

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 9, 2012  
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 9, 2012, 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 Michael Ng  
Director Francis Jung  
Director Paul Kyno  
Director Leilani Pulmano  
Designee Luis Salaveria for Director Kalbert Young  
Designee Mary Alice Evans for Director Richard Lim

Executive Director Karen Seddon

Excused: Director Betty Lou Larson, Secretary  
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  
Stuart Kritzer, Asset Manager  
Marlene Lemke, Real Estate Services Section Chief  
Stan Fujimoto, Development Section Chief  
Patrick Inouye, Housing Finance Specialist  
Byron Chock, Housing Finance Specialist  
Jocelyn Iwamasa, Housing Finance Specialist  
Peter Nelson, Property Management Coordinator  
Lorna Kometani, Housing Sales Coordinator  
Lorraine Egusa, Budget Analyst  
Kent Miyasaki, Housing Information Specialist  
Esa Pablo, Secretary to the Board

Guests: Delene Osorio, Big Island Housing Foundation  
Robert Faleafine, Realty Laua LLC  
Lui Faleafine, Realty Laua LLC  
Stacy Sur, Hawaii Housing Finance  
Ed Ontai, Catholic Charities Housing Development Corporation  
Joe Michael, Pacific Development  
Liz Char, Housing Partners  
Stanford Car, Stanford Carr Development  
Jesse Wu, Stanford Carr Development  
Chad Johnston, Hunt Development Group

A quorum was present.

**QUORUM**

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Designee Evans moved, seconded by Director Jung, to approve the Meeting Minutes of July 12, 2012.

The motion was unanimously approved.

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Chairman Mesick noted that approval for the Executive Session Meeting Minutes of May 10, 2012, June 14, 2012, and July 12, 2012, will be deferred until the next Board Meeting held on September 13, 2012.

**II. A.  
APPROVAL  
OF MINUTES  
7/12/12  
Regular  
Meeting**

**II. B.  
APPROVAL  
OF MINUTES  
5/10/12  
Executive  
Session**

**II. C.  
APPROVAL  
OF MINUTES  
6/14/12  
Executive  
Session**

**II. D.  
APPROVAL  
OF MINUTES  
7/12/12  
Executive  
Session**

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

That the HHFDC Board of Directors approve the following:

- A. The Approved Project List for the FY2012-1 funding round for Project Awards, subject to the following provisions and conditions:
  - 1. Approval of the Approved Project List does not obligate HHFDC to make an award to any applicant on the Approved Project List;
  - 2. Applicants on the Approved Project List shall not construe approval as an indication or guarantee of receiving an award or any other funding from HHFDC;
  - 3. HHFDC may elect to select, reject, or defer an applicant's request, if HHFDC judges such action to be in the best interest of the RHTF program;
  - 4. The amount of an award is subject to availability of RHTF Program funds;
  - 5. HHFDC is not obligated to approve or fund the full amount of an applicant's request;
  - 6. The actual form, terms, and conditions of each award shall be determined by HHFDC and is subject to negotiation between the applicant and HHFDC, and the completion of all appropriate legal documentation satisfactory to HHFDC and its legal counsel;
  - 7. The approval of each award and the disbursement of funds is subject to the final approval by the Governor of the State of Hawaii.
  - 8. The applicants agree to abide by all terms and conditions that may arise due to the use of public funds; and

**III. A.  
DISCUSSION  
AND/OR  
DECISION  
MAKING**  
Adopt the Approved and Rejected List for the Rental Housing Fund Project Awards for the FY2012-1 Funding Round

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- 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 in November of 2011, the Board approved two Fiscal Year (FY) 2012 funding rounds for the Rental Housing Trust Fund (RHTF) Project Award Program, with the first round closing on February 29, 2012. Nine applications were received.

As of July 31, 2012, there was a total of \$26,767,907 in RHTF funds that were uncommitted.

Individual project reviews were done, evaluating the development and operational feasibility of the nine applicants. The criteria used in evaluating the applications included: (1) local housing need; (2) project description and design; (3) benefit and impact; (4) project management; and (5) financial leverage.

Each of the nine applicants scored in excess of the 125 points minimum threshold bonded on the Criteria Point System, consequently placing all applications on the Approved Project List.

However, the approval of the Approved Project List does not obligate or guarantee that an applicant will receive funding and the HHFDC may elect to select, reject, or defer an applicant's request based on the best interests of the RHTF program.

Statutory funding priorities of the RHTF Program are as follows:

1. Projects awarded Low Income Housing Tax Credits (LIHTC) or financing administered by the U.S. Department of Housing and Urban Development (HUD) or the U.S. Department of Agriculture - Rental Assistance (USDA-RA) maintaining a minimum of 50% of the units for families or households earning 80% or less of the area median gross income (AMGI), of which 5% of the units are for families or households earning 30% or less of the AMGI; and the remainder of the units for families or households earning 100% or less of the AMGI.
2. Mixed income rental projects or units in a mixed income rental project where all units are for persons and families with incomes below 140% of the AMGI.

The following projects fall into the first and second priority for funding, respectively: (1) Ewa Villages Phase III, Halawa View Apartments - Option 1, Hale Mohalu II Family, Kewalo Apartments - Option 1, Riverside Apartments; and (2) Kamakana Senior Phase I, Kauhale Ohana, Meheula Vista I, Vineyard Apartments.

Recommended Project Awards and project details will be provided in separate For Actions.

The Approved Project List will remain in effect until the awards are made to projects on the Approved List or until a new Approved Project List is approved.

Mr. Ueki opened for questions.

In response to the Board, Staff noted the following:

1. Under the RHTF Program, the HHFDC is required to create a list of qualified projects, which does not guarantee an awarding of funding.
2. Discussions regarding the Meheula Vista I and the Riverside Apartments are ongoing.

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3. The Awarding of the RHTF will be based on the availability of funding and any remaining projects are eligible until a new list is approved.
4. The first and second priority is statutory and is required to be awarded in that respective order.
5. Loan terms are usually underwritten as the Applicant proposes, with occasional adjustments that are discussed. A typical RHTF loan would have an interest rate of anywhere from 0.5% - 3%, having a 0% interest rate during the construction period, with repayment terms typically being cash flow contingent, seeing a true payment of the loan at Year 31 and on. Up to now, there have not been any RHTF loans that have gone into default.
6. There has been no decision made with respect to the Meheula Vista I and Riverside Apartments, in terms of LIHTC funding; therefore, no decision will be made on the requests for RHTF funding at this point in time.

With no further discussion, the motion was unanimously approved.

Designee Salaveria moved, seconded by Director Kyno, to approve staff's recommendation:

That the HHFDC Board of Directors approve the following:

- A. A RHTF Project Award Loan of \$3,000,000 to Kewalo Housing Partners, L.P. or its successors for the benefit of the Kewalo Apartments project, as approved by the Executive Director, with the terms and conditions as shown in Section III(G) of this For Action, and the issuance of the Letter of Intent subject to the following:
  1. Authorization and approval by the governor of the proposed project and the release of RHTF program funds as mandated under Chapter 15-311, Hawaii Administrative Rules.
  2. Execution of documentation satisfactory to the HHFDC outlining the terms and conditions of the Project Award. The documents shall specify the standard terms and conditions as required in order to meet all statutory requirements of the RHTF program and the specific terms and conditions that are applicable to the Applicant's request for Project Award funds.
  3. Completion of all documentation necessary and required to secure the release of RHTF funds.
  4. Certification of the applicant to comply with all applicable statutory and Program requirements, including, but not limited to, Chapters 343, 103D, §103-50 and §104, Hawaii Revised Statutes, as they may relate to the use of State funds.
  5. Availability of RHTF program funds.
- 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 the Kewalo Apartments (Project) involves the acquisition and rehabilitation of 38 family units.

Project background information and previous financial Board approvals from February 2012 through June 2012 were noted.

Staff has reviewed the Kewalo Housing Partners LP's (Applicant) request and

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

Approve a Rental  
Housing Trust Fund  
Project Award for the  
Kewalo Apartments  
Project Located in  
Honolulu, Oahu,  
TMK No.:  
(1) 2-4-021: 030

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proposes the following loan terms:

- 1. Loan Amount: \$3,000,000
- 2. Interest Rate: 0.00% Years 1 through 2 (Construction Period)  
1.00% Years 3 through 61 (Permanent Period)
  - a) 0.00% for the Construction Period recommended as (i) Project operations have not commenced and (ii) eliminates the need to establish and track an interest reserve.
- 3. Loan Fee: None
- 4. Term/Maturity: 61 Years (2-year construction period + 59-year permanent period)
- 5. Repayment: Years 1 through 2 – No Payments  
Years 3 through 61 – 50% of Available Cash Flow after payment of expenses, senior debt service, and other recognized expenses.
- 6. Collateral: Junior Mortgage on Project’s fee simple interest.
- 7. Other Terms:
  - a) The Project’s loan to value ratio (on the RHTF loan and all debt senior to the RHTF loan) shall not exceed 100%.
  - b) No disbursement of Developer’s Fee until satisfactory completion of the Project.
  - c) The RHTF Project Award is subject to the availability of funds.

Mr. Inouye opened for questions.

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

- 1. The sponsor equity with regard to the 9% LIHTC Program, is generally \$50,000 and below, with majority of the equity coming via the LIHTC.

With no further discussion, the motion was unanimously approved.

Vice Chairman Los Banos moved, seconded by Director Kyno, to approve staff’s recommendation:

That the HHFDC Board of Directors approve the following:

- A. A RHTF Project Award Loan of \$4,850,000 to Halawa View Housing Partners LP or its successors for the benefit of the Halawa View Apartment project, as approved by the Executive Director, with the terms and conditions show in Section III(G) of this For Action, and the issuance of the Letter of Intent subject to the following:
  - 1. Authorization and approval by the governor of the proposed project and the release of RHTF program funds as mandated under Chapter 15-311, Hawaii Administrative Rules.
  - 2. Execution of documentation satisfactory to the HHFDC outlining the terms and conditions of the Project Award. The documents shall specify the standard terms and conditions as required in order

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

Approve a Rental Housing Trust Fund Project Award for the Halawa View Apartments Project Located in Aiea, Oahu  
TMK No.:  
(1) 9-9-003: 026

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to meet all statutory requirements of the RHTF program and the specific terms and conditions that are applicable to the Applicant's request for Project Award funds.

3. Completion of all documentation necessary and required to secure the release of RHTF funds.
  4. Certification of the applicant to comply with all applicable statutory and Program requirements, including, but not limited to, Chapters 343, 103D, §103-50 and §104, Hawaii Revised Statutes, as they may relate to the use of State funds.
  5. Availability of RHTF program funds.
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Mr. Inouye presented the For Action, stating that the Halawa View Apartments (Project) involves the acquisition and rehabilitation of 121 family units in a thirteen-story building and 2 three-story buildings.

Project Background information and previous financial Board approvals from February 2012 through June 2012 were noted.

Staff has reviewed the Halawa View Housing Partners LP's (Applicant) request and proposes the following loan terms:

1. Loan Amount: \$4,850,000
2. Interest Rate: 0.00% Years 1 through 2 (Construction Period)  
1.00% Years 3 through 61 (Permanent Period)
  - a) 0.00% for the Construction Period recommended as (i) Project operations have not commenced and (ii) eliminates the need to establish and track an interest reserve.
3. Loan Fee: None
4. Term/Maturity: 61 Years (2-year construction period + 59-year permanent period)
5. Repayment: Years 1 through 2 – No Payments  
Years 3 through 61 – 50% of Available Cash Flow after payment of expenses, senior debt service, and other recognized expenses.
6. Collateral: Junior Mortgage on Project's fee simple interest.
7. Other Terms:
  - a) The Project's loan to value ratio (on the RHTF loan and all debt senior to the RHTF loan) shall not exceed 100%.
  - b) No disbursement of Developer's Fee until satisfactory completion of the Project.
  - c) The RHTF Project Award is subject to the availability of funds.

Mr. Inouye opened for questions.

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

1. The Project has Project Based Subsidies to help eligible residents subsidize their rental payments.
2. Rehabilitation work needed is reflected in a Capital Needs Assessment that is submitted with a project application, usually including budgeted cost for items like paint, roof maintenance, and interior items that need to be replaced like cabinets and fixtures. Under the LIHTC program, a project is required to spend in excess of \$3,000 - \$5,000 for rehabilitation work.

Director Jung asked for the purchaser of the Project to be stated within the For Action.

3. The Project is receiving Solar Credit Equity for installment of solar panels. Such Solar Credits are not a huge source of funding. However, with the margins being fairly low, any funding gap could be reasonably fixed with contingency, deferral of developer’s fees, or other similar sources.
4. An appraisal is required at the closing of a RHTF loan. In order to close the RHTF loan a 100% loan-to-value needs to be provided.
5. Accommodating displacement of existing tenants during rehabilitation is rare and is not a requirement. Transitional units are usually provided.

With no further discussion, the motion was unanimously approved.

Designee Evans moved, seconded by Director Jung, to approve staff’s recommendation:

That the HHFDC Board of Directors approve the following:

- A. A RHTF Project Award Loan of \$5,000,000 to Hale Mohalu II Family LP or its successor for the benefit of the Hale Mohalu II Family project, as approved by the Executive Director, with the terms and conditions as show in Section III(G) of this For Action, and the issuance of the Letter of Intent subject to the following:
  1. Authorization and approval by the governor of the proposed project and the release of RHTF program funds as mandated under Chapter 15-311, Hawaii Administrative Rules.
  2. Execution of documentation satisfactory to the HHFDC outlining the terms and conditions of the Project Award. The documents shall specify the standard terms and conditions as required in order to meet all statutory requirements of the RHTF program and the specific terms and conditions that are applicable to the Applicant’s request for Project Award funds.
  3. Completion of all documentation necessary and required to secure the release of RHTF funds.
  4. Certification of the applicant to comply with all applicable statutory and Program requirements, including, but not limited to, Chapters 343, 103D, §103-50 and §104, Hawaii Revised Statutes, as they may relate to the use of State funds.
  5. Availability of RHTF program funds.
- B. Authorize the Executive Director to undertake all tasks necessary to

**III. D.  
DISCUSSION  
AND/OR  
DECISION  
MAKING**  
Approve a Rental  
Housing Trust Fund  
Project Award for the  
Hale Mohalu II  
Family Project  
Located in Pearl City,  
Oahu, TMK No.:  
(1) 9-7-019: 035

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effectuate the purposes of this For Action.

Mr. Inouye presented the For Action, stating that the Hale Mohalu II (Project) involves the new construction of 94 family units in 1 seven-story building, located in Pearl City.

Project background and previous financial Board approvals from February 2012 through June 2012 were noted.

Staff has reviewed the Hale Mohalu II Family LP's (Applicant) request and proposes the following loan terms:

1. Loan Amount: \$5,000,000
2. Interest Rate: 0.00% Years 1 through 5  
0.50% Years 6 through 35
  - a) 35-year maturity recommended; repayment expected around year 33 based on 50% of available cash flow.
3. Loan Fee: None
4. Term/Maturity: 35 Years
5. Repayment: Years 1 through 5 – No Payments  
Years 6 through 35 – 50% of Available Cash Flow after payment of expenses, senior debt service, and other recognized expenses.
6. Collateral: Junior Mortgage on Project's leasehold interest.
7. Other Terms:
  - a) The Project's loan to value ratio (on the RHTF loan and all debt senior to the RHTF loan) shall not exceed 100%.
  - b) No disbursement of Developer's Fee until satisfactory completion of the Project.
  - c) The RHTF Project Award is subject to the availability of funds.

Mr. Inouye opened for questions.

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

1. The \$12,194,785 in permanent LIHTC equity is the developer's negotiated amount with its investor. The LIHTC equity is spread over a 10-year period.
2. The value of the Federal and State LIHTC fluctuates, being dependent upon the project, the credit investor, and current market conditions.

In response to Director Ng, Mr. Inouye noted a correction and should read as follows:

1. Construction Start date - September 2013
2. First Building Completion - August 2014

3. Project Completion (Last Building) August 2014

Designee Evans thanked Mr. Inouye for his explanations with respect to the LIHTC.

Chairman Mesick recused himself from voting on this item.

With no further discussion, the motion was carried.

Designee Salaveria moved, seconded by Director Jung, to approve staff's recommendation:

That the HHFDC Board of Directors approve the following:

- A. Increasing the intended issuance amount of the HMMF Bonds to \$40,000,000 from \$35,000,000 as described in Sections III(I)(1) and III(J)(1).
  - 1. All other terms and conditions of the intended issuance amount of the HMMF Bonds remain the same.
- 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 Halekauwila Place (Project) is a proposed 204 family units in a nineteen-story residential tower and parking garage, which will include townhomes.

Project background information and previous financial Board approvals from November 2010 through October 2011 were noted.

The proposed Financing Structure and Budget and Use of Funds were cited.

Changes in the Project Budget resulted in a net increase of \$7,751,865, with major changes being as follows:

- 1. \$4,941,901 increase in Project Reserves – attributed to underwriting requirements of HUD and the LIHTC investor; reserve amount based on the amount of hard debt on the Project;
- 2. \$1,525,169 increase in Financing and Syndication Costs – attributed to the additional costs association with the inclusion of a DURF loan to bridge payoff of the construction bonds upon project completion and receipt of LIHTC Equity;
- 3. \$1,205,503 increase in Vertical Construction Costs – attributed to changes in the building design, including a HUD requirement to include A/C to address rail noise, additional foundation work based on an updated geotechnical study, and subcontractor price escalations;
- 4. \$747,438 increase in Interim and Soft Costs;
- 5. \$408,960 increase in contingency; and
- 6. \$935,421 decrease in Architectural and Design.

Changes in the sources of funds increased correspondingly by \$7,751,865, with the major changes being as follows:

- 1. \$5,128,971 increase in the interim, tax-exempt bond amount and a \$7,620,000 increase in the permanent, taxable loan amount as a lower interest rate environment has increased borrowing capacity;

**III. E.  
DISCUSSION  
AND/OR  
DECISION  
MAKING**  
Approve Resolution  
No. 048, Which  
Amends Resolution  
No. 030 by Increasing  
the Intended Issuance  
Amount of the  
Revenue Bonds for  
the Halekauwila Place  
Project Located in  
Honolulu, Oahu,  
TMK Nos.:  
(1) 2-1-051: 042 and  
043

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2. \$5,855,857 increase in deferred costs and developers fee during the interim/construction period.
3. \$3,232,963 decrease in LIHTC equity during the interim period (offset by the requested increase in HMMF interim financing and the increase in deferred costs) and a \$2,131,865 increase in LIHTC equity during the permanent period.

The Project's estimated construction timeline was noted, with the construction start date being in the 3<sup>rd</sup> Quarter of 2012 and project completion in the 1<sup>st</sup> Quarter of 2014.

Mr. Ueki opened for questions.

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

1. The closing of the bonds are tentatively scheduled in the Fall of 2012. The Budget and Finance staff will be kept apprised.
2. The bonds will be privately placed.
3. Some of the deferred costs included the developer's fees and reserves not established during the construction period.

With no further discussion, the motion was unanimously approved.

Asset Manager Stuart Kritzer presented the For Information, stating that Kekuilani Gardens (Project) was placed in service in the early 1990's and financed through the U.S. Department of Agricultural-Rural Development (USDA-RA). Therefore, all operating budgets and project reserves are subject to the USDA-RA's approval.

On November 22, 2011, the HHFDC received an information packet from Realty Laua, the managing entity, expressing unpaid operating expenses mostly pertaining to payroll, payroll tax, management fees, workers compensation, and employee medical, totaling to approximately \$204,511.23.

Realty Laua, is requesting that the HHFDC approve the drawdown of funds from the Project's reserves account, which is subject to USDA-RA approval.

As employees of the predecessor management agent, Realty Laua has been responsible for establishing the Project's operating budget before forming their own company and taking management of the Project in 2009.

It is the understanding of HHFDC that expenses were unable to be paid due to the lack of consistent cash flow with the Project, showing a history of untimely and unreliable financial information during the 2009 through 2011. Auditor's comments attested to that factor and outside accounting was requested.

Realty Laua's request was forwarded to the USDA on February 15, 2012. An updated copy of the audit and a new Capital Needs Assessment has been submitted as requested.

The HHFDC has been having ongoing communication with Realty Laua to resolve the matter. Copies of Realty Laua's IRS form 941 have been requested and received.

In response to the Board, Staff noted the following:

1. The USDA-RD uses the Capital Needs Assessment to determine the size of the reserve account balances. All operating expenses and use of the

**III. F.  
DISCUSSION  
AND/OR  
DECISION  
MAKING**  
Information Regarding  
Kekuilani Gardens as  
Managed by Realty  
Laua

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reserves account are determined and approved by the USDA-RD.

2. Information on file leads to issues of inadequate cash flow being associated with the Project's incapability to fill empty units and inaccurate accounting.
3. Realty Laua's contract ended in 2012, with a 7-month extension. Bids have been received for the next management contract and are currently under review.
4. With regard to the Board's directive, Request for Proposals (RFP) to sell its USDA properties to a Public/Private Partnership is in progress.

Realty Laua's Robert Faleafine stated the Project's situation and commented that the financial problems stemmed well before with previous management due to the lack in rent increases for the Project. Rent increases awarded from the USDA have gone towards increases in the reserve accounts taking away the revenues the Project has tried to get to increase its cash flow. Therefore, Realty Laua is requesting that the HHFDC pay for the outstanding expenses and in turn go to the USDA for reimbursement. A rent increase for Fiscal Year 2013 is pending.

5. Since the Board Packets were delivered, staff has further evaluated and has verified additional information received. Both parties have agreed to the amount of \$205,000.

Discussion pursued on staff's suggestion to amend the agenda to take action on this item.

8. Reimbursement funds are anticipated to be taken out of DURF.
9. Requested reports have been submitted to USDA. USDA representatives expressed uncertainty in regard of its authority to grant the use of the project reserves for such reimbursement expenses. Final response is pending.

Chairman Mesick called for a motion to convene in Executive Session for the purpose of consulting with the board's attorney on questions or issues regarding the board's powers, duties, privileges, immunities and liabilities, pursuant to Section 92-5(1)(4), Hawaii Revised Statutes, as it relates to the Kekuilani Gardens Project managed by Realty Laua.

**EXECUTIVE  
SESSION**  
10:15 am

Designee Evans moved, seconded by Director Jung, to convene in Executive Session at 10:15 am.

The motion was unanimously approved.

The Board reconvened the meeting at 10:39 am.

**RECONVENED**  
10:39 am

Chairman Mesick made a motion to amend the agenda to reflect a For Action item to allow the Executive Director to negotiate a payment to Realty Laua, LLC, not to exceed \$205,000 for the reimbursement of expenses related to the Kekuilani Gardens Project, subject to confirmation of funding and execution of a Settlement Agreement and Release by and between HHFDC and Realty Laua, LLC.

Director Kyno moved, seconded by Director Jung, to amend the agenda to reflect the changes as noted above.

The motion was unanimously approved, as amended.

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Chairman Mesick made another motion to authorize the Executive Director to negotiate a payment to Realty Laua, LLC, not to exceed \$205,000 for reimbursement of expenses related to the Kekuilani Gardens Project, subject to confirmation of funding and execution of a Settlement Agreement and Release by and between HHFDC and Realty Laua, LLC.

Designee Evans moved, seconded by Director Jung, to amend staff's recommendation as noted above.

The motion was unanimously approved, as amended.

Designee Salaveria requested that the Project's accounting be strengthened to ensure the capture of all expenses are made on a timely basis and appropriately communicated to the Board to avoid having the Board be put into a position like this in the future. Designee Evans concurred.

Director Kyno suggested that a professional accounting service be obtained in the future.

Chairman Mesick reiterated to Mr. Faleafine the Board's proposal to negotiate a settlement for the reimbursement related to the Project and that there would be no further claims made relative to this matter thereafter. Mr. Faleafine concurred.

The main motion was unanimously approved, as amended.

Chairman Mesick proceeded to the Report of the Executive Director.

Executive Director Seddon opened for questions.

Director Ng stated that it would be useful at the Corporation's annual meeting, to go over the financing pieces of the Agency. (e.i. LIHTC, RHTF, and DURF)

Chairman Mesick suggested the following to enhance the operations of the Agency:

1. Establishing subcommittees to discuss policies and Action items prior to a formal board meeting in efforts to make board meetings more efficient.
2. Additional meeting sessions to educate the Board on the technical aspects of the financing resources of the HHFDC and on the evaluation process of projects. Anything the Board would like to learn more about would be covered in such sessions.

Discussion pursued on the creation and purpose of a new subcommittee.

Deputy Attorney General Sandy Ching noted that any desired action on items reported back from the subcommittee to the full Board will need to be taken up at a subsequent meeting.

The Finance Subcommittee was established, consisting of Chair Mesick, and Directors Lim, Jung, and Kyno.

First meeting of the Finance Subcommittee will be determined by Chairman Mesick. Staff is to coordinate meeting details with subcommittee members.

Director Jung asked, for the benefit of Ms. Delene Osorio, from Riverside Apartments, for a statement on the status of the Meheula Vista I and Riverside Apartments. Executive Director stated that staff is working with the buyer of the Riverside Apartments in finding an alternate financing solution.

**IV.  
REPORT  
OF THE  
EXECUTIVE  
DIRECTOR**

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

With no further discussion, Chairman Mesick asked for a motion to adjourn.

Designee Evans moved, seconded by Designee Salaveria, to adjourn the meeting at 10:55 am.

The motion was unanimously approved.

V.  
ADJOURNMENT



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for BETTY LOU LARSON  
Secretary