

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, JULY 12, 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, July 12, 2007, at 9:00 a.m.

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

**I.
CALL TO
ORDER/
ROLL CALL**

Present: Director Charles King, Chairman
Director David A. Lawrence, Vice Chairman
Director Linda Smith
Director Theodore E. Liu
Director Georgina Kawamura
Director Allan Los Banos
Director Richard Toledo
Director Charles P. Wathen
Executive Director Orlando (Dan) Davidson

Excused: Director Betty Lou Larson, Secretary

Staff Present: Sandra Ching, Deputy Attorney General
Scott Kami, Administrator Dept. of Budget & Finance
Janice Takahashi, Chief Planner
Darren Ueki, Finance Manager
Rick Manayan, Asset Manager
Karen Seddon, Development Branch Chief
Marlene Lemke, Real Estate Services Section Chief
Mavis Masaki, Planner
Stan Fujimoto, Project Manager
Chris Sadayasu, Project Manager
Leo Domingo, Project Manager
Ryan Morita, Project Coordinator
Beth Hallinan, Project Coordinator
Marsha Umamoto, Secretary to the Executive Director
Merry Balatico, Acting Secretary to the Board

Guests: Ryan Nakata, Castle & Cooke Homes HI
Andrew Furuta, CCHHI
Kent Miyasaki

Other: Kanoë Cockett, Court Reporter

Chairman Charles King declared a quorum present.

QUORUM

Chairman Charles King asked for a motion to approve the Meeting Minutes for June 14, 2007.

**II.
APPROVAL
OF MINUTES
6/14/07
Regular
Meeting**

Director Smith moved, seconded by Director Lawrence.

The motion was unanimously carried.

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

Chairman King requested a motion to approve the discussion of Item III. A.

Director Wathen motioned, seconded by Director Smith.

Executive Director Dan Davidson introduced Ryan Morita, Project Coordinator, and asked him to present item III.A. Mr. Morita stated that his For Action involved CCHHI's request to obtain title to Wall Lot 8052 located in the Village 6 development in the Villages of Kapolei. Mr. Morita also reported that:

1. CCHHI's proposal will enhance the livability of the Village 6 development by: adding another entrance, increasing the green space, and increasing the parking area.
2. The Village 6 development will incorporate 174 rental units, 112 for sale units and will encompass a land area of approximately 9.8 acres.
3. CCHHI was approved as the developer for this project by the HCDCH Board on June 16, 2005.
4. The Wall Lot totals .361 acres and that CCHHI intends to subdivide the lot and take only Portion 2 as detailed in Exhibit C in the For Action.

Mr. Morita introduced Andrew Furuta and Ryan Nakata from CCHHI and opened the floor to questions.

Director Smith got further clarification as to where The Wall Lot was situated.

After discussion, Chairman King asked for a motion to approve.

The motion unanimously carried.

Regular meeting advanced to Strategic Planning at 9:18 a.m.

Chair King referred to the minutes of the HHFDC annual meeting held on July 3, 2006 noting that senior HHFDC staff reported on the goals, objectives and commitments that they set for the new agency under a facilitated planning process guided by Director Liu. Now that we have approached HHFDC's one year anniversary, Chair King indicated that it was a good time to reflect on what HHFDC has accomplished since then, and what more lies ahead. In the end, HHFDC will have a better picture of where housing stands as a whole and how and where the agency can assist. Chair King then called on Janice Takahashi, Chief Planner, to facilitate the planning discussion.

Ms. Takahashi reviewed the legislative intent for splitting the former Housing and Community Development Corporation into two agencies – the Hawaii Public Housing Authority (HPHA) and the HHFDC. Referencing Act 196 of 2005, Ms. Takahashi stated that the HPHA is to “perform the function of developing and maintaining public housing” and the HHFDC is to “perform the function of housing financing and development”. The working mission of HHFDC is “to increase the supply of workforce and affordable housing by providing tools and resources to facilitate housing development.”

Ms. Takahashi provided an overview of the housing logic model that was developed as part of DBEDT's overall performance measure initiative and then went into more detail on the outcomes and strategies to increase the supply of workforce and affordable housing. The HHFDC performance measures are achievable with adequate resources. The production targets of over 6,000 new or preserved affordable housing units over the next five years are based on existing financing resources and assume that the Legislature will support measures to continue funding the Rental Housing Trust Fund with at least 50 percent of the conveyance tax revenues. They include projects that have been approved by the HHFDC board but are not yet completed. Director Kawamura noted that performance measures are valuable tools of program effectiveness, and can be used to support requests for

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

Approval to Transfer Title to Castle & Cool Homes Hawaii, Inc. (“CCHHI”) a section The Wall lot (L.C. Ap 1069, Lot 8052 Along Kama’aha Ave. locate in the Villages of Kapolei, Kapolei, Ew. Oahu, Hawaii.

**V.
STRATEGIC
PLANNING**

additional program resources. Director Kawamura requested periodic updates of progress towards achieving the production targets.

Existing resources include state land. As the ceded land issue will continue to be a major barrier to the use of state land for affordable housing development, Director Smith asked for a briefing on the ceded land lawsuit. Private lands also represent a resource in that HHFDC can work with private developers to assist them in meeting the affordable housing conditions imposed by the counties. Discussion ensued on the impact of county exactions on the provision of affordable housing, as well as regulatory reform at the state and county levels. There have been numerous attempts to streamline the government land use and permitting processes. Director Smith indicated that the Administration has identified a three-pronged approach that would address the housing problem: (1) identify important agricultural lands; (2) eliminate the redundant role of the State Land Use Commission; and (3) coordinate and streamline state and county approvals. The Governor could convene a meeting with the Mayors of each county to address the third point, with HHFDC taking the lead.

As a subset of regulatory reform, Director Wathen suggested forming a committee to review HHFDC administrative rules and procedures. The committee should include private experts such as bond counsel. Directors Wathen and Lawrence volunteered to serve on the committee.

Discussion then ensued on HHFDC's housing priorities. HHFDC has focused on the provision of permanent rental and for-sale housing. Is there a need to revise or further refine these priorities? Director Smith stated that there is a housing continuum ranging from the unsheltered homeless to homeownership. The HPHA takes care of the lower range; that is the unsheltered homeless, transitional shelters and permanent rental housing, more specifically, public housing. HHFDC should continue to focus on permanent rental housing (such as tax credit rentals) through homeownership. HHFDC must provide developers with flexibility with respect to housing types (e.g., for sale, family rentals or elderly rentals) and affordability. HHFDC should leave it up to the developers to propose the mix of units and levels of affordability.

With respect to affordability, Chapter 201H and Hawaii Administrative Rules define "affordable housing" in the context of specific programs. Most rental projects financed by HHFDC are affordable to those earning from 30 percent to 60 percent of the HUD median income. For sale projects are targeted for those at 140 percent of the median income and below. There was general agreement that these levels of affordability should remain in place. With respect to "workforce housing," there was general agreement that such housing would assist those earning up to 180 percent of the HUD median income.

Director Wathen felt there was a pressing need to preserve existing HUD, city and state-assisted rental housing and future rental housing. For new rental housing assisted by the HHFDC, there were philosophical differences on the advisability of mandating affordability in perpetuity. Nonprofit developers had earlier indicated that such a requirement would hinder rental production. HHFDC could explore incentives to preserve rental housing over the long-term including lowering operating costs through general excise tax and ad valorem tax exemptions. HHFDC has resources to help preserve affordable housing. A clearly defined strategy for preserving new and existing affordable rental housing should be developed and communicated.

Chair King thanked the board and staff for participating in the planning session and expressed optimism for a focused and productive year.

Chairman King reconvened the regular meeting at 11:14 a.m. noting that Director Liu had been excused.

Reconvened
11:14 a.m.

Chairman King requested a motion to approve the discussion of Item III. B.

Director Lawrence moved, seconded by Director Wathen.

Executive Director Davidson introduced Rick Manayan to present Item III.B.

Rick Manayan, Asset Manager, requested an approval to spend up to \$175,000 from our DURF, Dwelling Unit Revolving Fund, for emergency treatment and repairs at one of our Big Island properties, Kama'aina Hale.

Mr. Manayan reported that Kama'aina Hale is currently going through renovation work by Hawaii Affordable Properties, Inc. in which 25 of the 60 units were ready for inspection to rent out. Upon inspection, staff discovered active, live termite infestation resulting in damages to existing floors and most of the newly installed cabinets. The renovated units cannot be phased-back into the rental pool because the infested kitchen cabinets pose a health problem and the infested floors pose a safety problem.

Mr. Manayan further stated upon completion of this emergency termite treatment and repairs, HHFDC's agent will be able to put 25 renovated units on the market immediately for rent.

Our recommendation to the Board is to approve this request to expend funds from DURF for the emergency treatment to eradicate ground termites, tent treat the entire project, and to repair/replace flooring and kitchen cabinets as needed in the amount up to \$175,000.

Subject to:

- A. Approval from the Governor to release the funds
- B. Approval from the State Procurement Office for Emergency Procurement

Mr. Rick Manayan then opened the floor to questions.

Director Toledo inquired whether there were reserved funds to capture these costs followed by future RFPs for maintenance. Mr. Rick Manayan explained there are some reserved funds set aside for the pool of DURF buildings to capture some of the cost and as for follow up maintenance he stated he would have to get a professional assessment as to what the follow up treatment should be prior to obtaining RFPs.

Director Smith inquired about relocation of tenants during the termite treatment in which Mr. Manayan replied the residents would pick up the cost for being displaced for a day.

Director Wathen inquired if there were any reports or history of termite inspections or maintenance done in the past. Mr. Rick Manayan then replied the report submitted for this one property had been blank. Discussion ensued regarding the performance of the property managers. However, Director Lawrence did commend Mr. Rick Manayan for taking immediate action to prevent further liability.

There being no further questions asked, Chairman King asked for a vote and the motion was unanimously carried.

Chairman King requested a motion to approve the discussion of Item III. C.

Director Lawrence moved, seconded by Director Smith.

Executive Director Davidson introduced Mavis Masaki to present Item III.C.

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

Approval to spend up
To \$175,000 from the
Dwelling Unit
Revolving Fund for
Emergency Termite
Treatment and Repair
at Kamaaina Hale, 78
5837 Kuakini Highwa
Kailua-Kona, Hawaii.
TMK (3) 7-5-009:57

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

Approval of Proposec
Chapter 15-310

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

Ms. Masaki explained that Act 203, Session Laws of Hawaii 2007, approved on June 21, 2007, established a Pineapple Workers and Retirees Housing Assistance Fund within the HHFDC. The purpose of the Fund is to provide housing assistance grants to workers or retirees displaced or affected by the closure of Del Monte Fresh Produce, who are in danger of losing their homes. Estimates are that there are approximately 700 affected persons that could be eligible for assistance.

“Pineapple Workers and Retirees Housing Assistance Fund Program,” Hawaii Administrative Rules.

Ms. Masaki further explained that the intent of the proposed rules was to provide short-term assistance to stabilize affected persons in housing while transitioning to other employment. Therefore, grant assistance will be limited to a maximum of one 6 month period. Furthermore, there will be a limit of grant assistance, such that households with more than one affected person are limited to one grant per household.

The amount of the grant payment would be determined by taking 70 percent of the eligible mortgage payment or rent payment, as applicable, up to a monthly maximum of \$1,000. Therefore, the maximum possible grant per household would be \$6,000.

Ms. Masaki then asked that the Board also consider an amendment to the proposed rule. The proposed amendment amends section 15-310-2 by adding a new definition to read as follows: ""In danger of losing their homes" means delinquent on eligible mortgage payments or rent payments."

Discussion ensued on the proposed rule. It was noted that even though Del Monte Fresh Produce's closure was announced in February 2006, employees were not laid off until recently, and for those living in plantation housing, their rents were still being subsidized by Del Monte Fresh Produce until this month. Director Lawrence asked whether because eligibility is predicated upon eligible participants would receive back payments. Ms. Masaki clarified that under the proposed rules, both eligible mortgage payments and rent payments would be paid directly to the mortgage company or landlord, respectively, and while it was possible that mortgagors or landlords could apply the grant funds to delinquent balances rather than current mortgage or rent charges, in no event could the agency exceed paying the value of 70 percent of the eligible participant's monthly payment, up to a maximum of \$1,000 per month for a 6 month period.

As there were no further questions, Chairman King asked for a vote and the motion was unanimously approved.

Chairman King indicated Item III. D. is for discussion only.

Executive Director Dan Davidson introduced Chris Sadayasu, Project Manager to present Item III.D.

Mr. Sadayasu stated that the Development Section staff would like to familiarize the Board with several vacant and underutilized parcels on Oahu owned by the DLNR that it believes are suitable for affordable housing developments. The DLNR and HHFDC staffs have been working together to identify vacant and underutilized state-owned parcels throughout the State that may be suitable for affordable housing. Staff conducted site visits with the DLNR land agents on each island and did additional research on the parcels it thought were most ready for development. Ryan Morita and Beth Hallinan, Project Coordinators, then walked the Board through a power-point presentation describing the following parcels:

Location: Wahiawa, Oahu, Hawaii
Tax Map Key Nos.: (1) 7-3-12:15 and (1) 7-3-13:09
Zoning: R-5 (Residential)
Land Area: Approximately 2.588 acres
Owner: DLNR, Ceded Lands

Location: Aiea, Oahu, Hawaii
Tax Map Key Nos.: (1) 9-9-44:20 and 24
Zoning: R-5 (Residential)

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

Status of Request for Proposals (RFP) for the Department of Land and Natural Resource (DLNR) Parcels available for Affordable Housing Development

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

Land Area: 11,460 s.f. and 6,840 s.f., respectively
Owner: DLNR, Ceded Lands

Location: Off Lanakila Avenue, Honolulu, Oahu, Hawaii
Tax Map Key Nos.: (1) 1-7-41:02
Zoning: R-3.5 (Residential)
Land Area: 12,558 s.f.
Owner: DLNR, Ceded Lands

Location: Punchbowl, Honolulu, Oahu, Hawaii
Tax Map Key Nos.: (1) 2-2-13: 04, 14, 96 and 101
Zoning: R-5 (Residential)
Land Area: 11,177 s.f., 9,675 s.f., 8,325 s.f., and 8,800 s.f., respectively
Owner: DLNR, Ceded Lands

Mr. Sadayasu continued that before HHFDC can issue the RFPs, it must submit a request to the Board of Land and Natural Resources (BLNR) to set-aside these parcels to the HHFDC for affordable housing purposes. Subject to that approval, HHFDC plans to issue the RFPs in August.

Director Smith suggested that the HHFDC request to the BLNR not limit the set-aside for the specific "affordable housing purposes" but rather have the set-aside for general "housing purposes." This change would allow HHFDC to approve a development that integrated both market and affordable housing.

Director Lawrence then asked about the ceded-land designation and whether HHFDC would be required to pay the Office of Hawaiian Affairs (OHA) 20% of the lease rent proceeds if HHFDC approved a market housing development. Staff responded that while affordable housing is a permitted use of ceded-lands, a market housing development may be subject to the 20% OHA payment. The RFP will reflect this understanding.

The Board is looking forward to presentations of possible developments on state-owned vacant or underutilized parcels in the near future.

Director Wathen recommended doing math models in calculating net worth in future discussions.

Recess 12:01 p.m. to 12:06 p.m.

Chairman King reconvened the regular Meeting of the Board with the Executive Director's Report.

The following were responses to inquiries raised by board members:

- Meeting with OHA: Executive Director Davidson explained that discussions are being held due to OHA's eagerness to work with HHFDC, DHHL, or the private sector on housing. Executive Director Davidson and Development Branch Chief Karen Seddon will be meeting with an OHA committee to present an overview of HHFDC's programs, resources, and land so that OHA can determine the feasibility of working together.
- Kahikolu Ohana Hale O Waianae: Acting Development Section Chief Stan Fujimoto responded that arrangements for a material house bond is being finalized. Development Branch Chief Karen Seddon added that HHFDC is overseeing this project and providing any assistance necessary.
- Plantation Town Apartments: Finance Manager Darren Ueki explained that due to the timing of this project, their lender would not be ready to deliver mortgages for unit purchases for another 12 months or so. This would be too long of a delay

RECESS

IV.
REPORT
OF THE
EXECUTIVE
DIRECTOR

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

to have the monies sitting idle. Therefore, they were reminded that purchasers do have the ability to go to a qualified or participating Hula Mae lender for their mortgage loans.

- Plantation Town Apartments: Acting Development Section Chief Stan Fujimoto responded that if units remained unsold, HHFDC would still own the affordable units, unless other future discussions and agreements are made.
- Mokuola Vista: Acting Development Section Chief Stan Fujimoto stated that the documents for the Dwelling Unit Revolving Fund (DURF) are being finalized. The site has been cleared for a sales office, and the developer is anxious to close the loan to proceed with construction.
- Halekauwila Place: HHFDC is reviewing a rule change requirement with the mainland bond counsel and the Attorney General for issuance of bond since developer Stanford Carr is looking at using the 501(c)(3) bond which HHFDC has never issued before. Director Smith suggested that perhaps someone could educate the Board on 501(c)(3) bonds in a future meeting.
- Villages of Leialii: Development Branch Chief Karen Seddon explained that a planning consultant firm may be hired to perform a master study plan for coordination with the County of Maui, public works, and water. Other interested groups such as DHHL and OHA are interested in working together on this project, so while the legal issues are being settled, HHFDC is seeking to get a head start at getting a beginning look at the project to see what will be needed to proceed.
- Puukolii Village: Kaanapali Development Corp. to submit a proposal shortly. Act 15 training will be conducted in the September Board meeting.
- East Kapolei Village: Two proposals have been received, however, there have been some significant changes to the subdivision map. Once the revisions are received, along with some other information from DHHL, it will be forwarded to the two proposers for their best and final offer. The selection committee will then convene to discuss the selection.

Strategic Planning session conducted earlier.

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

Director Wathen moved, seconded by Director Lawrence.

That the meeting be adjourned at 12:43 p.m.

The motion was unanimously carried.



BETTY LOU LARSON
Secretary

V.
STRATEGIC
PLANNING

VI.
ADJOURNMENT