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 18, 2010 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, November 18, 2010, at 9:00 a.m.

CALL TO ORDER/ ROLL CALL

Chairman David Lawrence called the meeting to order at 9:05 a.m.

Present: Director David Lawrence, Chairman
Director Ralph Mesick, Vice Chairman
Director Betty Lou Larson, Secretary
Director Linda Smith
Director Theodore Liu
Director Allan Los Banos

Executive Director Karen Seddon

Excused: Director Georgina Kawamura
Director Francis Jung

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
Stan Fujimoto, Development Section Chief
Galen Lee, Fiscal Manager
Marlene Lemke, Real Estate Services Section Chief
Ken Takahashi, Development Project Manager
Cynthia Okubo, Acting Asset Manager
Patrick Inouye, Housing Finance Specialist
Byron Chock, Housing Finance Specialist
Jocelyn Iwamasa, Housing Finance Specialist
Lorna Kometani, Housing Sales Coordinator
Kent Miyasaki, Housing Information Specialist
Esa Pablo, Secretary to the Board

Guests: Sam Chung, THM Partners
Serge Krivatsy, THM Partners
David Bierwert, THM Partners
Stanford Carr, Stanford Carr Development
Jesse Wu, Stanford Carr Development
Ada Hayashi, Seawind Realty
Don Tarleton, Hawaii Housing and Finance, LLC
Stacey Sur, Hawaii Housing and Finance, LLC
T. Takahashi, NCDA
Kent Anderson, Office of Affordable Housing
Makani Maeva, Vitus Group

QUORUM

A quorum was present.

II. A. APPROVAL OF MINUTES 10/14/10

Director Mesick moved, seconded by Director Larson, to approve the Meeting Minutes of October 14, 2010.

The motion was unanimously approved.

Regular Meeting

Chairman Lawrence noted that the Executive Session Minutes of September 9, 2010 would be addressed later in the meeting.

II. B. APPROVAL OF MINUTES 9/9/10 Executive Session

Chairman Lawrence noted that the Executive Session Minutes of October 14, 2010 would be addressed later in the meeting.

II. C. APPROVAL OF MINUTES 10/14/10 Executive Session

Director Smith moved seconded by Director Los Banos, 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 October 31, 2011, subject to the following:

   1. Coalition for Specialized Housing to submit a current term sheet from the Bond investor and the LIHTC investor by April 30, 2011.

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

III. A. 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

Finance Manager Darren Ueki noted that this For Action was previously presented at the October 14, 2010 Board of Directors Meeting, requesting for an extension to Resolution No. 004, for the issuance of the Hula Mae Multi-Family (HMMF) tax-exempt revenue bonds for the 164-unit Hale Mohalu II (Project) for the elderly, located in Pearl City, Oahu.

Mr. Ueki opened for questions.

In response to Chairman Lawrence, Mr. Ueki stated that Hale Mohalu II Senior Housing, LC is confident that its construction will commence within the second quarter of 2011 and anticipates starting the bond process by the end of this year.

With no further questions, the motion was unanimously approved, with Director Mesick abstaining.

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

III. B. 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, TMK No.: (1) 9-7-019: 035

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 October 31, 2011, subject to the requirements as set forth in the For Action dated October 11, 2007, and subject to the following:

   1. Coalition for Specialized Housing to submit a current term sheet from the Bond investor and the LIHTC investor by April 30, 2011.

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 approval to extend a $17 million Rental Housing Trust Fund (RHTF) loan for the Hale Mohalu II (Project).

Mr. Ueki opened for questions, along with Mr. Gary Furuta, on behalf of the Project.

In response to the Board, Mr. Furuta responded that there are no issues anticipated with the Project's permitting process.

The motion was unanimously approved, with Director Mesick abstaining.

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

That the HHFDC Board of Directors approve the following:

A. Approve Resolution No. 030, attached as Exhibit F, which provides for official intent with respect to the issuance of revenue bonds up to $35,000,000 for the Halekauwila Place project subject to the provisions recommended in Exhibit C and E.

B. Reserve up to $2,498,448 in annual Federal LIHTC and $1,249,224 in annual State LIHTC from the non-competitive pool (4% LIHTC) to the Halekauwila Place project subject to the provisions recommended in Exhibits D and E and no negative comments by the City and County of Honolulu by November 18, 2010 (the expiration of the county's 30-day review and comment period).

III. C. DISCUSSION AND/OR DECISION MAKING
Approve (1) Resolution No. 030, Which Provides for Official Intent with Respect to the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds and (2) Reservation of Low Income Housing Tax Credits for the Halekauwila Place Project Located in Honolulu, Oahu, TMK Nos.:
(1) 2-1-051: 042 and 43

Mr. Ueki presented the For Action, stating that the Halekauwila Place (Project) consists of 204 family units, located in Honolulu, Oahu and highlighted the following:

1. On September 28, 2010, Halekauwila Place, LP (Applicant) submitted a consolidated application for (1) $35 million in tax-exempt bond cap from the HMMF Bond Program; and (2) $2,498,448 in Federal Low Income Housing Tax Credits (LIHTC) and $1,249,224 in State LIHTC.

2. Project background information, proposed Financing Structure, Project Budget and Use of Funds, and estimated construction timeline was cited, with construction start date being in April/May 2011 and Project completion in July 2012.

3. The Project proposes a private placement of the bonds to a qualified investor during the construction period, which will be replaced by a permanent loan by a third party financial institution once construction is completed.

4. Resolution No. 030 is a non-binding resolution which enables the developer to recognize eligible expenditures made 60 days prior that may be reimbursed from the bond proceeds.

5. If Resolution No. 030 is approved and the bond issuance is determined to be feasible, staff will return to the Board at a future date to seek final approval for the issuance, sale, and delivery of the bonds. The Bond issuance is subject to the approval by the Department of Budget and Finance and the Governor.

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

In response to the Board, Mr. Wu, Mr. Ueki, and Executive Director Seddon noted the following:

1. The State's ground lease enforces affordability restrictions.

2. In order to meet the construction start date of April/May 2011, the marketing process of the bonds is anticipated to start soon.

3. A set-aside approval remains pending with the Department of Land and Natural Resources (DLNR) since December 2009. No other issues anticipated.

4. Although there are no guarantees, there are no concerns at this point in terms of the sale of the LIHTC.

5. The Project is required to have an investor in place by the time the bonds are issued.

6. No major changes have been made to the design of the Project.

The motion was unanimously approved.

III. D. DISCUSSION AND/OR DECISION MAKING
Approve a 4-Year Extension Through December 31, 2014 of the Rental Assistance Contract to the Lincoln Courtside Associates for the Lincoln Courtside Apartments Project Located in Hilo, Hawaii, TMK No.: (3) 2-3-012: 045

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

That the HHFDC Board of Directors approve the following:

A. Approve a 4-year renewal of the Rental Assistance Contract to the Lincoln Courtside Associates for the Lincoln Courtside Apartments project through December 31, 2014.

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

Mr. Ueki presented the For Action, stating that the Lincoln Courtside Apartments (Project) was approved in 1991 by the Housing Finance and Development Corporation and received (1) Low Income Housing Tax Credits (LIHTC); and (2) Project based rental subsidy from the Rental Assistance Program (RAP).

Mr. Ueki highlighted the following:

1. The Rental Assistance Contract (RAC) was for a 15-year period from January 1994 to December 2008.

2. Over the initial 15-year period, the total RAP commitment for this Project was for $1.62 million (approximately $250 per unit/month).

3. $1,074,551 in RAP payments were expended for qualifying tenants during that 15-year period, leaving a balance of $545,449.

4. In its entirety, the RAP supports over 1200 units within 13 projects.

5. As of August 31, 2010, the available balance of the Rental Assistance Revolving Fund (RARF) to fund the RAP subsidy is $14.5 million.

6. HHFDC's outstanding commitment for all 13 projects is estimated at $51 million.

7. The total annual commitment authorized for the units under the RAP is $2,816,460. However, tenants may elect to use other subsidy programs, averaging a 49.63% utilization rate of the authorized RAP amount over a three-year span.

8. Without income generated, the $14.5 million available balance is anticipated to last approximately 4.8 years at the maximum annual payout and approximately 9.28 years based on actual RAP disbursements and expenses over the three-year span.

In response to Director Liu, Mr. Ueki stated that with an outstanding obligation of a maximum $51 million, only potential extensions to existing contracts were provided. No new projects have been added under the RAP over the last 10-15 years.

Mr. Ueki opened for questions, along with Ms. Ada Hayashi, on behalf of the Project.

In response to the Board, Mr. Ueki and Ms. Hayashi noted the following:

1. Providing an extension date helps make all parties aware of the timeframe of the subsidies given and helps staff manage and track a project's performance, utilization, and balance under the RAP.

2. Submittal of extension requests are at the discretion of the Project.

3. Not approving this extension will affect some tenants in their monthly rent payments by approximately $250 per month. However, affordability restrictions will remain.

4. The affordability restrictions do not apply to all 13 projects.

5. The RAP is based upon a tenant's eligible income. As a tenant's income increases, the amount of RAP subsidy is reduced.

6. Currently, 11 tenants are utilizing the RAP program in the Project. The majority of tenants receiving the maximum $250 payout are seniors with fixed incomes.

7. Actual rents per month for 2-bedroom units are $800; 1-bedroom units are $700; and studios are $650.

8. Maximum payout amounts vary with each RAP subsidy contract.

9. There is a safety net of $10 million set aside within the RARF, in the event that the subsidy payment funds are exhausted.

Director Larson commented that as developers come in for tax credits, the Board should look at providing lower rents in order to provide long-term affordability.

Director Mesick suggested that the HHFDC look into its expected present value, keeping track of its obligations for future reference in the case that funds need to be requested.

The motion was unanimously approved.

III. E. DISCUSSION AND/OR DECISION MAKING
Approve Amendments to a Dwelling Unit Revolving Fund Loan To Change the Pre-Sale Requirements for the Holomua Project Located in Honolulu, Oahu, TMK Nos.: (1) 2-4-6: 017 and 018

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

That the HHFDC Board of Directors approve amendments to the existing DURF loan that would adopt the pre-sale requirements of the first mortgage lender, or 65% for both affordable and market units, whichever is higher, prior to the release of any remaining DURF loan funds, substantially as described in this For Action, subject to the following terms and conditions:

1. Approval and execution of amended loan documents by the Executive Director;

2. Compliance with all rules and regulations and such other terms and conditions as may be required by the Executive Director; and

3. The Executive Director shall be authorized to take all actions necessary to

effectuate the purposes of this For Action.

Development Branch Chief Rick Prahler presented the For Action, highlighting the following:

1. In September 2010, the Board approved amendments to the previously approved exemptions from Chapter 201H for the Holomua project (Project) and received the City Council's approval in October 2010.

2. In a letter dated October 21, 2010, THM Partners LLC (Developer) requested that the original pre-sale requirement of 90% of the affordable units being contracted be reduced to 65%.

3. The new sales program is anticipated to be launched in the beginning of 2011, which includes a price reduction and a credit program of up to $8,000 for affordable units purchased under the 201H program.

4. Currently, 25% of the total units have been contracted. Of this total, 27% of the affordable units and 23% of the market units are contracted.

5. The Dwelling Unit Revolving Fund (DURF) loan would require the Developer to obtain the higher of the proposed 65% pre-sales of both affordable and market units under binding sales contracts or the pre-sale percentage requirement, along with binding sales contracts, of the first mortgage lender.

Mr. Prahler opened for questions, along with Messer's Sam Chung, Serge Krivatsy, and David Bierwert, representing the Project. (THM Partners LLC)

In response to the Board Mr. Prahler, and THM Partners LLC noted the following:

1. Pre-sale requirement for both affordable and market units sold would be set to 65%, being the minimum needed to allow the DURF funds to be drawn and utilized for project construction.

2. Due to the economic conditions, the original 90% pre-sale requirement was not justified and is not of standard practice.

Director Mesick commented that from a commercial lending perspective, most lenders are hesitant of doing pre-sale loans but would normally want the pre-sales to equal the construction debt.

3. In the foreclosure process in terms of the HHFDC's 10-year buyback and Shared Appreciation Equity (SAE) program, the HHFDC has the right to first bid on the units at its discretion and resell them to keep the affordability. If HHFDC chooses not to take any action on the units, those deed restrictions are no longer attached with the sale of the units and automatically terminate.

Director Mesick commented that without saleable loans, cost will increase and lending capacity may become an issue.

Mr. Ueki noted that the HHFDC is looking to restore its Single Family loan program, which will offer an alternative loan package, providing a higher loan-to-value ratio and eliminate the need for mortgage insurance.

The motion was unanimously approved.

Executive Director Seddon opened for questions.

In response to the Board, Executive Director Seddon noted the following:

DIRECTOR

1. The Kamakana Project has received approval from the Land Use Commission and the County of Hawaii County Council. News articles by Andrew Gomes, Star Advertiser, with input from both Forest City and HHFDC, have provided the general public with acceptable information regarding the Project.

Director Smith requested that she be notified when the Senior Residence at Iwilei project opens and when the Board of Water Supply accepts the Waiahole Valley water system.

2. Environmental issues for the Wilikina parcel have been addressed, but no proposals were received. Staff plans to regroup and seek out potential developers as the economy improves.

Director Smith noted that the Hawaii Public Housing Authority has sold the Wilikina Apartments to a private redeveloper.

Chairman Lawrence thanked Directors Smith, Liu, and Kawamura (who was not in attendance), for all their input and hard work.

3. The HHFDC plans to address $10 million in Rental Housing Trust Fund monies and monetization of the State Low Income Housing Tax Credits in the upcoming legislative session.

Discussion ensued on the transition process of the new administration and how it would affect quorum for the upcoming December 9, 2010 Board Meeting.

4. The attendance of the known Board Directors was requested in order to meet quorum (5 members) for the December 9, 2010 Board Meeting.

Mr. Ueki noted that there are a few items pending with the Kuhio Park Terrace (KPT) and the Ewa Villages projects; however, delaying approval by a month would not irreparably harm the projects.

Regarding the KPT project, Ms. Makani Maeva, Vitus Group, commented that the December 9, 2010 Board Meeting would be very important in meeting its February 28, 2011 Freddie Mac commitment deadline, which would allow the project to do up to $75,000 worth of rehabilitation on each unit and for its underwriting to be done by Citi Bank, avoiding unnecessary delays.

It was noted that three candidates for the Kauai Director position were received, of which one will be appointed to serve as an interim, in effect, before the December 9, 2010 Board Meeting.

Director Liu commented and expressed his appreciation for outstanding performance from the Board and staff.

Executive Director Seddon thanked Directors Smith and Liu, stating that they have been great resources and supporters of the agency.

Director Larson added thanks for not only their knowledge, but also for their efforts and focus to accomplish security in the processes for developers and pushing for additional units.

Ms. Maeva presented Directors Smith and Liu with leis and expressed her appreciation to the Board and staff for making the Lokahi Kau project a reality.

5. Notices have been distributed to Pohulani residents regarding the closing of the downstairs sundry store for refurbishing and selection of a new vendor. Staff is seeking clarification on the State's blind vendor program.

II. B. APPROVAL OF MINUTES 9/9/10 Executive Session

Chairman Lawrence asked for a motion to approve the Executive Session minutes of September 9, 2010.

Director Smith moved, seconded by Director Larson.

The motion was unanimously approved.

II. C. APPROVAL OF MINUTES 10/14/10 Executive Session

Chairman Lawrence asked for a motion to approve the Executive Session minutes of October 14, 2010.

Director Liu moved, seconded by Director Larson.

The motion was unanimously approved.

V. ADJOURNMENT

With no further business on the agenda, Chairman Lawrence called for a motion to adjourn.

Director Larson moved, seconded by Director Liu, to adjourn the meeting at 10:32 a.m.

The motion was unanimously approved.

Betty Lou Larson

BETTY LOU LARSON
Secretary