

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, NOVEMBER 9, 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, November 9, 2006, at 9:00 a.m.

Chairman Charles King called the meeting to order at 9:04 a.m.

PRESENT: Director Charles King  
Director David A. Lawrence  
Director Betty Lou Larson  
Designated Representative Mark Anderson for  
Director Theodore E. Liu  
Director Charles P. Wathen  
Director Linda Smith  
Designated Representative Scott Kami for  
Director Georgina Kawamura  
  
Executive Director Orlando (Dan) Davidson

Staff Present: Sandra Ching, Deputy Attorney General  
Janice Takahashi, Chief Planner  
Nani Medeiros, Special Assistant  
Darren Ueki, Finance Manager  
Lloyd Fukuoka, Housing Loan Specialist  
Fay Morinaga-Pang, Chief Financial Officer  
Chris Sadayasu, Development Specialist

Other: William T. Barton, RPR, Independent Court Reporter

Chairman King declared a quorum present.

The Chair asked for a motion to approve.

Director Larson moved, seconded by Director Lawrence,

To approve the Regular Meeting Minutes of September 14, 2006 with the following amendment:

Page 18, Paragraph 3. After the first sentence: "Further discussions took place on the RFP criteria and previous RFP criteria with reference to preference for rental units." Add: Board Members expressed a great need for affordable rentals. They asked staff to relook at the previous RFP criteria that produced responses that were creative and offered a mix of approximately half rental and half for-sale units.

Page 24, Paragraph 5, correct the paragraph to read: “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?~~] the homeless developments [are] may not be 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.

Director Larson moved, seconded by Director Lawrence,

To approve the Regular Meeting Minutes of October 12, 2006 as circulated.

The motion was unanimously carried.

Director Larson recused herself from voting on all For Actions relating to Hale Wai Vista, Phase II.

Chairman King asked for a motion to approve.

Director Smith moved, seconded by Director Anderson, to approve staff’s recommendation to:

- A. Approve the Approved Project List for the FY 2006-2 funding round for Project Awards, subject to the following provisions and conditions:
  - 1. The approval of the Approved Project List does not obligate nor guarantee that any and all applicants on the Approved Project List will receive funding;
  - 2. The HHFDC may elect to select, reject, or defer an applicant’s request, if the HHFDC judges such action to be in the best interest of the Program;
  - 3. The amount of an award is subject to availability of Program funds. The HHFDC is not obligated to approve or fund the full amount of the applicant’s request;
  - 4. The actual form, terms, and conditions of each award shall be determined by the HHFDC and are subject to negotiation between the applicant and the HHFDC, and the completion of all appropriate legal documentation satisfactory to the HHFDC and its legal counsel;
  - 5. The approval of each award and the disbursement of funds are subject to the final approval of the Governor of the State of Hawaii; and
  - 6. The applicants will agree to abide by all the terms and conditions that may arise due to the use of public funds.
- B. Authorize the Executive Director of the HHFDC to undertake all actions necessary to effectuate the intent and purposes of this For Action.

Mr. Darren Ueki introduced Mr. Gary Furuta, Project Manager, for the Hawaii Housing Development Corporation. Mr. Furuta gave a brief presentation for the Board.

In response to a few Board members, Mr. Ueki explained that the Corporation received only one application in the funding round due to the short turnaround time to turn in applications. Moving forward, staff anticipates having two funding rounds per year with the number of projects coming in as in the past. Staff will continue to be proactive in improving the program and working with the constitutions who utilize the program.

Responding to a Board member, Mr. Ueki clarified that the criteria which staff utilizes to score a project is reviewed on an ongoing basis by staff as well as revisions arising from comments received from the program users and the general public.

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Mr. Ueki stated that staff will review the affordability requirement to potentially include language that the affordable units be equitably distributed throughout the project to ensure all types of units have some affordability.

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

The motion was unanimously carried.

Chairman King asked for a motion to approve.

Director Kami moved, seconded by Director Lawrence, to approve staff's recommendation to:

- A. Approve a Project Award with terms as shown in III.B. 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 Program funds as mandated under Chapter 15-180, Hawaii Administrative Rules;
  - 2. Execution of documentation satisfactory to the HHFDC outlining the terms and conditions of the Project Award. The documents will 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; and
  - 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.
- B. Authorize the Executive Director of the HHFDC to take all action necessary to effectuate the purposes of the For Action.

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

The motion was unanimously carried.

Chairman King asked for a vote on the motion.

Director Smith moved, seconded by Director Wathen, to approve staff's recommendation to:

- A. Adopt Resolution No. 001 which provides for the official intent with respect to the issuance of Hula Mae Multi-family Tax-Exempt Revenue Bonds for the Hale Wai Vista Phase II project subject to the terms and conditions as stated in section III.H. and I.; and
- B. Approve a reservation of Low Income Housing Tax Credits of \$1,593,391 in annual federal LIHTC and \$796,695 in annual state LIHTC and subject to the terms and conditions as stated in Section III.H. and J.
  - 1. The Developer's Fee, Overhead and related costs of this project do not exceed \$1,770,000.

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C. Authorize the Executive Director of the HHFDC to undertake all tasks necessary to effectuate the intent and purposes of this For Action.

Responding to a Board member's inquiry, Mr. Ueki explained that the Corporation has the authority to issue bonds. The Department of Budget and Finance controls the annual cap for the State, and there is no dedicated amount allocated for the HHFDC. However, the bonds for the Hale Wai Vista Phase II project will be privately placed with Central Pacific Bank which will be purchased at face value with interest.

Mr. Tarleton explained that while the interest rate for the bond sale has not yet been determined, the developer along with his financing team is estimating the interest rate to be 6.75%.

Director Kami pointed out that one of the reasons developers opt to use bonds is to be able to utilize the non-competitive 4% tax credits.

Mr. Ueki further clarified that the Board does grant the final approval of the bond sale once all the numbers are finalized before proceeding with the transaction.

In response to a Board member, Mr. Ueki explained that there is a formula which is used to determine the amount of tax credits a project is eligible for as well as the amount of the bond to be issued.

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

The motion was unanimously carried.

Chairman King asked for a motion to recess.

Director Larson moved, seconded by Designated Representative Kami, to recess the meeting. (No time was noted in the court reporter's proceedings on when the recess occurred or when the recess reconvened.)

Chairman King reconvened the Regular meeting of the Board.

Chairman King asked for a motion to approve.

Director Wathen moved, seconded by Director Smith, to approve staff's recommendation to:

- A. Approve the extension of the Rental Assistance Contract to the Hilo Hale Ohana Associates for the Hilo Hale Ohana I, II and III projects until December 31, 2007; and
- B. Authorize the Executive Director of the HHFDC to undertake all tasks necessary to effectuate the intent and purposes of this For Action.

Mr. Ueki explained that by approving the extension, there would be no loss of affordable units which could potentially displace approximately fifty families should the owner choose to convert the units in market units.

There was further discussion by the Board regarding the usage of the program by project owners to preserve the limited number of affordable units.

The Board also directed staff to take a more proactive stance to enable maximum usage of the financing programs.

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

The motion was unanimously carried.

Chairman King asked for a motion to approve.

Director Anderson moved, seconded by Director Kami, to approve staff's recommendation.

Ms. Janice Takahashi, Chief Planner, provided a legislative history of Kikala-Keokea and noted that lessees will soon be able to build homes on their lots as the Department of Land and Natural Resources is nearing completion of infrastructure work in the subdivision. The 2001 State Legislature established the Kikala-Keokea Housing Revolving Fund to provide Kikala-Keokea lessees with low interest loans for home construction. The 2006 Legislature appropriated \$200,000 for deposit into the fund. Pursuant to the proposed rules for the loan program, the maximum loan amount is \$100,000; the maximum mortgage interest rate is 3 per cent; the maximum loan term is 40 years; and there is a \$100 non-refundable application fee. Eligibility criteria include a Kikala-Keokea lessee who has been denied a loan from a financial institution; no present ownership interest in a principal residence at the time the loan closes; at least 18 years of age; and a maximum gross income of 120 per cent of the HUD area median income. For the County of Hawaii, 120 per cent of the median for a family of four is \$66,360. A borrower must also possess the financial resources and creditworthiness to repay the loan.

A question was raised as to whether the Office of Hawaiian Affairs will participate in the loan program since Kikala-Keokea lessees must be of Hawaiian ancestry. Ms. Takahashi responded that OHA provided some funds to create the Kikala-Keokea subdivision and may provide assistance. Another question was why are the applicants required to have been denied a loan from a financial institution before they apply for a loan from the HHFDC. Ms. Takahashi responded there are two statutory requirements. One is the denial of a loan from a financial institution, and the other is the maximum mortgage loan interest rate of 3 per cent. A final question was whether staff considered outsourcing the loan application and underwriting. Darren Ueki responded that this was not contemplated since we are looking at two loans.

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

The motion was unanimously carried.

Mr. Mark A. Chandler, Director, of the Office of Community Planning and Development (CPD), U.S. Department of Housing and Urban Development, addressed the Board. Mr. Chandler distributed a book titled, "Programs of HUD, Major Mortgage, Grant, Assistance, and Regulatory Programs" which provided general information on various HUD programs. Mr. Chandler then provided an overview of CPD programs, specifically the consolidated plan process.

Mr. Chandler stressed that HUD holds the State accountable for the CPD programs. Under the HOME program, not only is HHFDC's performance important, but the HHFDC must ensure that the neighbor island counties are performing and meeting their goals as well. Mr. Chandler noted that if you go to the affordable housing link on HUD's website at [www.hud.gov](http://www.hud.gov), under the HOME program, you will find information as to where the State of Hawaii stands in administering the HOME program. HUD has what is called a red flags indicator

that provides a snapshot of performance. The State has one red flag out of five indicators for the distribution of HOME funds, meaning the money is not moving very fast. The State has never lost money yet because the funds are expended on time. However, this indicator signifies that there is a potential for losing the funds. HUD has mandated CPD Directors to get all grantees that have red flags out of the red flag area.

Mr. Chandler stated that the HHFDC annually allocates about \$1 million in HOME funds to the neighbor island counties. In response to HUD's push for state accountability, the previous HCDCH Board considered whether or not the State should take the HOME program back. A board member recalled that at the time the HCDCH Board considered restructuring the HOME program, all of the counties flew in to present their cases for maintaining equal allocations to each county. A million dollars per year is not enough to do any major housing development. Therefore, the counties tend to save the money up over a period of time so they have a sufficient amount to do something and that shows up as a red flag because the funds are not spent on a timely basis.

Mr. Chandler added that the State will be held accountable for CPD programs as a whole. This includes accountability for the Emergency Shelter Grant (ESG) and Housing Opportunities for Persons with AIDS (HOPWA) programs which are administered by the Hawaii Public Housing Authority. HUD's report card on the State's administration of these programs is the annual community assessment and that the HHFDC is named as the responsible entity. Mr. Chandler indicated that the annual community assessment will be out by the middle of November and recommended that Board Members review it and provide staff with direction as to how to proceed. He also suggested talking to the HPHA Board about merging the CPD programs under the HHFDC to improve the administration of those programs, particularly because the public housing program is negatively impacting the CPD programs. Discussion ensued on the legislative intent of separating the administration of the programs and the purpose of ESG and HOPWA.

In closing, Mr. Chandler reviewed HUD's conflict of interest provision with the Board.

Executive Director Dan Davidson reported on the following items:

- Mediation Meeting at Waiahole Valley held on October 30, 2006 – Executive Director Davidson and HHFDC staff met with the Waiahole independent landowners, representatives of the Waiahole Valley Community Association, representatives from Kalopa'a, and the mediator, regarding Kalopa'a's request to utilize Lot 79 for cultivating the lo'i (taro). There are substantial differences of opinions, and all parties were asked to work together to present a solution by November 30, 2006, so that there would be lead time for any further action to be brought to the Board.

Regardless, staff will present a For Action to the Board at its Regular Meeting on December 14, 2006.

- In response to a board member's inquiry on the status of the Board vacancies, staff indicated there are two vacancies: One member from the Big Island, and one member at-large.
- Kakaako Improvement Association (KIA) Meeting held on November 8, 2006 – Executive Director Davidson and Special Assistant Nani Medeiros attended the KIA meeting, which is an owners association, to discuss the Pohukaina RFP. The HHFDC is in discussions with the HCDA, the zoning authority for the Kakaako area, on the Pohukaina RFP. Mr. Davidson was encouraged by

the reaction of the KIA at the meeting. Proposals for the development of the Pohukaina site are due on January 19, 2007, and staff anticipates presenting the proposals to the Board in April 2007.

- Villages of Kapolei RFP – The Villages of Kapolei RFP went out on November 6, 2006. HHFDC staff will talk to county and state legislators to be sure that they are aware of the RFP. Proposals are due on February 2, 2007. The only preference for rentals will be for Village 4. In response to a board member's inquiry on what are the criteria for selection, Executive Director Davidson asked staff to provide the fact sheets to the Board Members.
- Executive Director Davidson and Mr. Chris Sadayasu will travel to Kona on November 16-17, 2006, to conduct site visitations at the Kamaaina Hale and Lailani projects. Staff also met with the DHHL to coordinate DHHL/HHFDC Kona planning efforts, and will need to meet with the DLNR on the water infrastructure issues. The HHFDC will also need to work with the counties. The 2006 Legislature did not approve the \$12 Million that was included in the budget for water infrastructure to serve the Kona affordable housing project.
- H.E.A.R.T. – Ms. Janice Takahashi, Chief Planner, reported that she attended the dedication ceremony for Onelau'ena, the homeless transitional shelter at Kalaeloa.

The HHFDC Board's focus is the Kahikolu Ohana Hale O Waianae project, previously called Uluwehi. The previous HCDCH Board authorized leasing 2.46 acres of land to the Hawaii Coalition of Christian Churches (HCCC) for the development of 72 units and 40 dormitory beds. \$5.5 million from the RHTF is being transferred for use in this Kahikolu project so that 64 of the units can be built. There is an insufficient amount of funds to build the one cluster of 8 remaining units. The 64 units will initially be operated as transitional units and will convert to permanent rentals within two or three years. Groundbreaking is expected by the end of 2006.

The \$5.5 million would be placed into a fund which will be accessed by the Hawaii Public Housing Authority (HPHA), and they will also be administering a \$5 million grant-in-aid appropriation for this project. The HPHA will enter into a contract with the HCCC for the development of the project. HHFDC will enter into an agreement with the HPHA to administer the development contract. Ms. Takahashi pointed out that with the existing commitments and the commitment just made by the Board for Hale Wai Vista II, the projected November 2006 uncommitted balance in the RHTF is approximately \$21.5 million.

Executive Director Davidson responded to questions raised by board members on the status of the following items:

- Meeting on Manufactured Homes – A resolution was passed at the 2006 legislative session which tasked the HHFDC with administering an inquiry into whether manufactured homes would be a possible solution to the affordable housing issue. Speaker Calvin Say has been convening a group monthly to discuss this issue. Comments are being obtained from those listed in the resolution. Staff will prepare a report.
- Meeting with Terada Realty regarding Kunia Camp – A meeting was held with consultants regarding Kunia Camp to inform them of HHFDC's programs.

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- Update on Legislative Activities – Infusion of additional funding into the RHTF. A board member inquired if increasing the percentage share of the conveyance tax to 65% is adequate, or should the agency look at other resources such as a portion of the general excise taxes collected for residential rents. The legislative package is still under review.
- HOME Funds – A discussion ensued on the “red flags” that HUD has given the State for the HOME, Emergency Shelter Grant (ESG), and Housing for Persons with AIDS (HOPWA) programs. While Maui has provided challenges, all of the counties are slow in disbursing HOME funds due to the high cost of housing development. The counties have to stack annual allocations in order to have sufficient funds to proceed with a project. In HUD’s eyes, the stacking of funds raises the red flag. To be proactive, HHFDC should let HUD know that the reasons we don’t disburse are because of the high costs of development and we want projects that have an impact. One board member asked about rotating the HOME allocation from county to county. Instead of allocating \$1 million per year to each county, an alternative would be to allocate \$3 million to a county for one year, and then \$3 million to another county in the next year. Staff informed the Board that this alternative was previously identified, as well as administering the HOME funds ourselves. However, all of the counties requested that the HCDCH continue to equally allocate funds to each county and, except for the slow disbursement, this seems to work.

As for the ESG and HOPWA programs, the HHFDC is ultimately responsible to HUD although the Hawaii Public Housing Authority administers these programs. Staff informed the board that the HPHA will be cleaning up the reporting system by March 2007. This will be addressed in the State’s response to HUD.

- HHFDC Program Resources – The Board indicated that the HHFDC Program Resources (Exhibit A of the Executive Director’s Activities for the Month) showing the financial balances in HHFDC’s various program funds is very helpful.

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

Director Lawrence moved, seconded by Director Smith,

That the meeting be adjourned at 12:20 p.m.

The motion was unanimously carried.

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BETTY LOU LARSON  
Secretary



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