

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 10, 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, June 10, 2010, at 9:00 a.m.

Chairman David Lawrence called the meeting to order at 9:02 a.m.

Present: Director David Lawrence, Chairman
Director Betty Lou Larson, Secretary
Designee Scott Kami for Director Georgina Kawamura
Director Ralph Mesick
Director Francis Jung
Director Allan Los Banos Jr.

Executive Director Karen Seddon

Excused: Director Theodore Liu
Director Linda Smith

Staff Present: Craig Iha, Deputy Attorney General
Janice Takahashi, Chief Planner
Darren Ueki, Finance Manager
Rick Prahler, Development Branch Chief
Stan Fujimoto, Development Section Chief
Marlene Lemke, Real Estate Services Section Chief
Cynthia Okubo, Acting Asset Manager
Jocelyn Iwamasa, Housing Finance Specialist
Byron Chock, Housing Finance Specialist
Ken Takahashi, Development Project Manager
Beth Malvestiti, Development Project Coordinator
Kent Miyasaki, Housing Information Specialist
Esa Pablo, Secretary to the Board

Guests: Dean Hazama, Neighborhood Board 35
Gary Furuta, GSF LLC
Gwen Yamamoto Lau, Hawaii Community Reinvestment Corporation

Chairman Lawrence noted a quorum present.

Director Mesick moved, seconded by Director Los Banos, to approve the Meeting Minutes of the May 13, 2010.

The motion was unanimously approved.

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

That the HHFDC Board of Directors approve a DURF interim loan for the acquisition and initial planning of approximately 7.5 acres of vacant land in the Mililani Mauka Project, Mililani, Oahu, Hawaii, for the development of a Multi-Family and/or Senior Affordable Rental Housing Project(s), substantially as discussed in this For Action.

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

**CALL TO
ORDER/
ROLL CALL**

QUORUM

**II. A.
APPROVAL
OF MINUTES
5/13/10
Regular
Meeting**

**III. A.
DISCUSSION
AND/OR
DECISION
MAKING
Approve a Dwelling
Unit Revolving Fund
(DURF) Interim Loan
for a Family and/or
Senior Affordable
Rental Housing Project:
Located in Mililani**

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effectuate the purpose of this For Action, subject to the following:

Mauka, Oahu,
TMK No.:
(1) 9-5-002: 032
(portion).

- A. Availability of DURF funds;
- B. Approval and release of funds by the Governor;
- C. Approval and execution of necessary loan documents by the Executive Director;
- D. The acquisition price of the Property shall not exceed the current appraised value of the Property; and
- E. Compliance with all rules and regulations and such other terms and conditions as may be required by the Executive Director.

Development Section Chief Stan Fujimoto presented the For Action, stating that Mr. Gary Furuta, (Developer) from GSF LLC, has accepted a contract to purchase approximately 7.5 acres of vacant land (Purchase Contract) in Mililani Mauka (Property), for the development of a 151-unit family and a 45-unit senior affordable rental housing project (Project).

The Developer has requested for a \$9.7 million Dwelling Unit Revolving Fund (DURF) interim loan for the acquisition of this Property pursuant to the Purchase Contract with Castle & Cooke (Seller). One of the terms of the Purchase Contract requires the Project plans to be reviewed and approved by the Seller, who is also to be the General Contractor for the Project.

The DURF interim loan is proposed to be repaid by project financing obtained for the Project. Such sources of financing is anticipated to be obtained through conventional financing, Rental Housing Trust Fund, Low Income Housing Tax Credit, and Community Development Block Grant and HOME Investment Partnerships Program financing administered by the City and County of Honolulu.

Staff proposed the following DURF loan terms:

- Loan Amount: \$9.7 million in interim financing
- Borrower: GSF LLC, or other entity approved by HHFDC
- Loan Fee: 1 point
- Interest Rate: 3% per annum
- Loan Term: Two (2) years
- Extension: Three (3), six-month extensions at the sole discretion of HHFDC
- Mortgage Priority: Junior Mortgage

The DURF mortgage loan will be in the first position until the developer gets a first mortgage from a conventional lender.

If the Developer does not receive financing approval for the Project during the upcoming RHTF and LIHTC funding rounds, the DURF loan extension term will allow the Developer to apply for additional funding rounds before the expiration of the DURF loan.

Due to the property being zoned as Commercial B-2 and with the Project being utilized for residential use, the Developer will be completing an Environmental Assessment (EA) for the proposed Project and plans to seek zoning exemptions under the 201H process through the HHFDC.

Mr. Fujimoto introduced Mr. Gary Furuta, on behalf of the Project, and Mr. Dean Hazama, Chairman of the Mililani Mauka Neighborhood Board, to testify before the Board.

Mr. Hazama thanked the Board for the opportunity, stating that he is neither in

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support nor in opposition of this project, but would like to apprise the Board of his concerns with regard to the Mililani Mauka Community; strongly urged that the Board defer action on this project until the Mililani Mauka Community has been given the opportunity to comment.

Chairman Lawrence thanked Mr. Hazama for attending today's meeting and opened for Board discussion.

Director Larson inquired on commercial zoned properties bringing in more traffic than residential zoned properties. Mr. Hazama stated that based on the property's centralized location, commercial activities, such as convenience store-types, being the current zoning for the property, would be convenient for surrounding residents within walking distance.

In response to the Board, Mr. Furuta clarified and addressed the following:

1. The purpose of the For Action is specifically for the acquisition of the Property and does not pertain to any further commitments by the Board with regard to the approval of the proposed Project.
2. Normally, community input is sought after a plan for a particular property is sufficiently developed in order to provide the community with a clear picture of its proposed plans, which is usually completed after the purchase of the property. In this case, options are still being contemplated in regard to the type(s) of housing to be built on the Property. As such, this request is for funds to purchase the land and if the Board were to deny this request, there will be no project and therefore, nothing would be able to be shown to the community.
3. Due to inadequate information and being at a premature stage of the project planning process, the public has not been informed at this time. However, the Neighborhood Board, City Council Members, Legislators, and the General Public will be notified and will have the opportunity to comment once Project plans are further determined and confirmed.
4. With Castle and Cooke's experience, especially in being the contractors for the development of Mililani Mauka, there are no objections in using Castle and Cooke as the general contractor.
5. With regard to Mr. Hazama's concern in dealing with traffic, studies have shown that residential properties do not generate as much traffic as business zoned properties. However, Castle & Cooke has agreed to handle any warranted traffic requirements in the surrounding area.
6. Under the terms of the Purchase Contract, Castle and Cooke will subdivide out the existing self-storage building by Condominium Property Regime (CPR) or subdivision approval before the Property is conveyed to the developer.

Director Jung expressed his concern about community input, with regard to Mr. Hazama's testimony, and moved to defer consideration until the next Board Meeting on July 8, 2010.

No second was taken due to further Board discussion.

7. Information provided in this For Action is essentially all the data available to date.

The Board asked that the Developer provide a letter informing the Neighborhood Board on its plans to purchase the vacant Property and a copy of this For Action.

Under those conditions, Director Jung withdrew his motion to defer.

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Mr. Hazama asked that the Developer attend a community meeting, if convened, to answer any questions that the community may have.

- 8. Depending on availability of funding, project construction could be anticipated to begin by late 2011 and completed in 2012.
- 9. Although the proposed Project's success does not depend on the approval of the Neighborhood Board and community, comments are encouraged and considered throughout the project's planning process.

Chairman Lawrence reiterated that taking action today does not make the Project a "done deal," and has a ways to go in the project review process, providing ample opportunities for community input. Furthermore, the 201H zoning exemption process allows a residential project to be built through exemptions from the existing commercial zoning. Therefore, if project plans were to fall through, the Property will remain vacant with its existing Commercial B-2 zoning.

The motion was unanimously approved.

Chairman Lawrence called for a motion to recess.

RECESS
9:56 a.m.

Director Jung moved, seconded by Director Larson to recess the meeting at 9:56 a.m.

RECONVENED
10:07 a.m.

Chairman Lawrence reconvened the meeting at 10:07 a.m. and proceeded to the Report of the Executive Director.

**IV.
REPORT
OF THE
EXECUTIVE
DIRECTOR**

Executive Director Karen Seddon stated that Finance Manager Darren Ueki will be providing a detailed status report on programs under the Housing and Economic Recovery Act (HERA) and the American Recovery and Reinvestment Act of 2009 (ARRA), which the HHFDC is administering.

Before proceeding on the status report, in response to Chairman Lawrence, Executive Director Seddon stated that the Halekauwila Place family rental project, did not qualify for the Build America Bonds (BAB) financing and will be seeking other financial resources.

Director Larson inquired if the projects that did not receive Low Income Housing Tax Credit (LIHTC) funding from the Fiscal Year 2010 Volume Cap, would be able to utilize the Rental Housing Trust Fund as another option for funding. Mr. Ueki stated it is unlikely that any amount from the RHTF would be sufficient to allow those projects to move forward; however, this does not preclude them from applying in the January 2011 funding round.

Director Larson commented that she would like to discuss and look at how the Board could prevent preservation/acquisition projects from utilizing a majority of the LIHTC Volume Cap financing at its Strategic Planning Session meeting in July 2010.

In response to the Board, Mr. Ueki stated that the Hawaii Public Housing Authority handles the Section 8 Project Based Vouchers. The U.S. Department of Housing and Urban Development (HUD) allows allocating agencies to designate a percentage to a developer or owner of a project. This would assist in the cashflow of the project, reducing the need for some of the soft financing from the RHTF.

Mr. Ueki proceeded with the status update and reported on the following programs:

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1. National Foreclosure Mitigation Counseling Program (NFMC Program):
 - a. Under the NFMC Program, the HHFDC received \$587,050.00 in funding for Rounds 2 through 4, to provide counseling services to individuals at risk of losing their homes to foreclosure.
 - b. Solicited partners consist of the Consumer Credit Counseling Service, Hale Mahaolu, Hawaii HomeOwnership Center, Hawaiian Community Assets, and Legal Aid Society of Hawaii.

In response to Chairman Lawrence, Mr. Ueki explained that a legal client would have to be a counseling client first in order to qualify for legal support. An extension request recently submitted is pending, to utilize the legal funds to the end of 2010.

In response to the Board, Mr. Ueki stated that avoiding foreclosure is not necessarily a successful outcome under the NFMC Program. The Program's focus is to ensure clients are provided the necessary guidance and options through the foreclosure process. Under the NFMC Program, NeighborWorks, the administrator of the grants, requires only minimal tracking of client outcomes.

In response to Director Larson, Mr. Ueki stated that there is a possibility of future funding rounds under the NFMC Program.

In response to Designee Kami, Mr. Ueki stated that there is a flat fee per client, based on the level of service provided. Chief Planner Janice Takahashi added that clients are often referred by word-of-mouth.

In response to Director Jung, Mr. Ueki stated that there is not a lot of funding for legal services, at a maximum amount of \$500 per client.

2. Neighborhood Stabilization Program (NSP):
 - a. The HHFDC was awarded \$19.6 million, of which 25% (\$4.9 million) must be used for those earning 50% Area Median Gross Income (AMGI) or less. If the HHFDC fails to meet the 25% set aside, HUD reserves the right to recover the entire \$19.6 million.
 - i. Both the Housing Solutions Inc., Seawind Apartments and the Hui Kauhale Inc., Ewa Villages 1 will assist in meeting the 25% set aside requirement.
 - b. The obligation deadline for the entire \$19.6 million is by September 18, 2010, with an expenditure deadline by March 18, 2013.
 - c. Three largest unobligated activities are as follows:
 - i. County of Hawaii, Kaloko Housing - The construction contract (over \$4.5 million) is finalized and in the process of being executed by the County.
 - ii. County of Kauai, acquisition/rehabilitation/resale program - Has met its goal of acquiring six homes at a lower than anticipated cost, creating a challenge in expending the remaining \$2 million. Due to the competitive market to acquire foreclosed properties, approximately \$1.3 million is anticipated to be re-programmed to another existing activity to avoid the loss of NSP funding.
 - iii. Hui Kauhale Inc., Ewa Villages 1 - Although faced with numerous challenges and delays, has worked closely with

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staff to develop an aggressive and realistic schedule to meet NSP program deadlines and the expenditure of the \$2 million.

In response to Designee Kami, Mr. Ueki stated that if any project should face a challenge, the HHFDC will have the ability to re-program the funds after the obligation date of September 18, 2010; however, staff would prefer to avoid awards after that date to ensure the targets are met.

3. New Issue Bond Program (NIBP):

- a. The HHFDC was able to issue a \$100 million in bonds to be utilized through the Hula Mae Single Family Mortgage Program.
- b. In current discussions with the program banker, Citigroup, HHFDC plans to utilize the \$100 million through the origination of loans anticipated to begin by September 2010, with the actual issuance of the bonds in mid-Fall.
- c. Although interest rates have gone down, the HHFDC will look to best utilize the monies made available.
- d. Due to challenges faced by participants, there are discussions on possible extensions of the program's deadlines.

4. 1602 Program (Tax Credit Exchange):

- a. Under the 1602 Program, qualified tax credits could be exchanged for a guaranteed 85 cents on the dollar.
- b. The Board approved a portion of the 2009 LIHTC as well as qualifying awards from 2007 and 2008, totaling approximately \$47.8 million in equity, assisting five projects.
 - i. The Hale Ohana Apartments, Honokowai Villa Apartments, and the Hale Mahaolu Ehiku are currently supplying documentation to request utilization of the program.
 - ii. Hale Wai Vista II and the Villas at Maluohai continue to work with staff to complete documentation to allow for disbursement of its 1602 funds.

In response to Director Larson, Mr. Ueki concurred that any funds not expended would be lost.

5. Tax Credit Assistance Program (TCAP):

- a. The HHFDC received approximately \$9.8 million with an obligation deadline of February 16, 2010 and with 75% of the funds to be expended by February 16, 2011 and 100% expended by February 16, 2012.
- b. The TCAP agreement for Ainakea Senior Residence was executed on June 9, 2010, with the agreements for Hale Wai Vista II and Kukui Gardens anticipated to be executed by July 2010.
- c. Disbursement of TCAP funds for Ainakea Senior Residences and Hale Wai Vista II are anticipated to be completed by June 30, 2010, with Kukui Gardens anticipated to begin in July 2010.

In response to Director Larson, Mr. Ueki stated that all projects are aware of the deadline and all indications are that each project will

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meet those deadlines.

The Board commended staff on their hard work and efforts in maintaining the financing programs. Mr. Ueki thanked and turned to his staff, Housing Finance Specialists Byron Chock, and Jocelyn Iwamasa, for maintaining the TCAP and Exchange Programs; and Housing Finance Specialist Dean Sakata in overseeing the NSP.

With no further discussions, Chairman Lawrence called for a motion to adjourn.

Director Jung moved, seconded by Director Los Banos, to adjourn the meeting at 11:10 a.m.

The motion was unanimously approved.



BETTY LOU LARSON
Secretary

V.
ADJOURNMENT