

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 14, 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, June 14, 2007, at 9:00 a.m.

Chairman Charles King called the meeting to order at 9:00 a.m.

**CALL TO  
ORDER/  
ROLL CALL**

Present: Director Charles King, Chairman  
Director David A. Lawrence, Vice Chairman  
Director Betty Lou Larson, Secretary  
Director Linda Smith  
Director Georgina Kawamura  
Director Richard Toledo  
Executive Director Orlando (Dan) Davidson

Excused: Director Theodore E. Liu  
Director Allan Los Banos

Staff Present: Sandra Ching, Deputy Attorney General  
Janice Takahashi, Chief Planner  
Mavis Masaki, Planner  
Darren Ueki, Finance Manager  
Karen Seddon, Development Branch Chief  
Stan Fujimoto, Acting Development Section Chief  
Rick Manayan, Asset Manager  
Chris Sadayasu, Development Specialist  
Ryan Morita, Property Management Coordinator  
Marsha Umamoto, Secretary to the Executive Director  
Merry Balatico, Acting Secretary to the Board

Guests: Sam Chung, Consultant for Kukui Gardens  
Alan Fujimori, Belt Collins Hawaii  
Alan Kato, Belt Collins Hawaii  
Sue Sakai, Belt Collins Hawaii  
William Yuen, Ching Yuen  
Darryl Komo, Robert Leong & Co.  
Steven Sakai, Ron Ho & Assoc.  
Marvin Awaya, Executive Director of Pacific Housing  
Assistance Corporation

Other: Lisa J. Groulx, Court Reporter

Chairman Charles King declared a quorum present.

**QUORUM**

Chairman King asked for a motion to approve the Meeting Minutes for May 10, 2007.

**II.A.  
APPROVAL  
OF MINUTES  
5/10/07  
Regular  
Meeting**

Director Lawrence moved, seconded by Director Smith.

The motion was unanimously carried.

Chairman King stated that Item D, Approval of Proposed Chapter 15-310 "Pineapple Workers and Retirees Housing Assistance Fund Program," Hawaii Administrative Rules, will be deferred as the legislative bill establishing the program has not been signed into law.

Chairman King requested a motion to approve and discuss:

Approval to authorize the Executive Director of the Hawaii Housing Finance and Development Corporation (HHFDC) to Negotiate, Approve, and Execute on Behalf of HHFDC All Necessary Instruments and Documents Relating to the Partial Acquisition and Preservation of the Kukui Gardens Affordable Rental Housing Project, TMK: (1) 1-7-26: 07 Pursuant to (a) Act 288 of the 2006 State Legislature, (b) H.B. 667, C.D. 1 of the 2007 State Legislature, and (c) the Description of the Structured Transaction to Accomplish the Same Presented to and Approved by the Board at its Regular Meeting on May 10, 2007.

Director Larson moved, seconded by Director Lawrence.

Following the motion for approval, Chairman King stated that the For Action is technical in nature and follows the advice of the State's special attorney for Kukui Gardens.

As there was no discussion, the Chair asked for a vote and the motion was unanimously approved.

Director Larson requested that a written confirmation from the Attorney General's office approving this Action be submitted with the minutes. (See Attachment A)

Chairman King agreed, Executive Director Davidson concurred.

Chairman King requested a motion to adopt Hearing Officer's Proposed Findings of Fact, Conclusions of Law, and Recommended Decision and Order in the Hawaii Housing Finance and Development Corporation Contested Case No. 06-01.

Director Smith moved, seconded by Director Lawrence.

Janice Takahashi, Chief Planner, introduced Mr. William Yuen, Esq. and Darryl Komo representing McCully Citron. She presented the facts relating to the initial denial of a request for a retroactive exemption from general excise taxes (GET) for income generated from the rental of affordable units at McCully Circle Apartments from 2000 to 2005. The Housing and Community Development Corporation of Hawaii (predecessor to HHFDC) denied the request as the feasibility of the project during that period would not have been impeded or enhanced by the granting of the GET exemption. A contested case hearing was held on November 8, 2006 with Anthony Ching presiding as the Hearing Officer. In a decision and order issued on April 5, 2007, the Hearing Officer recommended that the HHFDC vacate the disapproval of McCully Citron's request for certification of GET exemption as the denial was based on a definition of economic feasibility that was not appropriately promulgated pursuant to the Hawaii Administrative Procedures Act. Ms. Sandra Ching, Deputy Attorney General, clarified that the action pending the HHFDC Board is the adoption of the Hearing Officer's proposed Findings of Fact, Conclusions of Law and Recommended Decision and Order. Therefore, the Board need not act on the certification of the project for GET exemption as the HHFDC Executive Director is authorized to do so.

Ms. Takahashi noted that at the time of McCully Citron's request, the Hawaii Administrative Rules did not preclude retroactive applications for GET exemption. However, the rules were amended and currently preclude retroactive applications of more than three years following the close of the taxable year for which the exemption is claimed. She added that the next For Action seeks Board approval to amend the rules to include "economic

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

Approval to authorize The Executive Director Of the HHFDC to Negotiate, Approve, And Execute on Behalf of HHFDC All Necessary Instruments And Documents Relating to the Partial Acquisition and Preservation of the Kukui Gardens Affordable Rental Housing Project, TMK: 1-7-26:07 Pursuant to (a) Act 288 of the 2006 State Legislature, (b) H. B. 667, C.D. 1 of the 2007 State Legislature, And (c ) the description Of the Structured Transaction to Accomplish the Same Presented to and Approved by the Board At its Regular Meeting On May 10, 2007.

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

Adoption of Hearing Officer's Proposed Findings of Fact, Conclusions of Law, And Recommended Decision and Order in Hawaii Housing Finance and Development Corporation Contested Case No. 06-01

feasibility” as a criterion for determining eligibility for GET exemption. Currently, the legislative intent of “economic feasibility which will encourage and enable the production of as many lower cost housing units as possible” is stated only in the purpose section of the rules. Discussion ensued on the impact to the State should the project be certified for retroactive exemption. Mr. Yuen indicated that \$612,000 was not paid for the period February 2000 to February 2005; therefore, the State will not collect that amount.

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

Majority Approved, Director Larson abstained.

Chairman King requested a motion for Approval of Exemptions, Hawaii Administrative Rules, and Repeal of Chapter 17-2013, General Tax Exemptions, Hawaii Administrative Rules.

Director Smith moved and seconded by Director Lawrence.

Executive Director Dan Davidson called on Mavis Masaki, Planner, to present the For Action.

Ms. Masaki explained that the purpose of the rulemaking action was to implement the suggestions made by the Hearing Officer in Contested Case No. 06-01, as described in the previous agenda item. The amendment to section 15-306-14 of the proposed new rule clarifies that the legislative intent of the General Excise Tax (GET) exemption program, to achieve cost savings to assure economic feasibility which will encourage and enable the production of as many lower cost housing units as possible, is an eligibility criterion for certification for exemption from GET. Additional language states explicitly that the HHFDC may disapprove for certification projects that do not meet all eligibility criteria set forth in this section.

Discussion ensued on whether economic feasibility should be taken into consideration in the proposed rule. In response to Director Wathen's inquiry, Ms. Masaki explained that the usual context of a GET certification request comes at the outset of the development or substantial rehabilitation of an affordable housing project. The GET exemption is usually only one part of the financing package for a project, which may include other Federal, State, or County funds and incentives.

Director Larson asked what types of expenses were covered by GET exemptions. Ms. Masaki explained that initially, the development, construction and/or substantial rehabilitation costs could be eligible for exemption. For affordable rental projects, rental income could be exempted, subject to annual recertification by the HHFDC.

Ms. Masaki further explained that housekeeping amendments must be made to the existing General Excise Tax Exemptions administrative rules due to the repeal of chapter 201G, Hawaii Revised Statutes, the enactment of chapter 201H, Hawaii Revised Statutes, and the transfer of housing finance and development functions from the HCDCH to the HHFDC. Executive Director Dan Davidson added that the reason Department of Human Services (DHS) Director Lillian Koller's signature was required on the proposed rule was to authorize the repeal of the current GET exemption rules from the DHS Title, Title 17. In response to a question by Director Kawamura, Ms. Masaki stated that because the HHFDC is now administratively attached to DBEDT, not DHS, the new rules must be placed in the DBEDT Title of the Hawaii Administrative Rules, Title 15.

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

The motion was unanimously approved.

Chairman King stated Item D deferred to next month and on to Item E.

Chairman King requested a motion to approve staff's recommendation:

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

Approval of Proposed Chapter 15-306 “General Excise Tax Exemptions,” Hawaii Administrative Rules And Repeal of Chapter 17-2013 “General Tax Exemptions,” Hawaii Administrative Rules.

**III D. Approval of Proposed Chapter 15-310 “Pineapple Workers and Retirees Housing Assistance Fund Program,” Hawaii Administrative Rules.**

- 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, 2008.
- B. The Executive Director approving all actions and undertaking all tasks necessary to effectuate the purposes of this For Action.

Director Lawrence moved, seconded by Director Smith.

Executive Director Davidson introduced Darren Ueki, Finance Manager, to present Item III.E.

Mr. Ueki gave the Board a brief status update of the project. The staff recommends an extension to Resolution No. 082 through March 31, 2008. The extension is necessary for the developer to finalize development plans, complete financing structure, and obtain permits from the City and County of Honolulu.

Mr. Awaya, Executive Director of Pacific Housing Assistance Corporation, informed the Board of the obstacles the project has encountered necessitating the request for an extension.

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

The motion was unanimously approved.

Chairman King moved on to item III.F. Status of Master Plan and Request for Proposals (RFP) for the Keahuolu (Kona Non-Ceded Land) on Palani Road in Keahuolu, Kona, Hawaii; TMK: (3) 7-4-08: por. 056.

Project Manager Stan Fujimoto summarized the For Discussion on the status of the master plan and RFP for the Keahuolu (Kona Non-Ceded Land) project on Palani Road in Keahuolu, Kona, Hawaii. Mr. Fujimoto mentioned some of the proposed major RFP requirements and evaluation criteria, and turned it over to Belt Collins Hawaii Ltd. who summarized the status of the master plan. Belt Collins described the principles of three possible alternative density scenarios and the offsite requirements and estimated costs for each development scenario.

The following comments were discussed—

1. The RFP requirement for an elementary school will be reworded to say, "The developer shall be responsible for appropriate educational facilities based upon a current needs assessment;"
2. The developer should address traffic circulation in the wider geographic area ;
3. The selected developer should seek community input of his proposal after selection;
4. The market value of the land fully entitled with all the off-sites in place should be identified;
5. The developer should be able to have the rental projects owned and managed by another responsible and qualified entity;
6. The draft RFP will be shared with the Board for information and comment;
7. The RFP informational meeting should include Belt Collins, DHHL and QLT;
8. The submittal date for proposals should be 4 months from the initial date of publication of the RFP;
9. Staff will look at separate evaluation criteria for maximum affordable units and maximum family rental units;
10. Proposed selection committee members will be discussed at the July Board meeting; and
11. The project deadline of 10 years from Board approval should apply to completion of the affordable units—the developer should be able to defer the market projects at his discretion.

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

Approve an Extension To Resolution No. 82 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 TMK: 1-5-07 (various Parcels).

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

Status of Master Plan And Request for Proposals (RFP) for the Keahuolu (Kona Non-Ceded Land) on Palani Road in Keahuolu, Kona, Hawaii; TMK: 7-4-08: por. 056\*

Director Larson motioned for a short recess.  
(Recess taken at 12:23 p.m.)

RECESS

At 12:28 p.m., Chairman King reconvened the Regular Meeting of the Board.

RECONVENED

Executive Director Davidson stated he was available for questions on the report.

IV.  
REPORT  
OF THE  
EXECUTIVE  
DIRECTOR

In response to Chairman King's inquiry regarding Representative Shimabukuro's request for support for non-profit agencies working for the homeless, Executive Director Davidson explained that a letter was sent to her explaining that anyone who would like to apply to our various funding sources may do so, and to contact the appropriate personnel. Director Smith added that homeless monies are not in this agency's budget.

Executive Director Davidson stated that the Board needs at some point to determine some priorities between long-term clear cut rental housing versus gray area projects and that the staff in their review, were focusing on long-term permanent rentals as a priority for income groups 30,50, and 60% of median income.

In response to Director Lawrence's question regarding follow-up to the HCDCH audit report, Finance Manager Darren Ueki replied that per the auditor, the biggest challenge HHFDC faced was finding a Fiscal Manager, which is currently being worked on. However, equally important was the ownership which the HHFDC senior management has taken on to address the problems. Once a Fiscal Manager has been hired, he will work on selecting the accounting software. We now have an IT person who has already started the process of looking into what type of software is available.

In response to Director Larson's inquiry regarding any other area to focus on due to the HCDCH split, Executive Director Davidson replied that he has great people on his team. He added that the production plan is constantly updated since so much of our energy is focused on production.

In response to Director Larson's question regarding HHFDC's focus and production, Executive Director Davidson responded that the Development Branch has a full plate moving forward, including working with the neighbor islands. The biggest constraint is financial due to the resources we did not get from the legislature, especially for the rental housing trust fund.

Director Smith requested a status and update of all the buildings that are being managed by our Asset Management Group. Executive Director Davidson replied next month.

V.  
EXECUTIVE  
SESSION

Chairman King requested a motion to go into Executive Session.

Director Lawrence moved, and seconded by Director Smith.  
(Executive Session 12:50 p.m. to 12:53 p.m.)

Chairman King called the Regular Board Meeting into session at 12:53 p.m. He further stated that the Board approved the minutes of the Executive Sessions of March 8 and April 12.

There being no further Discussions, Chairman King requested a motion to adjourn the meeting.

VI.  
ADJOURNMENT

Director Smith moved, seconded by Director Lawrence

The Meeting was adjourned at 12:55 p.m.

  
BETTY LOU LARSON  
Secretary