questions, introducing Mr. RJ Martin, representing the Project.

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

Approve an Amendment to the Terms and Conditions of a State Loan to the Kukui Gardens Makai Project Located in Honolulu, Oahu, TMK No.: (1) 1-7-026: 053

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

Approve the Proposed Green Homes at Lualualei, Affordable, For-Sale, Single Family, Condominium Project Regime (CPR) project, TMK Nos.: (1) 8-7-33: 011 and 022 and the Certification of Pacific Island Investments LLC, as an Eligible Developer for Processing Under the Provisions of Chapter 201H, Hawaii Revised Statutes, including exemptions proposed in Pacific Island Investments LLC 201H Application, as amended.

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

Director Jung inquired on the practicality of providing a 7-bedroom affordable housing unit. Mr. Martin explained that because there are larger families in the Waianae community, the intent was to provide the option of maximum flexibility to the homebuyer(s) and does not necessarily mean that a 7-bedroom unit will be built.

In response to Director Kawamura, Mr. Martin stated that the Project's entry-level 3-bedroom/2-bath home (1152 square feet) model, asking price is currently starting around \$330,000. As construction bids come in, unit costs will be adjusted.

In response to Director Smith, Mr. Martin stated that there is no final dollar amount for a bank loan at this point; however, the Developer currently has a letter of intent from a bank and anticipates returning to the HHFDC for Dwelling Unit Revolving Fund (DURF) for gap financing.

In response to Director Smith, Mr. Martin stated that at this point there are no impact fees anticipated from the Board of Water Supply or Department of Education.

In response to Director Smith, Ms. Malvestiti stated that the main risks, as with any developer, would be the unforeseen circumstances of the future economic market and permanent financing.

Director Smith inquired on the flexibility that the HHFDC 201H process would provide to the Project. Mr. Martin stated that the HHFDC 201H process would help in facilitating the permitting and design process, avoiding the lengthy process of seeking cluster approval and meeting unnecessary design elements.

In response to Director Kawamura, Mr. Martin assured that there is market interest, especially from the residents of the Waianae community.

In response to Chairman Lawrence, Mr. Martin explained that there are several developments being built, but none that really serve the residents, thus, wanting to build something affordable and sustainable, providing a lower cost of living at a higher quality.

In response to Director Smith, Mr. Martin stated that if approved, the next steps will be to ensure that the Project's preliminary design is complete, with submittal of the plans and 201H application to the City Council in September 2010 with ground breaking anticipated in the Spring of 2011.

In response to Chairman Lawrence, Mr. Martin stated that the estimated cost of the Project is \$6.2 million, which includes infrastructure and vertical costs.

The motion was unanimously approved.

Development Branch Chief Rick Prahler stated that this For Information addresses the Board's request for additional data from the For Action presented at the May 13, 2010 Board Meeting for the Lokenani Hale (Project).

Mr. Prahler recapped the Project's background and introduced Mr. Roy Katsuda and Ms. Robyne Nishida Nakao from Hale Mahaolu, the entity assisting the Wailuku Senior Living, LP (Project Owner) in getting the Project financially back on track.

A Dwelling Unit Revolving Fund (DURF) loan was approved for \$2.235 million to take out the first mortgage with Central Pacific Bank (CPB) and support essential improvements within the Project.

In response to Chairman Lawrence, Mr. Prahler stated that the outstanding CPB loan balance is \$1.95 million.

**III. C.  
DISCUSSION  
AND/OR  
DECISION  
MAKING**  
Information on the Dwelling Unit Revolving Fund Interim Loan for the Lokenani Hale Affordable Elderly Rental Housing Project Located in Wailuku, Maui, TMK No.: (2) 3-4-012: 045.

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

Mr. Prahler provided an overview of Exhibits A through C, addressing the Project’s current operating proforma based on DURF and Rental Housing Trust Fund financing and the assumptions used to create the first two exhibits.

In response to Chairman Lawrence, Mr. Katsuda stated that the assumptions do include the savings that will occur with individualized meters installed within the units. However, the revised area median income (AMI) assumptions are not included, but would positively affect the Project’s cashflow—pending approval of a change in the agreement with the State’s Attorney General, Limited Partners, and the HHFDC.

In response to Director Kawamura, Mr. Katsuda stated that the Project has been advertised; however, because of the 50% AMI condition, many seniors are eligible but cannot afford the monthly payments.

Mr. Prahler noted that staff did evaluate the terms and conditions of the CPB loan and found additional collateral terms that will be included in the DURF loan agreement with HHFDC.

With no further discussion, Chairman Lawrence thanked Mr. Katsuda for coming.

Director Jung asked for a five-minute recess.

Chairman Lawrence recessed the meeting at 9:40 a.m.

The meeting was reconvened at 9:45 a.m.

Executive Director Seddon introduced Acting Property Manager Cynthia Okubo and Fiscal Manager Galen Lee to answer questions regarding this For Information pertaining to the Management Letter and staff’s responses that were pending from the July 8, 2010 Board Meeting, regarding the approval of the Kekuilani Gardens Audit Statement.

In response to Chairman Lawrence, Executive Director Seddon stated that the necessary data input is being addressed, with no fines or penalties from the U.S. Department of Agriculture (USDA). Mr. Lee added that new auditors have been selected to start next month on the Kekuilani Gardens financial statement audit for fiscal year 2010.

In response to Chairman Lawrence, Ms. Okubo turned to Chief Planner Janice Takahashi, who stated that the USDA projects Kekuilani Gardens and Nani O Puna were developed or acquired with HHFDC resources.

Director Smith commented that the Hawaii Public Housing Authority has allowed other entities to purchase and manage projects like the Kekuilani Gardens, to process out of the “landlord” position, which in essence, would allow the HHFDC to focus exclusively on the process of affordable housing development.

With no further questions, Chairman Lawrence proceeded to the Report of the Executive Director.

Director Smith inquired on the American Recovery and Reinvestment Act of 2009 (ARRA) Oversight Commission meeting. Executive Director Seddon stated that there were no major concerns about the programs raised by the Commission.

Director Los Banos, Chair of the DURF Subcommittee, commended staff for an outstanding job, not having realized all the work involved in putting a development project together before it is presented to the Board. The following staff were recognized: Development Branch Chief Rick Prahler, Finance Manager Darren Ueki, Development Section Chief Stan Fujimoto, Housing Finance Specialist Patrick Inouye, and Chief Planner Janice Takahashi.

**RECESS**  
9:40 a.m.

**RECONVENED**  
9:45 a.m.

**III. D.  
DISCUSSION  
AND/OR  
DECISION  
MAKING**  
Information on the Management Letter for the Approved Audited Financial Statement of Kekuilani Gardens for the Fiscal Year Ended June 30, 2009.

**IV.  
REPORT  
OF THE  
EXECUTIVE  
DIRECTOR**

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

In response to Director Kawamura, Director Los Banos stated that there will be another DURF Subcommittee meeting scheduled.

Chairman Lawrence proceeded to the Report of the Low Income Housing Tax Credit (LIHTC) Subcommittee.

Director Jung, Chair of the LIHTC Subcommittee, thanked Directors Lawrence, Smith, and Larson and the HHFDC staff for their time, consideration, and observations. Director Jung reported that the Subcommittee concluded that the existing criteria do not favor preservation over new construction and therefore, revisions are not required. However, the Subcommittee discussed whether Criterion #6 should be eliminated and decided to bring the matter up with the full Board for further discussion.

Chairman Lawrence commented that historically, there have not been many preservation projects and felt that Criterion #6 did not favor acquisition/rehabilitation over new construction. Chairman Lawrence added that Criterion #6 should be left in place, and acquisition/rehabilitation should be encouraged when available, being a sound economical way to preserve affordable units.

Chairman Lawrence asked if there was anything to report on the DURF Subcommittee.

Director Los Banos, chair of the DURF Subcommittee, stated that more information is needed from staff in terms of how the DURF funds have been allocated and the level of risk to the HHFDC. The Subcommittee anticipates having another meeting.

Chairman Lawrence commented on Director Mesick's remarks made at the DURF Subcommittee Meeting regarding the composition of the DURF loan portfolio. Director Mesick elaborated, stating that on a transactional level, staff does a great job. However, there could be more planning in terms of HHFDC's mission and what we want to accomplish and how the DURF fund would help us to do that. Director Mesick added that the Subcommittee also talked about setting aside a reserve in the DURF fund.

Chairman Lawrence commended Director Los Banos for doing an outstanding job as chair of the DURF Subcommittee. Director Los Banos stated that it was due to the support from the Board members and staff.

Chairman Lawrence asked for a motion to convene in Executive Session.

Director Kawamura moved, seconded by Director Los Banos, to convene in Executive Session at 10:00 a.m., pursuant to Section 92-5(a)(4) to consult with the board's attorney on questions and issues pertaining to the board's powers, duties, privileges, immunities, and liabilities.

The motion was unanimously approved.

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V. REPORT OF THE LOW INCOME HOUSING TAX CREDIT AWARD SUBCOMMITTEE

VI. EXECUTIVE SESSION Discussion and Possible decision to accept Settlement Terms with the United States Environmental Protection Agency (Region IX) Consent Agreement and Final Order (Docket No. UIC-AO-2005-0011) pertaining to the Closure of thirteen Large Capacity Cesspools at the Jack Hall Affordable Housing Project, Located in Kailua, Kona, Hawaii, TMK No.: (3) 7-4-017: 030.

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

The Board reconvened into Regular Session at 10:17 a.m.

With no further business on the agenda, Director Smith moved, seconded by Director Mesick, to adjourn the meeting at 10:18 a.m.

The motion was unanimously approved.



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BETTY LOU LARSON  
Secretary

VII.  
ADJOURNMENT