

**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, DECEMBER 8, 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, December 8, 2011, at 9:00 AM.

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

**CALL TO  
ORDER/  
ROLL CALL**

Present: Director David Lawrence, Chairman  
Director Ralph Mesick, Vice Chairman  
Director Betty Lou Larson, Secretary  
Director Michael Ng  
Director Francis Jung  
Director Paul Kyno  
Director Allan Los Banos  
Designee Luis Salaveria for Director Kalbert Young  
Designee Mary Alice Evans for Director Richard Lim

Executive Director Karen Seddon

Excused: Director Kalbert Young  
Director Richard Lim

Staff Present: Sandy Ching, Deputy Attorney General  
Janice Takahashi, Chief Planner  
Darren Ueki, Finance Manager  
Rick Prahler, Development Branch Chief  
Galen Lee, Fiscal Manager  
Stan Fujimoto, Development Section Chief  
Marlene Lemke, Real Estate Services Section Chief  
Patrick Inouye, Housing Finance Specialist  
Byron Chock, Housing Finance Specialist  
Jocelyn Iwamasa, Housing Finance Specialist  
Peter Nelson, Property Management Coordinator  
Lorna Kometani, Housing Sales Coordinator  
Lorraine Egusa, Budget Analyst  
Pauline Wong, Accountant  
Kent Miyasaki, Housing Information Specialist  
Esa Pablo, Secretary to the Board

Guests: Edward Correa, Resident of Kauhale Aupuni O’Kuliouou  
Tim Cantwell, Cloudbreak Hawaii, LLC  
Charles Patterson, Cloudbreak Hawaii, LLC  
Jeff Kent, Office of Hawaiian Affairs  
Andrew Dahlburg, Veteran Affairs  
Denby Fawcett, YWCA  
Joann Hee Husted, YWCA  
Bernice Parsons, YWCA  
Patti Look, YWCA  
Carmille Lim, YWCA  
Ryan Rideea, YMCA  
Sherry Campagna, YMCA

A quorum was present.

**QUORUM**

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Director Mesick moved, seconded by Director Jung, to approve the Meeting Minutes of November 10, 2011.

The motion was unanimously approved.

Director Mesick moved, seconded by Director Jung, to approve the Executive Session Meeting Minutes of October 13, 2011.

The motion was unanimously approved.

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

That the HHFDC Board of Directors disapprove the following and instruct staff to follow the lease renegotiation and leased fee purchase clause in the lease:

- A. Lessee's request to modify the lease terms for a reduced Renegotiated Lease Rent and reduced Leased Fee Purchase Price based on the original option price of \$15,200.
- B. That the Executive Director shall be authorized to take all actions necessary to effectuate the purpose of this For Action.

Development Branch Chief Rick Prahler presented the For Action, stating that Lessee Butch "Ed" Correa, a resident of Kauhale Aupuni O'Kuliouou Residential Subdivision (Subdivision), was provided a contractual ability to purchase the fee interest in the land for \$15,200, plus simple interest, for the first 15 years of the lease starting in 1991. Furthermore, Mr. Correa had the ability to purchase the land at any time subsequent to the fair market value.

Due to the December 31, 1987 flood, a land slide within the Subdivision affected 17 homes which caused HHFDC's predecessor (Hawaii Housing Authority) to repurchase the lots and the damaged homes were ultimately demolished. Corrective road and utility work was done in the mid-1990's. In 2005, Mr. Correa purchased the lot adjacent to his property for \$50,000, at the time that the affected lots were put up for sale via Request For Proposal.

Mr. Correa's 30-year fixed period on the lease expired in November 2011 and an appraisal was done, appraising the property at \$290,000, which set the proposed annual lease rents at \$10,799 for the first 10 years, \$14,039 for the second 10 years and \$18,250 for the remaining 5 years of the lease. The appraiser was made aware of the damage done by the 1987 flood.

After receiving the information above, Mr. Correa requested for the opportunity to speak to the Board in letters dated October 14 and November 15, 2011, proposing the following:

That the \$15,200 option price be carried forward to arrive as the new lease rent and also suggesting that the \$15,200 option price be use to purchase the property.

In determining the purchase price staff is assuming a closing date of June 2013; however, due to the lateness in timing, the purchase price will not go through until the 2013 Legislative Session.

Exhibits were cited.

Mr. Correa thanked the Board for the opportunity to address his concerns and for the staff's help over the last few months. It was noted for the record that he blamed no one but himself on missing the 15-year lease purchase deadline,

**II. A.**  
**APPROVAL**  
**OF MINUTES**  
11/10/11  
Regular  
Meeting

**II. B.**  
**APPROVAL**  
**OF MINUTES**  
10/13/11  
Executive  
Session

**III. A.**  
**DISCUSSION**  
**AND/OR**  
**DECISION**  
**MAKING**  
Disapprove Lessee's  
Request to Modify  
the Lease terms for  
a Reduced  
Renegotiation  
Leased Fee Purchase  
Price for Lot 772 of  
the Kauhale Aupuni  
O'Kuliouou  
Subdivision in  
Kuliouou, Oahu,  
Hawaii, TMK No.:  
(1) 3-8-010: 035

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providing the Board with background information on his situation and asked if there was anything the Board could do in lowering his payments on the property.

Chairman Lawrence asked if the current market value of the property was approximately \$600,000 - \$700,000. Mr. Correa concurred, noting its beautiful view of the valley.

Designee Salaveria stated that he would never fully understand the impact of the flood and asked on the Board's authority as it relates to the situation. Chairman Lawrence stated that he would ask that the Board make a motion to go into Executive Session to discuss such matters.

Mr. Correa reiterated fault on his part and asked for the Board's help to reduce his lease rent and future leased fee payments, stating that either way, he was glad for the opportunity to make such an attempt.

In response to Chairman Lawrence, Mr. Correa noted the following:

1. The adjacent lot was purchased for \$50,000 is a separate Text Map Key.
2. In discussions with the owner of the 17 vacant lots, proposed plans were denied by the City and County of Honolulu due to the remaining issue of the shifting of the land.

Chairman Lawrence thanked Mr. Correa for coming in person to talk to the Board about his situation and noted that the Board will further discuss the situation at hand, keeping Mr. Correa informed on the decision made.

Director Mesick moved, seconded by Director Jung, to move into Executive Session at 9:30 AM.

**EXECUTIVE  
SESSION  
9:30 AM**

The Board of Directors of the Hawaii Housing Finance and Development Corporation anticipates convening in executive session 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 matter stated above.

The motion to consult in Executive Session was unanimously approved.

The Board reconvened into Regular Session at 9:53 AM.

**RECONVENED  
9:53 AM**

With the main motion on the table, the Board moved to approve staff's recommendation to disapprove the Lessee's request to modify the Lease terms.

With no further discussion, the main motion was unanimously approved.

Chairman Lawrence announced that the meeting would be interrupted for a special event. Executive Director Seddon introduced a special guest, Ms. Denby Fawcett, from the YWCA, who presented Director Larson with the Hawaii's Great Women Leaders Award, to be honored at the 2012 YWCA Leader Luncheon, for Director Larson's life dedication to seeing that the low-income, elderly, and persons with disabilities find housing.

Ms. Fawcett called upon Ms. Sherry Campagna, a director on the YWCA Board, to say a few words, who introduced YWCA Board Member Ms. Bernice Parsons, YWCA staff Ms. Carmille Lim and Mr. Ryan Rideea, and Academy member (Previous YWCA board member) Ms. Joan Husted. Ms. Campagna continued to note the significance of the award and expressed her hope to see the HHFDC Board members at the 2012 YWCA Leadership Luncheon held at the Hilton Hawaiian Village, in the Coral Ballroom.

Director Larson thanked everyone and pictures were taken.

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With no further discussion, Chairman Lawrence proceeded to Item B.

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

That the HHFDC Board of Directors approve the following:

- A. A Rental Housing Trust Fund (RHTF) Project Award Loan of \$4,000,000 to the Cloudbreak Hawaii, LLC or its successors, as approved by the Executive Director, with the terms and conditions as shown in Section III(G) 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 RHTF program funds as mandated under Chapter 15-311, Hawaii Administrative Rules.
  - 2. Execution of documentation satisfactory to the HHFDC outlining the terms and conditions of the Project Award. The documents shall 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.
  - 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.
  - 5. Availability of RHTF program funds.
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Finance Manager Darren Ueki congratulated Director Larson on her award and presented the For Action, stating that the Hale Uhiwai Nalu Addition (Project), consisting of 50 family units, located in Kapolei, Oahu.

In February 2011, Cloudbreak Hawaii, LLC (Applicant) submitted a consolidated application for a RHTF Award in the amount of \$4 million, which proposes to provide 50 additional units in a one 4-story building to the existing Building 34 project, for a combined total of 130 family units.

The Project's proposed Financing Structure, Budget and Use of Funds, and the estimate construction timeline were cited, with construction anticipated to start in April 2012 and project completion in April 2013.

Staff reviewed the Applicant's request and proposes the following loan terms:

- 1. Loan Amount: \$4,000,000
- 2. Interest Rate: 0.00% Year 1 through 7 (Construction Period and Repayment Period of the First Mortgage)
  - 4.0% Years 8 through 30 (Remaining Permanent Period)
- a. 0.00% for the Construction Period is recommended as (i) property operations have not commenced and (ii) eliminates the need to

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

Approve a Rental Housing Trust Fund Project Award for the Hale Uhiwai Nalu Addition Project Located in Kapolei, Oahu, TMK No.: (1) 9-023: 054

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establish and track an interest reserve.

- b. 0.00% for years 2 through 7 (repayment period of the 1<sup>st</sup> mortgage permanent loan) is recommended to allow the project to pay off the first mortgage without incurring an additional debt of accrued interest.
  - c. 4.00% for years 8 through 30 (remaining permanent period) is recommended as it provides for a reasonable payback period of 23 years.
- 3. Fee: None
  - 4. Term/Maturity: 30 Years
  - 5. Repayment: Years 1 through 7 – No Payments  
Years 8 through 30 – Annual payments of \$269,236.23
  - 6. Collateral: Third mortgage loan, subject only to the First Hawaiian Bank first mortgage; on the leasehold interest in the Project and the existing RHTF loan.
  - 7. Other Terms: a) The Project’s loan to value ratio (on the RHTF loan and debt senior to the RHTF loan) shall not exceed 100%.  
b) No disbursement of Developer’s Fee until satisfactory completion of the Project.  
c) The RHTF Project Award is subject to the availability of funds.

If the Board approves staff’s recommendation, a Letter of Intent (LOI) describing the terms and conditions of the RHTF Project Award will be sent to the Applicant, subject to all conditions being met to the satisfaction of the HHFDC, approval of the Governor of the State of Hawaii, and the availability of funds, which is set to expire on January 13, 2012, at 4:00 PM, unless the HHFDC receives an executed copy by the said date. After January 13, 2012, the LOI shall expire and no obligation shall exist thereafter, unless extended or modified at the sole discretion of HHFDC.

Mr. Ueki opened for questions along with Mr. Tim Cantwell and Mr. Andy Dahlburg, on behalf of the Project.

In response to Designee Evans, Mr. Cantwell stated that Cloudbreak Hawaii, LLC (Cloudbreak) has been a Real Estate developer since 1978, with its corporate office based out of Los Angeles. Experience in tax-exempt bond transactions, transitional and permanent housing for the homeless, veterans, families, and youth were noted. Mr. Cantwell added that this particular product is in the fifth generation, with slight modifications being done to meet the requirements of the State.

In response to Director Jung, Mr. Cantwell stated that the studios are approximately 363 square feet and 27 - 30 feet deep, depending on the site.

In response to Director Mesick, Mr. Dahlburg and Mr. Cantwell stated that the 50 unit addition is being built on Federal land, which does not require building permits to be obtained through the City and County of Honolulu (City), allowing

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for quick construction.

Chairman Lawrence inquired on any legal issues with the building permits being received through another entity other than the City. Mr. Ueki stated that all issues were worked out with the rehabilitation of the Building 34 project, and believes the same for this Project as well. The Applicant has been made aware of the requirements and documentation needed.

Director Larson noted her concern on the length of affordability and inquired on the Applicant's plan at the end of the Project's 50-year affordability period. Mr. Cantwell stated that although they are a for-profit entity, this is a mission driven activity to stay in service for veterans and the expectation is that it will continue to remain affordable.

In response to Director Larson, Mr. Ueki stated that Mr. Cantwell is the Lessee of the Project, and deferred to Mr. Dahlburg, manager of the Homeless Programs of the State of Hawaii and America Samoa, who stated that there is a very robust challenge to end homelessness within 5 years, with housing being the obvious key component. Therefore, these housing pieces are very important and the Veteran Affairs has been very fortunate in being able to bring in resources, such as Cloudbreak, Catholic Charities, HHFDC, and Marc Alexander, the Governor's coordinator on homelessness.

In response to Director Larson, Mr. Dahlburg stated that veterans who were incarcerated would have accessibility to such housing and in a veteran's justice court conference that will be held in Waikiki tomorrow, such veterans will be able to receive the help they need in transitioning into different points of treatment and housing.

Director Larson inquired on the anticipation of more Veterans Affairs Supportive Housing (VASH) vouchers. Mr. Dahlburg stated that Secretary of Veteran Affairs Eric Shinseki's plan for homelessness involves six pillars, one of which includes benefits and income. Many of veterans are not only employed, but also receive monthly benefits that allow them to pay for such housing. Mr. Cantwell added that the Veteran Affairs has a program that provides various transitioning housing option levels ranging in prices from \$ 0 - \$900 and noted available support services.

In response to Director Mesick, Mr. Ueki stated that the \$4 million mortgage will be over the entire 130 units.

In response to Director Mesick, Housing Finance Specialists Patrick Inouye and Jocelyn Iwamasa noted that the First Hawaiian Bank (FHB) has given a first mortgage loan and additional funds will be used to pay off its \$600,000 FHB loan and help build the Project.

Director Larson commented that she feels that this is a great project, in that it combines services for veterans and that the repayment of the RHTF loan will be quick. Chairman Lawrence concurred.

Mr. Cantwell recognized Mr. Chuck Paterson, from Cloudbreak Hawaii, LLC, who he noted, has been a great help with the different properties since opening.

With no further discussion, the motion was unanimously approved.

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

That the HHFDC Board of Directors approves Resolution No. 040 that expresses appreciation to Pauline Wong.

Chief Planner Janice Takahashi presented the For Action, stating that Accountant

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

Approve Resolution  
No. 40, Expressing  
Appreciation to

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Pauline Wong

IV Pauline Wong has done such a great job over the past 20 years and has been recognized by this Agency as well as the Department of Business, Economic Development and Tourism (DBEDT), for her superior performance, naming her Employee of the Year in 2008 and 2010, respectively.

Ms. Wong has played a vital role in solidifying the finances of the HHFDC and in obtaining federal grants and funding over the last three years.

Therefore, staff is recommending that the Board approve Resolution No. 40, which expresses appreciation to Ms. Wong.

Executive Director Seddon noted that although Ms. Wong had planned on retiring at the end of this month, she has graciously agreed to stay until the new software for accounting is in operation.

Ms. Wong thanked Executive Director Seddon and Ms. Takahashi for their support and trust over the years and expressed her appreciation.

The Board thanked Ms. Wong and applauded her service to the HHFDC.

The motion was unanimously approved.

Director Jung moved, seconded by Director Mesick, to recess the meeting at 10:27 AM.

**RECESS**  
10:27 AM

The motion was unanimously approved.

Chairman Lawrence reconvened the meeting at 10:30 AM and proceeded to the Report of the Executive Director.

**RECONVENED**  
10:30 AM

Executive Director Seddon noted that she attended the National Council State Housing Agencies (NCSHA) conference, thanking Chairman Lawrence for encouraging her to attend and Designee Evans for approving the travel, allowing her to bring back with her valuable knowledge and information on housing.

**IV.  
REPORT  
OF THE  
EXECUTIVE  
DIRECTOR**

It was noted that there would be an Executive Session meeting to further discuss information received from the NCSHA conference and other issues of the Corporation to discuss and consider.

Chief Planner Janice Takahashi provided an overview of the 2011 Hawaii Housing Planning Study to the Board, noting the following:

1. Housing costs, both market and rent, are still very high despite the recession and downturn in the market.
2. Crowding and households doubling up grew by nearly 40 percent from 2006 to 2011.
3. Over the next 5 years, approximately 24,000 new affordable housing units will be needed.
4. Rental units would be classified as "affordable" at 80% and below the area median income (AMI), where "affordable" for-sale housing would be from 80% - 140% AMI, which is the target area of the HHFDC.
5. Although the demand for homeownership has increased, downpayment costs remain to be a major barrier for first-time homebuyers.
6. Statewide, 41% of prospective buyers were willing to consider sustainable leases if no fee simple homes are available.

In response to Designee Evans, Ms. Takahashi stated that sustainable leases are

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community land trusts that sustain the affordability of a property with limited equity.

8. Studies showed that there was interest in living near transit areas, particularly in Honolulu. However, interest on the neighbor islands was minimal.

In response to Designee Evans, Executive Director Seddon stated that transit development on the neighbor islands is not something completely ignored, with the Big Island working on a Transit Oriented Development concept for bus transit and Maui's bus system.

In response to Director Jung, Ms. Takahashi stated that most financial entities look at a downpayment amount of approximately 20%.

In response to Chairman Lawrence, Ms. Takahashi stated that the last housing study was done in 2006 and issued in 2007. It was noted that the housing study and press release would be posted on the HHFDC website for public viewing.

In response to Director Larson and Designee Evans, Ms. Takahashi stated that there is a greater need for rentals, especially for those who are experiencing foreclosure.

In response to Designee Evans, Ms. Takahashi stated that in the last 3 years of projects that the HHFDC has participated in, approximately 60% have been multi-family rentals versus single-family for sale.

In reference to the November 10, 2011 Board Meeting Minutes, Director Larson inquired on the status of the Report to the 2012 Hawaii State Legislature, Pursuant to section 3 of Act 193, Session Laws of Hawaii 2011. Ms. Takahashi stated that the report is currently with the Governor's Office. Director Ng noted that a response is anticipated to be soon.

Director Larson inquired on the status of the proposed 38% budget cut in HOME funds, as discussed at the November 10, 2011 Board Meeting. Executive Director Seddon stated that to the Corporation's knowledge, the State's HOME funds amount has not been affected by the 38% budget cut.

Chairman Lawrence called upon Director Los Banos to report on the Dwelling Unit Revolving Fund (DURF) Subcommittee findings.

Director Los Banos, Chair of the DURF Subcommittee, opened with stating the purpose of the DURF Subcommittee and recognized its members: Directors Lawrence, Mesick, and Young.

The following recommendations were noted:

1. More planning and review is needed.
2. The Board should formalize the informal policy which establishes a \$10 million cash reserve in the DURF by adopting a resolution.
3. The \$10 million reserve is a benchmark, which should be assessed periodically.
4. Specific guidelines and procedures for assessing credit risk and managing risk exposure is necessary.
5. Definitive interim milestones for projects need to be identified.
6. Overall performance and quality of individuals and DURF loans need to be monitored.

**V.  
REPORT  
BY THE  
DWELLING  
UNIT  
REVOLVING  
FUND  
SUBCOMMITTEE**



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7. Loans that are at risk of default should be placed on a watch list, with specific cash reserves allocated. The status of the watch list should be a part of the Executive Directors Report.
8. The DURF Subcommittee will continue to finalize its findings at future meetings.
9. Staff has been requested to research public indexes and methodologies for calculating cost reasonableness.

Director Los Banos stated that the DURF Subcommittee will continue to work with staff and thanked all who contributed to the Subcommittee's findings.

Chairman Lawrence thanked Director Los Banos on his report and Directors Mesick and Young for their interest and perspectives on this matter.

Vice Chairman Mesick commented that the HHFDC does a very good job in managing its resources. However, it would be better to document and improve transparency.

In response to Designee Evans, Executive Seddon agreed, stating that the HHFDC is asking for a \$10 million annual appropriation from the Legislature, due to an increase in utilization of the program in the past several years. This has resulted in an estimated balance of \$2 million in mid-2013. Appreciation was expressed to the Board.

In addition, Designee Evans expressed great gratitude and appreciation to Designee Salaveria and Director Young for their support, which was essential in getting the \$10 million request into the Governor's budget request.

In response to Director Larson, Directors Lawrence, Evans, and Mesick stated that the DURF fund is oversubscribed and the \$10 million will help in managing potential projects through a range of outcomes within the means available.

Executive Director thanked and expressed appreciation to the Board for attending its meetings.

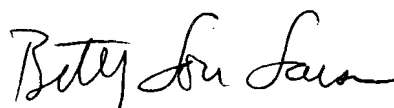
It was noted that Chairman Lawrence and Vice Chairman Mesick's terms are set to expire June 2012 and applications will need to be updated and resubmitted.

Chairman Lawrence thanked Designee Salaveria for his consistency in attendance.

Executive Director Seddon thanked and wished everyone a happy holiday season.

With no further discussion, Director Jung moved, seconded by Director Kyno, to adjourn the meeting at 11:00 AM.

The motion was unanimously approved.

  
\_\_\_\_\_  
BETTY LOU LARSON  
Secretary

VI.  
ADJOURNMENT