

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, OCTOBER 11, 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, October 11, 2012, at 9:00 a.m.

Chair Ralph Mesick called the meeting to order at 9:00 a.m.

**CALL TO  
ORDER/  
ROLL CALL**

Present: Director Ralph Mesick, Chair  
Director Allan Los Banos, Vice Chair  
Director Francis Jung  
Director Leilani Pulmano  
Director Paul Kyno  
Director Michael Ng  
Designee Scott Kami 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: Sandy Ching, Deputy Attorney General  
Janice Takahashi, Chief Planner  
Darren Ueki, Finance Manager  
Rick Prahler, Development Branch Chief  
Galen Lee, Fiscal Manager  
Stan Fujimoto, Development Section Chief  
Marlene Lemke, Real Estate Services Section Chief  
Patrick Inouye, Housing Finance Specialist  
Brian Davidson, Housing Finance Specialist  
Beth Malvestiti, Housing Development Specialist  
Ken Takahashi, Housing Development Specialist  
Lisa Wond, Planner  
Lorraine Egusa, Budget Analyst  
Kent Miyasaki, Housing Information Specialist  
Esa Pablo, Secretary to the Board

Guests: Stacy Sur, Hawaii Housing Finance  
Bruce Barrett, Castle and Cooke Hawaii  
Andrew Furuta, Castle and Cooke Hawaii  
Delene Osorio, Big Island Housing Foundation  
Jesse Wu, Stanford Carr Development  
Eddie Ontani, Catholic Charities Hawaii  
Liz Char, Housing Partners

A quorum was present.

**QUORUM**

Designee Evans moved, seconded by Director Jung, to approve the Meeting Minutes of September 13, 2012.

**II. A.  
APPROVAL  
OF MINUTES  
09/13/2012  
Regular  
Meeting**

The motion was unanimously approved, as circulated.

Chair Mesick announced that the approval of items II. B. through F. would be taken in Executive Session, subsequent to the Report of the Executive Director.

**II. B.  
APPROVAL  
OF MINUTES**  
9/13/2012  
Executive Session

**II. C.  
APPROVAL  
OF MINUTES**  
08/09/2012  
Executive  
Session

**II. D.  
APPROVAL  
OF MINUTES**  
07/12/2012  
Executive  
Session

**II. E.  
APPROVAL  
OF MINUTES**  
06/14/2012  
Executive  
Session

**II. F.  
APPROVAL  
OF MINUTES**  
05/10/2012  
Executive  
Session

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Designee Evans moved, seconded by Vice Chair Los Banos, to approve staff's recommendation:

That the HHFDC Board of Directors:

- A. Authorize the Executive Director to approve non-policy substantial amendments to the State of Hawaii's Consolidated Plan or Annual Action Plans that are consistent with the Consolidated Plan or Annual Action Plan.
- B. Authorize the Executive Director to undertake all tasks necessary to implement approval authority.

Planner Lisa Wond stated that this For Action seeks the Board's approval to authorize the Executive Director to approve non-policy related substantial amendments consistent with the Consolidated Plan or Annual Action Plan, that would shorten the approval process by approximately 20 days.

Substantial amendments are required when there are significant changes to the administration of a program, such as a change in allocation priorities or in the method of distribution of funds, new activities, or a change in beneficiaries of an approved activity.

Prior to submittal of substantial amendments to HUD, a public comment period is required to allow citizens the opportunity to comment on proposed amendments that are then addressed and considered by HHFDC prior to Board approval. Currently the average process time ranges between 60 and 90 days.

Any approved substantial amendments by the Executive Director would be reported to the Board within the Executive Director's Monthly Report. However, policy-related substantial amendments will continue to be brought before the Board for consideration and approval.

**III. A.  
DISCUSSION  
AND/OR  
DECISION  
MAKING**  
Approval to Authorize the Executive Director of the Hawaii Housing Finance and Development Corporation to Approve Substantial Amendments to the State of Hawaii's Consolidated Plan or Annual Plans

In response to Designee Evans, Ms. Wond stated that the HHFDC administers the HOME program, while the ESG and HOPWA programs are now administered by the Department of Human Services, the Benefits, Employment and Support Services Division, with each agency responsible for its own program administration.

With no further questions, the motion was unanimously approved.

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

That the HHFDC Board of Directors approve an Award of Federal and State LIHTC to the following Project in accordance with the QAP, subject to the conditions specified in Exhibit D, and the following conditions, as stated below:

- A. The Riverside Apartments 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 \$1,410,305.
- B. Written evidence acceptable to HHFDC that the Riverside Apartment project has a housing assistance payments contract in place as represented in the application submitted on February 29, 2012 by December 12, 2012.
- C. Written evidence acceptable to HHFDC that all conditions of the formal notice for corrective action dated August 8, 2012, Subject: Notice of Default of the Housing Assistance Payments (HAP) Contract and HAP Renewal Contract and Demand for Correction, have been completed by December 12, 2012.
- D. In the event that the Applicant is unable to meet the conditions of items IV. A., B., and C. above to the satisfaction of HHFDC, a letter returning the LIHTC shall be provided to HHFDC by December 12, 2012.
- E. 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 there is an annual limit of Low Income Housing Tax Credits (LIHTC) allocated by each state.

The 2012 State Volume Cap Round application deadline was on February 29, 2012, in which 14 applications were received and evaluated against the criteria and guidelines of the 2012 Qualified Allocation Plan.

At the June 14, 2012 Board Meeting, staff recommended to award Volume Cap of 9% LIHTC to the Kewalo Apartments, Halawa View Apartments, and Hale Mohalu II Family projects, with remaining LIHTC to be awarded to the Meheula Vista Phase I project.

However, due to testimony by the Owner of Riverside Apartments, the Board opted to defer approval to the Meheula Vista Phase I at the June 14 and July 12, 2012 Board Meetings to reassess the Riverside and Meheula applications and provide additional time to consider alternative financing structures, respectively.

In Executive Session at the September 13, 2012 Board Meeting, the Board advised the Executive Director to award the remaining 2012 Volume Cap LIHTC to the Riverside Apartments project with conditions.

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

Approve an Award of Federal and State Low Income Housing Tax Credits from the State's 2012 Volume Cap to Riverside Apartments Project Located in Hilo, Hawaii, TMK No.: (3) 2-6-003:009

Director Jung requested that Ms. Delene Osorio, representing the Riverside Apartments, be permitted to address the Board.

Ms. Osorio expressed concern in regard to items B. and C. within staff's recommendation and asked for clarification. Chair Mesick advised Ms. Osorio to discuss questioned details with staff.

Correspondence between HUD and the Riverside Apartments dated from August through September 2012 were circulated to the Board for review.

Ms. Osorio requested a form of receipt of today's approval to meet specific conditions of its September 28, 2012 HUD letter. Executive Director Seddon stated that a copy of the signed For Action could be provided.

Director Jung requested that Ms. Osorio provide the Board and the Executive Director all documentation within the project's portfolio, specifically to HUD considering a long-term contract with approval of a HHFDC loan and tax credits.

In response to Designee Kami, Mr. Ueki stated that the December 12, 2012 deadline would allow the HHFDC to utilize the LIHTC in the current calendar year in the event that the Riverside Apartments is unable to meet the conditions set forth in the For Action, coinciding with the December 13, 2012 Board Meeting.

With no further discussion, the motion was unanimously approved, with Chair Mesick recusing himself from voting.

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

That the HHFDC Board of Directors approve the following:

- A. Resolution No. 049, attached as Exhibit E, which provides approval to issue revenue bonds of up to \$40,000,000 for the Halekauwila Place project subject to the provisions and conditions recommended in Exhibit D and the Governor's preliminary approval to issue the increased revenue bond amount of \$40,000,000.
- 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 this is the final approval needed prior to the issuance of the bonds for the Halekauwila Place (Project), a proposed 204 family-unit housing facility.

Project facts and previous Board approvals from November 2010 through August 2012 were noted.

Construction of the Project is anticipated to start in the 4<sup>th</sup> Quarter of 2012, with completion of the Project anticipated in the 3<sup>rd</sup> Quarter of 2014.

The Hula Mae Multi-Family (HMMF) Bonds will be split into two series.

Series A is a rated public offering of approximately \$25,820,000 supported by cash collateral. A corresponding HUD 221 insured first mortgage in the same amount is being made by PNC Bank to facilitate disbursement of funding and cash collateral maintenance. Security is limited to investments in the proceeds and escrow accounts.

Series B is an unrated private placement of about \$14,180,000 with PNC Bank that is expected to be structured as a draw down bond, providing additional construction financing with takeout expected to be funded from equity or the

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

Approve Resolution No. 049, Authorizing The Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds for the Halekauwila Place Project Located in Honolulu, Oahu, TMK No.: (1) 2-1-051: 042 and 043



proceeds from other sources.

Approval to issue the HMMF tax-exempt bond is subject to the Governor's approval.

A TEFRA Hearing was conducted in September 2011 for \$35 million in HMMF bonds and another was held in September 2012, acknowledging the increase from \$35 to \$40 million in HMMF bonds.

Resolution No. 049 satisfies the requirement to effectuate the sale of the bond and would allow staff to complete the bond sale.

Mr. Ueki opened for questions along with Mr. Jesse Wu, on behalf of the Project.

In response to Chair Mesick, Mr. Ueki and Mr. Wu briefly explained that the structure of the Series A is a loan commodity that is unique in terms of meeting the 50% of the 4% LIHTC requirement, with a two-year lock. Under the HUD loan program the bond commitment is a 40-year loan with a 22-month construction period interest, leveraging an opportunity to obtain debt at a very low rate, reducing the need for other subsidies.

A PowerPoint explaining the flow of the bond proceeds could be made available to the Board.

With no further discussion, the motion was unanimously approved.

Designee Evans moved, seconded by Vice Chair Los Banos, to approve staff's recommendation:

That the HHFDC Board of Directors approve the conveyance of remnant Parcels 8 and 9 of File Plan 2132 in fee simple to the County of Maui for the existing Kahoma Stream improvements and to the State of Hawaii Department of Transportation for Phase 1A of the Bypass Highway, at the Villages of Leiali'i, TMK (2) 4-5-021: 003 (por.), substantially as described in this For Action, and the Executive Director shall be authorized to take all actions necessary to effectuate the purpose of this For Action, subject to the following:

- A. Approval of Parcel 9 as a separate subdivided lot between the Right-of-Way for the Bypass Highway and the balance of the property;
- B. Approval as to form of the quitclaim deed by the Department of Attorney General;
- C. Approval and execution of necessary conveyance documents by the Executive Director; and
- D. Compliance with all laws and rules, and such other terms and conditions as may be required by the Executive Director.

Development Section Chief Stan Fujimoto presented the For Action, stating that the deed conveying the property to HHFDC indicate that Parcels 8 and 9 are reserved for the Kahoma Stream Flood Control project done by the Corps of Engineers for the County of Maui in the mid-1990's.

HHFDC recently did a topographic survey which not only confirmed that Parcels 8 and 9 contained the Kahoma Stream Flood Control improvements, but also that a portion of parcel 9 is under the Phase 1A of the Bypass Highway. Both the Department of Transportation (DOT) and the County of Maui want their respective portions of Parcels 8 and 9 in fee simple from the HHFDC rather than by easements.

HHFDC believes that Parcels 8 and 9 are remnant lots and therefore, Act 176

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

Approve Conveyance Of Remnant Parcels 8 and 9 to the County of Maui for Kahoma Stream Improvements and to the Department of Transportation for the Bypass Highway at the Villages of Leiali'i Located in Lahaina, Maui, TMK No.: (2) 4-5-21:003 (Portion)

does not apply to this conveyance.

In discussion with the Board, Mr. Fujimoto stated that there have been previous discussions regarding remnant parcels in general, but not these particular parcels, with the Attorney General's (AG's) Office.

Designee Evans stated that she is comfortable voting prior to staff's discussion with the AG's Office.

The motion was unanimously approved.

In response to the Board, Mr. Fujimoto provided an update on the Villages of Leiali'i, noting the following:

1. Construction for Phase 1A of the Bypass Highway started in 2008 and is anticipated to be completed by the end of 2012.
2. HHFDC has been working with Munekiyo & Hiraga, Inc. on including Phase A of the Villages of Leiali'i into the County's Urban Growth Boundaries of its new general plan. The County of Maui is revising its general plan and anticipates approval by the end of 2012 to avoid restarting the approval process with a new Council. Full Council approval is pending.
3. Discussions with OHA on ceded land issues are ongoing.
4. Notice of Final EIS is scheduled to be published in the October 23, 2012 issue of the OEQC bulletin.

With no further discussion, Chair Mesick proceeded to the Report of the Executive Director.

Executive Director Seddon reported on the Asset Management Branch report, stating that vacancy rates have improved considerably, especially with the Honokowai Kauhale project, considering the recent and necessary change in property management.

Designee Evans noted and congratulated Fiscal Manager Galen Lee, who was selected as DBEDT's Manager of the Year, accommodated by Executive Director Seddon, and HHFDC Staff.

Executive Director thanked Designee Evans for the acknowledgement, stating that Mr. Lee has been resolute in getting the new software system functioning, as well as assembling the HHFDC's 2012 Audit, commending Mr. Lee and his staff.

In response to Director Jung, Executive Director Seddon stated that Staff continues to work with the Kamehameha Schools on the Kamaaina Hale project, with 19 years remaining on its lease. A Request for Proposal to sell the project was issued, with no responses received.

Designee Evans requested that a representative from the Kamehameha Schools attend a future meeting to discuss its plans for the area with specific reference to this particular parcel. Executive Director Seddon stated that Staff will inquire.

Chair Mesick concurred, adding that perhaps something of value could be negotiated (e.g. LIHTC or density bonuses) in replacement of HHFDC's limited hard cash.

With no further discussion, Chair Mesick called for a motion to move into Executive Session to approve the Executive Session Meeting Minutes of May 10, 2012 through September 13, 2012.

**IV.  
REPORT  
OF THE  
EXECUTIVE  
DIRECTOR**

**EXECUTIVE  
SESSION**  
10:03 a.m.

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

Designee Evans moved, second by Director Jung to convene into Executive Session at 10:03 am.

The motion was unanimously approved.

The Board reconvened into Regular Session at 10:45 am, with Chair Mesick announcing that that all Executive Session Meeting Minutes were approved.

With no further items on the agenda, Director Ng moved, seconded by Vice Chair Los Banos, to adjourn the meeting at 10:45 am.

The motion was unanimously approved.

**RECONVENED**  
10:45 a.m.

**V.**  
**ADJOURNMENT**



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BETTY LOU LARSON  
Secretary