

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, SEPTEMBER 13, 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, September 13, 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 Francis Jung
Director Leilani Pulmano
Director Paul Kyno
Director Michael Ng
Designee Luis Salaveria for Director Kalbert Young

Executive Director Karen Seddon

Excused: Director Allan Los Banos, Vice Chairman
Director Betty Lou Larson, Secretary
Director Kalbert Young
Director Richard Lim

Staff Present: Sandy Ching, Deputy Attorney General
Colette Honda, 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
Stuart Kritzer, Asset Manager
Stan Fujimoto, Development Section Chief
Patrick Inouye, Housing Finance Specialist
Jocelyn Iwamasa, Housing Finance Specialist
Glori Ann Inafuku, Housing Finance Specialist
Lisa Wond, Planner
Beth Malvestiti, Development Project Coordinator
Lorna Kometani, Housing Sales Coordinator
Lorraine Egusa, Budget Analyst
Kent Miyasaki, Housing Information Specialist
Esa Pablo, Secretary to the Board

Guests: Kali Watson, Hawaiian Community Development Board
Delene Osorio, Big Island Housing Foundation
Charles Larson, Seagull Schools
John McAlister, 1410 Partners
Bruce Barrett, Castle and Cooke Hawaii
Tom Fischer, Urban Housing Communities
Glenn Okino, GMO Construction Services
Gary Furuta, GSF LLC
Marian Gushiken, EAH Housing
Aaron Eberhardt, EAH Housing
Andrew Furuta, Castle and Cooke Hawaii Homes

A quorum was present.

Director Kyno moved, seconded by Designee Salaveria, to approve the Meeting Minutes of August 9, 2012.

The motion was unanimously approved.

Chairman Mesick noted that the approval of the Executive Session Meeting Minutes of May 10, 2012; June, 14, 2012; July 12, 2012; and August 9, 2012; will be deferred to the next Board Meeting held on October 11, 2012.

Planner Lisa Wond presented the For Information, stating that this informational item provides a summary of the State of Hawaii's Consolidated Annual Performance and Evaluation Report (CAPER) required by the U.S. Department of Housing and Urban Development (HUD), which assesses the State's performance in administering the HOME Investment Partnerships (HOME), Emergency Shelter Grant (ESG), and Housing Opportunities for Persons with AIDS (HOPWA) Programs.

Program details and Board approved amendment in which the HOME fund allocations are distributed were noted.

In response to the Board, Ms. Lisa Wond responded as follows:

1. CHDO stands for Community Housing Development Organization.
2. Distribution of Home fund allocations is anticipated to improve the timing in which the monies are used to complete proposed activities.
3. The Counties project the number of rental units they anticipate to produce over a 5-year span. The HHFDC then combines that information within the State's Consolidated Plan. In addition to the State's Consolidated Plan, an Annual Action Plan and Annual CAPER is filed with HUD, summarizing issues found during that program year and the corrective actions that will follow.

The next Action Plan is scheduled for Board approval in May 2013.

With no further discussion, Chairman Mesick proceeded to Item B.

QUORUM

II. A. APPROVAL OF MINUTES
08/09/12
Regular Meeting

II. B. APPROVAL OF MINUTES
05/10/12
Executive Session

II. C. APPROVAL OF MINUTES
06/14/12
Executive Session

II. D. APPROVAL OF MINUTES
07/12/12
Executive Session

II. E. APPROVAL OF MINUTES
08/09/12
Executive Session

III. A. DISCUSSION AND/OR DECISION MAKING
Information on the Consolidated Annual Performance and Evaluation Report for Program Year 2011 (July 1, 2011 – June 30, 2012)

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

That the HHFDC Board of Directors approves the following:

- A. A loan of \$205,000.00 from DURF to satisfy a claim from Realty Laua for unpaid operating expenses accrued subject to the following:
 - 1. Execution of the settlement agreement; and
 - 2. The Governor's approval to release DURF funds.
- B. Authorize the Executive Director

Asset Manager Stuart Kritzer presented the For Action, recapping the issues discussed at the August 9, 2012 Board Meeting.

Based on those discussions, Staff has elected to utilize the Dwelling Unit Revolving Fund to settle the claim between Realty Laua in the event that the HUD Rural Development denies the HHFDC's request to withdraw funds from the Project's reserve account.

Pursuant to Section 201H-191, Hawaii Revised Statutes, DURF proceeds may be used for "necessary expenses in administering housing development programs, and for carrying out the purposes of housing development programs, including by not limited to the expansion of community facilities constructed in conjunction with housing projects, permanent primary or secondary financing, and supplementing building costs, federal guarantees required for operational losses, and all thing required by any federal agency in the construction and receipt of federal funds or low-income housing tax credits for housing projects."

The settlement amount of \$205,00 fully satisfies the claim and the terms of the proposed DURF loan are as follows:

Borrower:	HHFDC for Kekuilani Gardens
Funding Source:	DURF
Loan Amount:	\$205,000.00
Interest Rate:	0.00%
Loan Term:	5 years
Amortization Term:	5 years
Cash Flow Contingent:	Yes.
Payment Frequency:	Monthly
Estimated Payment:	\$3,416.67 (With full amortization)
Alternate Repayment Sources:	(1) Project Reserves, (2) Property Sale
Loan Subordination Position:	Third – Subordinate to (1) Meeting and (2) Rental Housing Trust Fund (RHTF)

Mr. Kritzer opened for questions.

Chairman Mesick reiterated that the anticipated repayment source of the \$205,000.00 DURF loan would be following the disposition of the project.

In response to Designee Salaveria, Mr. Kritzer stated that Request for Proposals (RFP)'s have been submitted for the project. The awarded property manager going forward is not anticipated to be an issue due to an RFP for the sale of the property.

With no further discussion, the motion was unanimously approved.

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

**III. B.
DISCUSSION
AND/OR
DECISION
MAKING**
Approve a DURF loan in the amount of \$205,000 to the Kekuilani Gardens Affordable Housing Project Located in Kapolei, Oahu, TMK No. (1) 9-1-078: 052

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

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That the HHFDC Board of Directors approve the following for the proposed Seagull Schools Childcare Center on Kama'aha Loop in Villages of Kapolei, Oahu, Hawaii, TMK (1) 9-1-06: 058, substantially as described in this For Action:

- A. Proposal for Seagull Schools to plan, develop and operate a childcare center that conforms to all design guidelines for the Villages of Kapolei Association and enhances the community targeted at low to moderate income families;
- B. Execution of a development agreement with Seagull Schools, Inc. substantially consistent with this For Action; and
- C. Conveyance of the Property to the applicable party substantially in accordance with this For Action and the executed development agreement;
- D. If a development agreement is not executed with the Applicant within one calendar year from the date of this approval, HHFDC reserves the sole and absolute right to terminate negotiations with the developer and reissue the RFP; and
- E. Other terms and conditions deemed necessary and acceptable by the Executive Director.

Development Branch Chief Rick Prahler presented the For Action, stating the project facts, location, and experience of the awarded Seagull Schools, Inc. (Applicant).

The proposed center will consist of approximately 7,000 square feet of building area, with four classrooms, one administration building, and one open lanai.

The proposed project will be developed under a ground lease as follows: no cost for the first year of the lease, \$100.00/month for the next 5 years, \$200.00/month for years 7 to 16, \$300.00/month for years 17 to 26, \$400.00/month for years 27 to 36, \$500.00/month for years 37 to 46, \$600.00/month for years 47 to 56, and \$700.00/month for the final 9 years of the 65 year term.

The developer shall be responsible for obtaining approval of any zoning or subdivision exemptions required from the City and County of Honolulu for the proposed project and anticipate the start of construction to take place in November 2013.

The HHFDC has asked the developer for a commitment that priority be given to children that live within the Villages of Kapolei.

Mr. Prahler opened for questions and noted that the Executive Director of Seagull Schools, Mr. Chuck Larson was present.

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

- 1. There will be a Ground Lease between the Applicant and the HHFDC.
- 2. The Applicant is not requesting for State funding at this time, clarifying that the \$1.2 million grant amount is part of the funds received in building their other facilities in the past.

Director Kyno stated that he heard of other projects of Seagull Schools and their great reputation.

- 3. Grant-in-Aid (GIA) funds will be requested from the Legislature in 2013.

DECISION MAKING

Approve an Execution of Development Agreement and Conveyance of Property for Seagull Schools Childcare Center on a Vacant Parcel Located on Kama'aha Loop in Villages of Kapolei, Kapolei, Oahu, TMK No.: (1) 9-1-016: 058

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With no further discussion, the motion was unanimously approved.

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

That the HHFDC Board of Directors approve the following:

- A. Extend the deadline to issue HMMF Bonds for the Ewa Villages Phase II project to March 31, 2013;
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Housing Finance Specialist Jocelyn Iwamasa presented the For Action, stating that the request before the Board is for the approval of a 5-month extension to March 31, 2013 for Resolution No. 015, for the Ewa Villages Phase II (Project).

Previous Board approvals from April 2007 through June 2011 were noted.

Staff has evaluated the Project's extension request based on the progress made by the developer, with a Tax Equity and Fiscal Responsibility Act (TEFRA) Hearing scheduled for September 19, 2012.

Ms. Iwamasa opened for questions along with the Developer, Ms. Marian Gushiken.

In response to the Board, Ms. Gushiken stated that their permits are in progress, with its zoning clearance received yesterday.

In response to Designee Salaveria, Finance Manager Darren Ueki stated that Staff will begin the bond closing process and a closing date is to be determined.

With no further discussion, the motion was unanimously approved.

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

That the HHFDC Board of Directors approve the following:

- A. Extend the LOI dated May 18, 2007 for the RHTF Loan for the Ewa Villages Phase II project to March 31, 2013, subject to the requirements as set forth in the For Actions dated April 12, 2007 and June 9, 2011.
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Ms. Iwamasa opened for additional questions with regard to the Project.

With no further discussion, the motion was unanimously approved.

Designee Salaveria 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 Hale Makana O Nanakuli Project to December 21, 2012.
- 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 Hale Makana O Nanakuli

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

Approve an Extension to Resolution No. 015, Which Provides for Official Intent with Respect to the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds for the Ewa Villages Phase II Project Located in Ewa Beach, Oahu, TMK Nos.: (1) 9-1-017: 076 and 077 (portion)

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

Approve an Extension to the Rental Housing Trust Fund Letter of Intent for the Ewa Villages Phase II Project Located in Ewa Beach, Oahu, TMK Nos.: (1) 9-1-017: 076 and 077 (portion)

**III. F.
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

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(Project) consists of 48 family units located in Waianae, Oahu.

Previous Board approvals from April 2009 through July 2012 were noted.

The Project is requesting an extension to address a construction issue and proposes the two following solutions:

1. Rebid the project for a contract through a public bidding process as required by the HOME program. The Project was not able to execute a construction contract between the owner and the contractor that was originally selected through the public bidding process. There contractor has requested an approximate \$155,000 increase to the construction bid that was submitted due to the delay in the start of construction. This was not part of the request for proposal or a qualification to the contractor's bid submission. Although the Project is prepared to fund the cost increase, the public bidding procedures required by the HOME funds does not allow for it.
2. Work with the second lowest bidder from the original public bidding process to execute a construction contract.

In the event that there is an increase to the Project's Budget, the HHFDC will not provide any additional funding.

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

1. The Developer is currently exploring its options, with further discussions taking place with all financing partners once a final construction amount is determined.
2. Reasoning for the December 21, 2012 deadline is to avoid the last week of December, in which documents are unable to be recorded if over a certain amount.
3. Although the Project is located on the Department of Hawaiian Homelands, the Developer has indicated that the Project is not bound by any Native Hawaiian blood quantum requirement and shall be in compliance with all Fair Housing Laws, as applicable.
4. The Project is anticipated to help alleviate the homeless population on the West Coast of Oahu.

With no further discussion, the motion was unanimously approved.

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

That the HHFDC Board of Directors approve the following:

- A. Extend the RHTF Project Award LOI to December 21, 2012, subject to the requirements set forth in the For Action dated April 9, 2009 and May 13, 2010.
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Mr. Ueki opened for additional questions regarding the Project.

With no further discussion, the motion was unanimously approved.

the Hale Makana O
Nanakuli Affordable
Rental Project Located
In Waianae, Oahu,
TMK No.:

(1) 8-9-002: 001

**III. G.
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 No.:

(1) 8-9-002: 001.

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Chairman Mesick proceeded to the Report of the Executive Director.

Director Jung asked that Ms. Delene Osorio, with the Riverside Apartments be able to provide the Board with an update on the Project.

Ms. Osorio restated her position on the Qualified Allocation Plan (QAP) scoring, progress made on the riverbank issues, and a willingness to further discuss possible options of financing.

With no further discussion, Chairman Mesick asked for a motion to convene into Executive Session to consult with the Board’s attorney on questions and issues pertaining to the Board’s powers, duties, privileges, immunities, and liabilities as it relates to the 2012 Volume Cap (9%) Federal and State Low Income Housing Tax Credit Awards.

Director Jung moved, seconded by Director Kyno to move into Executive Session at 9:40 am.

The motion was unanimously approve.

Chairman Mesick reconvened into Regular Session at 11:15 am and proceeded to the Report of the Finance Subcommittee, noting the following:

1. Being good stewards of the funds the HHFDC administers is desired.
2. More emphasis on risk management is needed in how the agency manages its portfolio in deals with the RHTF, DURF, and LIHTC.
3. Examination of the QAP is desirable to create and ensure flexibility and transparency.

The Finance Subcommittee will meet after this meeting to further discuss the criteria of the QAP.

With no further items on the Agenda, Chairman Mesick called for a motion to adjourn the meeting.

Director Kyno moved, seconded by Director Jung to adjourn the meeting at 11:20 am.

The motion was unanimously approved.



 for BETTY LOU LARSON
 Secretary

**IV.
REPORT
OF THE
EXECUTIVE
DIRECTOR**

**EXECUTIVE
SESSION
9:40 am**

**RECONVENED
11:15 am**

**V.
REPORT
OF THE
FINANCE
SUBCOMMITTEE**

**VI.
ADJOURNMENT**