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, JUNE 14, 2012 IN THE CITY AND COUNTY OF HONOLULU, STATE OF HAWAI'I

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, June 14, 2012, at 9:00 a.m.

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

Present:
Director David Lawrence, Chairman
Director Ralph Mesick, Vice Chairman
Director Betty Lou Larson, Secretary
Director Michael Ng
Director Francis Jung
Director Paul Kyno
Designee Luis Salaveria for Director Kalbert Young
Designee Mary Alice Evans for Director Richard Lim
Executive Director Karen Seddon

Excused:
Director Allan Los Banos
Director Kalbert Young
Director Richard Lim

Staff Present:
Sandra Ching, Deputy Attorney General
Colette Honda, Deputy Attorney General
Janice Takahashi, Chief Planner
Darren Ueki, Finance Manager
Rick Prahler, Development Branch Chief
Galen Lee, Fiscal Manager
Marlene Lemke, Real Estate Services Section Chief
Stan Fujimoto, Development Section Chief
Dean Sakata, Housing Finance Specialist
Patrick Inouye, Housing Finance Specialist
Byron Chock, Housing Finance Specialist
Jocelyn Iwamasa, Housing Finance Specialist
Brian Davidson, Housing Finance Specialist
Lorna Kometani, Housing Sales Coordinator
Lorraine Egusa, Budget Analyst
Kent Miyasaka, Housing Information Specialist
Esa Pablo, Secretary to the Board

Guests:
Darlene Osorio, Big Island Housing Foundation
Guy Nakamoto, Waiahele Valley
Harriet Nakamoto, Waiahele Valley
Dr. Jim Anthony, Representative of the Nakamotos
Joe Michael, Pacific Development
Dave Michael, Pacific Development
Keith Stanley, Horizon Development Consulting LLC
Eddie Ontai, Catholic Charities Housing Development Corporation
Gene Slater, CSG Advisors
Stacy Sur, Hawaii Housing and Finance
Doug Bigley, Urban Housing Communities LLC
Marvin Awaya, Pacific Housing Assistance Corporation
Kali Watson, Hawaiian Community Development Board
Patti Barbee, Hawaiian Community Development Board
A quorum was present.

Director Larson moved, seconded by Director Mesick, to approve the Meeting Minutes of May 10, 2012.

The motion was unanimously approved.

No action was taken on the Executive Session Meeting Minutes of May 10, 2012.

Development Branch Chief Rick Prahler presented the For Information pursuant to the request received by Lessees Guy and Harriet Nakamoto to address the Board on this matter.

Mr. Prahler stated that annual inspections are done for all agricultural lessees to track compliance, which is encouraged to be maintained. A map showing the location of the lot was cited. An inspection of the property by Mr. Prahler, Real Estate Services Section Chief Marlene Lemke, and Development Inspector George Narca, was completed last week.

Mr. Prahler introduced the Nakamotos and their representative, Dr. Jim Anthony, a public interest advocate, who wished to speak on behalf of the Nakamotos.

Dr. Anthony provided background information on the history of the lot and stated that he felt the Staff submittal to the Board was entirely inadequate and failed to disclose details of the “hostile” nature of half the land not being suitable for agriculture; and therefore, suggested that the following be taken into consideration by the Board: (1) withdrawal of the June 29, 2012 eviction date; and (2) the set aside of the 33.5% of agricultural income.

Chairman Lawrence stated that this is rather a unique situation; however, with the understanding that this is not a decision-making agenda item, the Board will consider all input presented by the Nakamotos and Staff.

In response to the Board, Mr. Prahler, Ms. Lemke, and Executive Director Karen Seddon noted the following:

1. The Nakamotos have received non-compliance letters over the past 10 years with violations and it has always been the HHFDC’s practice to follow the terms of the lease in contacting lessees for annual inspections and requesting compliance. The only evictions that have occurred were to those involved in illegal activities.

2. Attached to each of the leases is the Declaration of Restrictive Covenants (Declaration) that was recorded in 1995. These covenants were the result of a community effort and were agreed to and signed in 1998 by the lessees. Any changes to the Declaration will require 75% concurrence of all lessees.

3. The Declaration was recorded in 1995 on all properties and leases were executed in 1998. Title to the lands along the Waiahole Valley Road was
given to the HHFDC in the late 1970’s by way of a purchase from the Marks Estate. The Waiahole Homestead Road lands were transferred to the HHFDC, from the Department of Land and Natural Resources, in the early 1990’s.

Chairman Lawrence stated that apparently things have changed since the execution of the Declaration and suggested that the conditions of the Declaration be looked at and discussed with the entire Waiahole community; not just based on this one case.

With exchanges of gratitude, Chairman Lawrence proceeded to Agenda item C.

Director Mesick moved, seconded by Director Jung, to approve Staff’s recommendation:

That the HHFDC Board of Directors approve the following:

A. Extend the Rental Housing Trust Fund (RHTF) Project Award Letter of Intent (LOI) and the Rental Assistance Revolving Fund (RARF) Project Award LOI to March 31, 2013, subject to the requirements set forth in the For Action dated September 11, 2011.

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

Housing Finance Specialist Jocelyn Iwamasu presented the For Action, stating that the request before the Board is for a 9-month extension to the RHTF LOI for the Mohouli Heights Senior Neighborhood Phase I (Project), located in Hilo, Hawaii.

Project facts from August 2011 through September 2011 were briefly noted.

On September 21, 2011, the Project accepted the letters of the RHTF loan and RARF award, anticipated to close by June 30, 2012. However, the Project submitted a request to extend both the RHTF and RARF letters of intent on May 14, 2012.

The Project has received its grading permit, with building permits pending Disability and Communication Access Board (DCAB) approval.

Site work started in March 2012 and is ongoing, with Project completion estimated in September 2013.

Staff has evaluated the Project’s extension request based on site control and zoning approvals, which has been obtained; and financial commitments, in which the Project continues to work with the U.S. Department of Housing and Urban Development (HUD) to close their HUD 202 loan with the HHFDC for the sale of the Low Income Housing Tax Credit (LIHTC).

Staff opened for questions, along with Mr. Keith Kato, the Developer of the Project.

In response to the Board, Mr. Kato noted the following:

1. HUD 202 loan documents are being finalized. Upon approval of the loan documents, the RARF and RHTF will be completed.

2. The Project has elected to work with Title Guaranty to secure its title policy through Old Republic.

3. Construction costs are approximately 10% lower than projected, but site work costs to grade the pahoehoe lava rock and costs for the covered walkways throughout the project were still high impacts to the Project budget.

Director Jung expressed his concern with the lack of project availability for seniors.
and families in Hilo that are in need of housing.

With no further discussion, the motion was unanimously approved.

Chairman Lawrence requested and proceeded to Agenda item D.

Director Mesick moved, seconded by Director Jung, to approve Staff's recommendation:

That the HHFDC Board of Directors approve the following:

A. Resolution No. 046, attached as Exhibit E, which provides for the approval of the issuance of revenue bonds up to $7,350,000 for the Hale Makana O Nanakuli Affordable Rental Project subject to the provisions recommended in Exhibit D.

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) consist of 48 family units, located in Waianae, Oahu.

Previous financial Board approvals and amendments for the Project were noted from April 2009 through October 2011.

The Project’s proposed Financing Structure and Budget and Use of Funds were updated, with changes resulting in a net increase of approximately $832,012. No additional increase in State supported funding was provided.

The Project’s estimated construction timeline was cited, with construction anticipated to start in July 2012 and project completion in October 2013.

The Hula Mae Multi-Family (HMMF) Bond shall be a private placement with Hunt Capital Partners and will be paid down with LIHTC equity and U.S. Department of Agriculture 515 Loan proceeds upon construction completion.

The estimated $7.35 million in HMMF Bond proceeds fund over 50% of the Project’s anticipated basis for acquisition, land, and construction costs, qualifying the Project for LIHTC.

HHFDC’s role in the transaction is as a financial conduit, through which tax-exempt bonds are issued, subject to the Governor’s approval.

On September 9, 2011, a Tax Equity and Fiscal Responsibility Act (TEFRA) Hearing was held. No oral or written public testimonies were received.

Resolution No. 046 satisfies the requirement to effectuate the HMMF Bond sale.

Mr. Ueki opened for questions along with Mr. Kali Watson and members of his development team.

In response to the Board, Mr. Ueki and Executive Director Seddon stated that the HHFDC legislatively received an increase of $250 million in bond authority along with restoration of the mostly expended previous approval of $500 million, to bring the total approval to $750 million.

With no further discussion, Chairman Lawrence called for a motion to recess.

Director Jung moved, seconded by Director Mesick, to recess the meeting at 9:50 am.
The motion was unanimously approved.

The meeting was reconvened at 9:55 am.

Chairman Lawrence proceeded to agenda item B.

Mr. Ueki presented the For Information, stating that on April 23, 2012, the Hawaii Community Development Board (Applicant) submitted a request for additional allocation of 4% non-volume cap LIHTC in the amount of $21,380 in Federal LIHTC and $10,690 in State LIHTC.

On May 3, 2012, the HHFDC declined the Applicant’s request based on the following:

1. The Hale Makana O Nanakuli Affordable Rental (Project) received a significant amount of additional resources since its initial adoption of financing requested by the HHFDC.

2. At the second allocation of their RHTF funds, the balance available for future awards fell to $325,810.

3. The Project’s scope of work increased beyond what was originally approved by the Board, knowing that it did not have the adequate financial resources to cover the additional costs.

4. Staff has determined and has confirmed with the Applicant that the Project can be completed with its resources at hand, as originally approved by the Board.

5. Although the HHFDC recognizes the benefits of enhancements, as originally planned, the Project provides for a safe, clean, and sound housing environment for residents that can satisfactorily meet the commitment for the 65-year affordability period.

Mr. Ueki opened for questions, along with Mr. Kali Watson and members of their development team.

The Board discussed the pros and cons of approving the Applicant’s request for additional 4% LIHTC to further enhance the Project. Mr. Watson and Staff noted the following:

1. Although the enhancements proposed may benefit the Project, there is concern for transparency and procedural process of the competition for the Rental Housing Trust Fund.

2. Excess sources in LIHTC have been allowed for a project to be used up to the original budget approved.

Designee Evans commented that the Applicant’s proposal sounds very favorable being that the Hawaiian Homelands is the fee owner of the land, remaining affordable for the 65 years or longer, which she felt was a very small investment to have affordable housing within the inventory of the Department of Hawaiian Homelands.

Chairman Lawrence stated that the Board should give their comments to Mr. Ueki and Staff, who will then return to the Board with a recommendation.

Director Kyno stated for the record that he was supportive of the Applicant’s proposal.

Director Larson commented that she concurred with Designee Evans’ comment on the long-term affordability by the Hawaiian Homelands as opposed to having a
project that is privately owned.

Chairman Lawrence commented that in all due respect to Staff's recommendation, the issue was based on the fact that the Project requested such changes after receiving its allocation of funding, which may appear to be unfair to other projects that have competed for funding, keeping the playing field leveled.

Executive Director Seddon stated that after the economic downturn, the HHFDC allowed more subsidies for projects. However, with finite resources the HHFDC needs to spread those available resources as far as possible and avoid making additions and extensions to a project, unless there is some extenuating circumstance.

Director Larson expressed concern, concurring with Executive Director Seddon's comment, in having to stretch the LIHTC funding.

Executive Director Seddon stated that on a global perspective, the LIHTC is under attack in Washington D.C., receiving a lot of scrutiny in terms of how the monies are being managed. One way or another, these tax credits are costing the Government money and is not free.

Mr. Ueki stated that Staff does review a project request to ensure that it is not a substandard project, being able to meet the affordability commitments made, with a sufficient plan to maintain through its reserves and capital infusions.

With no further discussion, Chairman Lawrence proceeded to agenda item E.

Director Mesick moved, seconded by Director Jung, to approve Staff's recommendation:

That the HHFDC Board of Directors approve the following:

A. Extend the deadline to issue HMMF Bonds for the Senior Residence at Iwilei Project to July 31, 2012.

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

Housing Finance Specialist Patrick Inouye presented the For Action, stating that the Senior Residence at Iwilei Limited Partnership (Developer) is requesting a one-month extension to July 31, 2012, due to:

1. LIHTC syndication issues - negotiations are ongoing with the second draft of the agreement in circulation, with Federal and State credit investors identified; and

2. Title policy issues - Citi Bank and Freddie Mac are negotiating with Title Guarantee on its endorsements of mechanical liens and the State ground lease with regard to the language within the Executive Order.

In discussions with the underwriters Citi Bank and Freddie Mac, a pro forma was received, reviewed, and commented on. Title Guarantee's comments remain pending.

No estimated completion date for both the syndication and title policy have been determined and a conference call with the Project's financing team is scheduled for tomorrow, June 15, 2012, to discuss the status on foregoing bond and financing documentation.

Once the syndication and title policy issues are cleared to the satisfaction of Citi Bank and Freddie Mac, the preliminary statement can be issued, commencing the marketing period of the bonds and determination of anticipated bond closing date,
generally occurring within two weeks of pricing.

Mr. Inouye opened for questions, along with Mr. Marvin Awaya, on behalf of the Project.

In response to the Board, Mr. Inouye, noted the following:

1. Title Guarantee has been non-committal on resolution with the language in the agreement in terms of the needs and requirements of Citi Bank.

2. If the title policy issues were to be resolved and point of sale was to be issued by next week Friday, June 22, 2012, bonds would be anticipated to close around July 20, 2012.

Executive Director Seddon asked Mr. Awaya for the necessary time needed to close. Mr. Awaya responded that August 31, 2012 should be sufficient.

Director Jung moved, seconded by Director Larson, to amend the extension deadline to issue the HMMF Bonds for the Senior Residence at Iwilei Project from the proposed July 31, 2012 to August 31, 2012.

The motion was unanimously approved.

The main motion was unanimously approved, as amended.

Chairman Lawrence proceeded to agenda item F.

Designee Evans moved, seconded by Director Kyno, to approve Staff's recommendation:

That the HHFDC Board of Directors approve the Award of Federal and State LIHTC to the following Projects in accordance with the QAP and subject to the conditions specified in Exhibit H of this For Action.

A. The Kewalo Apartments (Option 1) project.

1. Allocation of up to $369,476 of annual Federal and $184,738 of annual State LIHTC; subject to the terms as described in Section II, Subsection D and the following project specific conditions:

   a) The Developer’s Fee, Overhead, and related costs of this project does not exceed $1,126,766.

B. The Halawa View Apartments (Option 1) project.

1. Allocation of up to $681,350 of annual Federal and $340,675 of annual State LIHTC; subject to the terms as described in Section II, Subsection D and the following project specific conditions:

   a) The Developer’s Fee, Overhead, and related costs of this project does not exceed $1,829,358.

C. The Hale Mohalu II Family project.

1. Allocation of up to $1,252,674 of annual Federal and $626,337 of annual State LIHTC; subject to the terms as described in Section II, Subsection D and the following project specific conditions:

   a) The Developer’s Fee, Overhead, and related costs of this project does not exceed $1,315,000.

D. The Meheula Vista I project.
1. Allocation of up to $721,082 of annual Federal and $360,541 of annual State LIHTC; subject to the terms as described in Section II, Subsection D and the following project specific conditions:

   a) The Developer’s Fee, Overhead, and related costs of this project does not exceed $1,473,000.

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

Directors Mesick and Larson recused themselves from voting on this item. Deputy Attorney General Sandra Ching asked that there be no participation in any discussion on this matter as well.

Mr. Ueki presented the For Action, stating that the deadline for applications requesting tax credits from the 2012 State volume cap was on February 29, 2012, in which the HHFDC received a total of fourteen (14) applications requesting an aggregate amount of approximately $13,036,275 in Federal LIHTC and $6,518,137 in State LIHTC.

The applications were evaluated against the criteria and guidelines of the 2012 Qualified Allocation Plan (QAP), which state that “The ranking of projects, along with other relevant data, will determine the priorities to be followed by the HHFDC in allocating tax credits to projects under consideration. The scores derived from the point system will be a component of the overall evaluation, and not the sole determining factor for the awarding of tax credits. In addition to the scores derived, the HHFDC will review all relevant data required in the application which include, but are not limited to the applicant’s financial statements, experience in producing low-income housing units, reasonableness of development and operating budgets, and an independent market study in awarding the tax credits. Projects selected under this allocation plan shall then be evaluated as to the minimum amount of tax credits required in order to make the project feasible.”

All projects met the goals of the HHFDC; however, based on the limited amount of LIHTC available, the hierarchy of scoring, project feasibility, and housing interest of the State of Hawaii, LIHTC were only recommended to: (1) the Kewalo Apartments, Option 1; (2) Halawa View Apartments, Option 1; (3) Hale Mohalu II Family; and (4) Meheula Vista, Phase I.

The Riverside Apartments had the third highest score; however, although the project submitted a mitigation plan, the recommendation is to bypass this Project for the LIHTC Award due to the possibility of future landslides at the property, placing other feasible projects without identified landslide risks in precedence.

The Kauhale Ohana and Meheula Vista Phase I projects tied for the fourth highest score; however, Meheula Vista is being recommended to receive the remaining 9% LIHTC balance for this calendar year due to its plans to provide more units.

With the remaining LIHTC balance award falling short of the Meheula Vista Phase I’s requested aggregate amount of approximately $1,274,175 in Federal and State LIHTC, a RHTF loan increase to approximately $11,577,000 is expected to address the LIHTC gap.

Mr. Ueki opened for questions.

Director Jung expressed his concern for the Riverside Apartments project in Hilo, currently housing 69 families, stating that although there are issues dealing with possible landslides, he felt that denying the project a LIHTC award would further impact the affordable housing situation in Hilo.
Director Jung asked that Delene Osorio, on behalf of the Riverside Apartments, be given the opportunity to address the Board.

Ms. Osorio thanked the Board for the opportunity, stating the Project situation and need for the LIHTC award in order to preserve the Riverside Apartments’ valuable subsidies and affordability component.

In response to the Board, Ms. Osorio and Staff noted the following:

1. Project costs for repairs and implementation of the embankment are estimated at approximately $3 million.

2. The proposed mitigation plan is estimated to have a 35-year life expectancy, with no guarantees, for a 65-year affordability period.

3. Existing projects with rental subsidies receive additional points within the QAP scoring.

Designee Evans expressed concern in the decision to pull out an existing project sheltering families in need of affordable housing, that otherwise scored well, which she felt deserved additional consideration, as opposed to building a new project.

Director Jung commented that he is more concerned with the “now” as opposed to what may happen 35 years from now.

4. Longer affordability periods receive additional points with the maximum points being gained at 61 years or higher and the minimum points being gained for the minimum of 35 years.

Director Jung stated that based on his argument with regard to the Riverside Apartments, he would vote against the motion; however, he would not have a problem approving the projects that scored above.

Director Ng suggested amending the motion to remove the approval of the Meheula Vista project and approving the first three - the Kewalo Apartments, Halawa View Apartments, and the Hale Mohalu II projects.

5. Each project has its own deadline schedule and awarding to the greatest extent possible would be beneficial.

Designee Evans suggested amending the motion to accept the first three projects and substituting the Riverside Apartments as the fourth, in place of the Meheula Vista I project.

Designee Salaveria moved, seconded by Designee Evans.

With further discussion, the amendment was withdrawn.

Executive Director Seddon stated that much consideration was put into determining the Staff recommendation and suggested that the Board take the first three and Staff will then come back with a recommendation for the remaining projects.

6. Discussions with the Applicants would need to take place in order to determine whether or not a project is able to proceed with the remaining balance amount, along with an increased amount from the RHTF to cover any remaining gap.

Director Jung suggested amending the motion to permit the LIHTC awards to the first three applicants and deferring approval of the Meheula Vista project to reconsider the application of the Riverside Apartments.
Director Kyno seconded the motion.

Designee Salaveria expressed concerned on the Board moving on all three projects and locking out the remaining balance without fully understanding the significant amount of work that has been done prior to the information being currently presented.

Chairman Lawrence stated that on the basis of Designee Salaveria’s comment, the Board could elect to defer approval and go back to the drawing board.

7. Federal and State LIHTC are replenished annually, with any unused credits carrying over into the next calendar year. The amount available is determined and based on an annual IRS population estimate for each state.

Chairman Lawrence reiterated the Board’s options of amendment, with one being to approve the first three and reevaluate the Meheula Vista and Riverside Apartments; or defer action until the next board meeting.

Designee Salaveria suggested that Staff look at how much has been allocated to the top three projects on whether or not that is the full amount needed to get started and look if there is a possibility for a redistribution of credits.

In response to Designee Salaveria’s suggestion, Mr. Ueki stated that negotiating has not been a practice and Staff has always provided an applicant with what was requested, if possible, in getting a project up and running successfully.

8. The remaining balance for both the Meheula Vista and Riverside Apartments fall short of the applicant request and would likely require additional sources from the RHTF to fill that gap.

Director Jung called the question on the amendment.

In favor of the motion were Directors Ng, Lawrence, Kyno, Jung, and Designee Evans. Designee Salaveria abstained.

The motion was approved.

In favor of the main motion, as amended, were Directors Ng, Lawrence, Kyno, Jung and Designee Evans. Designee Salaveria abstained.

The motion was approved as amended.

Chairman Lawrence called for a motion to recess.

Director Mesick moved, seconded by Director Jung, to recess the meeting at 11:22 am.

The meeting was reconvened at 11:30 am.

Chairman Lawrence proceeded to agenda item H.

Director Kyno moved, seconded by Designee Evans, to approve Staff’s recommendation:

That the HHFDC Board of Directors approve the change in affordable and market mix for the Villages of Kapolei Multi-Family Affordable Housing Project, subject to the following:

A. The term “Developer” shall include future successors and assigns to Castle and Cooke Homes Hawaii and its co-developers, as approved by the Executive Director;

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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. Authorize the Executive Director to take all actions necessary to effectuate the purpose of this For Action.

Mr. Prahler presented the For Action, stating that the Castle & Cooke Homes Hawaii (CCHH) is requesting to transfer 28 unused market buyers from Nohona to the Kealakai project. A Kapolei RFP #1 chart was distributed and circulated to the Board, reflecting all transactions that took place from the original mix to the request before the Board today.

Mr. Prahler opened for questions along with Executive Vice President Bruce Barrett and the CCHH Development Team.

In response to the Board, Staff and Mr. Barrett noted the following:

1. The Kealakai project a for sale product on State land.

2. The affordability restrictions for the projects subject to the RFP awarded in 2005 (The Villas at A'ela, Nohona and the Village 6 parcel including the Villas at Maluhia and Kealakai) had been changed by the Board in April of 2008 and in December of 2008.

3. This amendment simply seeks to transfer the 28 unsold market units at Nohona and transfer them to Kealakai. The net number of affordable units would remain as approved by the Board in December of 2008.

4. Transferring of the 28 units would allow for the Kealakai project to proceed towards project completion.

5. CCHH has been committed to selling the units to affordable buyers and has offered the following: further buying the interest down a quarter point, with CCHH paying two points; units finished with refrigerators, washer/dryer, and window coverings for purchase; actively marketing in the real estate industry via cooperating broker commissions and increasing the price of the market units approximately by $10,000.

6. CCHH believes that they are able to complete the project by the end of 2013; however, if this request is not granted, possible delay may occur having an indirect affect on the other projects.

Director Mesick commented that in the future, he believes that the Board needs to prepare and have more discussions on the changes made to projects and how they impact the State resources that the HHFDC provides.

Executive Director Seddon noted that the HHFDC mandate is 50% plus one affordable, and shortly after the CCHH started the project the economic downturn began, creating the need for concessions from the original proposal. With that said, the HHFDC should be working towards a "new" normal moving forward, honoring commitments on both the agency and developer side.

7. CCHH noted that they have delivered on 144 LIHTC affordable rentals units.

8. It was indicated that the slow sales in the Kealakai affordable product was partly due to the 10-year buyback restriction, with a majority of the buyers being singles and couples that are planning several years out; and secondly, to the fact that about 20% of affordable applicants do not qualify under the HHFDC rules; therefore, only allowing them to buy market units.
Director Larson questioned that with the income target being very close between the affordable and market buyer, should the Board even consider selling market units. Mr. Barrett responded that when broken down, the HHFDC’s mandate and qualifications are not quite meeting up; however, in terms of product delivery, most of the units are being sold to affordable or near affordable qualified buyers.

9. The CCHH is not selling to investors, but rather owner occupants.

With no further discussion, the motion was unanimously approved.

Chairman Lawrence proceeded to agenda item G.

Director Mesick moved, seconded by Director Kyno, to approve Staff’s recommendation:

That the HHFDC Board of Directors approve the following:

A. Adopt Resolution No. 047, ratifying the modifications to the Hula Mae Single Family Program; and

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

Housing Finance Specialist Dean Sakata presented the For Action, stating that the Hawaii Single Family Mortgage Purchase Revenue Bond program, more frequently known as the Hula Mae Single Family (HMSF) program, is intended to issue tax-exempt mortgage revenue bonds to assist first-time homebuyers who have mortgages in the State of Hawaii.

The HMSF program’s Trust Indenture governs the administration of the program by the HHFDC and U.S. Bank National Association (Trustee), which administers assets held by the HMSF program on behalf of the bond holders, and provides bond redemption guidance to the HHFDC.

The following amendments to the Trust Indenture are being proposed, to further enable the HHFDC to efficiently administer the HMSF program with the flexibility in its investment of funds: (1) The creation of subfunds in the Revenue Fund by tax plan; and (2) the elimination of the $1 million limit in money market investments.

If Resolution No. 047 is approved, the HHFDC will execute the 36th Supplemental Trust Indenture, effective as of July 1, 2012.

As a condition of the HHFDC’s participation in the New Issue Bond Program (NIBP), any amendments to the indenture is subject to the consent of the Government Sponsored Entities (GSE), which is currently pending approval.

Mr. Sakata opened for questions.

In response to the Board, Mr. Sakata noted the following:

1. A transmittal request of the amended draft Supplemental Indenture submitted for GSE’s review. GSE comments are pending.

2. Executive Director Seddon introduced the HHFDC’s Financial Advisor Gene Slater, who is working with Mr. Sakata on the indentures dealing with the Hula Mae Program.

3. With the $1 million limit in money market investments, the mortgage payments and pre-payments would be received on a monthly basis for bonds issued for a certain series, which would then be invested into an investment agreement. Older mortgages that are not tied to an investment
agreement and exceed the million dollar limit would be invested into the U.S. Treasuries. However, by elimination of the million dollar limit the HHFDC would have a timing flexibility to invest in money market securities until a treasury action, working with financial advisors as to what a permissible investment would be.

4. The HHFDC has been working closely with its Bond Counsel in the composition of the drafted Supplemental Trust Indenture.

5. The money market accounts may have an effect on the New Issue Bond Program (NIBP) funds; however, the US Department of Treasury has limited the HHFDC’s investments to the Treasury’s securities for the taxable bonds the Corporation holds.

The motion was unanimously approved.

There were no questions or discussion on the Report of the Executive Director.

Chairman Lawrence called for a motion to go into Executive Session.

Designee Salaveria moved, seconded by Director Jung, to go into Executive Session at 12:00 pm.

The motion was unanimously approved.

The meeting reconvened in Regular Session at 1:11 pm.

Director Larson moved, seconded by Director Salaveria to go back into Executive Session at 1:12 pm to discuss Executive Session item B.

The motion was unanimously approved.

The Board reconvened back into Regular Session and immediately followed with a motion to adjourn at 1:27 pm, moved by Designee Salaveria, seconded by Director Jung.

The motion was unanimously approved.

[Signature]

BETTY LOU LARSON
Secretary