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 13, 2011 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 13, 2011, at 9:00 a.m.

CALL TO ORDER/ ROLL CALL

Chairman David Lawrence called the meeting to order at 9:01 a.m.

Present:
Director David Lawrence, Chairman
Director Ralph Mesick, Vice Chairman
Director Betty Lou Larson, Secretary
Director Michael Ng
Director Francis Jung
Director Paul Kyno
Designee Luis Salaveria for Director Kalbert Young

Executive Director Karen Seddon

Excused:
Director Allan Los Banos
Director Kalbert Young
Director Richard Lim

Staff Present:
Sandra Ching, Deputy Attorney General
Craig Iha, Deputy Attorney General
Janice Takahashi, Chief Planner
Darren Ueki, Finance Manager
Rick Prahler, Development Branch Chief
Galen Lee, Fiscal Manager
Stuart Kritzer, Asset Manager
Stan Fujimoto, Development Section Chief
Marlene Lemke, Real Estate Services Section Chief
Dean Sakata, Housing Finance Specialist
Patrick Inouye, Housing Finance Specialist
Byron Chock, Housing Finance Specialist
Jocelyn Iwamasa, Housing Finance Specialist
Lloyd Fukuoka, Housing Loan Specialist
Leonell Domingo, Development Project Coordinator
Lorna Kometani, Housing Sales Coordinator
Lorraine Egusa, Budget Analyst
Kent Miyasaki, Housing Information Specialist
Esa Pablo, Secretary to the Board

Guests:
Stanford Carr, Stanford Carr Development
Jesse Wu, Stanford Carr Development
Glenn Okino, Mitsunaga Construction
Don Tarleton, Hawaii Housing Finance
Stacy Sur, Hawaii Housing Finance
Carole Lau, Bank of Hawaii
Tony Mizuno, Bank of Hawaii
Mike Sakai, Hale Mohalu II
Jeff Emerson, Hale Mohalu II
Wally Inglis, Coalition for Specialized Housing

QUORUM

A quorum was present.

II. A. APPROVAL OF MINUTES 9/8/11 Regular Meeting

Director Jung moved, seconded by Vice Chairman Mesick, to approve the Meeting Minutes of September 8, 2011.

The motion was unanimously approved.

II. B. APPROVAL OF MINUTES 8/11/11 Executive Session

This item was approved in Executive Session.

II. C. APPROVAL OF MINUTES 9/8/11 Executive Session

This item was approved in Executive Session.

III. A. DISCUSSION AND/OR DECISION MAKING Approve a Request to Increase the Budget for the Waiahole Valley Agricultural Park and Residential Lots Subdivision, Located in Waiahole, Koolaupoku, Oahu, Hawaii

Director Jung moved, seconded by Vice Chairman Mesick, to approve staff's recommendation:

That the HHFDC Board of Directors approve the proposed increase in an amount of $1.9 million to the Waiahole Valley Agricultural Park and Residential Lots Subdivision project budget, as substantially described in this For Action, subject to other terms and conditions deemed necessary and acceptable by the Executive Director, including the reallocation of line item funds as the need arises.

Subject to the following:

A. Subject to availability of DURF funds;

B. Approval and release of funds by the Governor.

Development Branch Chief Rick Prahler presented the For Action, stating that the Waiahole Agricultural Park and Residential Lots (Project) is approximately 750 acres that was purchased by the State and in 1986 title was vested in a predecessor agency of the HHFDC.

Currently, the Project's water rates and lease rents collected are insufficient to fund operational and maintenance costs for its Water System and Roadway Infrastructure (e.i., roads, drainage, and electrical). Lease rents are anticipated to be renegotiated with the adoption of Water System rules in process.

Over the next four fiscal years, it is projected that the HHFDC will need $1.9 million to operate and maintain the Project's Water System and Infrastructure, subject to the availability of Dwelling Unit Revolving Fund (DURF) funds and approval by the Governor of the State of Hawaii.

Mr. Prahler and Housing Development Specialist Leo Domingo then opened the discussion for questions.

In response to Vice Chairman Mesick, Mr. Prahler stated that even with the Project's lease rents being renegotiated in 2023, he did not believe the Corporation would ever break even. Current agricultural rents are $100 per acre, per year and maintenance costs are separate from the base lease rent.

In response to Director Jung, Executive Director Seddon stated that originally there was a transfer agreement with the Department of Hawaiian Home Lands (DHHL) that fell through. Staff continues to work with Senator Hee on having the property returned to the Department of Agriculture. Until then, the HHFDC will need to maintain the property for health and safety. Water rate increases will need to be implemented gradually.

Director Jung inquired on possibly selling the Project. Executive Director Seddon stated that she does not know why anyone would purchase a project that was not profitable. The optimal ownership and management would be with the Department of Agriculture.

Director Jung commented that he hoped that the Legislature realizes what the HHFDC is doing to handle this costly situation.

In response to Director Larson, Mr. Prahler stated that there are different lease and water rates for agricultural and residential use. There will be a tier system that will continue under the new water rate rules.

Director Larson questioned the maintenance costs for the bridge and roadways not being the responsibility of another department like the Department of Transportation. Mr. Prahler explained that the roads were not built to the County's dedicable standards and are considered private roads.

In response to Designee Salaveria, Mr. Prahler concurred that proceeds, whether operational or capitalized, would be taken from the DURF. Executive Director Seddon added that Capital Improvement Project (CIP) funds have been sought in the past with no success and the HHFDC was directed, by the Legislature, to use DURF funds instead.

Designee Salaveria inquired on the budget prepared as of July 1, 2011. Mr. Domingo stated that the budget is based on signed contracts on a fiscal year basis, attached as Exhibit B. The water maintenance is locked in contractually, based on the estimated cost of $800,000 and the $1.1 for future expenditures for Infrastructure over the next four fiscal years.

Designee Salaveria questioned whether the maintenance costs are appropriately categorized as repair or capital improvements. Mr. Domingo stated that these costs are treated as repairs. Furthermore, even if the costs were capitalized, those funds would not be recouped over the life of the project, with income streams being inconsistent.

In response to Chairman Lawrence, Mr. Prahler stated that because it is a private road and water system, there is an implied responsibility on the HHFDC to provide this water and road access to the residents.

Director Jung inquired on ways that the roads could be brought up to the County's dedicable standards in order for them to take it over. Mr. Prahler stated that any future maintenance work is expected to be completed within code. Executive Director Seddon stated that the Corporation will look into upgrading the roads further.

In response to Director Ng, Mr. Prahler stated that the lease rates has been in place since 1998 and will continue to 2023. The HHFDC is working with the Department of Agriculture to revising its lease provisions and rates, calculated at approximately 2% of the assessed value. Renegotiated lease rates are expected to be based on usable land area and will increase substantially.

The motion was unanimously approved.

III. B. DISCUSSION AND/OR DECISION MAKING
Approve the Developer as an Eligible Developer Pursuant to Section 15-307-24, HAR,

Director Jung moved, seconded by Vice Chairman Mesick, to approve staff's recommendation:

That the HHFDC Board of Directors approve the following for the 204-unit Halekauwila Place affordable family rental housing project, in Kakaako, Oahu, Hawaii, on TMK (1) 2-1-051: 042 & 043; fka TMK (1) 2-1-051: 009 (portion of), substantially as discussed in this For Action:

A. Halekauwila Place, LP, or other entity approved by the Executive

Director, as an Eligible Developer pursuant to Section 15-307-24, HAR;

B. DURF interim loan of up to $16.1 million, including principal of up to $14.5 million and up to $1.6 million for any accrued and unpaid interest and fees;

C. Option to extend the Ground Lease for the Property by 10 years, to a total term of 75 years at a base lease rent of $1/year; and

D. The Executive Director shall be authorized to take all actions necessary to effectuate the purpose of this For Action;

Subject to the following:

1. Availability of DURF funds;
2. Approval and release of funds by the Governor;
3. Commencement of construction by January 31, 2012, unless otherwise extended at the sole discretion of the Executive Director;
4. Closing of the DURF interim loan shall occur on or about the closing of the tax exempt bond construction financing, unless otherwise approved by the Executive Director;
5. If completion of construction for the project does not occur within 2.5 years of closing of the DURF interim loan, the entire outstanding DURF interim loan, together with accrued interest and fees (if any), shall be returned to HHFDC, unless otherwise approved by the Executive Director;
6. The option to extend the Ground Lease is based upon the use of the FHA 221d(4) permanent loan, unless otherwise approved by the Executive Director;
7. Approval and execution of necessary loan and lease amendment documents by the Executive Director; and
8. Compliance with all rules and regulations and such other terms and conditions as may be required by the Executive Director.

a Dwelling Unit Revolving Fund (DURF) Interim Loan, and an Option to Extend the Ground Lease for the Halekauwila Place Affordable Family Rental Project

Development Section Chief Stan Fujimoto presented the For Action, stating that the proposed Halekauwila Place (Project) consists of 204 rental units for families, located on State land in Kakaako, at the Streets of Halekauwila and Keawe.

Previous 2007 - 2011 Project approvals pertaining to the 65-year Ground Lease, Final Environmental Assessment, 201H exemptions, and project financing and requests were noted.

On September 7, 2011, the Halekauwila Place, LP (Developer) submitted a consolidated application for a Dwelling Unit Revolving Fund (DURF) interim loan, in conjunction with a FHA 221d(4) permanent financing (FHA Loan) and staff proposes the following DURF loan terms:

Purpose:	Interim loan to serve as security for, and partial repayment of the tax exempt construction bond loan upon completion of construction of the Project; at completion of construction of the Project, the DURF interim loan and the FHA Loan will pay off the tax-exempt construction bond loan;

Borrower:	Halekauwila Place, LP, or other entity approved by the Executive Director;
Loan Amount:	Up to $16.1 million including principal of up to $14.5 million and accrued interest and fees of up to $1.6 million;
Loan Fee:	I point of principal amount of $14.5 million;
Loan Term:	Two and one-half (2.5) calendar years; no pre-payment penalty;
Extensions:	Two (2) six-month extensions at one-half percent (0.5%) loan fee on the principal amount of $14.5 million per extension, at the sole discretion of the Executive Director;
Mortgage Priority:	Junior Mortgage;

The DURF interim loan will be used to insure the tax exempt bond lender of the pay down of the tax exempt bond financing upon completion of construction and as a bridge loan from completion of construction until repayment by the tax credit permanent financing source upon full occupancy of the project, which is estimated to be about 2.5 calendar years from closing.

The estimated closing date of the DURF interim loan will be at commencement of construction in January 2012. The funds from the DURF interim loan will be drawn down and placed into an escrow account and will not be at risk during construction. Upon completion of construction, the DURF interim loan and the FHA Loan will pay off the tax exempt bond loan.

If there is no closing of the FHA Loan or if completion of construction does not occur for any reason, the entire outstanding DURF interim loan and accrued and unpaid interest and fees shall be returned and paid to HHFDC. "Completion of construction" shall be deemed to be the HUD Final Endorsement (issuance of Certificates of Occupancy for the entire Project by the City and County of Honolulu and HUD acceptance of initial cost certification).

The FHA Loan also requires a 75-year Ground Lease and an option to extend the Ground Lease for 10 years at a dollar a year is also requested in this For Action. The option to extend the Ground Lease is based upon the use of the FHA Loan, unless otherwise approved by the Executive Director.

Mr. Fujimoto opened for questions, along with Mr. Stanford Carr and Mr. Jesse Wu, on behalf of the Project.

In response to Vice Chairman Mesick, Mr. Fujimoto stated that the HHFDC is only obligated up to the principal amount of $14.5 million of the DURF loan amount. Mr. Wu added that the FHA Loan amount would be established at the time of closing and HUD approval is received.

Vice Chairman Mesick inquired on the assumed yields for the Project's Low Income Housing Tax Credits. Mr. Wu responded that there was significant interest, with five out of six solicited Mainland firms responding in the mid to upper 90's on the tax credit per dollar. The Project is looking to use any additional equity yielded to pay back its Hawaii Community Development Authority financing.

In response to Designee Salaveria, Mr. Wu reiterated that the DURF construction loan is anticipated to be closed in January 2012.

Director Larson commented that she felt this Project to be good in terms of having gone through the various financing configurations and asked for clarification on the lists of various affordability levels between this For Action and the next. Mr. Wu clarified that the affordability levels listed are based on the original affordability restrictions that were agreed between the HHFDC and the Project. The Hula Mae Bonds, LIHTC, and the FHA financing lowers the Project's affordability levels. Executive Director Seddon added that basically this For Action lists the history of affordability levels under the various financing configurations, with the next For Action consisting of the final affordability levels with respect to the issuance of its Hula Mae Bond financing.

Mr. Wu reported that the FHA financing is a new loan product for HUD that does not have affordability restrictions, placing priority for projects with LIHTC at lower affordability levels. In addition, Mr. Wu added that the Project is close to receiving its building permits, with its HUD financing and tax credit investor on board.

Director Larson inquired on the FHA Loan product being open to future affordable projects in Hawaii, because of their priority. Mr. Wu stated that with its development cost limitations it is difficult to use this type of financing for a market rate development, but can be used for affordable projects.

Executive Director Seddon stated that the HHFDC asks its developers to use their imagination and reach out for other resources, which this Developer certainly has done.

In response to Chairman Lawrence, Mr. Wu stated that the Project's request for building permits were filed in July 2010 and is now being circulated for signature.

In response to Director Larson, Mr. Wu stated that the Project's completion and opening date is anticipated in May 2013.

Chairman Lawrence stated that he believes this to be an important project for this Agency and for the neighborhood, making a significant impact to the goal of the HHFDC.

With no further discussion, the motion was unanimously approved.

III. C. DISCUSSION AND/OR DECISION MAKING
Approve an Extension to Resolution No. 30, Which Provides for Official Intent with Respect to the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds for The Halekauwila Place Project Located in Honolulu, Oahu, TMK Nos.: (1) 2-1-051: 042 and 043

Director Larson moved, seconded by Vice Chairman Mesick, to approve staff's recommendation:

That the HHFDC Board of Directors approve the following:

A. Extend the deadline to issue HMMF Bonds for the Halekauwila Place project to November 30, 2012, subject to the requirements set forth in the For Action dated November 18, 2010.

B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of the For Action.

Finance Manager Darren Ueki presented the For Action, stating that this For Action seeks the approval to extend the deadline for the Inducement Resolution No. 030, by 6 months, regarding the Hula Mae Multi-Family (HMMF) Bonds for the Halekauwila Place (Project).

The Project anticipates closing its construction financing in January 2012 and completing the entire project by May 2013.

Resolution No. 30 does not authorize the sale of tax-exempt bonds for the Project and is subject to the availability of volume cap and approval by the Department of Budget and Finance and the Governor of the State of Hawaii.

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

With no further discussion, the motion was unanimously approved.

III. D. DISCUSSION AND/OR DECISION MAKING
Approve an Extension to Resolution No. 004, Which Provides for Official Intent with Respect to the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds for the Hale Mohalu II Project Located in Pearl City, Oahu, TMK No.: (1) 9-7-019: 035

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

That the HHFDC Board of Directors approve the following:

A. Extend the deadline to issue HMMF Bonds for the Hale Mohalu II project to April 30, 2012, subject to the requirements set forth in the For Action dated October 11, 2007.

B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Vice Chairman Mesick recused himself from voting on this For Action.

Mr. Ueki presented this For Action, stating that the proposed Hale Mohalu II (Project) contains 164 one-bedroom units for the elderly in 2 seven-story structures, located in Pearl City, Oahu.

Previous Board approvals for the Project during October 2007 - January 2011 were noted.

The $25 million Dwelling Unit Revolving Fund (DURF) interim loan shall repay the bonds in full at the end of construction, which will allow the Bank of Hawaii, the Bond Investor, to re-enter the transaction and participate as a Low Income Housing Tax Credit (LIHTC) Equity Investor.

The proposed Financing Structure, Project Budget and Use of Funds, and the Project's estimated construction timeline were cited, with the bond closing date being at the end of October 2011, construction start date anticipated in October/November 2011, first building being completed in the 4th Quarter of 2012, and Project completion anticipated in the 1st Quarter of 2013.

Resolution No. 004 does not authorize the sale of tax-exempt bonds for the Project, subject to the availability of volume cap and approval by the Department of Budget and Finance and the Governor of the State of Hawaii.

Mr. Ueki opened for questions, along with Mr. Wally Inglis, with Coalition for Specialized Housing; Ms. Carol Lau and Mr. Tony Mizuno, with the Bank of Hawaii; and Mr. Don Tarleton and Mr. Stacy Sur, with the Hawaii Housing Finance.

In response to Designee Salaveria, Mr. Ueki reiterated that the Bond closing is projected to be at the end of October 2011.

With no further discussion, the motion was approved, with Vice Chairman Mesick abstaining.

The motion was unanimously approved.

III. E. DISCUSSION AND/OR DECISION MAKING
Approve an Extension to the Rental Housing Trust Fund Letter Of Intent for the Hale Mohalu II Project Located in Pearl City, Oahu,

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

That the HHFDC Board of Directors approve the following:

A. Extend the Letter of Intent for the RHTF Loan dated October 16, 2007, for the Hale Mohalu II project to April 30, 2012, subject to the requirements as set forth in the For Actions dated October 11, 2007 and March 11, 2010.

B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action. TMK No.: (1) 9-7-019: 035

Mr. Ueki stated that this For Action has identical facts to the previous For Action presented and seeks approval of a 6-month extension to the Rental Housing Trust Fund (RHTF) Letter of Intent (LOI) for the Hale Mohalu II (Project).

With regard to Designee Salaveria's previous question regarding the HMMF Bond extension, Mr. Ueki clarified that the 6-month extension requests for the Project's Inducement Resolution and RHTF LOI is taken as a precaution in the event an unforeseen issue should occur.

With no further discussion, the motion was unanimously approved, with Vice Chairman Mesick abstaining.

III. F. DISCUSSION AND/OR DECISION MAKING Approve Resolution No. 038, Authorizing The Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds for the Hale Mohalu II Project Located in Pearl City, Oahu, TMK No.: (1) 9-7-019: 035

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

That the HHFDC Board of Directors approve the following:

A. Resolution No. 038, attached as Exhibit E, which provides for the approval of the issuance of revenue bonds up to $30,000,000 for the Hale Mohalu II project subject to the provisions recommended in Exhibit D.

B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Mr. Ueki stated that this For Action seeks the Board's approval for the actual issuance of the bonds.

The programmatics of the Hula Mae Multi-Family (HMMF) Bond Program were discussed. The Corporation acts solely as a conduit for the financing by issuing the tax-exempt bonds and requires private activity bond cap, which is allocated to the State on an annual basis in a limited amount. Approximately $277.82 million in Bond Cap was received for Calendar Year 2011 for the State of Hawaii.

The Department of Budget and Finance oversees the allocation and uses the Bond Cap for various competing issuers, one of which is the HHFDC, for its HMMF, Hula Mae Single Family, and the Mortgage Credit Certificate Programs.

As of September 30, 2011, the total amount of uncommitted HMMF Program Bond Authority is $75,252,000, with a $139,711,161 HMMF application request under review. The HHFDC will request for an increase in its Bond Authority amount in the next Legislation Session.

The HMMF Bond will be privately placed with the Bank of Hawaii. Retirement of the Bond is expected with DURF proceeds after construction completion. The DURF shall be repaid through the Low Income Housing Tax Credit (LIHTC) Equity, HOME funds, HCRC loan, and RHTF proceeds received.

The estimated $21,534,699 in HMMF bond proceeds funds over 50% of the Project's anticipated basis for acquisition, land, and construction costs, qualifying the Project to receive federal non-competitive 4% LIHTC.

Following the issuance of the bonds, the HHFDC will monitor the Project's compliance with applicable rules and requirements. Issuance of the bond is subject to the Governor's approval.

A TEFRA Hearing was conducted on Friday, September 9, 2011, at the HHFDC Office. There were no comments received.

Resolution No. 038 satisfies the requirement to effectuate the HMMF Bond sale and allow staff to complete the Bond sale anticipated at the end of the month.

Mr. Ueki opened for questions, along with the parties mentioned earlier, on behalf of the Project.

In response to Designee Salaveria, Mr. Glenn Okino, with Mitsunaga Construction, stated that construction has already started, with the initial amortization being done.

In response to Director Larson, Mr. Ueki noted the following:

1. At this time, no decision or award will be made to the project under review.

2. The bond cap is given from the Federal Government, which the Budget and Finance controls and bond authority is approved and given by the Legislature, who controls the various programs that are allowed to use the bond cap received.

3. At the closing date of the bonds, the entire financing package is anticipated to be in place and staff will be able to better determine whether or not the need for the RHTF funds can be reduced and used for other potential projects.

With no further discussion, the motion was unanimously approved, with Vice Chairman Mesick abstaining.

EXECTUTIVE SESSION
9:50 a.m.

Director Larson moved, seconded by Director Jung, to convene in executive session at 9:50 a.m., pursuant to Section 92-5(a)(4) to consult with the board's attorney on questions and issues pertaining to the board's powers, duties, privileges, immunities and liabilities as it relates to the Kamakana at Keahuolu Project.

The motion was unanimously approved.

II. B. APPROVAL OF MINUTES
8/11/11
Executive Session

Director Jung moved, seconded by Vice Chairman Mesick, to approve the Executive Session Meeting Minutes of August 11, 2011.

The motion was unanimously approved.

II. C. APPROVAL OF MINUTES
9/8/11
Executive Session

Director Jung moved, seconded by Vice Chairman Mesick, to approve the Meeting Minutes of September 8, 2011.

The motion was unanimously approved.

RECONVENED
10:20 a.m.

The Board adjourned Executive Session and reconvened into Regular Session at 10:20 a.m.

IV. REPORT OF THE EXECUTIVE DIRECTOR

Executive Director Seddon opened for questions.

Director Larson inquired on the Rental Housing Trust Fund (RHTF) conveyance tax projections. Executive Director Seddon stated that the conveyance tax is actually trending down and decreased approximately half a million compared to the first two months of last year with no expectations of increase.

Director Kyno inquired on the meeting with the Beijing Housing Management Center. Executive Director Seddon stated that the meeting was very interesting, especially with Doctor Beinsheng Li, from the Economic Research Branch, of the Research & Economic Analysis Division (READ), who spoke Mandarin, and was very helpful in translating the statistics and information needed.

The Board discussed the Immigrant Investor Program, also known as the EB-5 program. Director Kyno stated that he is currently trying to use it on an affordable elderly project and will report back to the Board, his findings on the matter.

Mr. Ueki updated the Board on the New Issue Bond Program (NIBP), noting that in the midst of programmatic changes and a new underwriter, staff sought input from local lenders on the potential loan products that the HHFDC could offer potential homebuyers, like a down payment loan or grant.

The financing team for the NIBP and the 2011 Hula Mae Single Family Program is as follows: Underwriter - RBC Capital Markets (RBC); Bond Counsel - Hawkins, Delafield and Wood; and Trustee - U.S. Bank National Association.

Mr. Ueki commended RBC in their hard work and efforts in gathering information.

On October 4, 2011, the HHFDC issued a Notice of Interest Rate Conversion for $30 million in NIBP bonds, locking in at a rate of 1.80%. A Government Sponsored Entities (GSEs) rate of 1.80%, a risk premium of 0.60%, based on an AAA rated bond, results in a total interest rate of 2.40%.

The publicly issued bonds will be at a tax-exempt market interest rate. The Notice of Interest Rate Conversion requires the HHFDC to issue bonds by December 2, 2011.

Over the next 60-days, the financing team will work with staff and lending partners to formulate a revised Hula Mae Program to expand the opportunity for homeownership for the residents of Hawaii.

Staff anticipates coming back to the Board in November 2011 to request approval to issue the bonds.

Mr. Ueki stated that if the Board had any questions regarding the NIBP Program, they could contact Executive Director Seddon or himself.

In response to Chairman Lawrence, Mr. Ueki stated that the NIBP Program will be through participating lenders, possibly with participating commitment fees upfront, which would help to recoup the cost of issuing the bonds and decrease risk.

In response to Chairman Lawrence, Mr. Ueki stated that although there are no deed restrictions, potential participants will need to go through the regular screening process and meet the qualifying restrictions.

In response to Designee Salaveria, Mr. Ueki stated that the HHFDC's experience with RBC has been great in terms of availability and dedication, even without a contract executed. Executive Director Seddon added that at a National Council of State Housing Agencies (NCSHA) conference, RBC was very highly recommended by the Indiana HFA Executive Director.

In response to Director Larson, Mr. Ueki stated that although the goal of the NIBP Program is not to make money, rather to make loans and offer opportunities, there needs to be a balance to maintain the program's stability and triple-A rating.

Mr. Ueki reiterated that this report on the NIBP was just to update the Board and any questions or concerns may be discussed with the Executive Director and himself.

Executive Director Seddon noted that there will be approximately six to seven bond issues from now to February 2012.

In response to Director Larson, Executive Director Seddon stated that tenant meetings are held before the Request for Proposals are distributed. Mr. Prahler added that staff has already met with the tenants of Kamaaina Hale a few weeks ago. There is a 19-year period remaining on the lease as the HHFDC continues to look for someone who will finish the rehabilitation of the project as well as maintain the rents at an affordable level. There is current resistance in rents at $1178 for a two-bedroom unit.

Director Jung stated that he is interested in seeing the responses received for the Kamaaina Hale Project.

V. ADJOURNMENT

With no further discussion, Vice Chairman Mesick moved, seconded by Director Jung, to adjourn the meeting at 10:50 a.m.

The motion was unanimously approved.

Betty Lou Larson

BETTY LOU LARSON
Secretary