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, SEPTEMBER 9, 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, September 9, 2010, at 9:00 a.m.

CALL TO ORDER/ ROLL CALL

Chairman David Lawrence called the meeting to order at 9:03 a.m.

Present: Director David Lawrence, Chairman
Director Ralph Mesick, Vice Chairman
Director Betty Lou Larson, Secretary
Director Georgina Kawamura
Director Linda Smith
Director Francis Jung
Director Theodore Liu

Executive Director Karen Seddon

Excused: Director Allan Los Banos

Staff Present: Sandra Ching, Deputy Attorney General
Craig Iha, Deputy Attorney General
Janice Takahashi, Chief Planner
Darren Ueki, Finance Manager
Galen Lee, Fiscal Manager
Stan Fujimoto, Development Section Chief
Marlene Lemke, Real Estate Services Section Chief
Cynthia Okubo, Acting Asset Manager
Dean Sakata, Housing Finance Specialist
Patrick Inouye, Housing Finance Specialist
Byron Chock, Housing Finance Specialist
Jocelyn Iwamasa, Housing Finance Specialist
Ken Takahashi, Development Project Manager
Beth Malvestiti, Development Project Coordinator
Lorna Kometani, Housing Sales Coordinator
Lisa Wond, Planner
Mavis Masaki, Planner
Kent Miyasaki, Housing Information Specialist
Esa Pablo, Secretary to the Board

Guests: Delene Osorio, Big Island Housing Foundation
Dave Biewert, THM Partners
Serge Krivatsy, THM Partners
Samuel Chong, THM Partners
Makani Maeva, Vitus
Anthony Ching, Hawaii Community Development Authority
Teney Takahashi, Hawaii Community Development Authority
Claudia Shay, Self-Help Housing Corporation of Hawaii
Gwen Yamamoto Lau, Hawaii Community Reinvestment Corporation
Stanford Carr, Stanford Carr Development
Jesse Wu, Stanford Carr Development
Kaila Price, Michaels Development Corporation

QUORUM

A quorum was present.

II. A. APPROVAL OF MINUTES 8/12/10 Regular Meeting

Director Mesick moved, seconded by Director Kawamura, to approve the Meeting Minutes of August 12, 2010.

The motion was unanimously approved.

II. B. APPROVAL OF MINUTES 8/12/10 Executive Session Meeting

Chairman Lawrence noted that the Executive Session Minutes will be approved later in the meeting.

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III. A. DISCUSSION AND/OR DECISION MAKING Approve Increase in Total Units, Exemptions from Statutes, Ordinances and Rules Pursuant to Section 201H-38, Hawaii Revised Statutes, Sale of a Minority Interest in the Developer, and Developer as an Eligible Developer Pursuant to Section 15-174-23, Hawaii Administrative Rules, for the Halekauwila Place Affordable Family Rental Project Located in Kakaako, Oahu, TMK Nos.: (1) 2-1-051: 042 and 043; formerly known as TMK No.: (1) 2-1-051: 009 (portion).

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

That the HHFDC Board of Directors approve the following for the Halekauwila Place affordable family rental housing project, in Kakaako, Oahu, Hawaii, on TMK (1) 2-1-051: 042 & 043; fka TMK (1) 2-1-051: 009 (portion of), substantially as discussed in this For Action:

A. Approval of an increase in the total unit count of the project from 196 to 204 units (including a resident manager's unit);

B. Development of the project with the proposed exemptions from statutes, ordinances and rules of the City and County of Honolulu as recommended for approval, pursuant to Section 201H-38, HRS;

C. Development of the project with the proposed exemptions from statutes, ordinances and rules of the Hawaii Community Development Authority as recommended for approval, pursuant to Section 201H-38, HRS;

D. Execution of any development agreement(s) required for such exemptions as approved by the HHFDC Executive Director;

E. Approval of the purchase of UniDev Hawaii, L.L.C.'s minority interest in Halekauwila Partners LLC by SCD HP, LLC, and approval of Halekauwila Partners LLC, or other entity approved by the HHFDC Executive Director, as an Eligible Developer, pursuant to Section 15-174-23, HAR; and

F. Authorize the Executive Director to take all actions necessary to effectuate the purpose of this For Action;

Subject to 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 regarding the proposed exemptions from statutes, ordinances, and rules of the City and County of Honolulu (City) and the Hawaii Community Development Authority (HCDA), pursuant to Section 201H-38, Hawaii Revised Statutes (HRS), for the development of the Halekauwila Place, a 204-unit affordable family rental housing (Project) in Kakaako, Oahu.

The HHFDC accepted the Project's exemption application for processing and project material were forwarded by the developer to the Department of Planning and Permitting (DPP), HCDA and the Board of Water Supply (BWS) for review and comment.

Mr. Fujimoto reported on the following entities' comments to the Project's proposed exemption request:

1. The Wastewater Branch of DPP commented that the Department of Environmental Services (DES) must review and approve the request for deferral of wastewater connection fees and facilities charges.

2. By letter, the DES commented to the developer that the Project is eligible for a reduction of sewer facility charges pursuant to an existing ordinance and therefore, this exemption has been withdrawn by the developer and is no longer applicable.

3. Comments by the BWS remain pending, to defer water system connection fees and facility charges until water meters are requested.

4. HCDA acknowledged and accepted the Project's requested exemptions, found to be compliant with its zoning and health and safety requirements.

Mr. Fujimoto read staff's recommendation set forth in this For Action and introduced HCDA Executive Director Anthony Ching, and Mr. Stanford Carr and Mr. Jesse Wu, with Stanford Carr Development, to answer questions from the Board.

In response to the Board, Messers Fujimoto, Carr, and Wu, noted the following:

1. It was clarified that the developer requested two separate deferrals of water/wastewater system connection fees and facility charges with the Wastewater Branch of DPP and the BWS, reiterating that fees and charges from the Wastewater Branch of DPP have been withdrawn and is no longer applicable.

2. The request for water meters is anticipated within the first few months of construction.

3. Section 201H-38, HRS, does not allow for exemptions of fees that impact rates governed by the Public Utilities Commission. Previous requests for such waivers have been rejected by the BWS.

Director Smith suggested and moved, seconded by Director Kawamura, that this For Action be amended to include that the HHFDC Board issue a letter to the City and County of Honolulu Board of Water Supply, requesting a waiver of the water system connection and facilities fees associated with the Board of Water Supply.

The motion to amend was approved.

In response to the Board, Mr. Ching stated that the HCDA is in full support of the Project and has committed a total of $17 million for the advancement of planning, design, and entitlement work, including construction financing, and development of additional parking for the Project.

Director Larson asked for a copy of the Project's rent schedule for the Oahu Housing Guide for Catholic Charities. Mr. Wu stated that the rent schedule is available and set between 50% - 60% of the area median income. A copy of the Project's rent schedule is to be provided to the Board.

In response to Director Larson, Executive Director Seddon stated that the anticipated opening date for the Project is July 2012.

Director Liu asked if he would need to recuse himself from voting due to his association as a HCDA Board member. Deputy Attorney General Sandra Ching stated that recusal was not necessary and his vote would remain valid.

In response to Director Lawrence, Mr. Carr stated that Project drawings are currently with the City for final review and approval, with the project ground breaking anticipated in the first quarter of 2011.

With no further discussion, the main motion to approve staff's recommendation, as amended, was unanimously approved.

III. B. DISCUSSION AND/OR DECISION MAKING
Approve Set Aside of the Project Site to the Hawaii Housing Finance and Development Corporation and Issuance of Ground Lease for the Existing E Komo Mai Apartments Project Located in Hilo, Hawaii, TMK Nos.: (3) 2-4-025: 001 and 002.

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

That the HHFDC Board of Directors approve the following for the E Komo Mai Apartments project, consisting of the rehabilitation and operation of an existing affordable rental housing at 816 Kinoole Street, Hilo, Hawaii, TMK (3) 2-4-025: 001 and 002, substantially as discussed in this For Action:

A. Approve the set-aside of the Property to HHFDC;

B. Approve the issuance of a 65-year ground lease at $1.00/year to the UHC 00525 Hilo, L.P., and/or other entity approved by the HHFDC Executive Director; and

C. Authorize the Executive Director to take all actions necessary to effectuate the purposes of this For Action;

Subject to the following:

D. Completion of a new Environmental Assessment if so determined by OEQC;

E. Approval and execution of necessary documents by the Executive Director;

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

Mr. Fujimoto presented the For Action, stating that the E Komo Mai Apartments (Project) is an existing 45-unit affordable family rental owned by the State of Hawaii, located in Hilo, Hawaii.

The Board of Land and Natural Resources (BLNR) leased the land to Kinoole (Owner) solely for a low and moderate-income family housing development.

The HHFDC Board approved Rental Housing Trust Fund (RHTF) and Low Income Housing Tax Credits (LIHTC) financing to the Project for the renovation and repairs needed. However, the RHTF program terms require that the Project have an affordability lease term of at least 61 years, with the LIHTC program requiring the owner to be a limited partnership.

Pursuant to Section 171-43.1, HRS, the Department of Land and Natural Resources (DLNR) can only renew a direct lease to a non-profit entity rather than a limited partnership.

Even though DLNR may have statutory authority, its preference is for the HHFDC to request the set-aside and issuance of a new ground lease to the UHC 00525 Hilo, L.P. (Partnership), due to HHFDC's expertise in affordable housing projects.

Therefore, this For Action seeks the approval of a set-aside of the Project to the HHFDC and upon termination of the existing ground lease, the issuance of a new ground lease to the Partnership, or other entities approved by HHFDC, with the following terms:

1. Project: 45-unit affordable rental housing project; 816 Kinoole Street; Tax Map Key nos. (3) 2-4-025:001 and (3) 2-4-025:002.

2. Lessee: UHC 00525 Hilo, L.P., and/or other entities approved by the

Executive Director.

3. Term: 65 years

4. Lease Rent: $1.00/year

5. Additional Lease Rent: The Property is ceded land. Therefore, a condition of the ground lease shall be that the lessee shall be responsible for additional lease rent to HHFDC in the amount of 20% of all rent that the lessee collects, other than rent from leases of affordable housing, based upon the State's obligation to the Office of Hawaiian Affairs for the use of the property as ceded land.

Requirements for an Environmental Assessment (EA) is being reviewed by the HHFDC. If required, a new lease will not be issued until an EA has been completed.

Once the Project has satisfied its obligation of its LIHTC financing interim deadline of 10% of the total eligible basis expended by September 30, 2010, the HHFDC will request for the set-aside and issue the new ground lease to the limited partnership.

Mr. Fujimoto introduced Ms. Delene Osorio, representative of Kinoole and opened for questions.

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

1. A "set-aside" is an established State procedure where the Governor signs an executive order, conveying an operational jurisdiction of a particular property to a State agency or the County for a public purpose.

2. As long as the public purpose for a particular set-aside is being satisfied, the set-aside will remain in effect. If the grantee should decide there is no longer a purpose or need for the set-aside, the set-aside portion would be cancelled and operational jurisdiction returned to DLNR.

3. The HHFDC would have operational jurisdiction within the purpose of the set-aside; however, anything impacting the fee title, such as easements and Condominium Property Regime ownership, would need to be approved by the BLNR.

4. By not approving this For Action, the Project will not be able to obtain permanent financing needed for renovations and repairs. Approval of the For Action will help to provide preservation of Hawaii's limited inventory of affordable housing.

5. In terms of ceded land provisions, HHFDC is proposing an additional lease rent for all uses other than affordable housing.

6. Under the LIHTC program, a limited partnership entity is required. Furthermore, statutory provisions under Section 171-43.1, Hawaii Revised Statutes, would only permit a direct lease with a non-profit.

Director Smith requested that an informational update report on the EA requirement for this Project be provided at the next Board Meeting.

The motion was unanimously approved.

Director Mesick moved, seconded by Director Larson, to approve staff's recommendations: **III. C. DISCUSSION AND/OR**

That the HHFDC Board of Directors approve an increase in the DURF budget for the Emergency/Maintenance Fund by $100,000.00 for the routine and emergency security and maintenance expenses at the various remnant properties owned by HHFDC throughout the State, substantially as discussed in this For Action, and authorize the Executive Director to take all actions necessary to effectuate the purpose of this For Action, subject to the following:

A. Availability of DURF Funds;

B. Approval and release of funds by the Governor; and

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

DECISION MAKING
Approve an Increase in the Dwelling Unit Revolving Fund Budget for the Emergency/ Maintenance Fund for Maintenance of the Hawaii Housing Finance and Development Corporation's Remnant Properties Throughout the State, Including Hokulele Subdivision Located in Kaneohe, Oahu, TMK Nos.: (1) 4-5-023: 011 and 012; TMK No.: (1) 4-6-037: 126; and Lot 417 at Kahikolu Ohana Hale O Waianae Located in Waianae, Oahu, TMK No.: (1) 8-5-027: 072.

Mr. Fujimoto presented the For Action, stating that the Emergency/Maintenance Fund (EMF) is used to maintain remnant parcels owned by the HHFDC, such as the Hokulele Subdivision and the Leilehua Village project.

The HHFDC has not maintained the Leilehua Village remnant lot since the separation of the Housing and Community Development Corporation of Hawaii (HCDCH). The transfer of the Leilehua Village remnant lot to the Hawaii Public Housing Authority is pending, while the Hokulele remnant lot has been maintained with funds from the EMF.

The HHFDC withdrew Lot 417 from the Kahikolu Ohana Hale O Waianae project (Kahikolu Project) in a litigation settlement and plans to have the operator of the adjacent Kahikolu Project maintain Lot 417. However, until then, the HHFDC is in the process of procuring a landscape contractor to maintain Lot 417 using funds from the EMF.

The available balance of the EMF is approximately $21,000. However, after procurement of contractor for the Kahikolu Project lot, the remaining balance will be approximately $11,000.

This For Action seeks approval of increase to the Dwelling Unit Revolving Fund (DURF) budget for the EMF by $100,000 for routine emergency security and maintenance expenses at the various remnant properties owned by the HHFDC.

In response to the Board, Mr. Fujimoto noted the following:

1. Revolving funds will be generated by property sales or revenues obtained from properties owned.

2. The remnant lots mentioned in this For Action are properties that have received complaints and do not include all remnant lots owned by HHFDC.

3. The HHFDC is in discussions with the Department of Transportation (DOT) on the processing of necessary subdivisions from the City and County of Honolulu and transfer of a portion of the Hokulele Subdivision remnant lots to DOT.

The motion was unanimously approved.

III. D. DISCUSSION AND/OR DECISION MAKING
Approve an Amendment to Previously Approved Exemptions Under Chapter 201H,

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

That the HHFDC Board of Directors approve the amendments to the exemptions that were previously approved on September 11, 2008, substantially as described in this For Action, subject to the following terms and conditions:

1. The amended exemptions do not substantially deviate from this For Action

(City Council may make modifications to the amended exemptions);

2. Other terms and conditions as may be required by: (1) statutes; (2) administrative rules; and (3) the Office of the Executive Director; and

3. The Executive Director is authorized to take all actions necessary to effectuate the purposes of this For Action.

Hawaii Revised Statutes, for the Holomua Project Located in Honolulu, Oahu, TMK Nos.: (1) 2-4-6: 017 and 018.

Development Project Manager Ken Takahashi presented the For Action, stating that the request before the Board is to approve an amendment to the previously approved exemptions under Chapter 201H application and associated documents for the proposed 176-unit high-rise condominium Holomua project (Project).

The TMH Partners LLC (Developer) requested an amendment to its previously approved exemptions to address a discrepancy between its building plan drawings and text verbiage within its 201H application documents.

A notice of the addendum to the Final Environmental Assessment (FEA) was published in the Office of Environmental Quality Control (OEQC) Environmental Notice, initiating a 30-day public review and comment period. The Developer responded to comments received and a Finding of No Significant Impact was issued by the HHFDC. Addendum packages were forwarded to various agencies, representatives, and neighborhood organizations.

Staff finds the Developer's requested amendment to be consistent with the purpose and intent of Chapter 201H, Hawaii Revised Statutes (HRS) and does not contravene any safety standards, tariffs, rates or fees by the Public Utilities Commission or the Board of Water Supply.

The City and County of Honolulu's Department of Planning and Permitting (DPP) suggested the following clarifications to be made to the adopted resolution: (1) exemptions should provide for vertical penetrations for rooftop structures, as currently permitted in the Land Use Ordinance (LUO), above the 205-foot building height limit; and (2) clarification on the top portion of the building that is encroaching into the street height set-back area.

The clarifications suggested by DPP will be included in the Developer's request to amend the Council Resolution 08-241 FD1, as well as an extension to the commencement of construction date for an additional 24 months.

Staff finds the project proposal continues to meet the requirements under Chapter 201H and the Hawaii Administrative Rules.

Mr. Takahashi introduced the management team of THM Partners LLC, Mr. Serge Krivatsy, Mr. David Biewert, and Mr. Samuel Chung; and opened for questions.

In response to the Board, Mr. Takahashi, management partners of THM Partners LLC, and Executive Director Seddon noted the following:

1. This amendment process has resulted in a few months set back, due primarily to the need to disclose the discrepancy to the public.

2. Construction is anticipated to start during the summer of 2011, with an anticipated completion date of 2012.

3. Vertical penetrations are height limit extensions that are allowed by the LUO, for such things as elevator shafts, air conditioning, and stairway towers, of up to 18 feet.

4. Staff felt that the Developer's verbiage was a substantial discrepancy that needed to be corrected particularly for the EA and OEQC concurred.

Director Smith suggested that future 201H applications include less specificity in its verbiage and ensure that the Executive Director can exercise the latitude of the process, avoiding delays such as this. Appreciation was also expressed to staff for their caution in exercising their jurisdiction.

5. The possible downside of not correcting such a discrepancy could result in issues at the end of the project.

6. Neighboring residents who have expressed concerns with regard to the Project parking garage are now open to working with the Developers.

The motion was unanimously approved.

III. E. DISCUSSION AND/OR DECISION MAKING
Approve a Dwelling Unit Revolving Fund Interim Loan for the Ma'ili III Self-Help Housing Project Located in Ma'ili, Waianae, Oahu, TMK Nos.: (1) 8-7-022: 001; 007; 015; and 016.

Director Larson moved seconded by Director Jung, to approve staff's recommendations:

That the HHFDC Board of Directors approve SHHCH's request for a second DURF interim loan of $4,700,000, to continue financing SHHCH's development of the Ma'ili lands, substantially as described in this For Action, subject to the following:

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; and

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

Mr. Takahashi presented the For Action and stated that the request before the Board is to approve a Dwelling Unit Revolving Fund interim loan for the 76 - lot subdivision Ma'ili III Self-Help Housing Project (Project).

The Project has been approved for the following financing: (1) a $2.1 million Dwelling Unit Revolving Fund (DURF) interim loan (DURF 1); and (2) a $6.5 million Bank of Hawaii (BOH) permanent loan consisting of two parts, Tranche A and Tranche B. Tranche A of the loan, for $1.8 million was to finance the land purchase and a portion of the predevelopment costs. Tranche B, for $4.7 million, was intended to fund the on-site construction costs of the project.

On August 18, 2010, the Self-Help Housing Corporation of Hawaii (SHHCH) submitted an application for a second DURF interim loan to replace the BOH Tranche B loan of $4.7 million (DURF 2) that had lapsed due to entitlement delays with the City and County of Honolulu (City).

Staff has reviewed the SHHCH's request for the DURF 2 loan and proposes the following terms:

Loan Amount:	Up to $4,700,000 in interim construction financing
Interest Rate:	5% per annum
Loan Fee:	1 point
Loan Term:	One (1) year, with two (2) six-month extensions at the sole discretion of HHFDC
Mortgage Priority:	Junior Mortgage

SHHCH intends to repay both DURF 1 and 2 interim loans using proceeds from property sales made on the Project. Payoff is anticipated in March 2011. All lenders will be paid back at escrow before the residential construction begins. Seventy-six families have been selected and are currently going through the loan counseling process. Loan documents will be submitted to lenders shortly.

Mr. Takahashi introduced Ms. Claudia Shay, executive director of SHHCH and opened for questions.

In response to the Board, Mr. Takahashi and Ms. Shay noted the following:

1. It was reiterated that the DURF loans will be repaid once the parcels are conveyed in escrow, before the Project's residential construction takes place.

2. Construction plans are currently being reviewed by the City, and negotiations are on going for dedicating a road and drainage system. Approval is anticipated in September 2010.

3. The Project has received a grant of $487,000 from the Department of Housing and Urban Development.

4. Infrastructure costs have been updated and are now below budget.

5. City delays for entitlements have resulted in additional costs.

6. The 2010 assessed value of the four properties combined is $3.144 million (raw land).

Director Larson expressed the importance of this type of project, which provides the opportunity for certain income groups to have a chance at homeownership.

Chairman Lawrence commented that Ms. Shay is a reputable developer who is persistent in what she does.

In response to Director Liu, Ms. Shay stated that SHHCH has completed a total of 571 housing units on the islands of Oahu, Kauai, Maui, and Molokai.

Director Smith commented that although lenders are committed and the Project is attractive, the Board should be mindful of possible downsides as well.

The motion was unanimously approved, with Director Mesick abstaining.

RECESS
9:40 a.m.

Chairman Lawrence called for a motion to recess.

Director Kawamura moved, seconded by Director Jung, to recess the meeting at 10:20 a.m.

RECONVENED
9:45 a.m.

The meeting was reconvened at 10:30 a.m. by Chairman Lawrence.

III. F.
DISCUSSION AND/OR DECISION MAKING
Approve (1) Resolution No. 025, 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 Kuhio Park Terrace-Tower A and Kuhio Park – Tower B Projects Located in Honolulu,

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

That the HHFDC Board of Directors approves the following:

A. Approve Resolution No. 025, attached as Exhibit F, which provides for official intent with respect to the issuance of revenue bond up to $66,000,000 for the Kuhio Park Terrace – Tower A and Kuhio Park Terrace – Tower B projects subject to the provisions recommended in Exhibits C and E.

B. Reserve up to $4,528,362 in annual Federal LIHTC and $2,264,181 in annual State LIHTC from the non-competitive pool to the Kuhio Park Terrace – Tower A and Kuhio Park Terrace Tower B project subject to the provisions recommended in Exhibits D and E and no negative comments by the City and County of Honolulu by September 27, 2010 (the expiration of the county's 30-day review and comment period).

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

Oahu, TMK No.: (1) 1-3-039: 001 Parcels 1-F (Tower A) and 1-D (Tower B).

Finance Manager Darren Ueki presented the For Action, stating that the Kuhio Park Terrace (Project) is a 556-unit (includes 1-manger's unit) twin tower family project located in Honolulu, Oahu.

Introduced were Ms. Kaila Price, representative of The Michaels Development Company I, L.P. (Developer) and Ms. Makani Maeva, representative of Pacific Housing Advisors, now known as Vitus Group (Co-Developer).

The Project's Tower A consists of 270 residential units (includes 1-manager's unit) and Tower B consists of 285 residential units.

Rehabilitation construction is anticipated to start in January 2011, with the completion of Tower A being completed in January 2012, and Tower B being completed in January 2013.

The Project proposes a public issuance of bonds with a Freddie Mac credit enhancement for a 20-year term.

Approval of this Inducement Resolution for the issuance of the bonds is being requested to allow the Developer to recognize expenditures made 60 days prior to the approval, which may be reimbursed from bond proceeds. The Inducement Resolution is a non-binding resolution, which states the HHFDC's intent to issue tax-exempt revenue bonds for the Project.

Upon submittal of all other information requested and required, staff will be able to make a final recommendation to the Board at a later date. The bond issuance is also subject to the approval by the Department of Budget and Finance and the Governor of the State of Hawaii.

In response to the Board, Mr. Ueki, along with Ms. Price and Ms. Maeva noted the following:

1. During the rehabilitation process, tenants will be placed into vacant units within the Project as well as the adjacent Kuhio Homes project while units are rehabilitated three floors at a time.

2. The Hawaii Public Housing Authority (HPHA) will retain ownership of the land, while the Developer will own the renovated buildings.

3. The Developer is committed to maintain the affordability for the life of the Project and has no plans to convert to market.

4. A seller's note anticipated from the HPHA is in the amount of $43 million.

5. If this For Action is not approved, the Project's aged conditions will worsen for the residing families.

6. The tenant's rent calculations will not change and will remain at 60% area median income. Additional subsidies needed will be provided from the Department of Housing and Urban Development (HUD).

7. Board requested approvals for the LIHTC and issuance of the bonds are anticipated to be before the end of 2010.

Director Smith expressed a request for the opportunity to vote on the approvals for the LIHTC and bond issuance for the Project before leaving as an ex-official, being noted as one of her accomplishments as a member of the Board. Director Jung seconded Director Smith's request, expressing gratitude for the privilege of being able to serve with Directors Smith, Liu, and Kawamura.

8. The 17 ground floor units would be converted into community spaces and laundry facilities.

Director Larson commented that the type of LIHTC, whether "competitive" or "non-competitive," would be helpful if noted in parenthesis within the For Action.

Director Smith asked that a brief presentation of the schematics of this Project be presented to the Board in the future.

In response to Director Larson, Ms. Price reiterated that the Developer is a non-profit and has no intentions of operating the Project at market rate.

The motion was unanimously approved.

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

III. G. DISCUSSION AND/OR DECISION MAKING
Ratify Settlement Agreement with Societe Generale, New York Branch, regarding terms of December 11, 1991 General Investment Contract.

That the HHFDC Board of Directors:

A. Ratify Settlement Agreement dated June 15, 2010 with Societe Generale, New York Branch, regarding terms of December 11, 1991 General Investment Contract.

Mr. Ueki presented the For Action, stating that the Hawaii Single Family Mortgage Purchase Revenue Bond Program, better known as the Hula Mae Single Family Program (Hula Mae Program), issues tax-exempt mortgage revenue bonds to provide first mortgage loans to qualified first-time homebuyers in the State.

The Hula Mae Program issued the 1991 Series A and B bonds on November 1, 1991 and under the authority delegated to the Executive Director by the Board, an investment agreement was executed with Societe Generale, New York Branch (Societe Generale) on December 11, 1991 and subsequently amended on February 12, 1992.

A difference of opinion arisen between Societe Generale and the HHFDC regarding eligible uses within the investment agreement and agreed to settle those differences by an amendment.

Mr. Ueki opened for questions along with Deputy Attorney General Craig Iha, noting that any questions relating to the settlement would be preferred to be discussed in executive session.

EXECUTIVE SESSION
10:55 a.m.

Director Smith moved, seconded by Director Jung, to convene in executive session pursuant to Section 92-5(a)(4) to consult with the board's attorney on questions and issues relating to the settlement agreement between the HHFDC and Societe Generale.

The motion to move into executive session was unanimously approved.

The Board convened into Executive Session at 10:55 a.m.

RECONVENED
11:18 a.m.

Chairman Lawrence reconvened into Regular Session at 11:18 a.m., noting that the Executive Session Minutes of August 12, 2010 was unanimously approved.

The main motion was unanimously approved.

III. H. DISCUSSION AND/OR DECISION MAKING

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

That the HHFDC Board of Directors approve the following:

Approve the Proposed 2011/2012 Qualified Allocation Plan for the Low Income Housing Tax Credit Program.

A. Approve the proposed amendments to the 2011/2012 QAP, subject to a public hearing;

B. Authorize the Executive Director or designated representative to conduct a public hearing on the proposed amendments to the 2011/2012 QAP;

C. After the public hearing, authorize the Executive Director to approve the Final 2011/2012 QAP provided that no substantive amendments are made.

D. Authorize the Executive Director to establish the funding round for the State's 2012 LIHTC volume cap subject to the 2011/2012 QAP;

E. Authorize the Executive Director to take all action necessary to effectuate the purpose of this For Action.

Mr. Ueki presented the For Action, stating that Section 42 of the Internal Revenue Code (Section 42) requires that each state housing credit agency allocate Low Income Housing Tax Credits (LIHTC) in accordance with a Qualified allocation Plan (QAP), which specifies (1) the selection criteria to be used to determine housing priorities of the housing agency; (2) the preferences in allocation of the housing tax credits amounts among projects applying for such tax credits; and (3) the compliance monitoring procedures.

The QAP must go through a public hearing process. The Board approved the latest amendments to the QAP on October 9, 2008. No public comments were received since last amended.

At the September 2009 Board Meeting, the scoring criteria was discussed in response to a comment by a developer regarding new construction versus acquisition/rehabilitation projects.

At the July 8, 2010 Board Meeting, a subcommittee was formed to recommend revisions to the selection criteria within the QAP to ensure alignment with goals set out in the HHFDC's Strategic Plan.

On July 26, 2010, the subcommittee met and discussed matters of the QAP. There were no recommended revisions.

Staff proposes the following addition of nine energy efficient/green practices for a developer to elect for a project under Criteria 16. These additional options do not change the maximum amount of points a developer can earn, but rather provides more options for a developer to earn points under Criteria 16:

1. Apply for LEED (Leadership in Energy & Environmental Design) certification.

2. Apply for Energy Star certification.

3. Apply for other green certification. Type of certification needs to be identified when the application is submitted.

4. Installation of insulation that exceeds the State of Hawaii Building Code in order to provide energy efficiency over the extended period of the projected life of the project.

5. Installation of an ENERGY STAR qualified HVAC (Heating Ventilation Air Conditioning) System.

6. Develop and implement a construction waste management plan to reduce the amount of material sent to the landfill by at least 25 percent.

7. Project plans and specifications call for labeling of all storm drains to clearly

indicate where the drain leads.

8. For properties built before 1978, use lead-safe work practices during renovation, remodeling, painting, and demolition.

9. Install a ventilation system for the building providing adequate fresh air per ASHRAE (American Society of Heating, Refrigerating, and Air Conditioning Engineers) standards.

Tentative timeline of events for the QAP are as follows:

1. September 17, 2010 - Publish Notice of Public Hearing

2. October 20, 2010 - Conduct Public Hearing

3. November 10, 2010 - Recommend Final Approval of the QAP to the Executive Director.

4. December 15, 2010 - Application Available

5. February 3, 2011 - Applications Due

6. June 9, 2011 - Present Recommendations to the Board

Mr. Ueki opened for questions.

In response to Director Larson, Mr. Ueki stated that the raising of points and/or requirements of the QAP is open for discussion at a future meeting.

The motion was unanimously approved.

III. I. DISCUSSION AND/OR DECISION MAKING
Approve the Proposed Chapter 15-307 "State Assisted Land and Housing Development Program" Hawaii Administrative Rules and the Repeal of Chapter 15-174 "State Assisted Land and Housing Development Program," Hawaii Administrative Rules.

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

That the HHFDC Board of Directors:

1. Approve the proposed Chapter 15-307, HAR and the repeal of Chapter 15-174, HAR, subject to approval as to form by the HHFDC's Deputy Attorney General;

2. Subject to the Governor's approval, authorize the Executive Director or designated representative(s) to conduct public hearings on the adoption of Chapter 15-307, HAR, and the repeal of Chapter 15-174, HAR;

3. Authorize the Executive Director to make any necessary non-substantive amendments to the draft rule following the public hearing; and

4. After the public hearings, authorize the Executive Director to transmit Chapter 15-307, HAR, and the repeal of Chapter 15-174, HAR, to the Governor for final approval provided that no substantive amendments are made.

Planner Mavis Masaki presented the For Action, stating that Chapter 15-307, Hawaii Administrative Rules (HAR) implement HHFDC's development programs, including the Dwelling Unit Revolving Fund (DURF) financing, expedited land use approvals under Chapter 201H, real property leases, and management of the shared appreciation equity (SAE), deferred sales price and ten-year buyback program restrictions.

Chapter 15-307, HAR was drafted in consultation with the Development Branch staff and circulated to key stakeholders, affordable housing developers, and advocates for comment. No significant comments were made.

Ms. Masaki noted a correction within Exhibit A, page 307-19, Section 15-307-27, paragraph 2, which should read, "Is primarily designed for lower cost housing;"

Exhibit B, summary of the substantive amendments in the proposed Chapter 15-307, was cited.

The proposed amendments include:

1. Inclusion of the Board's policy requiring 201H project developers to conduct or participate in public meetings in the community in which the project is located, and to consult with community groups regarding their projects;

2. New provisions clarifying procedures for establishing and managing the SAE, including establishing procedures for repurchase of foreclosed projects, requiring that the SAE must be recorded as part of conveyance documents, and clarification of trigger events that require payment of the SAE;

3. A new chapter setting forth guidelines for administration of leases to make it easier to enforce lease provisions.

Purpose for the proposed amendments is primarily for clarification of provisions.

Ms. Masaki read staff's recommendation and opened for questions.

In response to the Board, Executive Director Seddon, Ms. Masaki, and Real Estate Section Chief Marlene Lemke noted the following:

1. This is a "housekeeping" change to clarify processes.

2. A "non-occupancy" waiver is a temporary waiver, due to hardships such as military leave or care of an ill parent, would exempt the tenant(s) of violation of its SAE. If the occupant does not return after the approved period given, the SAE fees will accrue.

3. Rules proposed address that occupants added to title be informed of the HHFDC's SAE and buyback restrictions.

The motion was unanimously approved.

III. J. DISCUSSION AND/OR DECISION MAKING
Approve Proposed Chapters 15-315 "Mortgage Credit Certificate Program," Hawaii Administrative Rules and the Repeal of Chapter 15-162 "Mortgage Credit Certificate Program," Hawaii Administrative Rules.

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

That the HHFDC Board of Directors:

1. Approve the proposed Chapter 15-315, HAR and the repeal of Chapter 15-162, HAR, subject to approval as to form by the HHFDC's Deputy Attorney General;

2. Subject to the Governor's approval, authorize the Executive Director or designated representative(s) to conduct public hearings on the adoption of Chapter 15-315, HAR, and the repeal of Chapter 15-162, HAR;
3. Authorize the Executive Director to make any necessary non-substantive amendments to the draft rule following the public hearing; and

4. After the public hearings, authorize the Executive Director to transmit Chapter 15-315, HAR, and the repeal of Chapter 15-162, HAR, to the Governor for final approval provided that no substantive amendments are made.

Ms. Masaki presented the For Action, stating that the request before the Board is for the approval to repeal and replace the existing Mortgage Credit Certificate rules with the proposed Chapter 15-315, HAR, cited in Exhibit A.

Ms. Masaki noted a correction within Exhibit A, page 315-5, Section 15-315-23, at the end of the first paragraph, which should read, "Failure to meet this requirement may," and not "shall" as stated in the For Action.

The Mortgage Credit Certificate (MCC) program allows states to redeem federal tax-exempt revenue bond authority for first-time homebuyers with a direct tax credit on 20% of mortgage interest payment each year.

The majority of amendments proposed are of housekeeping-nature and do not change current program operations. Such provisions are referenced from the HHFDC's procedural handbook guide and included into the Hawaii Administrative Rules for clarity, as follows:

1. New definitions of "annual gross household income" and "gross income" for purposes of qualification to participation in the MCC program.

2. New definition of "credit rate" setting the program credit rate to 20 percent.

3. New definitions of "mortgage lender" and "mortgage lender participation agreement" regarding financial institutions that will be participating in this program.

4. Clarification that the HHFDC is not responsible for underwriting mortgage loans issued by participating lenders to eligible borrowers.

5. New requirement for participating mortgage lenders to issue at least three MCC's per year to avoid termination from program participation for a period of one year.

6. Program fees payable to the HHFDC and to mortgage lenders by eligible borrowers.

    a. Final approval of their MCC package: $300 to the HHFDC; and $100 to the participating mortgage lender.

    b. Final approval of a request for the reissuance of an MCC up to $200 to the HHFDC; and up to $100 to the participating mortgage lender.

7. New section setting forth methodology for determining program income limits using applicable Internal Revenue Service annual revenue procedure issuances, based upon annual median income determinations made by the U.S. Department of Housing and Urban Development.

8. New section setting forth methodology for determining program acquisition cost limits using applicable Internal Revenue Service annual revenue procedure issuances.

Ms. Masaki read the recommendation and opened for questions.

In response to the Board, Ms. Masaki, Finance Manager Darren Ueki, and Chief Planner Janice Takahashi noted the following:

1. In reference to Section 15-315-26, the methodology used to update program income and purchase price limits is the current procedure of the MMC program and has been added to the HRS for transparency. Any program changes by the U.S. Department of Treasury would require an amendment to the rules.

2. In reference to Section 15-315-23, this requirement is intended to motivate participating lenders to issue MCC's, allowing HHFDC staff to exclude for a period of one year, lenders who do not meet the minimum three MCC issuances per year. Excluded lenders may reapply after the one-year period. Currently, 21 of the 24 lenders listed would qualify as a "participating lender."

3. The HHFDC has been advised by prior Deputy Attorney Generals to add the inclusion of its procedural guidelines, providing transparency within the HAR for staff as well as the public.

4. Approximately $9.6 million in MCC program proceeds have been distributed over a 7-month period.

Deputy Attorney Generals Sandra Ching and Craig Iha stated that by having the guidelines specifically stated in the rules provides one standard for the public, staff, and future boards. Chapter 91, Hawaii Revised Statutes, requires that at any time, an agency defines its policies and practices as it relates to the rights of the members of the public, then it would have to be implemented as a whole. Such standards not set within the rules may be legally challenged.

The motion was unanimously approved.

III. K. DISCUSSION AND/OR DECISION MAKING Approve Amendments to and Compilation of Chapter 15-306 "General Excise Tax Exemptions," Hawaii Administrative Rules.

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

That the HHFDC Board of Directors:

1. Approve the proposed amendments to and compilation of Chapter 15-306, HAR, subject to approval as to form by the HHFDC's Deputy Attorney General;

2. Subject to the Governor's approval, authorize the Executive Director or designated representative(s) to conduct public hearings on the adoption of proposed amendments to and compilation of Chapter 15-306, HAR;

3. Authorize the Executive Director to make any necessary non-substantive amendments following the public hearing; and

4. After the public hearings, authorize the Executive Director to transmit Chapter 15-306, HAR, as amended and compiled, to the Governor for final approval provided that no substantive amendments are made.

Ms. Masaki presented the For Action, stating that pursuant to Sections 201H-36 and 237-29, Hawaii Revised Statutes (HRS), and Chapter 15-306, Hawaii Administrative Rules (HAR), the HHFDC may approve and certify for exemption from the General Excise Tax (GET), any qualified person or firm involved with a newly constructed or moderately or substantially rehabilitated project meeting certain criteria.

The purpose of this GET exemption is to allow the certified housing projects to "achieve cost savings to assure economic feasibility which will encourage and enable the production of as many lower cost housing units as possible."

The compilation of the rules is a housekeeping measure. The draft amendments to and compilation of the GET rules have been reviewed by the Department of Taxation and they did not have any objections or comments thereto.

The intent of this rulemaking is to improve program efficiency and increase the amount of reporting required for recipients of the GET exemptions. Such changes will tighten program requirements and provide program staff with additional data of which to monitor project compliance with certification requirements.

The purpose and intent of the proposed rule amendments are:

1. To ensure that only appropriate development, construction, and financing costs relating to residential portions of projects receive the exemption;

2. To add a new definition of "economic feasibility" to limit the housing projects eligible for the exemption to only those that actually need the GET exemption in order to make the project make economic sense; and

3. To require developers to provide more project data, including

    a. Annual progress reports on projects under construction for compliance monitoring purposes;

    b. How they will use the cost savings generated by the GET exemption in their projects; and

    c. Allowing HHFDC to conduct on-site inspections of rental projects receiving the GET exemption on affordable rental income only.

The proposed amendments include an increase of program fees to cover the administrative expenses of operating this program. Initial application fees will increase from $200 to $500, subsequent applications will increase from $100 to $200, and annual certifications of rental income will increase from $100 to $200.

A new proposed section requires that developers submit a revised GET exemption application (Department of Taxation Form G-37) and any necessary schedules thereto if there are substantial changes exceeding 20 percent of the original contract amount, or $200,000, of its contracts for work covered by the GET exemption. The proposed new section conforms to existing DOT instructions to Form G-37.

Ms. Masaki opened for questions.

Director Smith commented that currently, rules that included fee increases have come through for review and have been sent back to the departments. Fee increases should be justified.

In response to the Board, Ms. Masaki noted the following:

1. The increased fees do not fully cover the costs of staff time to administer this program. The increase is intended to recoup some program expenses.

2. Precise language would be vital in setting forth the criteria for the Board to have discretion to determine fee amounts.

3. The HHFDC does have statutory authority to charge fees for this program. Therefore, the legal basis for the fees are not an issue.

4. In discussion on the Board's ability to determine program fee amounts, Deputy Attorney General Iha stated that some agencies, like the Department of Health, that are exempted from Chapter 91, HRS, can have a sliding fee scale. The HHFDC is not exempted from Chapter 91, HRS, and therefore, would need to state actual dollar amounts of its fees within its rules.

Director Liu commended staff for being proactive in reviewing and tightening its rules.

5. The proposed rules with go through a public hearing process.

6. Clarity within the rules is imperative in the Agency's step towards avoiding future legal challenges.

The motion was unanimously approved.

III. L. DISCUSSION AND/OR DECISION MAKING
Information on the Consolidated Annual Performance and Evaluation Report for Program Year 2009 (July 1, 2009 – June 30, 2010).

Planner Lisa Wond presented this For Information, stating that the purpose for this report is to provide a summary of the HHFDC's Consolidated Annual Performance and Evaluation Report (CAPER). CAPER details were noted.

Since June 30, 2010, the Emergency Shelter Grant (ESG), Housing Opportunities for Persons with AIDS (HOPWA), and Homelessness Prevention and Rapid Re-housing Program (HPRP) Programs were transferred to the Department of Human Services and are no longer with the Hawaii Public Housing Authority (HPHA). During Program Year 2009, the State of Hawaii received approximately $3 million in HOME Investment Partnerships (HOME) program funds; $232,000 in ESG program funds; and $168,000 in HOPWA program funds. Project activities of each county were noted.

The State of Hawaii received $19.6 million in Neighborhood Stabilization Program (NSP) funds for various projects in all four counties. All project activities are currently on schedule to meet a September 18, 2010 obligation deadline.

The HPRP received $2.1 million. Disbursement of activity funds have begun and 60% of funds received must be expended by September 2011.

Tables outlining the goals and accomplishment of each program were sited.

Ms. Wond noted that the full CAPER is available for viewing and opened for questions.

In response to the Board, Ms. Wond noted the following:

1. Availability of approximately $5 million in NSP 3 funding is forthcoming.

2. Performance feedback from HUD is dependent upon HOME monies spent. HOME program funds distributed among the counties are often inadequate for vital project activities, requiring counties to save up annual allocations of HOME funds until they have enough for a project to commence.

With no further questions, Chairman Lawrence proceeded to agenda item III. M.

III. M. DISCUSSION AND/OR DECISION MAKING
Approve Resolution No. 026, Expressing Appreciation to Georgina K. Kawamura.

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

That the HHFDC Board of Directors approve Resolution No. 026 which expresses appreciation to Georgina Kawamura.

Chief Planner Janice Takahashi presented the For Action, noting that Director Kawamura is well respected for her knowledge, common-sense perspective, problem solving abilities and willingness to help resolve problems.

The motion was unanimously approved.

III. N. DISCUSSION AND/OR DECISION MAKING
Approve Resolution No. 027, Expressing

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

That the HHFDC Board of Directors approve Resolution No. 027 which expresses appreciation to Theodore E. Liu.

Ms. Takahashi presented the For Action, thanking Director Liu for taking HHFDC under his wing, particularly during the separation of the Housing and Community Development Corporation of Hawaii (HCDCH). — Appreciation to Theodore E. Liu.

The motion was unanimously approved.

III. O. DISCUSSION AND/OR DECISION MAKING Approve Resolution No. 028, Expressing Appreciation to Linda Smith.

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

That the HHFDC Board of Directors approve Resolution No. 028 that expresses appreciation to Linda Smith.

Ms. Takahashi presented the For Action, noting that Director Smith has been very instrumental in developing sound housing policy and has spent long hours with the HHFDC strategizing and testifying on legislation.

The motion was unanimously approved.

Chairman Lawrence read and presented the commendations for Directors Kawamura, Liu, and Smith, by the Governor of the State of Hawaii Linda Lingle and Lieutenant Governor James R. "Duke" Aiona, Jr.

Executive Director Seddon presented each Director with a personalized "Affordable Creator" LEGO home building kit and thanked them for all their input.

Executive Director Seddon noted that she would be attending an Urban Land Institute conference during the October 14, 2010 Board Meeting and will not be in attendance.

Chairman Lawrence proceeded to the Report of the Executive Director.

IV. REPORT OF THE EXECUTIVE DIRECTOR

Director Smith inquired on the Kaanapali project being a potential item on the HHFDC's agenda. Mr. Fujimoto stated that nothing has been received at this time.

In response to Director Liu, Executive Director Seddon stated that the board meetings will continue as scheduled for the remainder of the calendar year; October 14, 2010, November 18, 2010, and December 9, 2010.

Director Smith thanked Chairman Lawrence for a well-conducted meeting and staff for all their hard work and deliverance on the agenda item reports.

Director Jung commented that he is very honored and privileged to have served with Directors Liu, Smith, and Kawamura, who have done so much for this State and community.

V. ADJOURNMENT

With no further business on the agenda, Director Liu moved, seconded by Director Smith, to adjourn the meeting at 12:38 p.m.

Betty Lou Larson

BETTY LOU LARSON
Secretary