

**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, NOVEMBER 08, 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, November 08, 2007, at 9:01 a.m.

Chairman Charles King called the meeting to order at 9:01 a.m.

**CALL TO  
ORDER/  
ROLL CALL**

- Present: Director Charles King, Chairman  
Director David A. Lawrence, Vice Chairman  
Director Georgina Kawamura  
Director Theodore E. Liu  
Director Linda Smith  
Director Charles Wathen  
Director Richard Toledo  
Director Allan Los Banos  
Executive Director Orlando (Dan) Davidson
- Excused: Director Betty Lou Larson, Secretary
- Staff Present: Sandra Ching, Deputy Attorney General  
Diane Taira, Deputy Attorney General  
Scott Kami, Administrator Department of Budget & Finance  
Janice Takahashi, Chief Planner  
Darren Ueki, Finance Manager  
Karen Seddon, Development Branch Chief  
Rick Manayan, Asset Manager  
Marlene Lemke, Real Estate Section  
Dean Sakata, Finance Specialist  
Lisa Wond, Housing Sales Coordinator  
Patrick Inouye, Finance Specialist  
Chris Sadayasu, Project Manager  
Elaine Goma, Housing Sales Coordinator  
Lorna Kometani, Housing Sales Coordinator  
Marsha Umamoto, Secretary to the Executive Director  
Esa Pablo, Secretary to the Board
- Guests: D. Scott MacKinnon, Special Deputy Attorney General  
Gary Furuta, Coalition for Specialized Housing  
Kevin Carney, EAH Housing Inc.  
Matt Steinle, EAH Housing Inc.  
Chan U. Lee, Devine & Gong, Inc.  
Jesse Wu, Stanford Carr Development  
Rosemary Fazio, Ashford & Wriston  
Allan Dowsett, Kalama Land Co., Ltd.  
Ron Amemiya, Private Attorney At Law  
Donald Bremner, Resident of Dune Circle  
Carole Lan, Central Pacific Bank  
Don Tarleton, Hawaii Housing Finance  
David Nakamura, Mutual Housing Association of Hawaii, Inc.  
Joni Tayoma, Mutual Housing Association of Hawaii, Inc.  
Pam Witty-Oakland, St. Francis  
David Bills, Bills Engineering Inc.

Chairman King welcomed and thanked everyone for coming to the November 08, 2007 Board Meeting, declaring a quorum present.

**QUORUM**

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Chairman King entertained a motion to approve the Meeting Minutes of October 11, 2007.

**II.A.**  
**APPROVAL**  
**OF MINUTES**  
10/11/07  
Regular  
Meeting

Director Lawrence declared a rectification to the Meeting Minutes, page 106, fourth paragraph, to read as follows:

“In response to Acting Chairman Lawrence’s inquiry regarding the proposed [~~purposed~~] successors of the Task Force, Director Smith stated that the members consisted of County and State representatives in hopes of tackling both governmental levels which in many respects, significantly overlap each other, as well as Federal.”

The motion was moved by Director Lawrence, seconded by Director Liu, as amended.

Chairman King called a motion to move into Executive Session, to take up Agenda Item III.B. Approval to Advance Additional Funds from the Dwelling Unit Revolving Fund to Facilitate the Acquisition of Parcel A of Kukui Gardens, TMK No. (1) 1-7-26:07, to go before Item III.A.

**EXECUTIVE**  
**SESSION**  
9:10 a.m.

The Board of Directors of the Hawaii Housing Finance and Development Corporation anticipates convening in executive session pursuant to Section 92-5(a)(3), Hawaii Revised Statutes, to discuss the negotiations of the acquisition of the Kukui Gardens.

Director Smith moved, seconded by Director Wathen to amend the Agenda, set forth by Chairman King.

Subsequent to discussion on the amendment to the Agenda, Deputy Attorney General, Sandra Ching, suggested that the motion be withdrawn, keeping the agenda items as is and proceed into Executive Session. Ms. Ching stated that it is permissible under the same concept of negotiations, in regards to consulting with the attorney general.

Director Smith withdrew the motion, as Chairman King restated the motion, to take up Agenda Items III.A. and III.B., in Executive Session.

Director Liu moved, seconded by Director Lawrence.

**RECONVENED**  
9:34 a.m.

Chairman King reconvened the meeting at 9:34 a.m.

Chairman King called for a motion to approve Agenda Item III.A.

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

Director Smith moved, seconded by Director Liu.

Executive Director Dan Davidson introduced Mr. Darren Ueki, Finance Manager, to present Agenda Item III.A.

Adopt Resolution  
No. 006  
Authorizing, Among  
Other Things, the  
Issuance of Hula  
Mae Multi-Family  
Tax-Exempt  
Revenue Bonds,  
and Request  
Reservation of  
Low-Income  
Housing Tax  
Credits for the  
Kukui Gardens  
Apartment Project,  
TMK No. (1)  
1-7-26:07

Mr. Ueki gave a brief presentation of the For Action, stating that the EAH Housing Inc. (Applicant) submitted a consolidated application for financing, requesting the following: (1) Private Activity Bond Cap of \$45,000,000 from the Hula Mae Multi-Family (HMMF) Tax-Exempt Revenue Bond Program; and (2) Low Income Housing Tax Credits (LIHTC) reservation of up to \$2,088,212 in annual Federal LIHTC and \$1,044,106 in annual State LIHTC.

On August 9, 2007, the Board adopted Resolution No. 003, providing for official intent with respect to the issuance of HMMF bonds for the Kukui Gardens project (Project).

Mr. Ueki indicated that the Applicant proposed to preserve and extend the affordability of the Project with financing from the LIHTC and HMMF programs. The Developer proposes to preserve 389 out of 857 total units located on Parcel A, with the remaining units owned and managed by Carmel

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Partners. Overall, Parcel A site is to be owned by HHFDC and leased to the Partnership for a term of up to 75 years, in which the buildings on Parcel A are to be owned by Kukui EAH/DGI Associates, L.P. Furthermore, the general partners of the Partnership at closing will be EAH Kukui Gardens, Inc. and ITGR, LLC. Upon the completion of construction and issuance of the forms by HHFDC, permanently allocating the federal and State LIHTC, ITGR, LLC will withdraw as a general partner of the Partnership.

Referring to the proposed financing chart, Mr. Ueki noted the appropriation of \$25.0 million from the Dwelling Unit Revolving Fund (DURF), which will be used as a bridge piece until bonds are floated in the calendar year 2008; while the HHFDC Promissory Notes will be used for tax purposes by the Applicant.

The tentative Project schedule is as follows: (1) Bond Closing and Funding Date: December 13, 2007; (2) Commencement of Rehabilitation: August 2008; (3) Substantial Completion: July 2010; and (4) Conversion to Permanent Financing: October 2010.

HHFDC's role in this transaction will be as a financial conduit through which tax exempt bonds will be issued on behalf of the Partnership. Furthermore, the HMMF tax exempt bonds are subject to the approval of the Board, as well as the Governor.

Mr. Ueki stated that Resolution No. 006 will satisfy the requirements to effectuate the Multi-Family bond sale, in which staff has provided for the Board's review.

Staff respectfully recommends that the HHFDC Board:

- A. Adopt Resolution No. 006 effectuating the sale of the bonds of up to \$45,000,000 for the Kukui Gardens Project, and authorize the execution of all required documentation for the bond sale subject to the provisions recommended in Exhibit G;
- B. Reserve up to \$2,088,212 annual Federal LIHTC and \$1,044,106 in annual State LIHTC for the Kukui Gardens project from the non-competitive pool subject to the provisions recommended in Exhibit G;
- C. Authorize the Executive Director to undertake all tasks necessary to undertake the intent and purpose of this For Action.

Mr. Ueki introduced Mr. Kevin Carney and Mr. Matt Steinle, of EAH Housing Inc., and Ms. Chan U. Lee, of Devine & Gong, for questioning, along with staff.

Discussion ensued on the Activity Bond Cap reflected in the HHFDC Program (Major Programs Report) handout. In response to Director Smith's inquiry on the matter, Mr. Ueki stated that within the projects, there is approximately \$127,000,000, of which \$220,000,000 is allocated to the HMMF, expiring on December 2010.

Director Wathen requested that the sources and uses of funds and the scheduling of those funds, be presented to the Board.

In response to Director Wathen, Mr. Carney and Mr. Steinle explained that the management fees are in the operating budget, approximately at \$46.50 per unit/month, following the U.S. Department of Housing and Urban Development (HUD) standards.

In response to Director Smith's inquiry to the relevance of the questions relating to the fee structure, Director Wathen indicated that the fee structure

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and charge backs are a very lucrative part of the business, taking a lot of the cash flow out of the properties. In addition, he indicated that the Board has had concerns on the fees regarding Kukui Gardens property and requested that staff consider doing a comparable analysis.

With no further discussion, the motion was approved, with Director Wathen abstaining.

Chairman King called for a motion to approve Agenda Item III.B.

Director Lawrence moved, seconded by Director Smith to approve III.B. Approval to Advance Additional Funds from the Dwelling Unit Revolving Fund to Facilitate the Acquisition of Parcel A of Kukui Gardens, TMK No. (1) 1-7-26:07.

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

Approval to Advance Additional Funds from the Dwelling Unit Revolving Fund to Facilitate the Acquisition of Parcel A of Kukui Gardens, TMK No. (1) 1-7-26:07

Executive Director Davidson introduced Janice Takahashi, Planning Chief, who with the assistance of Mr. Darren Ueki, would present the For Action III.B. and III.C.

Ms. Takahashi summarized the For Action, stating that on September 13, 2007, the Board approved an advancement of \$3,000,000 from the Dwelling Unit Revolving Fund (DURF) to make a deposit towards the acquisition of Parcel A, on execution of the Purchase Agreement. Ms. Takahashi indicated that staff will have seven calendar days in which to make the deposit. Due to the timing of issuance of the General Obligation (GO) bonds, funds would not be available by the December 18<sup>th</sup> closing date. Therefore, staff is seeking the Board's approval of the following:

1. Approve an advance of \$22.0 million from the DURF (for a total of \$25 million including the HHFDC Deposit of \$3 million approved on September 13, 2007) for the acquisition of Parcel A of Kukui Gardens under the Purchase Agreement, subject to the Governor's approval to release the DURF funds; and
2. Authorize the Executive Director, or his designee, to undertake all tasks necessary to effectuate the intent and purpose of this For Action.

In response to Director Smith's inquiry regarding the sufficiency of DURF funds for Kukui, Ms. Takahashi confirmed that the use of DURF is temporary. The funds would be repaid upon issuance of the GO bonds.

In response to Director Smith's follow-up question regarding any anticipated difficulties in terms of the GO bonds, Director Kawamura stated that the Department of Budget and Finance issues GO bonds on an annual basis, and it is planning to go out with a bond issue in the first quarter of 2008.

There being no further inquires, the motion was unanimously approved.

Chairman King asked for a motion to approve Agenda Item III.C.

Director Liu moved, seconded by Director Smith to approve III.C. Authorization to (1) Ground Lease the Land and Convey and Transfer the Fee Title Ownership of the Improvements Located on Parcel A of Kukui Gardens, TMK No. (1) 1-7-26:07 and (2) Finance Project Costs.

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

Authorization to (1) Ground Lease the Land and Convey and Transfer the Fee Title Ownership of the Improvements Located on Parcel A of Kukui Gardens,

Ms. Takahashi gave a brief background on the For Action, stating that under the structured transaction, HHFDC will acquire Parcel A from Kukui Gardens Corporation (KGC). The HHFDC will enter into a Ground Lease of Parcel A to Kukui EAH/DGI Associates, L.P., a Hawaii limited partnership (the Partnership), and convey fee title to the Improvements to the Partnership, at closing. While the Ground Lease is under negotiation, the general terms are as follows:

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TMK No. (1)  
1-7-26:07 and (2)  
Finance Project Costs

1. Lease term: Up to 75 years;
2. Lease rent: the rent for the entire term will be paid on the effective date of the lease by Lessee's execution and delivery to HHFDC of a Promissory Note in the principal amount of approximately \$25 million;
3. Lessee shall be responsible for payment of all applicable real property taxes, assessments, water and sewer rates and charges, and other governmental charges;
4. Lessee shall keep the improvements insured against loss or damage by fire, and such other risks in an amount not less than 100 percent of the then full insurable value of the improvements; and claims for personal injury or property damage, under a policy of general public liability insurance. HHFDC shall be named as an additional insured thereunder and minimum limits shall be determined by HHFDC;
5. Lessee shall also provide full indemnification of HHFDC;
6. Subject to City zoning requirements, a potential may exist to develop additional housing units on Parcel A. Notwithstanding this potential for additional development Lessee may undertake such development only with the prior approval of HHFDC and shall be subject to plan and design approval, and such approvals may be conditioned on such matters as HHFDC deems necessary and appropriate including the payment of additional rent or other compensation; and
7. At the end of the term of the Ground Lease, HHFDC shall have the right an option to require the Improvements from Lessee for a nominal payment.

Ms. Takahashi indicated that there will be three Promissory Notes in the following amounts of:

1. Approximately \$25,000,000, with a loan term of 55 years;
2. Approximately \$1,789,200, with a loan term of 55 years; and
3. Approximately \$5,541,895, with a loan term of 55 years.

The recommendation to the Board is as follows:

- A. Authorize the Executive Director, or his designee, to negotiate the terms and conditions for the following:
  1. Ground Lease for Parcel A of Kukui Gardens to Kukui EAH/DGI Associates, L.P., a Hawaii limited partnership (the Partnership); and
  2. The conveyance and transfer of the fee title to the Improvements located on Parcel A of Kukui Gardens to the Partnership, subject to a right and option to repurchase the Improvements at the end of the term of the Ground Lease for a nominal payment.
- B. Authorize and approve the execution of the aforementioned Ground lease, Quitclaim Deed, and any necessary related documents with the Partnership; and

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- C. Authorize the Executive Director, or his designee, to undertake all tasks necessary to effectuate the intent and purposes of this For Action.

In response to Director Smith’s inquiry in regards to the 85% and 90% residual cash flow, Mr. Ueki stated that HHFDC will need to address these as loans. With the loan structure in place, not only will the State be able to put the money back, but it will also benefit the Partnership, allowing them to receive more tax credit equity.

In response to Director Smith’s follow-up inquiry on the sale of the credits, Mr. Steinle of EAH, Inc., indicated that it is about 1.05% for federal credits, about \$0.48 with respect to State credits.

Director Liu commended the Board and staff for all their hard work on the Kukui Gardens project. He stated that this is a moment in which the Board can be very proud of, in the preservation of affordable housing.

With no further discussion, the motion was passed, with Director Wathen abstaining.

Chairman King called for a motion to approve Item III.D.

Director Smith moved, seconded by Director Lawrence to approve Item III.D. Adopt the Approved and Rejected Project List Rental Housing Trust Fund Program Project Awards Fy-07-2 Funding Round.

Executive Director Davidson called upon Mr. Ueki to present the For Action.

Mr. Ueki gave a brief summary on the For Action, stating that the second funding round for the Project Awards Program, under the Rental Housing Trust Fund (RHTF) for Fiscal Year 2007, closed on June 29, 2007.

HHFDC received two applications in the funding round totaling \$13,025,000.

Mr. Ueki indicated that as of October 11, 2007, the RHTF had approximately \$10.9 million in uncommitted funds, which includes the additional \$15 million appropriated by the 2007 Legislature. Currently, the RHTF does not have enough funds to fund both projects; however, with monthly proceeds from the conveyance tax, there will be sufficient funding by the time recommendations are made.

Individual project reviews were coordinated among HHFDC’s Finance Branch, Development Section, and Asset Management Section, in the evaluation of the development and operational feasibility of each project. Based on the information provided in the application, all applications scored in excess of the 125 minimum points (out of 250 total points) based on the Criteria Point System. Approval of the Approved Project List does not obligate or guarantee that the applicant will receive funding.

Mr. Ueki stated that the recommendation for the RHTF Project Awards will be made in a separate For Action, at a future meeting.

The recommendation to the Board is as follows:

- A. Approve the Approved Project List for the FY07-02 funding round for Project Awards, subject to the following Provisions and conditions:
  - 1. The approval of the Approved Project List does not obligate nor guarantee that any and all applicants on the approved Project List will receive funding;

**III.D.  
DISCUSSION  
AND/OR  
DECISION  
MAKING**  
Adopt the Approved and Rejected Project List Rental Housing Trust Fund Program Awards FY07-2 Funding Round

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2. The HHFDC may elect to select, reject, or defer an applicant's request, if the HHFDC judges such action to be in the best interest of the Program;
  3. The amount of an award is subject to availability of Program funds. The HHFDC is not obligated to approve or fund the full amount of the applicant's request;
  4. The actual form, terms, and conditions of each award shall be determined by the HHFDC and are subject to negotiation between the applicant and the HHFDC, and the completion of all appropriate legal documentation satisfactory to the HHFDC and its legal counsel;
  5. The approval of each award and the disbursement of funds are subject to the final approval of the Governor of the State of Hawaii; and
  6. The applicants will agree to abide by all the terms and conditions that may arise due to the use of public funds.
- B. Authorize the Executive Director of the HHFDC to take all actions necessary to effectuate the purpose of the For Action.

With no further questions, the motion was unanimously approved.

Director Smith moved, seconded by Director Lawrence, to approve Item III.E. Approval of Proposal, Execution of Development Agreement and Conveyance of Land for a New Affordable Housing Project at East Kapolei, Honouliuli, Ewa, Oahu, Hawaii; TMK No. (1) 9-1-17:71 (por.)

Executive Director Davidson introduced Mr. Chris Sadayasu, Project Manager, to present this For Action. Mr. Sadayasu stated that this is a For Action recommending the approval of the Mutual Housing Association of Hawaii, Inc.'s East Kapolei II project proposal, execution of development agreement, and conveyance of land for the proposed affordable housing project.

On March 5, 2007, HHFDC published its East Kapolei II Planned Community RFP for two vacant parcels within this proposed master planned community. Proposals were due on May 29<sup>th</sup>, at which time HHFDC received two proposals for Parcel 1 and one proposal for Parcel 2. Due to the DHHL's revisions to the subdivision map and infrastructure cost parameters, HHFDC issued an addendum asking the applicants to submit a "best and final" proposal on or before October 3<sup>rd</sup>.

Mr. Sadayasu explained that HHFDC's selection committee reviewed the proposals and conducted a question and answer session with both applicants prior to scoring the proposals and making its recommendation. The committee recommended approval of the Mutual Housing Association of Hawaii, Inc.'s (MHAH) proposal for Parcel 1 and no proposal for Parcel 2.

Mr. Dave Nakamura, Executive Director of MHAH, then presented the proposed development and described MHAH's past and current development projects.

The Board inquired why the selection committee did not recommend approval of a developer for LDA Parcel 2. Mr. Sadayasu answered that the committee decided the proposal did not meet its minimum point threshold, as it was deficient, specifically referring to the lack of detail on its for-sale component (approximately 65 percent of the proposed development).

The Board also asked staff to research whether it would be beneficial to move forward with a zone change of LDA Parcel 2, before it issues another RFP.

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

Approval of Proposal, Execution of Development Agreement and Conveyance of Land For a New Affordable Housing Project at East Kapolei, Honouliuli, Ewa, Oahu, Hawaii; TMK No. (1)9-1-17:071 (por.)

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Executive Director Davidson stated that a zone change application might be stalled without a developer and specific development plans for the parcel.

The Board unanimously approved the motion.

Director Smith moved, seconded by Director Lawrence to approve Item III.F. Approval of Increase to the Waiahole Valley Agricultural Park and Residential Lots Subdivision Budget, Waiahole, Koolaupoko, Oahu, Hawaii.

Executive Director Davidson asked Mr. Sadayasu, Project Manager, to present this For Action. Mr. Sadayasu explained that this For Action is requesting the approval of an increase of \$1,015,000.00 to the Waiahole Valley project budget. The budgeted funds will come from the Dwelling Unit Revolving Fund to pay for the design of the Waiahole Valley Water System Improvements, environmental compliance, and operation and maintenance costs of the water system until HHFDC transfers the system to the Board of Water Supply (BWS). The current project balance is approximately \$3.547 million, with approximately \$2 million budgeted for lease administration and \$1.2 million for infrastructure maintenance.

Mr. Sadayasu explained that HHFDC owns and operates the Waiahole Valley Water System that was built in 1989. This water system provides potable water to the Waiahole valley residents for household and irrigation use. Pursuant to 2006 Senate Concurrent Resolution No. 195, the Legislature encouraged HHFDC to work with the BWS to discuss system improvements that will result in the BWS taking over the water system. HHFDC hired Bills Engineering, Inc. (BEI) to look at several improvement scenarios and the associated costs. After months of collaborative work, BEI completed its System Assessment and provided its recommendations and cost estimates.

HHFDC proposes moving forward with Scenario 1 in the Assessment, which has an estimated cost of \$3 million. HHFDC has submitted a \$2.8 million CIP request to DBEDT which we understand is currently being reviewed by the Department of Budget and Finance, as to whether this request will be included in the Governor's budget request to the Legislature.

David Bills of BEI, was introduced and was prepared to respond to any technical questions regarding the proposed improvements. Mr. Bills will also be presenting this information to the Waiahole Valley water users at a December 6, 2007 meeting at the Waiahole Elementary School.

The Board indicated it would prefer that future expenditures on proposed improvements be subject to a Honolulu Board of Water Supply agreement to accept the water system once the improvements are completed. Executive Director Davidson stated his agreement.

The Board unanimously approved the motion to approve the budget increase.

Director Smith requested a recess, granted by Chairman King.

The meeting was reconvened at 11:00 a.m.

Chairman King announced that Director Liu had left for the remainder of the meeting, declaring a quorum still present.

Chairman King called for a motion to approve Item III.G.

Director Wathen moved, seconded by Director Lawrence to approve III.G. Adoption of Resolution No. 005, request for Negotiation Land Reform Program – Dune Circle III; TMK No. (1) 4-3-17.

Ms. Marlene Lemke, Real Estate Sales Section Chief, presented a brief summary of the For Action, requesting the Board to:

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

Approval of Increase To the Waiahole Valley Agricultural Park and Residential Lots Subdivision Budget, Waiahole, Koolaupoko, Oahu, Hawaii.

**RECESS**  
10:53 a.m.

**RECONVENED**  
11:00 a.m.

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

Adoption of Resolution No. 005, Request for Negotiation Land



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Reform Program –  
Dune Circle III;  
TMK No. (1)4-3-17

- A. Call for the lessor and lessee, or their designated agents, to commence negotiation in accordance with the provisions of Section 17-2016-16, Hawaii Administrative Rules; and
- B. Adopt Resolution No. 005 which sets forth the above in the form of a resolution.

Ms. Lemke stated that the HHFDC received a request from the lessee in the Dune Circle subdivision for assistance in purchasing the leased fee interest in their property under the Land Reform Act, Chapter 516, Hawaii Revised Statutes (HRS), given that HHFDC is the designated governmental agency administering the statute.

Ms. Lemke stated that if negotiations are successful, the parties may enter into an agreement for the direct sale of the leased fee interest; however, if the negotiations are not successful, then HHFDC will proceed to the next step in qualifying the lessee-applicants. Staff will then return to the Board to designate the remaining Dune Circle lot to commence proceeding with an eminent domain lawsuit.

Chairman King offered the opportunity for the lessor and lessee to testify before making a final decision.

Ms. Rosemary Fazio, representative of the lessor, Kalama Land Company, introduced Mr. Allan Dowsett, President of Kalama Land Company. Ms. Fazio stated that Kalama Land Company is a willing seller who has strived to negotiate with the lessee for a period of time. Ms. Fazio passed out copies of correspondence between the Lessor and Lessee regarding the lessor's attempts to negotiate with the lessee from 1990 through 2006. She expressed that this proposed action makes no sense, is fundamentally unfair, depriving the lessor of civil and constitutional rights, and if necessary, the lessor will seek reimbursement of attorney's fees and costs if required to go to court.

Chairman King called upon Mr. Don Bremner, the lessee, and Mr. Ronald Amemiya, Representative of the lessee, to testify.

Mr. Bremner passed out to the Board copies of the lessee's correspondence with the lessor regarding their negotiation attempts. He testified that after several correspondences and conversations with the lessor, he was not able to obtain a price for the purchase of the leased fee interest; therefore, the only recourse was to pursue condemnation under Chapter 516 HRS.

Mr. Amemiya expressed concern that the lessor is discriminating against his client, who is the last remaining lessee, when the lessor sold the leased fee interest to lessees of all the other lots. He represented that there were negotiation sessions, but a price was never agreed upon.

Chairman King requested a motion to enter into Executive Session pursuant to Section 92-5(a)(4) to consult with the board's attorney on questions and issues pertaining to the board's powers, duties, privileges, immunities and liabilities as it relates to this matter.

**EXECUTIVE  
SESSION**  
11:30 a.m.

Director Lawrence moved, seconded by Director Toledo.

Chairman King reconvened the meeting at 11:55 a.m.

**RECONVENED**  
11:55 a.m.

Further dialogue continued with the two parties in response to Director Smith's request for clarification, regarding the negotiation between the parties.

Director Smith explained that though some of the Directors may have some fundamental, philosophical problems with the law and the way in which private property is dealt with and addressed, based on what was presented and the advice

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of the counsel, there is nothing to indicate that this particular tract of land or this particular parcel within this tract is not covered under Chapter 516, HRS. Therefore, to the extent that it is covered and to the extent that there is a process to follow, the proceeding needs to commence under a forced negotiation. Director Smith stated that her decision is based on the requirement that is set forth in the statute.

Director Kawamura stated that Director Smith has captured the essence of what the Board has struggled with today, and expressed appreciation to Director Smith for so stating. Director Kawamura continued by saying that the statutes set the process within which the Board has to operate, even though some of the Board members philosophically do not agree.

There being no further discussion, the motion was approved, with Director Toledo voting in opposition.

Chairman King called for a motion to approve Agenda Item III.H.

Director Lawrence moved, seconded by Director Los Banos to approve III.H. Approve an Extension to Resolution No. 001, Which Provides for Official Intent with Respect to the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue bonds for the Hale Wai Vista II Project Located on 86-78/86-86 Farrington Highway, Waianae, Hawaii TMK No. (1) 8-6-001-035.

Mr. Ueki summarized the For Action, setting forth staff’s recommendation to:

- A. Amend the For Action dated November 6, 2006, issuing an Inducement Resolution for the Hale Wai Phase II project by extending the deadline to issue Hula Mae Multi-Family bonds through November 30, 2008.
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the intent and purposes of this For Action.

Mr. Ueki introduced Mr. Gary Furuta, applicant, Ms. Carole Lan, Central Pacific Bank, and Mr. Don Tarleton, Hawaii Housing Finance.

In response to Chairman King’s inquiry on the status of the project, Mr. Furuta stated that the project is doing quite well in that it is a five acre piece, having four residential properties. Currently, they are going through the City and County process in terms of the environmental assessment and the Chapter 201H, HRS.

In response to Director Toledo in terms of an increase in funding due to the length of time, Mr. Furuta indicated that they do not anticipate any increase in cost; however, as a secondary financing, the Community Development Block Grant Program and the HOME Investment Partnerships Program (CDBG and Home Funds) will be used to handle any unexpected cost increases.

With no further questions, the motion was unanimously approved.

Executive Director Davidson stated that he attended the Urban Land Institute (ULI) Conference in Las Vegas, which emphasized workforce housing with sustainability and incorporating green energy with affordability.

Discussion ensued on the distinction between affordable and workforce housing, pursuant to Director Toledo’s inquiry. Executive Director Davidson said that all HHFDC activities, serving 50% to 140% of median income are affordable housing, in a general sense. Whereas workforce housing is somewhat more specific, serving about 100% to 140% of median income. In response to Director Toledo’s subsequent inquiry, Director Wathen stated that there is a distinction in the financing and qualifying. For instance, to qualify for tax exempt bonds or tax credits, a portion of the project has to be below 60% of the

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

Approve an Extension to the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds for the Hale Wai Vista Phase II Project Located on 86-78/86-86 Farrington Highway, Waianae, Hawaii TMK No. (1) 8-6-001-035

**IV.  
REPORT  
OF THE  
EXECUTIVE  
DIRECTOR**

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

median income.

Chairman King indicated that Director Wathen convened an affordable housing conference. Executive Director Davidson continued his discussion on the information presented at the ULI Conference, stating that he was pleased that as a State, virtually all of the initiatives discussed at ULI were being pursued in some way, and that people have been working on these for the past three or four years.

Executive Director Davidson stated that he was available for questioning, along with staff. In addition, he indicated that he neglected to praise the staff and Scott MacKinnon, Special Deputy Attorney General, for all the exceptional work provided for Kukui Gardens.

Chairman King requested that an update on the Kapolei project and DHHL items be placed on a future Meeting Agenda for the December 2007 or January 2008 Board of Directors Meeting.

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

**V.  
ADJOURNMENT**

Director Kawamura moved, seconded by Director Wathen to adjourn the meeting at 12:40 p.m.

The motion was unanimously carried.

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BETTY LOU LARSON  
Secretary