

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, MAY 10, 2012
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, MAY 10, 2012, at 9:00 a.m.

Chairman David Lawrence called the meeting to order at 9:00 a.m.

CALL TO
ORDER/
ROLL CALL

Present: Director David Lawrence, Chairman
Director Betty Lou Larson, Secretary
Director Michael Ng
Director Francis Jung
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 Ralph Mesick, Vice Chairman
Director Kalbert Young
Director Richard Lim

Staff Present: Sandra Ching, Deputy Attorney General
Colette Honda, Deputy Attorney General
Janice Takahashi, Chief Planner
Darren Ueki, Finance Manager
Rick Prahl, Development Branch Chief
Galen Lee, Fiscal Manager
Stuart Kritzer, Asset Manager
Stan Fujimoto, Development Section Chief
Patrick Inouye, Housing Finance Specialist
Byron Chock, Housing Finance Specialist
Jocelyn Iwamasa, Housing Finance Specialist
Lorna Kometani, Housing Sales Coordinator
Lisa Wond, Planner
Lorraine Egusa, Budget Analyst
Kent Miyasaki, Housing Information Specialist
Esa Pablo, Secretary to the Board

Guests: Marvin Awaya, Pacific Housing Assistance Corporation
Karen Arakawa, Pacific Housing Assistance Corporation
Dickson Lee, Takushi Wong Lee & Yee

A quorum was present.

QUORUM

Director Jung moved, seconded by Designee Salaveria, to approve the Meeting Minutes of April 12, 2011.

II. A.
APPROVAL
OF MINUTES
4/12/11
Regular
Meeting

The motion was unanimously approved.

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

Approval of the April 12, 2012 Executive Session Meeting Minutes was held in Executive Session.

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

That the HHFDC Board of Directors:

- A. Approve the Substantial Amendment to the State of Hawaii's Consolidated Plan for Program Years 2010 through 2014;
- B. Approve the Substantial Amendment to the State of Hawaii's Annual Action Plan for Program Year 2011;
- C. Approve the State of Hawaii's Consolidated Plan Annual Action Plan for Program Year 2012; and
- D. Authorize the Executive Director to undertake all tasks necessary to submit and implement the Action Plan.

Planner Lisa Wond presented the For Action, stating that the request before the Board is for the approval of the three Consolidated Plan documents, of which was presented to the Board as an informational item last month, at the April 12, 2012 Board Meeting.

The three Consolidated Plan documents are as follows:

1. The Substantial Amendment to the 5-Year Consolidated Plan incorporates: (1) an annual rotation of the State's HOME Investment Partnership (HOME) allocation between the counties of Hawaii, Kauai, and Maui, starting with the County of Hawaii in Program Year (PY) 2012; (2) allowing the Counties of Hawaii, Kauai, and Maui to use up to 10 percent of its HOME program income received for administrative purposes; and (3) new Emergency Solutions Grant (ESG) objectives for homelessness prevention and rapid re-housing activities.
2. The Substantial Amendment to the PY2011 Action Plan incorporates additional PY2011 funding of \$131,998 from the U.S. Department of Housing and Urban Development (HUD) for the ESG program for rapid re-housing activities targeted to individuals and families living on the streets and in emergency shelters.
3. The 2012 Action Plan sets forth the planned HOME, ESG, and Housing Opportunities for Persons with AIDS (HOPWA) activities for the PY2012.

Since the April 12, 2012 Board Meeting, the Department of Human Services (DHS) awarded its anticipated ESG and HOPWA funds to entities serving the Counties of Hawaii, Kauai, and Maui. Activities were cited on pages 4 and 5 of the For Action.

No public comments were received during the 30-day public comment period on the three Consolidated Plan documents, which are available for review at the regional libraries, the Counties' housing offices, HHFDC, DHS, and on the HHFDC website.

All Consolidated Plan documents are due to HUD on May 15, 2012.

In response to Chairman Lawrence, Ms. Wond concurred that the total amount of

II. B. APPROVAL OF MINUTES

4/12/11
Executive
Session

III. A. DISCUSSION AND/OR DECISION MAKING

Approve Substantial
Amendments to the
State of Hawaii's
Five-Year
Consolidated Plan
for Program Years
2010 to 2015 and
Action Plan for
Program Year
2011-2012, and
Approve the Annual
Action Plan for
Program Year 2012-
2013

funding received is determined by a per capita formula.

With no further discussion, the motion was unanimously approved.

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

That the HHFDC Board of Directors approve the following:

- A. Resolution No. 045, attached as Exhibit D, which provides for the approval of the issuance of revenue bonds up to \$33,000,000 for the Senior Residence at Iwilei project subject to the provisions recommended in Exhibit C.
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Housing Finance Specialist Patrick Inouye presented the For Action, stating that Senior Residence at Iwilei (Project) is a 15-story, 160 units, for the elderly, targeting those with incomes at or below the 60% and 50% area median income (AMI).

The Hula Mae Multi-Family (HMMF) Tax-Exempt Bonds are subject to the private activity bond cap allocated through the State of Hawaii annually.

In 2012, the State received approximately \$285 million in private activity bond cap, of which approximately \$142 million was made available to the Counties.

Under the HMMF Bond program, the HHFDC acts as a conduit by issuing its tax-exempt revenue bonds to provide below market financing to private developers or owners of affordable rental units. However, all repayment obligations are at the responsibility of the developer or owner requesting the financing.

Previous Board approvals for the Project from June 2003 through November 2011 were noted.

The funds shall come from a general obligation bond issuance. As such, the Dwelling Unit Revolving Fund (DURF) interim financing is anticipated to be reduced down to \$5 million.

Other non-state resources obtained include the Community Development Block Grant (CDBG) and Federal Home Loan Bank of Seattle funds.

The proposed Financing Structure and Project Budget and Use of Funds were cited.

The HMMF Bond issuance will be split into a Series A, estimated at \$11,500,000, and shall be a fixed rate public issuance with credit enhancements provided by Freddie Mac; and a Series B, estimated at \$21,500,000 and shall be a private placement with Citibank, NA.

No credit enhancement shall be provided for Series B and retirement of Series B is expected from the Tax Credit proceeds.

On November 9, 2011, a Tax Equity and Fiscal Responsibility Act (TEFRA) Hearing was conducted with regard to the bond issuance. No oral or written testimony was submitted.

Resolution No. 045 satisfies the requirement to effectuate the HMMF bond sale and allows staff to complete the Bond sale.

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

Approve Resolution No. 045, Authorizing The Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds for the Senior Residence at Iwilei Project Located in Iwilei, Oahu, TMK No.: (1) 1-5-007: 002

Mr. Inouye opened for questions.

In response to the Board, Finance Manager Darren Ueki and Executive Director Karen Seddon noted the following:

1. The HMMF Bond financing is a direct appropriation for the Project.
2. The HHFDC received only the \$5 million that was designated in the Biennium budget for the Rental Housing Trust Fund monies.
3. Various spreadsheets were used to distinguish actual costs between residential and commercial units. Per Square Feet amount within the Budget and Use of Funds chart is the average amount for the entire project.
4. The General Obligation Bonds and the County's CDBG funds will only be used for the residential units.
5. Closing of the bonds is anticipated to be in June 2012, with Project construction to follow. The HHFDC does not foresee further extensions.

With no further discussion, the motion was unanimously approved.

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

That the HHFDC Board of Directors approve the following for the Senior Residence at Iwilei affordable elderly rental housing project, in Iwilei, Oahu, Hawaii, TMK (1) 1-5-007: 002, substantially as described in this For Action:

- A. Amendment to the existing Ground Lease to allow for the creation of a condominium property regime in to Residential and Commercial Units;
- B. Cancellation of the Ground Lease after creation of the Residential and Commercial Units;
- C. Execution of two new ground leases at \$1/year for 55 years for the Residential and Commercial Units after creation of the CPR;
- D. Adoption of the affordability requirement for the project's zoning exemptions as the affordability requirement for the existing Ground Lease and new Residential Unit; and
- E. The Executive Director is authorized to take all actions necessary to effectuate the purposes of this For Action,

Subject to the following:

- A. Closing of interim financing by June 30, 2012, unless otherwise extended at the sole discretion of the Executive Director;
- B. Completion of construction and 95% stabilized occupancy of the project by December 31, 2014, unless otherwise extended at the sole discretion of the Executive Director;
- C. Approval as to form of the applicable documents by the Department of the Attorney General;
- D. Approval and execution of necessary documents by the Executive Director; and

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

Approve (1) Amendment of Ground Lease to Reflect Affordability Requirements and Creation of a Condominium Property (CPR) for the Residential and Commercial Units; and (2) Cancellation of Existing Ground Lease and Execution of Subsequent Ground Lease After Creation of the CPR for the Senior Residence at Iwilei Project Located In Iwilei, Oahu, TMK No.: (1) 1-5-007: 002

- E. Compliance with all laws and rules, and such other terms and conditions as may be required by the Executive Director.

Development Branch Chief Stan Fujimoto presented the For Action, stating the Senior Residence at Iwilei (Project) will consist of 160 affordable elderly units and an adult day care center, elderly services, offices, and commercial space.

The Hula Mae Multi-Family (HMMF) Bond and Low Income Housing Tax Credit (LIHTC) financing must be limited to the residential component of the Project.

The Project is amending its Ground Lease to acknowledge a creation of a Condominium Property Regime (CPR) to separate the residential and non-residential uses within the Project. Once the CPR is established, the existing Ground Lease will be cancelled and be replaced with two new separate 55-year Ground Leases from HHFDC at a dollar a year for each of the residential and commercial CPR units.

During recent document negotiations, the lender's counsel had proposed that the affordability requirements of the Ground lease be removed upon foreclosure, making the Project more marketable to foreclosure lenders.

However, the HHFDC is not amendable to removing its affordable requirements and is therefore proposing that the affordability requirements of the Ground Lease be the same as the affordability requirements for the zoning exemptions of the City and County of Honolulu for the Project, as follows:

1. The Project must be an affordable rental housing project for seniors aged 62 years and older.
2. Dwelling units shall initially be rented to households at 60% and below the area median income (AMI).
3. Thereafter, at least 50% of the units must be rented to households at 60% and below the AMI and the balance at 140% and below the AMI.

If there is no foreclosure, the affordability requirements for the Project will be controlled by the applicable financing documents, having 40 units at 50% and below the AMI and 119 units at 60% and below the AMI.

If there is a foreclosure, the financing requirements will be extinguished, with the affordability requirements in the Ground Lease remaining.

Mr. Fujimoto opened for questions along with Mr. Marvin Awaya, on behalf of the Project.

In response to Designee Evans, Mr. Fujimoto stated that the 75-year Ground Lease was approved to accommodate the Developer's application for the HUD 202 financing, which the Developer did not receive. As such, the 75-year ground lease term does not apply and the Project remains under a 55-year lease term. HHFDC's average lease terms range anywhere from 55 to 65 years; however, in this case, due to the Request for Proposal for the land, the ground lease term is based upon a 55-year lease.

In response to Designee Salaveria, Executive Director Seddon and Mr. Fujimoto stated that the proposed amendment strengthens and clarifies the affordability requirements in the Ground Lease based on the Project's zoning exemptions.

In response to Chairman Lawrence, Executive Director Seddon stated that any "commercial" activity would require the HHFDC to provide the Office of Hawaiian Affairs 20% in revenues earned.

In response to Director Jung, Deputy Attorney Sandra Ching stated that the ceded

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

lands settlement resolves all outstanding claims for revenue to date, keeping in place the claims for 20% allocation of ceded land revenues for the future.

With no further discussion, the motion was unanimously approved.

Chairman Lawrence proceeded to the Report of the Executive Director.

In response to the Board, Executive Director Seddon reported on the following:

1. Senate Bill (SB) 2740 increases the Hula Mae Multi-Family Revenue Bond authorization amount to \$750 million.
2. SB 2737 permits use of interactive conference technology to increase the ability of members of state and county boards and commissions to attend board meetings. Currently pending approval by the Governor.

Director Jung expressed his support for SB 2737, stating that the State spends a lot of money for outer island members to attend meetings, which he felt was unnecessary and could be used in other areas of need.

Executive Director noted that there are also other teleconference possibilities like Skype or Tango.

3. During the 2012 National Council of State Housing Agencies (NCSHA) Legislative Conference in Washington, D.C., meetings with legislative assistants from the Offices of Congresswoman Hirono, Congresswoman Hanabusa, and Senator Inouye, provided the opportunity to discuss legislation on programs like the Low Income Housing Tax Credit (LIHTC) - with the possibility of losing its fixed rate of 9% after December 31, 2013 and HOME – in hopes of avoiding future funding cuts.

A meeting with Senator Inouye's Office is scheduled for Monday, May 14, 2012, to discuss matters of the HOME and LIHTC programs and to encourage congressional support.

In response to Director Larson, Executive Director Seddon stated that no additional funding was received this year for the Rental Housing Trust Fund.

With no further discussion, Chairman Lawrence asked for a motion to convene into Executive Session.

Designee Salaveria moved, seconded by Designee Evans, to convene in Executive Session at 9:38 am.

The meeting was reconvened into Regular Session, with Chairman Lawrence announcing the approval of the Executive Session Meeting Minutes of April 12, 2012, immediately followed by a motion of adjournment at 11:00 am, motioned by Director Jung and seconded by Designee Salaveria.

The motion was unanimously approved.

IV. REPORT OF THE EXECUTIVE DIRECTOR

V. EXECUTIVE SESSION

VI. ADJOURNMENT


BETTY LOU LARSON
Secretary