

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, MARCH 13, 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, March 13, 2008, at 9:00 a.m.

Acting Chairman David Lawrence called the meeting to order at 9:03 a.m., noting that he would be sitting in for Chairman Charles King.

**CALL TO
ORDER/
ROLL CALL**

Present: Director David A. Lawrence, Vice Chairman
Director Betty Lou Larson, Secretary
Director Linda Smith
Designee Scott Kami for Director Georgina Kawamura
Director Charles Wathen
Director Richard Toledo
Director Allan Los Banos

Executive Director Orlando (Dan) Davidson

Excused: Director Charles King, Chairman
Director Georgina Kawamura
Director Theodore E. Liu

Staff Present: Mark Bennett, Attorney General
Sandra Ching, Deputy Attorney General
Charleen Aina, Deputy Attorney General
Janice Takahashi, Chief Planner
Darren Ueki, Finance Manager
Karen Seddon, Development Branch Chief
Edward Sunada, Fiscal Manager
Rick Manayan, Asset Manager
Stan Fujimoto, Project Manager

Dean Sakata, Finance Specialist II
Patrick Inouye, Finance Specialist
Chris Sadayasu, Housing Development Specialist
Ryan Morita, Housing Development Specialist
Kent Miyasaki, Housing Information Specialist
Marsha Umamoto, Secretary to the Executive Director
Esa Pablo, Secretary to the Board

Guests: Makani Maeva, Pacific Housing Advisors
Stephanie McFadden, Pacific Housing Advisors
Samuel Chung, THM Partners, LLC
Serge Krivatsy, THM Partners, LLC
David Bienvert, THM Partners, LLC
Marvin Awaya, Pacific Housing Assistance Corporation
Gary Furuta, Hawaii Housing Development Corporation
Andrew Newton, Bascom Group, LLC
Dave Shibata, Rush Moore LLP

Acting Chairman Lawrence declared a quorum present.

QUORUM

Acting Chairman Lawrence called for a motion to approve Agenda Item II. A.

**II.A.
APPROVAL**

Director Smith moved, seconded by Director Los Banos, to approve the Meeting Minutes of February 14, 2008.

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

Acting Chairman Lawrence asked that the Board go into executive session, once Attorney General Mark Bennett arrives.

Acting Chairman Lawrence called for a motion on Agenda Item III. A.

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

- A. Adopt Resolution No. 11, attached as Exhibit E, which provides for official intent with respect to the issuance of revenue bonds up to \$30,500,000 for the Lokahi Ka'u Project subject to the provisions recommended in Exhibits B and F;
- B. Increase the Federal LIHTC reservation to \$2,454,285 from \$2,120,882 and increase the State LIHTC reservation to \$1,227,142 from \$1,060,441; and
- C. Authorize the Executive Director to undertake all tasks necessary to undertake the intent and purposes of this For Action.

Executive Director Dan Davidson introduced Finance Manager Darren Ueki, to present the For Action.

Mr. Ueki reported on the following information:

- December 13, 2007, the Board adopted and approved the following for the Lokahi Ka'u Project: 1) Resolution No. 008, which provided for official intent with respect to the issuance of the Hula Mae Multi-Family (HMMF) Bonds for the Lokahi Ka'u Project (Project); 2) a non-competitive award of \$2,120,882 in Federal Low Income Housing Tax Credits (LIHTC) and \$1,060,441 in State LIHTC.
- The HMMF Tax-Exempt Bond will be partially retired from proceeds from the sale of LIHTC once the construction is completed, with the sale of the LIHTC.
- The project changes after the Inducement Resolution No. 008 was adopted:
 1. Increase in Total Project Development Budget to \$61,556,658 from \$53,002,148; an increase of \$8,554,510 or 16.1 percent.
 - a. The Developer attributed the increased Construction and Site Work costs to: 1) application budget based on preliminary plans and specifications; 2) an inability to use modular construction promoting a change to conventional wood frame construction; and 3) addition of solar water heaters and photovoltaic electrical systems to the Project.
 2. Request for an increase in LIHTC reservation to help offset costs.
 - a. Increase in Federal LIHTC reservation to \$2,454,285 from \$2,120,882 and an increase in State LIHTC reservation to \$1,227,142 from \$1,060,441.

Mr. Ueki introduced Ms. Makani Maeva and Ms. Stephanie McFadden, from Pacific Housing Advisors (PHA).

OF MINUTES

2/14/08
Regular
Meeting

III.A. DISCUSSION AND/OR DECISION MAKING

(i) Adopt Resolution No. 011 Authorizing, Among Other Things, the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds; and (ii) Approve request from Developer to increase the Low Income Housing Tax Credit Reservation for the Lokahi Ka'u Project, Kona, Hawaii, TMK: (3) 7-3-010:003

Director Wathen stated that this was the first project he recalls, that does not have the assistance of the Rental Housing Trust Fund (RHTF). Ms. Maeva stated that the Project will utilize a program unique to the Big Island. The program is run through the County of Hawaii, Office of Housing and Community Development, which provides affordable housing credits that are monetized through a market rate developer, contributing about \$7.5 million with the obligation of providing affordable housing.

Ms. Maeva reported that PHA has a relationship with Wachovia, who has invested about \$300 million into the market for this year, allocating \$30 million (10 percent) into PHA's projects.

Director Wathen commended staff for working aggressively and the PHA for its creativity on the Project.

In response to Director Smith's inquiry, regarding what PHA would need in order to close the deal, Ms. Maeva stated that PHA has already received approval for rezoning, water and sewer allocations, Fair Share Contributions, and also owns the land. However, PHA will need to obtain building permits, which is currently in progress.

In response to Director Toledo, Ms. Maeva stated that the photovoltaic solar panels are located on the roofs of the buildings, with each unit being individually metered.

In response to acting Chairman Lawrence's inquiry, in terms of more HHFDC projects going 'green,' Ms. Maeva said that there are private letter rulings that allow PHA to include the construction cost of the photovoltaic panels within the eligible basis for the tax credit partnership; however, it has been difficult to monetize the solar credits themselves.

Designee Kami suggested that the following changes be made to the Recommendation:

A. Adopt Resolution No. 011, attached as Exhibit E, which provides for ~~[official intent with respect to]~~ the approval of the issuance of revenue bonds up to \$30,500,000 for the Lokahi Ka'u Project subject to the provisions recommended in Exhibit B and F;

By consensus, with no one dissenting, the amendments to the Recommendation were carried.

In response to Director Wathen's inquiry, with regards to perpetuity, Ms. Maeva stated that there is no dollar amount lost; however buildings do deteriorate overtime, requiring recapitalization and improvements at some point.

The motion was unanimously approved, as amended.

Executive Director Davidson introduced Housing Development Specialist Chris Sadayasu, to present the "For Discussion."

Mr. Sadayasu introduced Messrs Dave Biewert, Samuel Chung, and Serge Krivatsy, the Principals of THM Partners LLC (THM), the developer of the proposed 176-unit "Holomua" Affordable Workforce Housing Project (proposed project).

Mr. Biewert proceeded to discuss the general plans of the proposed project in regard to the location, number of units, estimated pricing, and access points.

Mr. Krivatsy stated that the proposed project will require zoning exemptions pursuant to 201H, Hawaii Revised Statutes, which will be processed through the HHFDC. He stated that THM will also submit an application for a DURF

III.B. DISCUSSION AND/OR DECISION MAKING

Discussion of Potential Dwelling Unit Revolving Fund Workforce Housing Development at 1315 Kalakaua Avenue, Honolulu, Hawaii, TMK Nos.: (1) 2-4-16:17 and 18

interim construction loan.

In response to the Board's interest in the unit sizes and "affordable" pricing, THM stated that they plan to target the 140 percent Area Median Income (AMI) range of the affordable market.

Director Toledo suggested that THM consider a higher density of units, due to the need for affordable units within the Primary Urban Core.

THM plans on meeting with City Councilwoman Ann Kobayashi, along with the local neighborhood board in April 2008.

Acting Chairman Lawrence called for a motion to approve Agenda Item III. C.

Director Wathen moved, seconded by Director Los Banos, to approve Staff's recommendation, as follows:

That the HHFDC Board of Directors approve an extension to the condition that the HHFDC Board approve, a revised DURF financing plan for the Senior Residence at Iwilei Project by March 31, 2008, by one calendar year, to March 31, 2009, subject to other terms and conditions deemed necessary by the Executive Director.

Executive Director Davidson called upon Project Manager Mr. Stan Fujimoto, to present a summary of the For Action.

Mr. Fujimoto stated that due to the recent decision by the Hawaii Supreme Court, the developer is seeking a year extension of the deadline, for approval of the financing plan for the Iwilei Project (Project).

Representing the developer, Mr. Marvin Awaya, stated that Pacific Housing Assistance Corporation (PHAC) was ready to seek the Board's approval of the financing plan; however, were informed that the ceded lands decision by the Hawaii Supreme Court would delay their request.

In response to Director Wathen's inquiry, in terms of the current amount of money invested into the Project, Mr. Awaya responded that the Federal Home Loan Bank of Seattle has invested approximately \$900,000, in which, about 10 percent of the estimated amount has been expended to date.

The motion was unanimously approved.

Acting Chairman Lawrence called for a motion to approve Agenda Item III. D.

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

- A. Amend the For Action dated June 19, 2003 issuing an Inducement Resolution for the Senior Residence at Iwilei project by extending the deadline to issue Hula Mae Multi-Family Bonds through March 31, 2009.
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the intent and purposes of this For Action.

With further discussion, the motion was unanimously approved.

Acting Chairman Lawrence called for a motion to approve Agenda Item III. E.

Director Larson recused herself from voting on the For Action.

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

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

Approve an Extension of Deadline to Condition for Dwelling Unit Revolving Fund (DURF) Financing for the Senior Residence at Iwilei Project Located on TMK:
(1) 1-5-07: (various Parcels)

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

Approve an Extension to Resolution No. 082, Which Provides for Official Intent with Respect to the Issuance Of Hula Mae Multi-Family Tax-Exempt Revenue Bonds for the Senior Residence at Iwilei Project Located on TMK:
(1) 1-5-07: (various parcels)

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

Approve an Extension of the Rental Housing

- A. Extend the Letter of Intent dated June 28, 2006 for the Hale Wai Vista Phase I Project to June 30, 2008, subject to the requirements as set forth in the For Action dated June 15, 2006.
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Executive Director Davidson called upon Finance Manager Darren Ueki, to present the For Action.

Mr. Ueki introduced Mr. Gary Furuta, Hawaii Housing Development Corporation, who was available for questioning.

In response to Director Smith's inquiry, Mr. Ueki stated that the application will be going through the Planning Committee and to the full Council by mid April.

In response to Director Toledo's inquiry, regarding the time period in which the developer will hold the development costs, Mr. Ueki said that the contractor has held his cost for 3.5 years, and is willing to continue to hold to his cost.

The motion was unanimously approved.

Acting Chairman Lawrence called for a motion to go into Executive Session.

Director Smith moved, seconded by Director Wathen, to move into Executive Session to discuss the recent Hawaii Supreme Court decision of the Office of Hawaiian Affairs, et al. vs. Housing and Community Development Corporation of Hawaii, et al, Civil No. 94-0-4207 (SSM), First Circuit Court, Pursuant to Section 92-5(a)(4), Hawaii Revised Statutes.

The Board of the HHFDC anticipates convening in executive meeting pursuant to Section 92-5(a) (4), HRS, to consult with the Board's attorney on questions and issues pertaining to the Board's powers, duties, privileges, immunities and liabilities.

The Meeting reconvened at 11:10 a.m.

Acting Chairman Lawrence called for a motion to approve Agenda Item III. F.

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

- A. Approve defeasance, and corresponding change in Project ownership, of the Multi-Family Revenue Bond Series 2000 issued for the benefit of the Oasis at Waipahu Apartments fka Sunset Villas;
- B. Authorize the execution of all required documents for Bond defeasance and the corresponding transfer of Project ownership; and
- C. Authorize the Executive Director to undertake all tasks necessary to undertake the intent and purposes of this For Action.

In response to Director Toledo, with regard to the meaning of the defeasance of a bond, Mr. Ueki explained that an escrow account would be set up, collateralized with the amount of the outstanding bonds. The bonds would be called in July 2010 and cease to exist.

Mr. Ueki mentioned that under the original agreement, the project was to remain affordable for a 40-year period. The actions taken by the Board, at this Meeting, will have no impact on the affordability period, remaining affordable

Trust Fund Letter of Intent ("LOI") for the Hale Wai Vista Phase I project, Waianae, Oahu TMK:
(1) 8-6-001:035

IV. EXECUTIVE SESSION

RECONVENED
11:10 a.m.

III.F.
DISCUSSION
AND/OR
DECISION
MAKING
Approve defeasance, and corresponding change in Project ownership, of the Multi-Family Revenue Bond (GNMA Collateral -Sunset Villas) Series 2000 (the "Bonds") issued for the benefit of the Oasis at Waipahu Apartments fka Sunset Villas (the "Project") Waipahu, Oahu, TMK:
(1) 9-4-047:005

until 2025.

Discussion ensued on extending the affordability period.

Director Smith suggested that the Board honor the current agreement of 40 years.

The motion was unanimously approved.

Executive Director Dan Davidson reported on the following Items:

- Increase in the Hula Mae Multi-Family Bond authority -HB 3058, HD1 increases from \$400 million to \$500 million.
- Increase value of State Low Income Housing Tax Credit by shortening the period to take the credits from 10 to 5 years -HB 3059, HD1.
- \$26 million to complete structured transaction to preserve long-term affordability of Kukui Gardens -HB 2515, HD1 appropriates \$26 million; defects effective date.
- \$25 million infusion and permanent transfer of 50 percent of conveyance tax into the Rental Housing Trust Fund -HB 2514, HD1 extends sunset of 50 percent conveyance tax allocation from June 30, 2008, to undetermined date; and SB 3174, SD1 extends sunset to 2013.
- \$25 million infusion into the Dwelling Unit Revolving Fund -Senate will address General Obligation (GO) bond appropriation in the Budget.

Executive Director Davidson commended Planner Mavis Masaki and Chief Planner Janice Takahashi for the work that they had to do at the legislature and stated that their work has been recognized by the clerks of the subject matter committees.

Director Smith suggested, along the lines of Directors Larson and Wathen, that the Board be informed on the tax credit market at an upcoming meeting, perhaps looking at different sources of revenues for funding.

In response to Designee Kami's inquiry on the new market tax credits, Acting Chairman Lawrence explained that the Department of Treasury has a sub-entity called the Community Development Finance Institution (CDFI) fund, which finances the community loan funds with operating and capital monies. The new market tax credits allow the developer to sell the credits to investors - specifically in areas of the community with low income specific projects.

Director Smith inquired on the high rate of vacant units in the State housing projects, in reference to the "Asset Management Status Report."

In response to Director Smith, Asset Manager Rick Manayan, reported on the following properties:

- Honokowai Kauhale (Lahaina, Maui) - Management attended a pre-bid construction conference on March 5, 2008. An Invitation For Bid (IFB) was sent out for construction repairs and will open on March 20, 2008. Once the roof repairs are completed, 12 to 15 out of the 28 vacant units will be back into circulation by the end of this year.
- Kamaaina Hale (Kona, Hawaii) - In 2005, Property Management received an appropriation of \$176,000 to be utilized for maintenance and repairs, having approximately a 3 to 4 year timeframe. However, staff is currently in negotiations with Bishop Estate --being a leasehold

**V.
REPORT
OF THE
EXECUTIVE
DIRECTOR**

property. Mr. Manayan stated that staff does not want to do any renovations or repairs, without clear direction as to whether or not the HHFDC will be holding on to the property for the long-term.

Mr. Manayan stated that 35 out of the 60 abated units will be completed by the end of the month, leaving a remainder of 25 units in an indeterminate state.

- Waiaka (Honolulu, Hawaii) - Mr. Manayan stated that the Executive Director has composed a special team consisting of the Branch Chiefs from: Development, Planning, and himself, in Property Management.

Mr. Manayan indicated that this property is a possible redevelopment project, with the possibility of having the residing tenants being relocated.

In response to Designee Kami's inquiry, in terms of the source of funding for repairs, Mr. Manayan stated that there normally is a capital budget planning session that is conducted the year prior, which sets aside funds from either DURF or the reserves from the project itself.

In response to Designee Kami's follow up question, with regard to the Rental Housing System (RHS) Bond projects, Mr. Manayan indicated that according to the Finance Manager, there is approximately \$8 million available for repairs in the RHS reserves.

In response to the Board, Mr. Ueki clarified that RHS bond funded projects are reported under one indenture, with the monies for all projects going into one reserve account. However, staff is redefining their way of operations, looking at each project on an individual basis.

- Nani O Puna (Hilo, Hawaii) - Mr. Manayan reported that there were some initial estimates to repair the units; however, due to the amounts of the previous bids, the estimated costs were beyond the threshold for the (State Procurement Office) SPO-10 process, having to turn to the Hawaii Electronic Procurement System (HEPS) instead.

Mr. Manayan stated that Nani O Puna is a U.S. Department of Agriculture (USDA) project that requires specific federal requirements, making it difficult to market the units. However, the USDA has offered to assist HHFDC in possibly changing some of the federal guidelines, as a result in the decrease of rural families with specific incomes.

Designee Kami asked that the Board be informed on how the HHFDC is planning to address some of the issues with the auction-rate securities product. Mr. Ueki responded that there were numerous conversations with the original banker and Budget & Finance (B&F), regarding the auction-rate securities, in hopes to find options to minimize the risk, knowing there is a maximum rate of 12 percent under the auction-rate securities. The HHFDC does not want to undertake any new capital improvement projects, until it is determined on which direction the Corporation will take to reduce financial risk.

Director Smith thanked Designee Kami for raising the auction-rate security issue, commenting that the Board needs to be proactive, in terms of explaining what is being done.

Designee Kami indicated that the auction-rate security issue is not a reflection on the Corporation, but just a market phenomenon that is going on at the present time.

Acting Chairman Lawrence suggested that staff find other means of providing financial documents to the Board --going 'green,' rather than wasting a large

amount of paper to print out the documents.

Mr. Ueki stated that the suggestion may be discussed in the future; however, there still needs to be an opportunity for the Board to view all documents, before making final decisions on the For Actions that are presented.

Executive Director Davidson recognized and thanked Housing Information Specialist Kent Miyasaki, for preparing the HHFDC's 2007 Annual Report -- distributed at the beginning of the Meeting.

With no further business on the Agenda, Acting Chair Lawrence called for a motion to adjourn the meeting.

Director Larson moved, seconded by Director Wathen, to adjourn the meeting at 11:57 a.m.

The motion was unanimously carried.

**VI.
ADJOURNMENT**


BETTY LOU LARSON
Secretary