

**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, OCTOBER 8, 2009  
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, October 8, 2009, 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 Betty Lou Larson, Secretary  
Director Georgina Kawamura  
Director Linda Smith  
Director Ralph Mesick  
Director Francis Jung

Executive Director Karen Seddon

**Excused:** Director David Lawrence, Vice Chairman  
Director Theodore Liu  
Director Allan Los Banos

**Staff Present:** Sandra Ching, Deputy Attorney General  
Janice Takahashi, Chief Planner  
Darren Ueki, Finance Manager  
Stan Fujimoto, Development Section Chief  
Marlene Lemke, Real Estate Services Section Chief  
Cynthia Okubo, Acting Asset Manager  
Dean Sakata, Housing Finance Specialist  
Ken Takahashi, Development Project Manager  
Leonell Domingo, Development Project Coordinator  
Mavis Masaki, Planner  
Lisa Wond, Planner  
Lorna Kometani, Housing Sales Coordinator  
Beth Malvestiti, Development Project Coordinator  
Jocelyn Iwamasa, Housing Finance Specialist  
Byron Chock, Housing Finance Specialist  
Kent Miyasaki, Housing Information Specialist  
Esa Pablo, Secretary to the Board

**Guests:** Gary Furuta, Coalition for Specialize Housing  
Glenn Okino, Coalition for Specialize Housing  
Kevin Carney, EAH Housing  
Don Tarleton, Hawaii Housing Finance  
Stacy Sur, Hawaii Housing Finance  
Liz Char, Hawaii Community Reinvestment Corporation  
Gwen Lau, Hawaii Community Reinvestment Corporation

Chairman King noted a quorum present.

**QUORUM**

Director Smith moved, seconded by Director Jung, to approve the Regular Meeting Minutes of September 10, 2009.

The motion was unanimously approved.

**II. A.  
APPROVAL  
OF MINUTES  
9/10/09  
Regular  
Meeting**

**HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION**

Director Smith moved, seconded by Director Jung, to approve the Executive Session Minutes of September 10, 2009.

The motion was unanimously approved.

Director Jung moved, seconded by Director Larson, to approve staff's recommendation:

That the HHFDC Board of Directors approve the following:

- A. The application cycle for the FY2010 LIHTC and RHTF Project Award programs as noted in Sections III(A) and III(B) above. With respect to the RHTF applications, all requests will be subject to the availability of funds in the RHTF program;
- B. Authorize staff to begin marketing of the FY2010 RHTF Project Award application cycles; and
- C. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposed of this For Action.

Finance Manager Darren Ueki presented the For Action, stating that the HHFDC is required to set funding rounds for the Rental Housing Trust Fund (RHTF) Project Award Program and the Low Income Housing Tax Credit (LIHTC) Program on an annual basis.

Dependent upon the funds available within the RHTF, there are typically two funding rounds, with one in the beginning of the year and the other during the middle of the year. However, staff has elected to revisit and address projects that have stalled due to the current economic conditions by adding a third RHTF funding round.

As such, staff proposes one LIHTC funding round and three RHTF funding rounds for the Fiscal Year (FY) 2010, as follows:

- 1. LIHTC Funding Round  
Application Availability: October 30, 2009  
Application Due Date: January 29, 2010
- 2. RHTF Funding Round 1  
Application Availability: October 30, 2009  
Application Due Date: November 27, 2009
- 3. RHTF Funding Round 2 (Subject to availability of funds)  
Application Availability: October 30, 2009  
Application Due Date: January 29, 2010
- 4. RHTF Funding Round 3 (Subject to availability of funds)  
Application Availability: October 30, 2009  
Application Due Date: June 25, 2010

Mr. Ueki opened for questions.

In response to Chairman King, Executive Director Seddon stated that with the current economy there has been a more prominent demand for rentals.

In response to the Board, Mr. Ueki explained the Qualified Allocation Plan (QAP) process and noted that if the Board should decide to make any substantial changes to the QAP, there would be a minimum three-month delay in the proposed LIHTC funding round.

**II. B.**  
**APPROVAL**  
**OF MINUTES**  
9/10/09  
Executive  
Session

**III. A.**  
**DISCUSSION**  
**AND/OR**  
**DECISION**  
**MAKING**  
Approve the FY2010  
Application Cycles for  
the Low Income  
Housing Tax Credit  
Program and Rental  
Housing Trust Fund  
Project Award Program

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In response to Director Smith, Mr. Ueki clarified that the QAP is simply a scoring mechanism that is utilized to assist staff in making awards of LIHTC and is not the only scoring tool that the HHFDC uses.

Chairman King commented that perhaps this Agenda Item could be deferred until after the Strategic Planning Session, where further discussion on the QAP could be addressed before making a final decision.

In response to Director Larson, Mr. Ueki commented that a delay in the funding round would not necessarily benefit in a developer's "readiness." However, staff is confident in that the resources which the HHFDC provides opens doors to developers to complete their financing packages, allowing them to proceed in the 201H process to obtain all the necessary approvals from the City and County and further permits them to meet other required deadlines.

Mr. Ueki turned to Mr. Kevin Carney, EAH Housing, and Mr. Gary Furuta, Coalition for Specialized Housing, for further comments.

Mr. Carney concurred with Mr. Ueki, on both the 201H process and financing issues, in that a developer is only able to move so far without financial commitments.

Mr. Furuta stated that the HHFDC is the link to the development of low-income housing projects, providing the largest financing gap fillers through the RHTF and LIHTC programs.

In response to Director Larson, Executive Director Seddon clarified that changing a preference within the QAP would need to go through the lengthy approval process. However, perhaps the Board should look at who and what will be impacted by those changes now. Mr. Ueki added that he believes the results of the QAP to be due to the affects of the economy and not specifically based on the criteria of the QAP itself.

In response to Director Larson, Mr. Ueki clarified that the HHFDC will be selecting projects specifically with existing commitments from the RHTF or LIHTC. However, projects listed on the previously RHTF Approved List will be addressed first.

With no further questions, Director Larson moved, seconded by Director Jung, to defer any action until after the Strategic Planning Session.

The motion to defer was unanimously approved.

Director Larson moved, seconded by Director Mesick, to approve staff's recommendation:

That the HHFDC Board of Directors approve the following:

- A. Extend the Letters of Intent dated October 16, 2007 for the Hale Mohalu II Project to October 31, 2010, subject to the requirements as set forth in the For Action dated October 11, 2007.
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Mr. Ueki presented this For Action, stating that the Hale Mohalu II (Project) is located in Pearl City, Oahu, consisting of 164 elderly units.

The Board has made the following commitments to the Project: (1) \$17 million from the RHTF; (2) \$1,587,656 in Federal LIHTC and \$793,828 in State LIHTC; and (3) an allocation of up to \$30 million in Hula Mae Multi-Family Tax-Exempt Bonds (HMMF).

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

Approve an Extension to the Rental Housing Trust Fund Letter of Intent for the Hale Mohalu II Project Located in Pearl City, Oahu, TMK No.: (1) 9-7-019: 035.

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Staff has evaluated the developer's request to extend its RHTF Project Award Loan Letter of Intent (LOI) based on progress made on site control, zoning approvals, and financing commitments.

Although the developer has requested an LOI extension from October 2009 to November 2010, staff recommends an extension date of October 2010 instead to coincide with the HMMF Inducement Resolution expiration date.

Mr. Ueki opened for questions, along with Mr. Gary Furuta, on behalf of the Project.

In response to Director Smith, Mr. Furuta concurred that the recommended October 2009 extension date is acceptable.

Director Smith expressed appreciation to the HHFDC staff for laying out progress that has taken place and found it very helpful.

The motion was unanimously approved.

Director Kawamura moved, seconded by Director Mesick, to approve staff's recommendation:

That the HHFDC Board of Directors approve the following:

- A. Amend the For Action dated October 11, 2007 issuing an Inducement Resolution for the Hale Mohalu II Project by extending the deadline to issue HMMF Bonds to October 31, 2010.
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Mr. Ueki stated that this For Action coincides with the facts of the previous For Action, with a recommendation to approve an extension to Resolution No. 004.

With no questions by the Board, the motion was unanimously approved.

Director Jung moved, seconded by Director Smith, to approve staff's recommendation:

That the HHFDC Board of Directors approve the following:

- A. Increase the LOI expiration date to October 31, 2010 as noted in section III(G)(1).
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Mr. Ueki presented the For Action, stating that the Ewa Villages Phase I (Project) is located in Ewa Beach, Oahu, consisting of 64 family units.

Due to the various challenges and delays the Project has faced, all LIHTC that were previously approved for the Project have been returned and has resulted in the change of the Project's LIHTC bond structure.

As such, the Project was approved to receive the following commitments: (1) \$17,028,993 in HMMF bonds; (2) \$1,134,355 in Federal LIHTC and \$567,177 in State LIHTC; and (3) an additional RHTF loan in the amount of \$4,609,240.

The Hui Kauhale, Inc. (Applicant) is requesting the following: (1) an extension of the project award LOIs to October 31, 2010; (2) combining the January 10, 2008 and October 9, 2008 project awards into one RHTF loan in order to streamline loan documentation; and (3) amend certain project award terms to facilitate the combination of the two project awards and better accommodate requirements of

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

Approve an Extension to Resolution No. 004, Which Provides for Official Intent with Respect to the Issuance of Hula Mae Multi-Family Tax Exempt Revenue Bonds for the Hale Mohalu II Project Located in Pearl City, Oahu, TMK No.: (1) 9-7-019: 035.

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

Approve an Extension and Amendment to the Rental Housing Trust Fund Letter of Intent for the Ewa Villages Phase I Project Located in Ewa Beach, Oahu, TMK Nos.: (1) 0-1-017: 076 & 077.

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LIHTC limited partners.

Staff has evaluated the Applicant's request based on the progress made on three basic milestones of site control, zoning approvals, and financing commitments.

Mr. Ueki opened for questions, along with Mr. Kevin Carney, representing the Project.

In response to Director Smith, Mr. Carney reported that the Project ran into some roadblocks regarding its land subdivisions and for-profit developer. Due to the current circumstances of the market, the property was subdivided into three phases, with Phases I and II being the primary focus and anticipates revisiting Phase III later.

With no further questions, the motion was unanimously approved.

Director Larson moved, seconded by Director Smith, to approve staff's recommendation:

That the HHFDC Board of Directors approve the following:

- A. Amend the For Action dated October 9, 2008 issuing an Inducement Resolution for Ewa Villages I project by extending the deadline to issue HMMF Bonds to October 31, 2010.
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Mr. Ueki stated that the facts are identical of that in the previous For Action, with a recommendation to approve an extension to Resolution No. 014.

In response to Director Larson, Mr. Carney stated that he does not believe the rents to be too high because with the Project serving both families and seniors, there is still demand. However, there has been an increase in the volume of applications being processed, as a result of fall-outs pertaining to credit checks.

In response to Director Larson's follow up question, Mr. Carney stated that when dealing with potential investors, they expect procedures to be in place to process qualified applicants. Furthermore, a credit check provides a method of finding out if a potential applicant has assets or not. Mr. Ueki added that in situations where an applicant with assets is allowed occupancy, the developer could be disqualified and potentially jeopardize its tax credits for the project.

Executive Director Seddon commented that in a similar situation, with Ms. Makani Maeva, of the Lokahi Ka'u project, they have elected to partner with a credit-counseling group to assist people in getting their credit improved.

In response to Director Smith, Mr. Ueki concurred that the inducement resolution will stay in effect.

With no further questions, the motion was unanimously approved.

Director Jung moved, seconded by Director Mesick, to approve staff's recommendation:

That the HHFDC Board of Directors approve the following:

- A. Extend the Letter of Intent dated May 18, 2007 for the Ewa Village II Project to October 31, 2010 subject to the requirement as set forth in the For Action dated April 12, 2007.
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

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

Approve an Extension to Resolution No. 014, Which Provides for Official Intent with Respect to the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds for the Ewa Villages Phase I Project Located in Ewa Beach, Oahu, TMK Nos.: (1) 9-1-017: 076 & 077.

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

Approve an Extension to the Rental Housing Trust Fund Letter of Intent for the Ewa Villages Phase II Project Located in Ewa Beach, Oahu, TMK Nos.:

Mr. Ueki stated that this For Action is Phase II of the Ewa Villages Project located in Ewa Beach, consisting of 76 family units, with facts similar of that to the previous For Action.

Mr. Ueki opened for questions, along with Mr. Carney.

With no questions by the Board, the motion was unanimously approved.

Director Mesick moved, seconded by Director Smith, to approve staff's recommendation:

That the HHFDC Board of Directors approve the following:

- A. Amend the For Action dated October 9, 2008 issuing an Inducement Resolution for the Ewa Villages II Project by extending the deadline to issue HMMF Bonds to October 31, 2010.
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Mr. Ueki stated that the facts are the same of that to the previous For Action, with a recommendation to approve an extension to Resolution No. 015.

With no questions by the Board, the motion was unanimously approved.

Chairman King proceeded to the Report of the Executive Director, and inquired on the Kamakana at Keahuolu project. Executive Director Seddon reported that the project is progressing, with a solar farm anticipated for the project.

In response to Director Larson, Mr. Ueki stated that the conveyance tax reports are not consistently received on a monthly basis.

Director Smith inquired on the \$30 million RHTF Appropriation - Act 162, SLH 2009 amount. Mr. Ueki stated neither of the \$30 million and \$15 million RHTF appropriation amounts are committed and are retained with the Department of Budget and Finance until needed, which will be in the form of cash.

In response to Director Larson, Mr. Ueki stated that a significant amount of the RHTF appropriation amounts, if not all, is anticipated to be committed during the November 2009 and January 2010 funding rounds.

In response to Chairman King, Development Section Chief Stan Fujimoto stated that the proposed reevaluation of the Villages of Leialii by the County of Maui has been approved by the Planning Commission and is currently with the City Council. Executive Director Seddon added that the HHFDC has submitted letters to the County of Maui and the Land Use Commission (LUC) addressing this matter and is waiting for further response. Staff will keep the Board apprised on this matter.

In response to the Board, Executive Director Seddon stated that she will be meeting with Senator Baker on the matters of the Villages of Leialii project next week and selected staff and other advocates will continue to testify on the project's behalf. Copies of the HHFDC's letter to the LUC regarding matters of the Villages of Leialii were distributed to the Board.

Chair King stated that the intended outcome for the strategic planning session is to provide a clear direction for HHFDC to take over the next year. Then to identify how we are going to get there and decide how to allocate our resources.

Chief Planner Janice Takahashi facilitated the 2009 HHFDC's Strategic Planning Session, noting that in addition to the For Discussion and Strategic Planning Outline, an HHFDC reference binder is provided for the Board to review at their

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

Approve an Extension to Resolution No. 015, Which Provides for Official Intent with Respect to the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds for the Ewa Villages Phase II Project Located in Ewa Beach, Oahu, TMK Nos.:

(1) 9-1-017: 076 & 077.

**IV.  
REPORT  
OF THE  
EXECUTIVE  
DIRECTOR**

**V.  
STRATEGIC  
PLANNING**

leisure.

In reference to the For Discussion, Ms. Takahashi covered the following topics: (1) the HHFDC's mission "to increase the supply of workforce and affordable housing by providing tools and resources to facilitate housing development;" (2) available resources; (3) the HHFDC's goal to provide 5,000 new or preserved housing units over the 5-year planning period; (4) external forces that affect the HHFDC; and (5) planning in context of the State's economic crisis.

Ms. Takahashi provided a summary of HHFDC's resources and noted that the listed "Cash/Appropriated/or Authorized" dollar amounts within the Resource Table, for the Dwelling Unit Revolving Fund (DURF) and the Rental Housing Trust Fund (RHTF), appear to be high due to the inclusion of legislative appropriations. The HHFDC has not yet requested for the release of these funds.

In response to the Board, Mr. Ueki stated that the Rental Assistance Interim Construction Revolving Fund (RARF interim loan program) was utilized more in the past; however, as construction financing can be provided from the RHTF and DURF, and because there is less flexibility in program fees and interest rates, the RARF interim loan program is intermittently used.

Continuing with a summary of HHFDC's resources, Ms. Takahashi pointed out that the acreage listed in the "Vacant HHFDC Land - No RFP" table for Kapolei Village 8 should reflect 9 acres instead of 61 acres.

In response to Director Mesick, Mr. Ueki stated that staff has estimated what could be done with individual financing programs, but not with total financing resources. However, overall resource projections are taken into account in the HHFDC's production planning.

Ms. Takahashi compared HHFDC's actual production with the overall goal of 5,000 new or preserved housing units over 5 years. Director Smith commented that a housing production chart would be helpful in comparing the Corporation's progress from previous years and not just the 5-year planning period. Discussion ensued on how the economic downturn and volatility in the financial market have negatively affected housing production. Many projects are stalled because of financing gaps, which HHFDC is attempting to fill.

In response to Director Jung's inquiry on housing demand by geographic areas, Ms. Takahashi stated that HHFDC requires market studies, which should bear out the demand for housing in a particular area. Mr. Ueki added that we have not been able to meet the statewide demand for rental housing projects. Responding to Director Jung's follow up, Ms. Takahashi noted that Act 176, SLH 2009, which mandates legislative approval for the transfer of fee simple properties, would delay projects by at least a year, and impact the HHFDC's programs.

In response to Chairman King, Executive Director Seddon stated that public hearings have been scheduled in preparation for legislative approval to resell the HHFDC's foreclosed properties in efforts of expediting the lengthy approval process. Director Smith added that the Attorney General's Office is currently working on language to redefine the types of lands that would be required to go through the legislative process for the transfer of land.

Discussion ensued on barriers to the development of affordable housing including a lengthy approval process and a billion dollar budget shortfall. In response to Director Larson, Ms. Takahashi clarified that the interest earnings from the HHFDC's revolving funds are to be transferred to the State's general fund, while interest received on the RHTF is retained by HHFDC.

Ms. Takahashi pointed out a revision on page 3, item II. D., Planning Context, dollar amounts should reflect a projected need for 29,900 new units -- 17,400 rental and 12,500 for-sale units. HHFDC is the only state agency that is addressing the affordable housing needs of the public.



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Board discussion on the following strategies:

- (1) Maximizing Unit Count - Meets the mission of the Corporation, to produce more workforce and affordable housing. However, a balance of other important initiatives such as responsible (or appropriate) and sustainable development should be included.
- (2) New Construction – Helps to add to the workforce and affordable inventory and is preferred over acquisition/rehabilitation projects.
- (3) Leverage and Subsidies - Leverage existing assets and program resources to generate proceeds to further develop affordable housing projects.
- (4) Developer Partners - Create a coalition of developers, contractors, and investors, to support affordable housing efforts.

In response to Director Smith, Mr. Ueki stated that the reason for limited partners relates to the limited land and resources the HHFDC is able to provide as a Corporation and as well as a State.

In response to Director Jung, Mr. Ueki stated that seeking financial investors outside of the State structure as an investment partner and/or advisor would affect the State’s overall financial plan from a statutory standpoint, in terms of incurring debt.

Director Smith commented that there is a large currency flow from foreign countries to large investment corporations. Perhaps those could be an option in terms of financial partners.

- (5) Divest Non-housing Functions - This would include the management of Waiahole Valley and maintenance of infrastructure in the Villages of Kapolei.
- (6) Strengthen Administrative Tools - Examine and amend HHFDC’s 201H powers to improve its effectiveness.

Director Larson commented that she believes credit checks, pertaining primarily to senior citizens, to be unnecessary. Mr. Ueki reiterated the concern of our developer partners, that it is a requirement of the tax credit investor and adjusting such requirements would narrow a developer’s pool of potential investors.

- (7) Strengthen Financing Tools - Broaden the investment market for the State LIHTC to include retail buyers.
- (8) Utilize DURF Further - Take advantage of declining property values by using the DURF to provide developers with interim loans to acquire land.

Ms. Takahashi mentioned that a CIP appropriation for the Senior Residence of Iwilei was not approved by the Legislature in 2009. However, the developer has the foundation permits and can start construction right away if the substantial financing gap can be filled with CIP funds. There was general agreement of the need for additional CIP funding for HHFDC to continue to move forward with its affordable housing programs.

Executive Director Seddon announced that lunch was available.

Chairman King recessed the meeting at 11:45 a.m. for members to get their lunches and reconvened the meeting at 12:05 p.m.

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Ms. Takahashi recapped the strategies previously discussed. She clarified that with today’s market in a down economy, it will take more subsidies to help

**RECESSED**  
11:45 a.m.

**RECONVENED**  
12:05 p.m.

**V.**  
**STRATEGIC**  
**PLANNING**



HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

projects continue. Therefore, there is a change in direction from leveraging of resources with RHTF and tax credits, to financing what is needed to close the gap. Chair King noted that while it seems counterintuitive, more subsidies are leveraging our resources because, otherwise, projects will not be completed.

A question was raised regarding the need, if any, to amend the QAP. Mr. Ueki stated that comments received by both the Board and developing partners, are taken into account and addressed on an annual basis. Therefore, rather than composing a sub-committee to review the QAP, staff will provide the Board with recommended QAP amendments prior to final approval. The Board concurred.

Chairman King reverted to item III. A., of which was deferred earlier in the meeting.

The motion was unanimously approved.

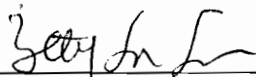
\*\*\*\*\*  
Discussions on the Strategic Planning Session continued.

- (9) The Board’s guidance on the upcoming Legislation was to request CIP appropriations for both the Senior Residence at Iwilei and RHTF, in addition to monetizing the State LIHTC.

Ms. Takahashi stated that legislative concepts are currently in progress and is anticipated to be available for the Board’s review by the next November 12, 2009 Board Meeting.

With no further business on the agenda, Director Jung moved, seconded by Director Smith, to adjourn the meeting at 12:50 p.m.

The motion was unanimously approved.

  
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BETTY LOU LARSON  
Secretary

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

Approve the FY2010 Application Cycles for the Low Income Housing Tax Credit Program and Rental Housing Trust Fund Project Award Program

**V.  
STRATEGIC  
PLANNING**

**VI.  
ADJOURNMENT**