

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, JANUARY 10, 2008
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, held on Thursday, January 10, 2008, at 9:00 a.m.

The meeting was called to order by Chairman Charles King at 9:01 a.m.

Present: Director Charles King, Chairman
Director David A. Lawrence, Vice Chairman
Director Betty Lou Larson, Secretary
Director Linda Smith
Designee Scott Kami for Director Georgina Kawamura
Director Charles Wathen
Director Richard Toledo
Director Allan Los Banos

Executive Director Orlando (Dan) Davidson

Excused: Director Georgina Kawamura
Director Theodore E. Liu

Staff Present: Sandra Ching, Deputy Attorney General
Janice Takahashi, Chief Planner
Darren Ueki, Finance Manager
Karen Seddon, Development Branch Chief
Edward Sunada, Fiscal Manager
Rick Manayan, Asset Manager

Kent Miyasaki, Housing Information Specialist
Dean Sakata, Finance Specialist
Patrick Inouye, Finance Specialist
Brian Davidson, Finance Specialist
Po Young Kim, Finance Specialist
Mavis Masaki, Planner
Marsha Umamoto, Secretary to the Executive Director
Esa Pablo, Secretary to the Board

Guests: Pam Witty-Oakland, St. Francis
Sister William Marie Eleniki, St. Francis
Ron Lee, Makana Partners
Stanford Carr, Stanford Carr Development, LLC
Jessie Wu, Stanford Carr Development, LLC
Kevin Carney, EAH Housing Inc.
Shannon Sheets, EAH Housing Inc

Chairman King declared a quorum present.

Chairman King asked for clarification on the meeting minutes, on the bottom of page 120, last sentence.

Director Lawrence moved, seconded by Director Larson to approve the minutes of December 13, 2007, as amended:

Director Smith commented that as a Board, there is often some resistance on these ~~kinds of~~ types of resolutions; however, ~~and~~ it is pleasing to see that ~~what we are seeing in~~ the Project's estimated

CALL TO
ORDER/
ROLL CALL

QUORUM

II.A.
APPROVAL
OF MINUTES
12/13/07
Regular
Meeting

construction timeline, reflected in the For Action, is [~~pretty much~~] close to the schedule being followed.

The motion was unanimously approved, as amended.

Director Toledo moved, seconded by Director Larson, to approve staff's recommendation for Agenda Item III. A.

The Executive Director introduced Mr. Darren Ueki, Finance Manager, to give a brief summary on the For Action.

Mr. Ueki apologized for the errors made in the For Action, noting the following corrections: 1) TMK (1) 9-1-129:009 to read as *TMK (1) 9-1-126:009*; 2) 127 one-bedroom units to read as *126 one-bedroom units*; 3) 22 two-bedroom units to read as *23 two-bedroom units*; 4) 120 one-bedroom units at 60% and below to read as *119 one-bedroom units at 60% and below*; and 5) 19 two-bedroom units at 60% and below to read as *20 two-bedroom units at 60% and below*.

Staff's recommendation was presented as follows:

- A. Adopt Resolution No. 009, attached as Exhibit E, which provides for official intent with respect to the issuance of revenue bonds up to \$21,000,000 for the Franciscan Vistas Ewa project, subject to the provisions recommended in Exhibits A and C;
- B. Reserve up to \$1,386,836 annual Federal LIHTC and \$693,418 in annual State LIHTC from the non-competitive pool for the Franciscan Vistas Ewa project subject to the provisions recommended in Exhibits B & C; and
- C. Authorize the Executive Director to undertake all tasks necessary to undertake the intent and purposes of this For Action.

Mr. Ueki introduced Ms. Pam Witty-Oakland, from St. Francis and Mr. Stanford Carr, with Stanford Carr Development, to the Board.

Responding to Director Wathen's inquiry, Mr. Ueki stated that there is a 40 year affordability deed restriction period, in which the lease would then revert back to St. Francis once the time period expires.

Director Wathen raised the need for a policy with longer affordable deed restrictions and financing with perpetuity.

In response to Director Wathen's proposal, Mr. Ueki called on Ms. Witty-Oakland, who stated that the mission of St. Francis is to help those in need and keep it affordable; however, she stated that she would go back to her board for approval.

In response to Director Lawrence regarding affordability requirements, Mr. Ueki stated that under the LIHTC program, it is required to keep it affordable for a minimum of 30 years. The Hula Mae Multi-Family Bond program's affordability is for the term of the bonds. The RHTF is negotiable, with the typical term being approximately 40 years.

Discussion reverted to establishing a policy that requires longer affordability deed restrictions, with Director Wathen stating that he would like the policy specifically for this project. Designee Kami stated that he believed it was possible to address; however, staff would have to come back to the Board to do a final approval to issue the bond.

III.A. DISCUSSION AND/OR DECISION MAKING

Adopt Resolution
No. 009 Which
Provides for Official
Intent with Respect
to the Issuance of
Hula Mae Multi-
Family Tax-Exempt
Revenue Bonds and
Reservation of Low
Income Housing Tax
Credits for the
Franciscan Vistas
Ewa Project, Ewa
Beach, Oahu, TMK
(1) 9-1-126:009

In response to the Board, Executive Director Davidson suggested that if it is the wish of the Board to establish such a policy, the Item may be placed on the next meeting's agenda.

Director Toledo stated for the record that he believed the decision should be up to the landowner, on whether they want their property to be in perpetuity or not; however, he concurred that 40 years was not enough time.

In response to Designee Kami's query regarding a standard benchmark for the developer fee and overhead charge, Mr. Ueki stated that the combination of the two is a little under 9%. In addition to the industry standard, the national percentages run anywhere up to 12% to 15%. In prior years, Mr. Ueki stated that the Corporation ran the developer fees and overhead charges as low as 3% to 4%.

In response to Director Larson's inquiry on the market study and the needs for elderly housing in the area, Mr. Ueki called on Mr. Jessie Wu, with Stanford Carr Development. Mr. Wu stated that there was a market study prepared, showing the demand for these units. He added that one of the unique things of this project is the emphasis on seniors living independently, longer, in their homes. St. Francis is putting together meal plans to medical services, and wellness programs relating to everyday living and exercise.

Director Larson commented that the project reflects very important efforts in supporting our future seniors, especially when the State has limited facilities and funds to provide for these types of services.

In response to Director Wathen's inquiry in regards to staffing for the services being provided, Ms. Witty-Oakland stated that there will be someone on the property full-time. She indicated that a program director, which will be responsible for coordinating the healthy home program, will start December 1, 2008. The program is already staffed and will have additional staff to keep the project running, with a part of their proceeds being allocated to each project.

With no further discussion, the motion was approved unanimously.

Director Lawrence moved, seconded by Director Toledo, to approve staff's recommendation for Agenda Item III. B.

Mr. Ueki stated that in the second half of the Franciscan Vistas Ewa Project, staff will be asking for the awarding of funds from the Rental Housing Trust Fund.

Mr. Ueki asked that this For Action track the same amendments as reflected in the previous For Action in Item III. A.

Staff's recommendation was presents as follows:

- A. Approve a Project Award with terms as shown in III.C. 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

**III.B.
DISCUSSION
AND/OR
DECISION
MAKING**
Approve a Rental
Housing Trust Fund
("RHTF") Project
Award for the
Franciscan Vistas
Ewa Project, Ewa
Beach, Oahu TMK
(1) 9-1-126:009

applicant's request for Project Award funds.

3. Completion of all documentation necessary and required to secure the release of RHTF funds.
4. Certification of the applicant to comply with all applicable statutory and Program requirements, including but not limited to, Chapters 343, 103D, §103-50 and §104, Hawaii Revised Statutes, as they may relate to the use of State funds.

- B. Authorize the Executive Director of the HHFDC to take all action necessary to effectuate the purposes of the For Action.

In response to Director Toledo's inquiry on the dollar amount of 30% of the area median gross income, Mr. Ueki stated that the income depends on the number of individuals in the household as follows: 1) one person: \$15,250; 2) two persons: \$17,900; 3) three persons: \$20,100; and 4) four persons: \$22,350.

Designee Kami proposed that "subject to the availability of the funds" be placed in the For Action, to avoid subjecting a commitment in providing monies without actual funds in hand.

Designee Kami moved, seconded by Director Toledo to amend the For Action as follows:

- A. 5. Availability of the RHTF Program funds.

With no further discussions, the motion was unanimously approved, as amended.

Director Wathen moved, seconded by Director Lawrence to approve staff's recommendation for Agenda Item III. C.

Mr. Ueki pointed out an error in the For Action, page 1, Section II. A., which should read as follows:

A consolidated application for financing was submitted in the FY07-2 RHTF Project Award funding round which closed on June 30, 2007. [~~Franciscan Vista Ewa Limited Partnership~~] Hui Kauhale Inc. (Applicant) requesting \$1,300,000 in program funds to support construction and permanent debt financing in the form of a second mortgage.

Staff's recommendation was presented as follows:

- A. Approve a Project Award with terms as shown in III.C. 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 with 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.

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

Approve a Rental Housing Trust Fund ("RHTF") Project Award for the Hui Kauhale Inc., Oahu TMK (1) 9-1-017:076 and 077

4. Certification of the applicant to comply with all applicable statutory and Program requirements, including buy not limited to, Chapters 343, 103D, §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.

Mr. Ueki asked that the following amendment of the previous For Action, made by Designee Kami, in regards to the availability of funding, be applied.

Designee Kami moved, seconded by Director Smith, to approve the motion, as amended:

- A. 5. Availability of the RHTF Program funds.

Mr. Ueki introduced Mr. Kevin Carney, from EAH Housing Inc., representing Hui Kauhale Inc.

In response to Director Wathen, Mr. Carney stated that EAH Housing Inc. is committed to perpetuity; however, will go back to his board for a resolution on the length of affordability.

In response to Chairman King, in terms of amending the For Action to state a longer length of affordability, Mr. Ueki suggested that the Board approve as stated in the For Action, 61 years, and if Hui Kauhale Inc. desires a longer length of affordability, staff will then report back to the Board noting the change.

In response to Director Larson's inquiry on the amount of monies leftover in the RHTF once the two projects are completed, Executive Director Davidson stated that there would be approximately \$3 million leftover, which is why it is critical that the extension to provide 50 percent of the conveyance tax to the RHTF is obtained. Mr. Ueki added that the \$3 million is what is leftover after the release of funds for \$15 million; however, staff will be entering in a process of projecting four months worth of conveyance tax at about \$1.5 million per month, making the necessary recommendations for the upcoming applications. Therefore, there will be approximately \$9 to \$10 million available for the upcoming funding round.

The motion was unanimously approved, as amended.

Director Larson recused herself from voting on Agenda Item III. D.

Director Lawrence moved, seconded by Director Wathen, to approve staff's recommendation presented in Agenda Item III.D.

Staff's recommendation was presented as follows:

- A. Extend the Letter of Intent dated June 28, 2006 for the Hale Wai Vista Phase I Project to March 28, 2008, subject to the requirements as set forth in the For Action dated June 15, 2006.
- B. Authorize the Executive Direct to undertake all tasks necessary to effectuate the purposes of this For Action.

Mr. Ueki noted that there was a full discussion at the December 13, 2007 Board Meeting on this For Action; however, with Director Larson's recusal, there was no quorum present and the For Action was not approved. Subsequently, staff had the Executive Director approve administratively, an extension for the trust fund commitment.

In response to Director Wathen's inquiry on the loan rate of 8.25% being high, Mr. Patrick Inouye, Finance Specialist, explained that the developers use a conservative

**III.D.
DISCUSSION
AND/OR
DECISION
MAKING**
Approval of
Extension of the
Rental Housing Trust
Fund Letter of Intent
("LOI") for the Hale
Wai Vista Phase I
Project, Waianae,
Oahu, TMK (1)
8-6-001:035

or higher interest rate for underwriting to ensure sufficient debt coverage on the permanent loan. Mr. Ueki added that if the rate is lower, an adjustment is made to the trust fund loan.

The motion was approved, with Director Larson abstaining.

Mr. Ueki introduced two new staff in the Finance Branch, to the Board: 1) Mr. Brian Davidson, who will be working on the HOME Program; and 2) Ms. Po Young Kim, who will be working on the Hula Mae Multi-Family Rental Housing Program.

Director Wathen moved, seconded by Director Toledo to approve staff's recommendation for Agenda Item III. E.

Executive Director Davidson introduced Ms. Mavis Masaki, Planner from the Planning and Evaluation Office, to present the For Action.

Staff's recommendation to the HHFDC Board of Directors was presented as follows:

1. Approve the proposed amendments to proposed Chapter 15-306, Hawaii Administrative Rules subject to approval as to form by the HHFDC's Deputy Attorney General;
2. Subject to the Governor's approval, authorize the Executive Director or his designated representative(s) to conduct public hearings on the adoption of Chapter 15-306, Hawaii Administrative Rules;
3. Authorize the Executive Director to make any non-substantive amendments to the draft rule following the public hearing; and
4. After the public hearings, authorize the Executive Director to transmit Chapter 15-306, Hawaii Administrative Rules to the Governor for final approval provided that no substantive amendments are made.

In response to Chairman King's inquiry in regard to what the exemptions apply to, Ms. Masaki explained that the General Excise Tax (GET) Exemptions apply to costs relating to the development or substantial rehabilitation of affordable housing projects and affordable rents.

In response to the Board, Ms. Masaki explained that GET exemption would cover only substantial rehabilitation, not things like on-going maintenance. Ms. Takahashi elaborated that the GET exemption is applicable to costs related to development, or moderate or substantial rehabilitation. However, once the project is in operation, it will only cover the affordable rents.

With no further discussion, the motion was approved unanimously.

Executive Director Dan Davidson stated that he and staff were gratified that Kukui Gardens had closed on December 18, 2007. He indicated that there is work still to be done in this Legislative Session in terms of obtaining a second GO Bond appropriation of \$26 million.

Although the Legislative Session has not officially started yet, Mr. Davidson reported that he has already attending briefings.

Mr. Davidson thanked Directors Smith, Kawamura, Liu, and the Governor for getting the basic items into the Governor's budget. He indicated that there is a significant request for \$76 million, of which \$26 million is for Kukui Gardens, \$25 million in GO Bond infusion into the Rental Housing Trust Fund, and \$25 million in GO Bond infusion into the Dwelling Unit Revolving Fund. Additionally, an

**III.E.
DISCUSSION
AND/OR
DECISION
MAKING**
Approval of
Proposed
Amendments to
Proposed Chapter
15-306, "General
Excise Tax
Exemptions," Hawaii
Administrative Rules

**IV.
REPORT
OF THE
EXECUTIVE
DIRECTOR**

extension of the 50% of the conveyance tax to the Rental Housing Trust Fund in perpetuity.

Mr. Davidson asked for the Board's help in advocating housing needs and expressed his excitement and gratitude for the work that lies ahead in getting the funds approved into the budget this legislative session.

In response to Director Toledo's inquiry in regards to only getting 50% of the conveyance tax for housing and the other 50% staying in the general fund, Mr. Davidson explained that a large percentage goes to the DLNR in its natural area reserves fund, with approximately 15% going into the general fund.

In response to Director Larson's inquiry regarding the Legislative report, Mr. Davidson stated that the report was submitted to the Senate and the House, and he will get that to her once it is finalized. He also explained that there is an Omnibus Housing Bill which contains a substantial amount of what was currently being discussed.

In response to Chairman King's inquiry regarding the Waiahole water system, Mr. Davidson explained that there is a \$2.8 million CIP request to replace the Waiahole water system. He reported that the Development Branch conducted a public input effort with both elected officials and the residents of Waiahole Valley, which has prompted questions and concerns relative to the dedication of the water system to the Board of Water Supply.

In response to Director Wathen's inquiry regarding the Plantation Town Apartments and the Mokuola Vista projects and what lessons were to be learned, Mr. Davidson stated that the developers have made mid-course corrections, perhaps learning that there are certainly places and locations that are tough to pursue; however, both will end up as two good affordable projects.

The Board discussed the following concerns in efforts of fulfilling the needs of affordable housing:

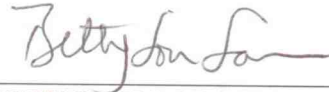
- Director Larson expressed her concern in regards to having enough affordable housing projects available. She indicated that homeless shelters should be used as a temporary 'band-aid'. However, there are more individuals that are staying at the shelters and not enough affordable housing for them to move in to. Director Larson questioned whether HHFDC should have a more focused effort, similar to the HEART team's concentrated effort, to create more permanent affordable housing. Executive Director Davidson noted that we are focused on utilizing all of HHFDC's resources to produce more housing.
- Director Smith acknowledged that the supply of housing is the fundamental issue. There are traditional components that impact the development of housing—land, financing and regulatory barriers. HHFDC has done a fairly good job of providing financing to develop housing. There is a lot of work to do to address regulator barriers.
- Director Toledo commented that the problem is supply and demand. Rather than providing more money, government needs to remove the regulations it imposes that restrict development.

In response to Director Larson's inquiry on the status of the Regulatory Barriers Task Force, Director Smith responded that the Task Force met yesterday and plans to take a look at the major items such as changing the regions to urban qualifications and working with the County on necessary zonings.

Having no further business on the agenda, Director Smith moved, seconded by Director Lawrence, to adjourn the meeting at 10:45 a.m.

V.
ADJOURNMENT

The motion was unanimously carried.



BETTY LOU LARSON
Secretary