

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, JUNE 12, 2008
IN THE CITY AND COUNTY OF HONOLULU, STATE OF HAWAII

The Board of Directors (Board) of the Hawaii Housing Finance and Development Corporation (HHFDC) met for their Regular Meeting at 677 Queen Street, Suite 300, Honolulu, Hawaii, on Thursday, June 12, 2008, at 9:00 a.m.

Chairman Charles King called the meeting to order at 9:03 a.m., with the following individuals present and excused:

**CALL TO
ORDER/
ROLL CALL**

Present: Director Charles King, Chairman
Director David A. Lawrence, Vice Chairman
Director Betty Lou Larson, Secretary
Director Georgina Kawamura
Director Linda Smith
Director Theodore E. Liu
Director Charles Wathen
Director Richard Toledo

Interim Executive Director Janice Takahashi

Excused: Director Allan Los Banos

Staff Present: Sandra Ching, Deputy Attorney General
Darren Ueki, Finance Manager
Karen Seddon, Development Branch Chief
Edward Sunada, Fiscal Manager
Rick Manayan, Asset Manager
Marlene Lemke, Real Estate Services Section Chief
Dean Sakata, Housing Finance Specialist
Patrick Inouye, Housing Finance Specialist
Stan Fujimoto, Project Manager
Leonell Domingo, Housing Development Specialist
Kent Miyasaki, Housing Information Specialist
Esa Pablo, Secretary to the Board

Guests: Roy Katsuda, Hale Mahaolu
Marvin Awaya, Pacific Housing Assistance Corporation
Don Tarleton, Hawaii Housing Finance
Stacy Sur, Hawaii Housing Finance
Gary Furuta, Hawaii Housing Development Corporation
Tim Cantwell, Cloudbreak Hawaii, LLC
Chuck Patterson, Cloudbreak Hawaii, LLC

Chairman King declared a quorum present.

QUORUM

Director Lawrence moved, seconded by Director Smith, to approve the Meeting Minutes of May 8, 2008.

**II. A.
APPROVAL
OF MINUTES**

With no objections to the Minutes, the motion was unanimously approved.

5/8/08
Regular
Meeting

Chairman King deferred the approval of the Executive Session Minutes of May 8, 2008, to be approved in Executive Session.

**II. B.
APPROVAL
OF MINUTES**

5/8/08
Executive
Session

Director Lawrence moved, seconded by Director Wathen, to approve Staff's recommendation to:

- A. Extend the Letter of Intent dated June 28, 2006 for the Building 34 Residence Hall Project to September 30, 2008, subject to the requirements as set forth in For Action dated June 15, 2006.
- B. Authorize the Interim Executive Director/Executive Director to approve the final rehabilitation budget and scope of work.
- C. Authorize the Interim Executive Director/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 the Housing and Community Development Corporation of Hawaii (HCDCH) Board approved a Project Award of \$1 million to Cloudbreak Hawaii, LLC for the Building 34 Residence Hall Project (Project).

An additional extension until June 29, 2008 was granted by the HHFDC Board on December 13, 2007.

Mr. Ueki indicated that staff had evaluated the request for an extension based on: site control, zoning approvals, and securing financial commitments.

Due to greater construction costs and a reduction in funding sources, the Awardee has excluded the cost of an elevator in their rehabilitation budget.

The Project will benefit veterans and assist in the reduction of the State's homeless population. Staff will continue to work with the Applicant on the remaining issues and recommends that the Board approve a three-month extension to the Letter of Intent from June 29, 2008 to September 30, 2008.

Mr. Ueki stated that under II. B. of the For Action, the following paragraph should read as follows: "The Awardee is a Limited Liability Company created solely for development, management, and ownership of the Project. Cantwell-Anderson, Inc. is the Managing Member of the Awardee, a real estate development company based in Inglewood, CA that specializes in for sale and rental housing targeted to low income households."

Mr. Ueki introduced Mr. Tim Cantwell, of Cloudbreak Hawaii to the Board and stated that they were available for questions.

In response to Director Smith, Mr. Cantwell gave a brief update on the status of the Project.

Director Wathen commented that the Project is a great investment at \$55 per square foot.

In response to Director Lawrence's inquiry with regard to the cost and installation of an elevator, Mr. Cantwell stated that the cost would be approximately \$80,000. If the funding is secured, an elevator will be installed, without disrupting the Project.

Director Larson felt that the 36 year affordability period was too short. Mr. Cantwell responded that the obligation of Cloudbreak Hawaii, Inc. is through the term of the lease. Once the term is expired, it is up to the U.S. Department of the Veterans Affairs to decide the use of the building.

In response to Director Lawrence's inquiry on the loan term, Mr. Ueki stated that the loan term will be for 35 ½ years at an interest rate of 4 percent.

With no further discussions, the motion was unanimously approved.

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

Approve an Extension of the Rental Housing Trust Fund Letter of Intent for Building 34 Residence Hall Project, Kalaeloa, Oahu, TMK No.: (1) 9-1-013:054.

Director Smith moved, seconded by Director Toledo to approve Staff's recommendation to:

- A. Approve a Project Award loan of \$2,355,072 and grant of \$144,928 with terms as shown in III. C. of this For Action, and the issuance of the Letter of Intent subject to the following:
 1. Authorization and approval by the Governor of the proposed project and the release of Program funds as mandated under Chapter 15-180, Hawaii Administrative Rules.
 2. Execution of documentation satisfactory to the HHFDC outlining the terms and conditions of the Project Award. The documents will specify the standard terms and conditions as required in order to meet all statutory requirements of the RHTF Program and the specific terms and conditions that are applicable to the applicant's request for Project Award funds.
 3. Completion of all documentation necessary and required to secure the release of RHTF funds.
 4. Certification of the applicant to comply with all applicable statutory and Program requirements, including but not limited to, Chapters 343, 103D, §103-50 and §104, Hawaii Revised Statutes, as they may relate to the use of State funds.
- B. Authorize the Executive Director of the HHFDC to take all action necessary to effectuate the purposes of the For Action.

Finance Manager Darren Ueki presented the For Action, indicating that a consolidated application for financing had been submitted in the Fiscal Year 2008-1 Rental Housing Trust Fund (RHTF) Project Award funding round.

Homes Hawaii, Inc. (Applicant) requested \$2.5 million in program funds with \$144,928 in the form of a grant.

On April 10, 2008, the HHFDC Board established an Approved List for the RHTF Project Award Program, with the Mokuola Vista Project (Project) as one of the three projects on the Approved List.

The Project's estimated construction timeline is as follows: (1) building permit acquisition – May 2008; (2) construction start date – Summer 2007; and (3) completion of the building – Summer 2008.

The RHTF grant shall primarily support four project units that will target tenants with incomes at 30 percent and below the area median income.

If the Board should approve staff's recommendation, a Letter of Intent describing the terms and conditions of the Project Award will be sent to the Applicant. The Letter of Intent will be subject to all the conditions being met to the satisfaction of HHFDC, approval of the Governor of Hawaii, and the availability of funds. The Letter of Intent will expire on March 31, 2009, at 4:00 p.m.

Mr. Ueki introduced the Applicant Mr. Donald Tarleton, from Homes Hawaii, Inc. and Mr. Gary Furuta, with Hawaii Housing Development Corporation, and indicated that they were open for questions.

Mr. Furuta gave the Board an update on the Project, stating that the building permits for the project were received in May.

Director Larson asked for clarification on the four units targeting elderly tenants, in which Mr. Ueki stated that the sentence should read that: "The RHTF grant shall primarily support four project units that is targeted towards family tenants with

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

Approve a Rental Housing Trust Fund (RHTF) Project Award to the Mokuola Vista Project, Waipahu, Oahu, TMK Nos.: (1) 9-4-017:053 and 054.

incomes at or below 30% AMGI.”

In response to Director Smith’s inquiry in terms of locking the project as a rental project, Mr. Furuta stated that leaving the Project as a rental for the 61 years would be fine.

Director Larson commented that by keeping the rents low, HHFDC will be able to keep the properties affordable for a longer period of time, keeping in mind that the majority of the tenant population do not have increases in their incomes.

The motion was unanimously approved.

Director Toledo moved, seconded by Director Smith to approve Staff’s recommendation to:

- A. Approve a Project Award loan of \$850,000 and grant of \$250,000 with terms as shown in III. B. 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 release of Program funds as mandated under Chapter 15-180, Hawaii Administrative Rules.
 2. Execution of documentation satisfactory to the HHFDC outlining the terms and conditions of the Project Award. The documents will specify the standard terms and conditions as required in order to meet all statutory requirements of the RHTF Program and the specific terms and conditions that are applicable to the applicant’s request for Project Award funds.
 3. Completion of all documentation necessary and required to secure the release of RHTF funds.
 4. Certification of the applicant to comply with all applicable statutory and Program requirements, including but not limited to, Chapters 343, 103D, §103-50 and §104, Hawaii Revised Statutes, as they may relate to the use of State funds.
- B. Authorize the assignment of the Rental Housing Trust Fund Project Award to the Senior Residence at Kapolei 2 Inc.
- C. Authorize the Executive Director of the HHFDC to take all action necessary to effectuate the purposes of the For Action.

Finance Manager Darren Ueki presented the For Action stating that a consolidated application for financing was submitted in Fiscal Year 2008-1 Rental Housing Trust Fund (RHTF) Project Award funding round.

Pacific Housing Assistance Corporation (Applicant) had requested \$1.1 million in program funds; with \$850,000 being in the form of a construction/permanent loan in the form of a second mortgage, and the remaining \$250,000 in the form of a grant.

The Applicant proposes the construction and development of 20 additional affordable rental units to the Senior Residence at Kapolei Project. The project is the second phase of the 60 unit Senior Residence at Kapolei Phase I project.

Staff has reviewed the Applicant’s request and proposes approval of the terms with the following conditions: (1) The loan principal and the grant amount may be reduced to the extent that the Award Recipient is able to secure additional funding sources for the development; and (2) Any accrued interest and outstanding loan principal shall be due and payable at the end of the Loan term.

The RHTF Project Award will be used as a gap financing to HUD Section 202 funds,

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

Approve a Rental Housing Trust Fund (RHTF) Project Award to the Senior Residence at Kapolei 2 Project, Kapolei, Oahu, TMK No.: (1) 9-4-017:053 and 054.

in which the project will not be feasible without the loan and grant.

The Project's estimated construction timeline is as follows: (1) building permit acquisition – March 2009; (2) construction start date – April 2009; and (3) building completion – April 2010.

The RHTF grant shall primarily support one project unit that is targeted towards elderly tenants with incomes at or below 30% AMGI.

Director Kawamura inquired on the disparity between the two projects: Mokuola Vista Project – consisting of 4 units and the Senior Residence at Kapolei 2 Project – consisting of only 1 unit. In response, Mr. Ueki stated that there is no set formula for grant qualification and staff looks at each project on an individual basis based on supporting documentation submitted by the applicants. For this project the applicant used the total per unit cost in the grant application.

Mr. Awaya gave a brief update on the Project, stating that the additional building code requirements and inflation issues of the construction market were factors in the increase of cost.

The motion was unanimously approved.

Director Toledo moved, seconded by Director Lawrence, to approve Staff's recommendation as follows:

A. That the Board of Directors of Hawaii Housing Finance and Development Corporation Approve and Defer (as the case may be) the Award of Federal and State Low Income Housing Tax Credits to the following Projects in accordance with the Qualified Allocation Plan and subject to the conditions specified in Exhibit C of this For Action.

1. The Mokuola Vistas project.

a) Allocation of up to \$1,115,490 of annual Federal and \$557,745 of annual State Low Income Housing Tax Credits to Homes Hawaii, Inc.; subject to the terms as described in Section II, Subsection D and the following project specific conditions:

(1) The Developer's Fee, Overhead, and Related costs of this project does not exceed \$1,491,000

2. The Hale Mahaolu Ehiku – Phase II project.

a) Deferral of the request to allocate \$1,000,000 of annual Federal and \$500,000 of annual State Low Income Housing Tax Credits to December 31, 2008.

3. The Villas at Malu'ohai project.

a) Deferral of the request to allocate \$1,780,000 of annual Federal and \$890,000 of annual State Low Income Housing Tax Credits to December 31, 2008.

Credits

B. Should additional information or volume cap LIHTC credits become available by December 31, 2008 that make or improve the feasibility of Hale Mahaolu Ehiku – Phase II and/or the Villas at Malu'ohai, a request for allocation of volume cap, Low-Income Housing Tax Credits shall be presented to the HHFDC Board of Directors for approval.

C. The Executive Director approving all actions and undertaking all tasks necessary to effectuate the purposes of this For Action.

Finance Manager Darren Ueki presented the For Action, to approve an award of

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

Approve an Award of Federal and State Low-Income Housing Tax Credits from the State's 2008 Volume Cap to Mokuola Vista [TMK Nos.: (1) 9-4-017:053 and 054]; and defer the requests for Federal and State Low Income Housing Tax Credits for Hale Mahaolu Ehiku – Phase II [TMK No.: (2) 2-2-029:003] and The Villas at Malu'ohai [TMK No.: (1) 9-1-016:064] to December 31, 2008.

Federal as well as State Low Income Housing Tax Credits (LIHTC) from the 2008 volume cap.

Mr. Ueki noted that before awarding tax credits, staff does evaluate proposed projects to award the least amount of tax credits necessary to make the project feasible, based on the Qualified Action Plan (QAP).

The deadline for the request of tax credits from the 2008 State volume cap was on January 18, 2008. Three LIHTC applications were received, requesting a total of \$3,895,490 in Federal LIHTC and \$1,947,745 in State LIHTC.

The applications were evaluated and scored using the criteria and guidelines set forth in the 2007/2008 QAP.

Due to the lack of available tax credits, staff is recommending a tax credit award for the Mokuola Vista Project and deferring the Hale Mahaolu Ehiku – Phase II and Villas at Malu’ohai projects. However, should additional LIHTC credits become available by December 31, 2008, a recommendation for an award will be presented to the Board for approval.

Mr. Ueki pointed out that the Developer’s Fee, Overhead, and Related costs of this project will not exceed \$1,491,000.

Mr. Ueki stated that staff was available for questions, along with Mr. Donald Tarleton, Mr. Gary Furuta, Mr. Roy Katsuda, on behalf of Hale Mahaolu Ehiku – Phase II, and Mr. Marvin Awaya, on behalf of the Villas at Malu’ohai.

In response to Director Lawrence’s inquiry on the reasons of financial difficulties, Mr. Katsuda stated that there are many factors involved, the largest being the rising cost of construction, increasing 80 percent over a 3 to 4 month span.

In response to Director Smith’s inquiry regarding the scoring of the projects, Mr. Ueki stated that the QAP, the scoring tool used by the LIHTC program is a combination of criteria mandated by the Internal Revenue Service and other priorities from the State’s perspective. Historically, since the use of the 80-point system, these projects are at the higher end of the scoring range done in the past, being in the low 50’s to mid or low 40’s.

In response to Director Smith’s inquiry regarding the appetite for tax credits, Mr. Ueki indicated that with the previous challenges of the LIHTC, staff has requested applicants to submit updated letters or correspondence from their equity investors. Based on the information received, staff felt that the Mokuola Vista project will be able to achieve the 84 cents on the dollar for tax credits, as set forth in their pro forma.

In response to Director Kawamura’s inquiry on the next funding round, Mr. Ueki stated that January 2009 would be the next funding round. Should any of the projects being deferred not receive LIHTC by this date, they would need to reapply.

With regard to the two project deferrals, Mr. Ueki stated that staff will remain in contact with the applicants, working with them on remaining issues. If the applicants are able to resolve these issues, staff will return to the Board for approval.

Director Smith commented that with the cut of the conveyance tax for the Rental Housing Trust Fund, the Board will need to be creative in leveraging our own finances with other projects and suggested that perhaps the Board could look to the Hawaii Community Reinvestment Corporation (HCRC) for support. Mr. Ueki indicated that he will contact them and ask for a presentation at a future meeting.

The motion was unanimously approved.

Director Larson moved, seconded by Director Toledo, to approve Staff’s recommendation, that the HHFDC Board of Directors adopt Resolution No. 013

**III. E.
DISCUSSION**

expressing appreciation to Charles P. Wathen.

Finance Manager Darren Ueki presented the For Action to the Board.

Chairman King read the Commendation presented to Charles P. Wathen, by Governor Linda Lingle and Lieutenant Governor James Duke Aiona.

Director Wathen said a few words and thanked the Board.

Director Smith commented that Director Wathen has made her a better member on the Board, due to the challenges that he has presented, hoping to continue to tap into his capabilities in the future.

The motion was unanimously approved.

Director Lawrence moved, seconded by Director Toledo to move into Executive Session, for the:

- A. Selection and Hiring of an Executive Director, Pursuant to Section 92-5(a)(2), Hawaii Revised Statutes.

The Board of the Hawaii Housing Finance and Development Corporation anticipates convening in executive meeting pursuant to Section 92-5(a)(2), HRS, to consider the hiring of an officer or employee.

The motion was unanimously approved.

Chairman King reconvened the meeting at 12:20 p.m.

Director Smith requested that some time be set aside to discuss the following items at the next board meeting: (1) Wilikina—the reason for not receiving any bids; (2) Pohukaina; (3) rental units that the Agency runs; (4) vacancies—why and what is being done to fill them.

Chairman King commented on Development's Status Report, stating that he appreciated the reporting of each property.

Director Larson asked that a report on maintaining long-term housing affordability be generated.

In closing, Chairman King stated that the selection of the new executive director will be determined at the next board meeting.

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

Director Kawamura moved, seconded by Director Wathen, to adjourn the meeting at 12:25 p.m.

**AND/OR
DECISION
MAKING**
Adopt Resolution
No. 013 Expressing
Appreciation to
Charles P. Wathen.

**IV.
EXECUTIVE
SESSION**
10:20 a.m.

RECONVENED
12:20 p.m.

**V.
REPORT
OF THE
EXECUTIVE
DIRECTOR**

**VI.
ADJOURNMENT**


BETTY LOU LARSON
Secretary