

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 14, 2006
IN THE CITY AND COUNTY OF HONOLULU, STATE OF HAWAII**

The Board of Directors of the Hawaii Housing Finance and Development Corporation met for their Regular Meeting at 677 Queen Street, Suite 300, Honolulu, Hawaii, on Thursday, September 14, 2006, at 9:00 a.m.

Chairman Charles King called the meeting to order at 9:02 a.m.

**CALL TO
ORDER/
ROLL CALL**

PRESENT: Director Charles King
Director David A. Lawrence
Director Betty Lou Larson
Director Theodore E. Liu
Director Charles P. Wathen
Director Georgina Kawamura
Director Linda Smith
Designee Scott Kami

Executive Director Orlando (Dan) Davidson

Staff Present: Sandra Ching, Deputy Attorney General
Janice Takahashi, Chief Planner
Darren Ueki, Finance Manager
Thomas Otake, Acting Development Section Chief
Stanley Fujimoto, Project Manager
Chris Sadayasu, Development Specialist
Leo Domingo, Development Specialist
Gary Umeda, Housing Inspection Technician
Dean Sakata, Finance Specialist
Mavis Masaki, Planner
Marlene Lemke, Real Estate Services Section Chief
Elaine Goma, Land Programs Specialist

Guest: Carlotta Diaz, State Ethics Commission Staff Attorney

Others: Audrey Awaya, Pacific Housing Assistance Corporation
Karen Arakawa, Pacific Housing Assistance Corporation
Warren Wegesend, General Manager, Villages of Kapolei Association
Jaime Gentry, Board Director, Villages of Kapolei Association
Wendy Tomita, CSR, Independent Court Reporter

Chairman King declared a quorum present.

QUORUM

Chairman King stated that the August 10, 2006 Regular Meeting Minutes were circulated to the Board at this meeting and would move this item to the end of the agenda to allow the Board members some time to review the minutes.

**II.A.
APPROVAL
OF MINUTES
8/10/06
Regular
Meeting**

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The Chair indicated that the Executive Session Meeting Minutes for August 10, 2006, would be approved during the Executive Session.

II.B.
APPROVAL
OF MINUTES
8/10/06
Executive
Session

Chairman King introduced Ms. Carlotta Diaz, a staff attorney with the State Ethics Commission, who conducted the training for the HHFDC Board Members. She explained the State Ethics Code, which is a State law found in Chapter 84, Hawaii Revised Statutes, and it applies to all State employees, State board and commission members and State elected officials.

III.
ETHICS
COMMISSION
TRAINING

Ms. Diaz explained that the Code does not apply to judges, to county employees, to federal employees, and to contractors with the State.

Ms. Diaz briefly discussed the following three subject areas:

1. Conflicts of Interest – to determine whether or not an individual, the individual’s spouse or dependent children have a financial interest in a business in order for the individual to disqualify himself or herself from taking any legal action affecting the business.
2. Gifts and Reporting of Gifts – basically anything of value which could include food, entertainment, travel, gift certificates, discount cards, passes, loans, money, even services. Anyone who is offered a gift should call the State Ethics Commission who will help them to decide whether or not the gift is an acceptable one.
3. Gifts Disclosure Law – Certain gifts are required to be reported on a gifts disclosure statement that must be filed with the State Ethics Commission. Again, when in doubt, call either the State Ethics Commission, or the HHFDC Board could talk to its legal counsel.

Mr. Diaz concluded her presentation, and the Chair thanked Ms. Diaz for her training of the State Ethics Code to the HHFDC Board of Directors.

Executive Director Dan Davidson indicated that this agenda item is a For Discussion and details would be presented by Mr. Tom Otake, Acting Development Section Chief.

IV.A.
DISCUSSION
AND/OR
DECISION
MAKING
Discussion on
Potential
Request for
Proposals for
the Villages
of Kapolei
Village Center,
Pohukaina
Parcel,
and the Kona
Non-Ceded
Land Parcel

Executive Director Davidson reported that staff will solicit three requests for proposals (RFPs) in order to meet the agency’s mission of providing more housing. The item is a For Discussion to inform the Board what the RFPs entail before staff formally issues the RFPs. The three RFPs are very different and fulfill different aspects of HHFDC’s mission.

Villages of Kapolei, Village Center

The HHFDC recently held a successful ground breaking on three Castle & Cooke parcels in the Villages of Kapolei. The Village Center site is a 15-acre parcel located adjacent to the Kapolei Elementary School, and zoned AMX-1 (apartment mixed use district) by the City and County of Honolulu. Staff feels that this is a great opportunity for for-sale workforce housing, with some commercial, residential and a church mix.

Pohukaina Parcel

The Pohukaina parcel is located in Kakaako, Honolulu, Oahu. The potential RFP is to develop only a portion of the parcel. The ewa, mauka corner is relatively unencumbered; is owned by the DLNR, and available to HHFDC. HHFDC has an approved environmental assessment for an affordable rental. Executive Director Davidson indicated that he met informally with Dan Dinnell, Executive Director, of the Hawaii Community Development Authority (HCDA) regarding HHFDC's potential plans for affordable rentals for this parcel.

Kona Non-Ceded Parcel

The third potential RFP is a longer-term master plan of 272 acres of non-ceded lands located in Kailua, Kona. The DLNR has made the acreage available to the HHFDC. There are county issues and other issues; however, staff would like to move ahead with master planning this parcel and work with the DLNR, the DHHL, and the Hawaii County to proceed and determine the best use for this property. The concept now is to position this parcel so that down the road there is a major parcel to develop both for-sale and rental housing.

Mr. Tom Otake then gave his presentation.

Parcel No. 1, VOK Village Center – The 15-acre site is shown in Exhibit A of the For Discussion. It is infrastructure ready, zoned and ready to go. The mixed-use is proposed after staff had discussions with the Villages of Kapolei Association (VOKA) which wants some sort of a church site in the area. Because the site is zoned for mixed use, staff intends to go out with an RFP that meets the mixed-use criteria of commercial, residential, church mix. The intent of the For Discussion is to solicit guidance and direction from the HHFDC Board of Directors.

Mr. Otake indicated that he was available for questions from the Board.

Questions and discussions followed on the total number of units that could be produced without church or commercial uses, value of the commercial or church portions and who would the value go to, what type of commercial and how would it be limited, and whether commercial should be included.

Mr. Jaime Gentry, the Villages of Kapolei Association (VOKA) Board President, indicated that the Kapolei Village Center parcel is very important to the VOK community. It is located in the center of the community and comes with a considerable amount of its own problems, traffic being one of them. The needs of the Villages and the quality of life are the main concerns of the VOKA.

Mr. Warren Wegesend, the VOKA General Manager, indicated that the community has consistently indicated that there should be a church site. Several religious denominations in the Villages are currently using the schools. Somewhere, whether it is in the Village Center or the remaining Northwest Corner parcel, there needs to be some church site at some point in time.

With regards to the commercial use, at this time, the VOKA would not be able to say whether or not the area could sustain a 7-Eleven-type activity, or any kind of a real strong commercial activity. However, the nearby park is very well used, so some kind of convenience store would help the park users.

Mr. Otake provided some background information on the development of the Villages of Kapolei under Act 15, which required 60 percent affordable units at 120% and below of the AMI, and the Villages are approximately 90% completed residential-wise. So, the HHFDC has more than fulfilled the affordable requirements for this major project.

Discussion ensued on affordability requirements, shared appreciation equity (SAE), unit mix, number of ownership versus rental units and for-sale or rental preference. Mr. Wegesend agreed that rentals on this site did not fit in the Master Plan. Further discussion on for-sale versus rental took place, and Mr. Otake said that he would provide the number and percent of the total rental units in the project at the next Board meeting.

Deliberation on long-term and permanent affordable inventory ensued, and Mr. Otake stated that he would ask the HHFDC Real Estate Services Section to provide an idea of how many buybacks and/or affordable re-sales there have been for the area, as he did not think that a majority of affordable units had been sold.

Further discussions took place on the RFP criteria and previous RFP criteria with the reference to preference for rental units.

Mr. Otake brought up the possible inclusion of some other vacant subdivided “cluster” type lots – 36 in Village 4, and 31 in Village 5. Director Wathen felt these “cluster” lots should be in a separate RFP. Discussion followed on whether to include them in the Village Center RFP.

After much discussion, Executive Director Davidson stated that this RFP would be prepared and presented to the Board at their October 12, 2006 Board meeting for final discussion and issuance soon thereafter.

Parcel No. 2 – Pohukaina – Mr. Tom Otake introduced Mr. Stanley Fujimoto, project manager, to provide the specifics and background on the parcel.

Mr. Fujimoto explained staff’s intention is to issue an RFP for the Ewa/Mauka corner portion of the Pohukaina block, as that portion does not have as many issues and conflicting interests as the rest of the entire site. Mr. Fujimoto stated that an environmental assessment for a 200-unit, affordable senior rental project had previously been done, and that the site has a ceded-land component. Questions and a discussion followed on the site, surrounding area, requirements, and possible RFP criteria.

A discussion followed on this item as an informational item and not a decision-making one. Deputy Attorney General Sandra Ching stated that the RFP could be issued since this was brought forth for discussion purposes. Normally, the selection of the developer is brought back to the Board for approval. Regarding the first Villages of Kapolei parcel, this item would be brought back to the Board at the October 12, 2006 Board meeting for further discussion prior to issuing the RFP. However, the RFP for Pohukaina can be issued based on the discussion that took place.

Further questions and discussion on the Pohukaina RFP criteria followed including that the RFP would be issued not for an elderly project but for a rental project. Generally, rental projects need tax credits and have to comply with the tax credit requirements. A discussion ensued on the resources available for this type of project, how long to get an allocation, how much subsidy would be required to make these kinds of deals feasible, and how long it would take for a project of this type to get started if it required a large subsidy. The process for the awarding of tax credits and Rental Housing Trust Fund resources were discussed with the possibility of increasing the application timeframes and to consolidate the agency’s resources.

Director Kawamura stated that, for clarification purposes, from now on staff will go to the Board to provide information on an RFP that staff intends to release. If the Board has questions on the particulars, then the RFP will be held up to the next meeting. Without any clear objection from the Board, the RFP will be

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issued. Director Kawamura asked if it was clear to everyone, that with respect to the Pohukaina RFP, if the Board has no objections, the RFP will be issued. Chairman King replied in the affirmative.

Chairman King asked for a motion to recess.

RECESS

Director Smith moved, seconded by Director Wathen.

To recess the meeting. (No time was noted in the court reporter's proceedings on when the recess occurred.)

Chairman King reconvened the Regular meeting of the Board.

RECONVENED

Kona Non-Ceded Land Parcel – Mr. Tom Otake indicated that the specifics and background were explained and that staff is proposing to procure a master plan consultant for this project as it is very complex. A conceptual master plan, feasibility studies, EIS, working with the County for a possible land trust plan and other stakeholders, etc., are needed. Staff spoke to the Hawaii County Office of Housing and Community Development which indicated that this site needs to be very carefully planned with community involvement. There is also no infrastructure available (sewer, water, roadways), and it would require working with the County's infrastructure plans to tie into their system.

Discussion followed on the Kona Water System CIP requirements and the Queen Liliuokalani Trust plans for their parcel in the area that was originally zoned for commercial, but may now be planned for residential. Also discussed were the possible types of projects for this parcel to include rentals, due to this being a substantial piece of land, many types of housing opportunities could be considered based on the master plan.

It was noted that since this is a significant piece of property on the Big Island, it would be nice to have a Director from the Big Island on the HHFDC Board.

Mr. Otake stated that from time to time, the Board would be informed of reports on the progress of the master plan from the consultant. He also explained that, due to this being a new project, that there is a process of having to establish a budget for the project, then having the project budget approved by the Board, and finally obtaining the Governor's approval to release the funds. Mr. Otake explained the consultant procurement process which includes first obtaining the Governor's approval to hire a consultant, establishing a selection committee for the review and recommendation of a consultant, then finally going through the contract process. This procedure takes some time.

Discussion on the other simultaneous efforts took place. CIP for infrastructure is needed to make the parcel attractive, going dual track not only to do the master plan, but also to look at possible state resources for the infrastructure requirements. The water requirements for the entire area were discussed. The DLNR is taking the lead on this issue so that the dual track will be kept going.

The Chair thanked Mr. Otake for his presentation.

Chairman King asked for a motion to approve.

Director Smith moved, seconded by Director Larson,

Ms. Janice Takahashi, chief planner, presented the For Action.

IV.B
Approval of
Proposed
Chapters 15-300,
15-303, 15-304,
15-305
and
Repeal of Chapters
17-2006, 17-2010,
17-2011, and
17-2016

Now that the HHFDC is attached to the DBEDT, Ms. Takahashi indicated that a number of rules will need to be renumbered. Citations from 201G to 201H will need to be revised. Other rules are now being reviewed by staff for more substantive amendments in order to simplify how the corporation does business and to become more aggressive in doing business.

Ms. Takahashi pointed out that the only substantive change is in Chapter 15-300, Rules of Practice and Procedure, Page 2, Item III.C., deleting the reference to “evictions from public housing,” because HHFDC is no longer the public housing agency.

Ms. Takahashi then referred to Chapter 15-302 and indicated that Director Wathen noticed that the occupancy guidelines for HHFDC’s rental units are tied to the County Building Code, or Housing Code, which may allow very large family sizes because the occupancy is based on square footage of the unit. Therefore, two other substantive amendments are proposed: 1) delete subsection (b) in Chapter 302-15 (b) on Page 302-7, and 2) Chapter 303-30 (b) on Page 303-6, which refer to those maximum family sizes. The language that is being deleted is “The maximum family size is based on prevailing county housing, zoning, building, health and fire codes.”

In response to Director Larson’s query as to why this subsection is being deleted, Director Wathen indicated that there is a lawsuit occurring with Fair Housing now. The Board is basically agreeing with the City and County of Honolulu, which is not what the Board really means to do in rental units. So, in effect, the Board is decoupling itself from the County in order to set its own standards for in the best interest of managing rental units.

Ms. Takahashi added that staff is requesting the Board’s approval of the draft rules so that the HHFDC can go to public hearing upon obtaining the Governor’s approval.

Director Wathen asked Ms. Takahashi if there would be any further proposed changes to the next round of HHFDC’s administrative rules, and Ms. Takahashi replied that there will be substantive amendments to those rules that staff will bring before the Board. Director Larson requested that the issue on “occupancy” be reviewed at the next go around. Ms. Takahashi replied in the affirmative.

The Chair asked for a vote on the motion.

The motion was unanimously carried.

The Chair asked for a motion to approve.

Director Lawrence moved, seconded by Director Wathen,

Mr. Stanley Fujimoto, project manager, presented the For Action.

Mr. Fujimoto reported that HHFDC’s policy with the previous HCDCH Board of Directors was to take easements to them for approval, and this For Action is in accordance with that policy.

The Iwilei Project is on the former OR&L railroad site at the corner of North King Street and Iwilei Road. In order to cancel an existing 40-foot access easement which traverses the project site, the HHFDC requested for, and the DLNR approved, Easement U over the adjacent Department of Accounting and General Services (DAGS) project site. Additionally, Mr. Fujimoto said that the project site has numerous other easements – electrical, sewer, drainage and railroad – which will need to be canceled or rerouted. The developer also needs

IV.C.
Approval of
Cancellation
and Establishment
of Various
Easements, and
Establishment of
a Condominium
Property Regime
for the Senior
Residence at
Iwilei Project,
Oahu

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to create a condominium property regime for the three different uses – the apartment use, the office use, and the day-care use. The DLNR will need to approve all other easements which the developer will require, and staff has requested the DLNR to begin reviewing these other adjustments.

The For Action requests the Board’s approval of the following:

- Cancellation of Easement 12;
- Approval of Easement U on the adjacent DAGS portion of the site;
- Approval of any easements incidental to and necessary for the senior residence at the Iwilei project; and
- Approval of a condominium property regime for the project.

Mr. Fujimoto indicated that two representatives of the developer, Audrey Awaya and Karen Arakawa, were in the audience and available for questions from the Board.

With reference to Item J.3., Page 3 of 4 of the For Action, it was asked if the word “HCDCH” should be changed to “HHFDC,” and Mr. Fujimoto replied in the negative because the conditions are those that the DLNR approved.

With reference to Item J.2.a., Page 2 of 4 of the For Action, it was asked who “300 Corporation is,” and Mr. Fujimoto replied, “a Weinberg Foundation.”

The Chair asked for a vote on the motion.

The motion was unanimously carried.

Chairman King asked for a motion to approve.

Director Lawrence moved, seconded by Director Larson,

Mr. Stanley Fujimoto, development specialist, presented the For Action.

Mr. Fujimoto stated that the basic objective of this For Action is to try and dispose of the property (HHFDC-owned remnant lot) and maximize the revenue in the process. Staff is requesting the Board’s approval to convey Parcel 126 in the Hokulele Subdivision, in Kaneohe, Oahu, to the Board of Water Supply.

Parcel 126 is an access lot on Loli’i Road, and it is subject to existing easements for access, sewer, and drainage. The parcel was designed as an access for further development beyond the subdivision, however, due to community opposition, the future development was suspended.

Recently, the Board of Water Supply installed a 16-inch waterline within the parcel; and in lieu of an easement, they are amenable to accepting title to the property.

Mr. Fujimoto indicated that staff is requesting the Board’s approval to convey the parcel to the Board of Water Supply as is for gratis.

It was asked if the access to the parcel that the community turned down would ever come back as an affordable site, and is the site difficult to develop.

Mr. Fujimoto replied in the negative; the site looks undevelopable. However, the other consideration is that parcel 126 is subject to an easement for access. So, should the HHFDC ever want to develop that future property, the access is still there no matter who owns the property.

IV.D.
Approval to
Convey a
Vacant Lot
at the
Hokulele
Subdivision,
Kaneohe,
Oahu, Hawaii,
to the
Board of
Water Supply

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Chairman King asked for a vote on the motion.

The motion was unanimously carried.

Chairman King asked for a motion.

Director Smith moved, seconded by Director Lawrence,

Mr. Stanley Fujimoto, development specialist, presented the For Action.

Mr. Fujimoto reported that the HHFDC has a vacant remnant lot at the Kau’olu Property Development in Waipahu and is the last developable property at the Kau’olu Properties Subdivision. The property is 34,389 square feet and unsuitable for affordable housing because of its limitations due to existing soils conditions and floodway designation. Because the property is zoned R5, it may be suitable for a single family or duplex dwelling.

To date, the HHFDC expenses at Kau’olu exceed revenues by \$1.4 million. The 2006 assessed value is under \$193,000.

Mr. Fujimoto indicated that staff seeks the Board’s approval to sell the property at market value, or best value.

It was asked if the land conditions prohibit the building of another senior project, and Mr. Fujimoto responded in the affirmative. This is a large piece of land where only one dwelling can be built on it.

There being no further questions, the Chair asked for a vote on the motion.

The motion was unanimously carried.

Chairman King asked for a motion to approve.

Director Lawrence moved, seconded by Director Larson,

Mr. Fujimoto reported that the HHFDC owns three remnant parcels at the Hokulele Subdivision in Kaneohe. The HHFDC Board recently approved disposing of parcel 126. This For Action addresses the remaining two remnant parcels 11 and 12.

Parcel 11 is 9.195 acres, and most of this parcel is unusable because of the steep topography and heavy vegetation. Parcel 12 is 52,856 square feet and is landlocked.

City Council Resolution 86-273 for this subdivision indicates that only one dwelling unit may be built on these two parcels. They have been frequently accessed by trespassing hikers to access the Haiku Stairs which is now closed by the City.

Parcels 11 and 12 are not feasible for affordable housing because of its limited usable area, and the liability for the ownership and maintenance of the unusable portions of the property.

The HHFDC’s existing contract to maintain these parcels is approximately \$3,000 a year which does not include the costs for periodic tree trimming. The 2006 assessed value for parcel 11 is \$644,000, and \$132,000 for parcel 12.

IV.E.
Approval to
Sell a Vacant
Lot at the
Kau’olu
Properties
Development,
Waipahu,
Oahu, Hawaii

IV.F.
Approval of
Disposition of
Two Remnant
Lots at the
Hokulele
Subdivision,
Kaneohe, Oahu,
Hawaii

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Mr. Fujimoto indicated that the Hawaii State Hospital expressed an interest in accepting title to parcels 11 and 12; however, the decision was deferred by the HCDCH Board pending the development of an asset management plan.

This For Action seeks the Board's approval of the following:

- Conveyance of parcels 11 and 12 to the Department of Land and Natural Resources (DLNR) for the Hawaii State Hospital, for gratis, if they are still interested in accepting title to the property; and
- If the Hawaii State Hospital is no longer interested in accepting title to the property, sell both parcels together, as is, at market price or best offer.

It was asked why would transferring the property to the Hawaii State Hospital be a good use, and what would they use the property for? Chairman King indicated that the State Hospital wants to make a use out of the property. Director Smith added that the State Hospital has been looking at available lands for possible expansion.

Director Smith then moved to amend this For Action, namely that instead of the word "gratis," for this offer to the State Hospital that "it would be in exchange for the State Hospital transferring to DLNR the portion of the property that is currently occupied by the Hakipuu Learning Center, TMK: 4-5-23, portion 002."

Director Kawamura seconded the motion.

Mr. Fujimoto said that he believes the DLNR owns land for the hospital, so they would probably need to change only the set aside.

Director Larson asked if the Hawaii State Hospital could, at a later date, come back to the HHFDC with a plan and then say that they needed the charter school. Chairman King replied that the Hawaii State Hospital could come back to the Board; however, they could decline staff's offer as stated in this For Action. Mr. Fujimoto added that if the Hawaii State Hospital declines, then staff would propose to sell the property to the general public.

Executive Director Davidson indicated that the amendment to this For Action would only be to Item G.1.e., Page 3 of 4.

Chairman King asked for a vote on the motion.

The motion was unanimously carried.

Executive Director Dan Davidson stated that he will continue to use the same format for his Monthly Activities Report to the Board that was used by the previous executive director of the HCDCH.

He pointed out that one activity in particular that he wanted to bring to the Board's attention is on Page 3 of 5, For Information, the H.E.A.R.T. Team. Executive Director then asked Ms. Janice Takahashi, HHFDC's representative on the team, to provide the Board with a brief overview of what H.E.A.R.T. is about.

Ms. Takahashi explained that the Governor's H.E.A.R.T. Team is focusing on addressing the shelter needs of the homeless population on the Leeward Coast. H.E.A.R.T. is looking to develop clusters of initially emergency/transitional units on land owned or leased by the State.

The prototype emergency/transitional shelter would consist of 40 dwelling units and would also include office space for social services and health programs to assist the homeless to transition from homelessness to self-sufficiency. After a three-year period, the units would be converted to permanent, low-income rental housing.

**V.
REPORT
OF THE
EXECUTIVE
DIRECTOR**

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Staff wanted to apprise the Board of the following issues relating to the team's mission:

1. Whether or not the HHFDC should commit its financial resources to this effort; and
2. Ownership of the cluster developments when the transitional shelter units are converted to permanent rental housing.

Ms. Takahashi said that HHFDC's finance staff prepared preliminary pro forma budgets for the cluster developments assuming:

1. Development costs of \$7 million;
2. Operating expenses/year of \$212,000; and
3. Rents utilizing the homeless stipend rent which is much lower than rents allowable under the Low Income Housing Tax Credit program (LIHTC).

Based upon the analysis, there is a gap of approximately \$1.8 million if the 9% LIHTC program is used. HHFDC would need a subsidy or an infusion of \$1.8 million.

There is a gap of approximately \$4.2 million if the Hula Mae Multifamily Tax Exempt Revenue Bond program is used with the 4% non-competitive LIHTC program. Either the State or the Rental Housing Trust Fund could help with the gap.

With reference to ownership of the cluster developments, although the HHFDC owns rental properties, even though the development is not consistent with the corporation's working mission? Although the HHFDC owns properties, staff feels that it would be best for a private, non-profit to own and operate the units.

Ms. Takahashi then informed the Board what the H.E.A.R.T. task force is doing to assist the thousands of homeless people along the Leeward coast who will be displaced when the City and County of Honolulu begins work on improving the beach park facilities.

At this point, a discussion ensued regarding the respective roles of HHFDC and the new Hawaii Public Housing Authority relative to homeless issues.

Director Kawamura indicated that Governor Lingle has declared the Leeward Coast area an emergency and needing assistance because of the homeless issue. The H.E.A.R.T. team is involved in how to address the emergency, and the emergency declaration exempts the State from any normal processes so that the team can immediately address the situation.

Director Kawamura indicated that Ms. Janice Takahashi, along with herself, sits on the team, and that HHFDC is part of the effort because it has financial tools. However, these tools would come in the long-term end because the emergency and transitional are not what the HHFDC is focused on. In addition to emergency and transitional, the team is looking at the long-term benefits and how the shelter units can become permanent affordable units.

Director Kawamura then stated that one of the issues of declaring an emergency is that the Governor has the authority to take money from anywhere to address the emergency. But taking money from anywhere means taking money from another department. And this is what Director Kawamura has been tasked to do – to make recommendations on where the funds could be available. She is trying to limit the drain from other departments by looking at resources that are available from other organizations such as the HHFDC. So, she asked to bring this matter before the Board for discussion and whether or not the Board wants to support the effort.

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Board Members then discussed the various financing tools available to HHFDC, including 9% tax credits, 4% tax credits and the Rental Housing Trust Fund.

Director Liu indicated to Director Kawamura that the 4% tax credits are unlimited and not capped. If a nonprofit wants to come in and use the 4% tax credits, provided the nonprofit is qualified, the Board may consider this option. However, the gap amount should not necessarily be taken from the RHTF.

Director Liu further indicated that he would be very hesitant to use the 9% tax credits because the credits are limited and has to be competitive, even under the emergency declaration.

Director Smith added that perhaps Director Kawamura should focus on the 4% tax credit and the tax exempt bond financing.

At this point, Director Kawamura indicated that there has been a declared need by the Governor, the chief executive officer of the State.

A question was asked about the \$40 million that the Legislature appropriated for various housing programs, and Director Kawamura indicated that the Act 100 funds are restricted. The \$40 million appropriation is specific for housing issues. The \$10 million appropriation for public housing is for renovation of state-owned or federally-owned buildings. The proviso with regards to the Governor's authority for an emergency declaration applies to Act 160, the Budget Act, and not the separate Act 100.

Mr. Darren Ueki, Finance Manager, was asked what the uncommitted balance in the Rental Housing Trust Fund (RHTF) is, and he indicated that the HHFDC has an uncommitted balance of \$22 million in the RHTF, which balance grows on a monthly basis by about \$2 million. There is a pending RHTF application for about \$17 million. Assuming the trust fund gets its monthly take of conveyance tax revenues, there should be a reasonable amount in the trust fund for the calendar year 2007 funding round.

Director Smith indicated that there are financing opportunities that could be taken without jeopardizing the other part of the State's mission which is to build affordable housing and affordable rentals. Director Kawamura thought it was clear from the discussion that the focus is on utilizing the Hula Mae Multifamily Program and 4% tax credits.

Executive Director Davidson asked if there were any other questions on his activity report. Chair King asked for an update on personnel, specifically, the status on filling vacant positions. Chairman King also asked about the monthly financial statement. Ms. Fay Morinaga-Pang, HHFDC's chief financial officer, distributed a consolidated worksheet to the Board.

Executive Director Davidson informed the Board that Ms. Nani Medeiros, Special Assistant to the Executive Director, was recently hired. Ms. Medeiros will serve as a grass roots housing advocate and will work with all stakeholders to keep the housing issue at the forefront.

Executive Director Davidson indicated there is a litigation matter. Director Lawrence reminded the Chair that approval of the minutes of August 10, 2006 was put off to the end of this meeting.

Director Kawamura moved, seconded by Director Wathen,

That the August 10, 2006 Minutes of the Regular Meeting of the HHDC Board of Directors be approved as circulated.

The motion was unanimously carried.

II.A.
APPROVAL
OF MINUTES
8/10/06 Regular
Meeting

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Chairman King asked for a motion to enter into Executive Session.

**VI.
EXECUTIVE
SESSION**

Director Lawrence moved, seconded by Director Smith,

That the Board enter into Executive Session at 12:09 p.m. to discuss an updated litigation item, State of Hawaii v. Hawaiian Dredging & Construction Co., etal., pursuant to Section 92-5(a) (4), Hawaii Revised Statutes.

The motion was unanimously carried.

The Executive Session concluded at 12:14 p.m.

The Chair reconvened the Regular Meeting at 12:14 p.m.

RECONVENED

There being no further discussion, Chairman King asked for a motion to adjourn the meeting.

**VII.
ADJOURNMENT**

Director Larson moved, seconded by Director Kawamura,

That the meeting be adjourned at 12:15 p.m.

The motion was unanimously carried.

BETTY LOU LARSON.
Secretary

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION