

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

MINUTES OF THE REGULAR MEETING
OF THE HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
HELD AT THEIR OFFICE AT 677 QUEEN STREET, SUITE 300,
ON THURSDAY, MAY 10, 2007
IN THE CITY AND COUNTY OF HONOLULU, STATE OF HAWAII

The Board of Directors of the Hawaii Housing Finance and Development Corporation met for their Regular Meeting at 677 Queen Street, Suite 300, Honolulu, Hawaii, on Thursday, May 10, 2007, at 9:00 a.m.

Acting Chairman David Lawrence called the meeting to order at 9:04 a.m.

**CALL TO
ORDER/
ROLL CALL**

Present: Director David A. Lawrence, Vice Chairman
Director Betty Lou Larson, Secretary
Director Linda Smith
Director Theodore E. Liu
Director Georgina Kawamura
Designee Scott Kami
Director Allan Los Banos
Director Richard Toledo
Executive Director Orlando (Dan) Davidson

Excused: Director Charles King, Chairman
Director Charles Wathen

Staff Present: Sandra Ching, Deputy Attorney General
Janice Takahashi, Chief Planner
Darren Ueki, Finance Manager
Karen Seddon, Development Branch Chief
Beth Hallinan, Project Coordinator
Rick Manayan, Asset Manager
Marlene Lemke, Real Estate Services Section Chief
Chris Sadayasu, Project Manager
Linda Shintani, Finance Staff
Marsha Umamoto, Secretary to the Executive Director

Guests: Sam Chung, Real Estate Consultant
Scott Mackinin, Deputy Attorney General
Alvin Bonnett
Bob Nakata

Other: William Barton, Court Reporter

Acting Chairman David Lawrence declared a quorum present.

QUORUM

Acting Chairman Lawrence asked for a motion to approve the Meeting Minutes for April 12, 2007.

Director Smith moved, seconded by Director Larson,

The motion was unanimously carried.

**II.A.
APPROVAL
OF MINUTES
4/12/07
Regular
Meeting**

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

Acting Chairman Lawrence indicated that Agenda item III.B. will be for discussion first and asked for a motion to approve.

Director Larson moved, seconded by Director Smith.

Executive Director Dan Davidson introduced Samuel Chung, real estate consultant, and Scott MacKinnon, special Deputy Attorney General, who are part of the Kukui Gardens team. He then called on Janice Takahashi, Chief Planner, to present the For Action.

Ms. Takahashi provided a description of Kukui Gardens including an historical perspective on the affordable housing project. She summarized the major provisions of Act 288, Session Laws of Hawaii 2006, which was enacted to extend housing affordability at Kukui Gardens. Ms. Takahashi reviewed the general structure of the proposed transaction by and among KGC, Carmel Partners, and the HHFDC which entails the State acquiring approximately ten acres of the 22 acre site, referred to as "Parcel A", and the 389 units located thereon and Carmel Partners acquiring "Parcel B" and agreeing to operate and maintaining the 468 existing units at affordable rents for 55 years. If finalized, this structured transaction would result in the long term preservation of the Kukui Gardens complex as an affordable housing project in a cost effective manner.

Ms. Takahashi described the financing plan for the structured transaction which utilizes various resources including approximately \$51 million in state general obligation bond appropriations; \$45 million in tax-exempt revenue bonds; and \$32 million in federal and state low-income housing tax credits taken over ten years. House Bill 667, which was passed by the 2007 Legislature, appropriates \$25 million in general obligation bonds for fiscal year 2008 for the acquisition and financing of the State's portion of the project. As reflected in the committee report for H. B. 667, the HHFDC would seek an additional appropriation of approximately \$26 million in general obligation bonds in the 2008 legislative session to complete the transaction.

Under the structured transaction, the HHFDC would need to partner with a private nonprofit housing organization who will be the general partner of a to be formed limited partnership that would be granted a long term below-market ground lease demising Parcel A. That limited partnership would acquire all buildings and improvements on Parcel A, including the approximately 389 rental units and the rents for the existing units would be kept affordable to households earning sixty percent of less of the HUD area median income. There is also potential to develop additional units on Parcel A. Staff has reviewed a plan where approximately 340 more affordable rental and for sale units could be added to the site.

The For Action seeks the Board's approval of EAH Housing as HHFDC's partner in the structured acquisition of Parcel A and the ownership, rehabilitation, operation, management, and maintenance of the 389 affordable rental housing units, subject to entering into a mutually satisfactory Memorandum of Understanding (MOU) between HHFDC and EAH housing. Ms. Takahashi introduced Mr. Alvin Bonnett, Senior Vice President of EAH Housing and highlighted EAH's expertise and accomplishments as a nonprofit housing organization. The For Action is also seeking the Board's approval in authorizing the Executive Director to immediately enter into negotiations with EAH Housing on the MOU, with the Executive Director reporting back to the Board on the final MOU.

Discussion ensued on the ability of HHFDC to select the nonprofit without regard to the competitive procurement process notwithstanding the provisions of Act 288 and HHFDC's general powers under Chapter 201H, HRS.

Director Smith moved to go into Executive Session to consult on legal matters; Director Larson seconded.

Following the Executive Session, there was further discussion on the total cost and financing plan for the structured transaction, as well as the need for long-term preservation of the affordable rental housing stock.

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

Approval to Partner with EAH Housing for the Preservation of the Kukui Gardens Affordable Rental Housing Project, TMK: (1) 1-7-26:07

**EXECUTIVE
SESSION**

There being no further discussion, the Chair asked for a vote on the motion.

The motion was unanimously approved.

Acting Chairman Lawrence asked for a motion to approve the discussion of Agenda Item III.A.

Director Larson moved, seconded by Director Kawamura.

Janice Takahashi, Chief Planner provided background information on the Consolidated Plan, noting that it serves as a planning document and application for HOME Investment Partnership (HOME), Emergency Shelter Grant (ESG), and Housing Opportunities for Persons with AIDS (HOPWA) formula grant funds. The State of Hawaii's consolidated plan focuses on the non-entitlement counties of Hawaii, Kauai and Maui. Upon submission of the Action Plan for program year 2007-2008, HUD has 45 days to disapprove the plan; otherwise, it is deemed approved. With approval, the State would be able to receive about \$3.4 million for the 2007 program year, of which, a little over \$3 million in HOME funds would come to the HHFDC. \$228,000 in ESG funds and \$160,000 in HOPWA funds would go to the Hawaii Public Housing Authority (HPHA).

Ms. Takahashi described the public process that was undertaken to develop the action plan. She then indicated that of the approximately \$3.4 million in HOME funds, HHFDC would allocate approximately \$995,755 to each of the counties of Hawaii, Kauai and Maui to accomplish their housing objectives which are summarized in the For Action and described in the plan. The HPHA would use ESG funds to provide operational costs for emergency shelters on Hawaii, Kauai, and Maui. The HPHA would contract with the Maui AIDS Foundation to administer the HOPWA funds for the provision of assistance in Hawaii, Kauai, and Maui.

Director Smith asked about the \$4.9 million in other HOME funds that would be available for use during the 2007 program year. Ms. Takahashi explained that about \$1.8 million of remaining balances from prior years, \$1.3 million in program income and recaptured funds comprise the other HOME funds. As a large chunk of the prior year HOME balance was attributable to the County of Maui, discussion ensued on the County's ability to expend HOME funds in a timely manner. Finance staff has been working closely with Maui County and believes that Maui is now in a position to be more aggressive in utilizing their HOME funds. If HHFDC runs into problems with Maui expending the HOME funds in a timely manner, the action plan can be amended and funds can be transferred to the other counties.

There being no further discussion, the Chair asked for a vote on the motion.

The motion was unanimously approved.

Executive Director Dan Davidson stated that the legislative session is now over and HHFDC is disappointed in the amount of money received from the Senate and the House, which was basically \$15 million into the rental housing trust fund (RHTF), plus a one year 50% allocation of the conveyance tax, which will net about \$14 million. Mr. Davidson mentioned that the early round of RHTF awards in 2008 will be restricted.

In response to Acting Chairman Lawrence's inquiry on the Leiali'i Project, Mr. Davidson stated that although we do not have control over when litigation is settled, we do have control over planning the project proactively to try to figure out what we can do in the meantime in terms of rental housing infrastructure opportunities.

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

Approval of State of Hawaii Consolidated Plan, Action Plan For Program Year 2007-2008.

**IV.
REPORT
OF THE
EXECUTIVE
DIRECTOR**

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

Executive Director Davidson stated that for CIP Projects, the East-West Road in East Kapolei was funded.


In response to Acting Chairman Lawrence's inquiry on the ongoing Waiahole Project, Mr. Davidson replied that we will bring this matter back to the Board with some options based on the Attorney General's advice.

Director Smith suggested that the two new board members share a few words about themselves and their interest in being on this Board. The new board members, Richard Toledo Jr. and Allan Los Banos Jr., each gave an introduction on themselves.

There being no further discussion, Acting Chairman Lawrence asked for a motion to adjourn the meeting.

Director Smith moved, seconded by Director Kawamura.

That the meeting be adjourned at 10:45 a.m.


BETTY LOU LARSON
Secretary

V.
ADJOURNMENT