

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, JANUARY 13, 2011
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, January 13, 2011, at 9:00 a.m.

Chairman David Lawrence called the meeting to order at 9:05 a.m.

**CALL TO
ORDER/
ROLL CALL**

Present: Director David Lawrence, Chairman
Director Ralph Mesick, Vice Chairman
Director Betty Lou Larson, Secretary
Director Kalbert Young
Director Gary Siracusa
Director Francis Jung
Director Allan Los Banos
Designee Greg Barbour

Executive Director Karen Seddon

Excused: Director Richard Lim

Staff Present: Sandra Ching, Deputy Attorney General
Janice Takahashi, Chief Planner
Darren Ueki, Finance Manager
Rick Prahler, Development Branch Chief
Stan Fujimoto, Development Section Chief
Marlene Lemke, Real Estate Services Section Chief
Galen Lee, Fiscal Manager
Cynthia Okubo, Acting Asset Manager
Dean Sakata, Housing Finance Specialist
Patrick Inouye, Housing Finance Specialist
Byron Chock, Housing Finance Specialist
Jocelyn Iwamasa, Housing Finance Specialist
Alex Watanabe, Housing Loan Services Officer
Glori Ann Inafuku, Housing Finance Specialist
Ken Takahashi, Development Project Manager
Beth Malvestiti, Development Project Coordinator
Leonell Domingo, Development Project Coordinator
Lorna Kometani, Housing Sales Coordinator
Lisa Wond, Planner
Lorraine Egusa, Budget Analyst
Kent Miyasaki, Housing Information Specialist
Esa Pablo, Secretary to the Board

Guests: David Nakamura, Mutual Housing Association of Hawaii
Kevin Carney, EAH Housing, Inc.
Marian Gushiken, EAH Housing, Inc.
Don Tarleton, Hawaii Housing Finance

A quorum was present.

QUORUM

Director Mesick moved, seconded by Director Jung, to approve the Meeting Minutes of December 9, 2010.

**II. A.
APPROVAL
OF MINUTES
12/9/10
Regular
Meeting**

The motion was unanimously approved.

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Mr. Greg Barbour introduced himself to the Board, stating that he would be the appointed designee for Director Richard Lim.

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

That the HHFDC Board of Directors approve the following:

- A. A RHTF Project Award Loan of \$13,495,000 to the Ko'oloa'ula Limited Partnership or its successors, as approved by the Executive Director, with the terms and conditions as shown in Section III(G) of this For Action, and the issuance of the Letter of Intent subject to the following:
1. Authorization and approval by the governor of the proposed project and the release of RHTF program funds as mandated under Chapter 15-311, Hawaii Administrative Rules.
 2. Execution of documentation satisfactory to the HHFDC outlining the terms and conditions of the Project Award. The documents shall specify the standard terms and conditions as required in order to meet all statutory requirements of the RHTF program and the specific terms and conditions that are applicable to the Applicant's request for Project Award funds.
 3. Completion of all documentation necessary and required to secure the release of RHTF funds.
 4. Certification of the applicant to comply with all applicable statutory and Program requirements, including, but not limited to, Chapters 343, 103D, §103-50 and §104, Hawaii Revised Statutes, as they may related to the use of State funds.
 5. Availability of RHTF program funds.
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Finance Manager Darren Ueki presented the For Action, stating that the Ko'oloa'ula Phase I (Project) consists of 120 family units, located in Kapolei, Oahu.

The following information was highlighted:

1. The Rental Housing Trust Fund (RHTF) Project Award Program provides "Equity Gap" low interest loans to qualified owners and developers constructing, acquiring, or rehabilitating affordable housing units.
2. On January 28, 2010, the Ko'oloa'ula Limited Partnership (Applicant) submitted a consolidated application (as amended) for: (1) \$17.7 million in tax-exempt bond cap from the Hula Mae Multi-Family (HMMF) Bond Program (Resolution No. 032); (2) \$1,352,162 in Federal Low Income Housing Tax Credits (LIHTC) and \$676,081 in State LIHTC from the non-competitive pool (4% LIHTC); and (3) a RHTF Project Award loan of \$13,495,000. On December 9, 2010, the Board approved items 1 and 2 for the Project.
3. The Project shall be owned, managed, and operated by the Applicant, with its General Partner being The Mutual Housing Association of Hawaii, Inc.
4. The proposed Financing Structure, Budget and Use of Funds, and the estimated construction timeline for the Project were cited, with a construction start date of July 2011; completion of the first building in

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

Approve a Rental Housing Trust Fund Project Award for the Ko'oloa'ula Phase I Project Located in Kapolei, Oahu, TMK No.: (1) 9-1-017: 107

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January 2012; and completion of its final building in August 2012.

5. Staff reviewed the Applicant's requested RHTF loan terms and proposes the following:

- a. Loan Amount: \$13,495,000
- b. Interest Rate: 0.00% Years 1 through 3 (Construction Period)
0.50% Years 4 through 33 (Permanent Period)
 - 1) 0.00% for the Construction Period is recommended as (i) property operations have not commenced and (ii) eliminates the need to establish and track an interest reserve.
 - 2) A lower interest rate of 0.50% for the Permanent Period is recommended as it provides for a reasonable balloon and payback period: \$8,962,655 balloon at year 33 and 42-year payback period.
 - 3) At 3.00%, \$13,495,000 balance at year 33 (no amortization) with \$5,754,073 accrued interest balance. Payback exceeds 50 years: \$7,731,183 balance.
- c. Fee: None
- d. Term/Maturity: 33 Years (3 year Construction Period + 30 year Permanent Period).
- e. Repayment: Years 1 through 3 – No Payments

Years 4 through 33 – 50% of Available Cash Flow after payment of expenses, senior debt service, and other recognized expenses.
- f. Collateral: Junior mortgage loan, subject only to the HMMF Bond or takeout permanent debt on the HMMF Bond and whatever liens that may be associated with the issuance of the HMMF Bond; on the leasehold interest in the Project.
- g. Other Terms:
 - 1) The Project's loan to value ratio (on the RHTF loan and debt senior to the RHTF loan) shall not exceed 100%.
 - 2) No disbursement of Developer's Fee until satisfactory completion of the Project.
 - 3) The RHTF Project Award is subject to the availability of funds.

6. If staff's recommendation is approved by the Board, a Letter of Intent (LOI) describing the terms and condition of the RHTF Project Award will be sent to the Applicant, to expire on February 28, 2011, at 4:00 p.m., unless an executed copy is received to HHFDC by then.

Mr. Ueki opened for questions, along with Mr. David Nakamura, on behalf of the Project.

In response to the Board, Mr. Ueki and Mr. Nakamura noted the following:

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1. Staff has elected a 3% interest rate at Year 33 to provide a realistic repayment of the RHTF loan for the Project.
2. The Applicant was awarded the Request for Proposal (RFP) from the HHFDC in 2007. Executive Director Seddon noted to the Board that the developer had elected to go through the regular permitting process rather than the 201H process, avoiding the need for additional funding during the economic downturn.

The motion was unanimously approved.

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

That the HHFDC Board of Directors approve the following:

- A. Increase the non-competitive (4%) Federal LIHTC reservation to \$1,154,722 from \$1,134,355 and increase the State LIHTC reservation to \$577,361 from \$567,177.
- 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) consists of 64 family units, located in Ewa Beach, Oahu.

The following information was highlighted:

1. The Project has been on the books since 2006 and has faced numerous challenges with regard to its financing, building permits, and in the sale of its Low Income Housing Tax Credits (LIHTC).
2. On December 9, 2010, the Board approved the combining of the Project's two separate RHTF Project Awards and amended terms.
3. On December 22, 2010, the Hui Kauhale, Inc. (Applicant) submitted a request to increase the non-competitive (4% LIHTC) award to \$1,154,722 (a \$20,367 increase) in Federal LIHTC and \$577,361 (a \$10,184 increase) in State LIHTC.
4. The Applicant is experienced in managing housing development and its General Partner, EAH, Inc. has over 30 years experience in affordable housing development.
5. The proposed Financing Structure, Budget and Use of Funds for the Project were cited.
6. The overall Project Budget increased by \$459, 856. Major changes are as follows: (1) \$498,673 increase in Financing & Syndication Costs; (2) \$299,196 increase in Architectural and Design Costs; (3) \$131,868 increase in Project Reserves; (4) \$540,988 decrease in Construction Costs.
7. Project cost increases were covered by its \$1,318,938 increase to its LIHTC equity and its \$1,687,621 increase in HOME Investment Partnerships Program (HOME) Funds.
8. The Project's estimated construction timeline is as follows: (1) bond closing - March/April 2011, with the commencement of construction to follow; (2) first building in service - June 2012; and project completion - July 2012.

Mr. Ueki opened for questions, along with Mr. Kevin Carney and Ms. Marian

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

Approve a Request from the Developer to Increase the Low Income Housing Tax Credit Reservation for the Ewa Villages Phase I Project Located in Ewa Beach, Oahu, TMK Nos.: (1) 9-1-017: 076 and 077

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Gushiken, on behalf of the Project.

Director Larson stated that she is in support of this project, but questioned the difference between the projects costs of Ko'oloa'ula Phase I, providing 120 units for approximately \$34 million, and Ewa Villages Phase I, providing 64 units for approximately \$32 million. Mr. Ueki stated that based on the two financial structures provided, this Project has a higher developer fee, that is, however, within an acceptable range. Furthermore, an applicant composes its own project financial structure and if found reasonable, within the qualifying standards, its financial structure is acceptable.

Chairman Lawrence commented that it is refreshing to see these projects coming to fruition.

The motion was unanimously approved.

Director Jung moved, seconded by Director Los Banos, to approved staff's recommendation:

That the HHFDC Board of Directors approve a DURF interim loan for the 164-unit affordable senior rental housing project at the Hale Mohalu II Project at 787 Kamehameha Highway, Pearl City, Oahu, Hawaii, TMK (1) 9-7-019: 035, substantially as discussed in this For Action.

The Executive Director shall be authorized to take all actions necessary to effectuate the purpose of this For Action, subject to the following:

- A. Availability of DURF funds;
- B. Approval and release of funds by the Governor;
- C. Approval and execution of necessary loan documents by the Executive Director; and
- D. Compliance with all rules and regulations and such other terms and conditions as may be required by the Executive Director.

Development Section Chief Stan Fujimoto presented the For Action, stating that the Hale Mohalu II (Project) consists of 164 senior rental units (Senior Rental), and a future 168 family rental units (Family Rental), on 4.7 acres of State owned land, located in Pearl City, Oahu.

The following information was highlighted:

1. On January 8, 2008, a final Environmental Assessment (EA) was published and 201H exemptions were approved by the City Council on November 18, 2009.
2. The Senior Rental received Board approval for non-competitive LIHTC and HMMF tax-exempt bond financing.
3. On July 8, 2010, the HHFDC Board and the Board of Land and Natural Resources (BLNR) approved a set-aside of the project site to HHFDC and issuance of a 65-year ground lease to the developer.
4. On November 29, 2010, the HHFDC accepted and signed the DLNR right-of-entry of the project site and issued a right-of-entry to the developer.
5. On December 19, 2010, the Hale Mohalu II Senior LP (Applicant) submitted a request for a short-term Dwelling Unit Revolving Fund (DURF) bridge loan of \$25 million to increase its financing flexibility to

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

Approve a Dwelling Unit Revolving Fund (DURF) Interim Loan for the Senior Affordable Rental Housing Project at the Hale Mohalu II Project Located in Pearl City, Oahu, TMK No.: (1) 9-7-019: 035

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enable the eligible pool of lenders and investors to participate as both bond lenders as well as tax credit investors in the HMMF and LIHTC financing for the project.

6. The proposed terms of the DURF interim loan are as follows:

- Purpose: Interim bridge loan to pay off the bond interim loan from completion of construction of the Project until rent-up and funding of permanent financing
- Borrower: Hale Mohalu II Senior Housing LP, or other entity approved by the HHFDC Executive Director
- Amount: Up to \$25,000,000
- Loan Fee: 1 point
- Interest Rate: 3% per annum
- Loan Term: One (1) year; no pre-payment penalty
- Extension: One (1) six-month extension at the sole discretion of HHFDC
- Mortgage Priority: Junior Mortgage, if necessary, as approved by the HHFDC Executive Director

7. The estimated closing date of the DURF bridge loan is March 31, 2013.

8. The Borrower is the developer of the Project and the Coalition for Specialized Housing is the General Partner. Mr. Gary Furuta is the Project Manager.

Mr. Fujimoto opened for questions, along with Mr. Furuta and Mr. Don Tarleton, on behalf of the Project.

In response to the Board, Mr. Fujimoto and Executive Director Seddon noted the following:

- 1. As of December 2010, the uncommitted funds available from the DURF is approximately \$8.4 million.
- 2. The \$25 million DURF loan is based upon the cashflow available at a particular time.

The motion was unanimously approved, with Director Mesick abstaining.

Chairman Lawrence proceeded to Item III. D.

Planner Lisa Wond presented the For Information, stating that the Neighborhood Stabilization Program (NSP) was established by Congress to mitigate the negative impacts of the nation's economic decline, housing market collapse, and to stabilize and revitalize communities.

The following information was highlighted:

- 1. The State of Hawaii is eligible to apply for \$5 million in NSP funds in Round 3 (NSP3).
- 2. Two key program milestones that must be met are as follows: (1) at least 25% of the NSP3 funds must benefit households whose incomes do not exceed 50% of the area median income (AMI); and (2) 50% of the NSP3

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

Information on the Neighborhood Stabilization Program, Round 3 (NSP3), Substantial Amendment to the State of Hawaii's Consolidated Plan, Action Plan for Program Year 2010 -

funds must be expended within 24 months and 100% of the funds must be fully expended within 36 months. Not meeting the mentioned milestones will result in the recapture of the entire NSP3 funds by the U.S. Department of Housing and Urban Development (HUD).

3. A Request for Interest (RFI) was issued to determine how the NSP3 funds would be used to meet the needs of the State and undertake eligible activities.
4. Two applications were received and evaluated by a committee, using the following factors:
 - a. Project element - The activity is feasible and meets a clearly defined need that is consistent with the NSP3 objectives.
 - b. Applicant capacity - Qualifications of the project team, personnel, and/or contractors to carry out the proposed activity including proven record of experience with comparable activities.
 - c. Readiness to proceed - The timeframe to implement the proposed activity meets expenditure milestones and other criteria.
5. Preference for the development of affordable rental housing and projects meeting the 25% set-aside requirement of serving households with incomes that do not exceed 50% AMI was given to the County of Hawaii's Kaloko Housing Project, an affordable rental project in Kailua-Kona, to receive \$4,275,000 in NSP3 funding.
6. Na Hale O Maui, a nonprofit organization, will receive \$500,000 in NSP3 funding for its acquisition, rehabilitation, and sale of foreclosed properties in the County of Maui.
7. A NSP3 Substantial Amendment to the State of Hawaii's Consolidated Plan, Action Plan for Program Year 2010-2011, describing how the NSP3 funds will be distributed and used, must be submitted by the HHFDC to HUD by March 1, 2011.
8. HUD will have 45 days to review and approved the plan amendment or require the State to amend its submission.
9. A Notice of Public Comment was published in all counties and posted on the HHFDC website on January 11, 2011, informing the public of the proposed NSP3 funding and inviting interested parties to comment.
10. The draft NSP3 Substantial Amendment is available for public review at regional libraries, county housing agencies, and on the HHFDC website.
11. Deadline for the public to submit comments will be on January 26, 2011.
12. Staff will return with an update on the process and a request for approval of the NSP3 Substantial Amendment at the February 10, 2011 Board Meeting.

In response to the Board, Ms. Wond and Executive Director Seddon noted the following:

1. The Na Hale O Maui will be acquiring Real Estate Owned foreclosed and vacant properties in the County of Maui, rehabilitate as needed, and resell those properties at a discounted price to qualified low, moderate, and middle-income households. Qualified buyers will need to undergo homeownership counseling approved by HUD.

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2. The Kaloko Housing project received preference in meeting the 25% set-aside requirement of serving households with incomes that do not exceed 50% AMI.

With no further questions, Chairman Lawrence proceeded to Item III. E.

Chief Planner Janice Takahashi presented the For Discussion, providing the Board with a general overview on the following:

1. Background information on HHFDC - legislative history, organizational structure, and financial information
2. HHFDC tools and resources - development tools, financing tools for developers, and single-family programs for first-time homebuyers
3. Housing need (Projected to be needed by 2015) - approximately 17,400 rental units for households with incomes at 80% and below the HUD median income and an additional 6,800 for-sale units for households with incomes between 80% and 140% of the HUD median income
4. Strategic Plan - HHFDC's mission, goals, and priorities
5. How HHFDC's priorities align with "A New Day in Hawaii - economy and jobs; invest in the skills, health, and wealth of working families; energy; housing, families, and human services."
 - a. The HHFDC was awarded \$77 million in federal funds that are being used to create 1,081 housing units.
 - b. Based on the development budgets totaling \$235 million, the HHFDC is generating 1,196 direct construction jobs and 1,729 indirect jobs.
 - c. HHFDC is helping to grow a resilient middle class through asset building and, in particular, through homeownership, where up to 750 first-time homebuyers could be assisted under the New Issue Bond Program.
 - d. HHFDC is saving energy by designing liveable communities that encourage walking, bicycling, carpooling and use of mass transit, as well as energy-efficient homes.
 - e. In the area of housing, families, and human services, workforce housing is being built through public-private partnerships, providing permanent housing that is part of the continuum of housing.

In response to the Board, Ms. Takahashi and HHFDC staff noted the following:

1. Impacts have been manageable with regard to the 22 vacant positions and furlough days scheduled. The HHFDC staff are professionals and, unlike some other agencies, the HHFDC does not have a lot of direct public interaction. Therefore, there has not been as much impact as some other agencies have experienced. However, once the economy starts to pick up, development will rise again, and there will be more pressure on staff. As such, we will need to fill some of the vacant positions.
2. Proprietary funds are generally viewed as "State funds," whereas Governmental funds are viewed as "Federal funds."
3. The Rental Assistance Revolving Fund provides interim construction loans for rental housing projects and rent subsidy payments for existing

**III. E.
DISCUSSION
AND/OR
DECISION
MAKING**
Information and
Orientation for the
Hawaii Housing
Finance and
Development
Corporation Board
of Directors

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projects. Currently, the amount of funds available for interim construction loans is \$11.5 million.

4. With regard to the Villages of Leiali'i, in Lahaina, Maui, the HHFDC has worked to raise awareness and support for the project by writing letters to the County Council and Administration, testifying at council hearings, and talking to community groups.

Director Jung thanked Ms. Takahashi for being very informative on the matters of the Kamakana Villages at Keahuolu, in Kona, Hawaii, reporting that he will be meeting with Councilwoman Brenda Ford and Hawaii County Chairman Stephen Arnett to discuss any concerns they may have with regard to the project.

5. A comprehensive list of HHFDC funded projects was included in the 2010 Overview and Program Fact Sheets Binder, which was distributed at the January 13, 2011 Board Meeting, located under Tab B - Financial Tools.
6. The HHFDC will be applying for another \$220,000 in Round 5 of the National Foreclosure Mitigation Counseling Program to provide foreclosure mitigation counseling to more homeowners. The NFMC program has assisted approximately 1,600 families and 180 homeowners with legal assistance.
7. Some ways that the HHFDC managers raise general awareness of housing needs is through program promotion. Senior staff gives presentations, speak at conferences, network with County Housing Directors, developers, realtors, various organizations, and Legislators.

Director Larson commented that she believed rental projects could be helpful in building financial assets for various household incomes, providing an opportunity to move towards homeownership.

8. Sustainable Energy initiatives are already incorporated within the HHFDC's Qualified Allocation Plan (QAP) for the LIHTC Program and is referenced within Requests for Proposals.

Director Jung commented on legislatively promoting board participation through more economical methods such as video- or teleconferences, using travel expenses for neighbor island members utilized towards other needs of affordable housing.

9. Building affordable housing appears to be a focus of the new Administration, particularly as related to creating jobs and investing in working families.

Director Young added that in discussions with the Governor, the HHFDC model of public-private partnerships is a model that the Governor is focused on because it leverages State financing. In addition, housing construction is a driver for the overall economy, putting people back to work.

Ms. Takahashi noted that if the Board deemed necessary, an orientation on Robert's Rules, Office of Information Practices, and/or Ethics Commission could be arranged and scheduled. Director Siracusa commented that some information would be helpful.

Chairman Lawrence expressed his appreciation for the overview and proceeded to the Report of the Executive Director.

In response to the Board, Executive Director Seddon noted the following:

1. Annual inspections at Waiahole Valley have been completed. Some residences have received compliance letters regarding their lease and the

IV. REPORT OF THE EXECUTIVE DIRECTOR

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HHFDC continues to work with the community on agricultural matters.

2. HHFDC will be putting in a \$26 million Capital Improvement Project (CIP) request to the Legislature for the Senior Residences of Iwilei project. Construction of basic site work has started.
3. Response from the Boards and Commissions Manager Tony Benebese, regarding the Governor's representative for the HHFDC Board, is pending.

Chairman Lawrence thanked the members of the Board for their time and asked for a motion to adjourn.

Director Mesick moved, seconded by Director Jung, to adjourn the meeting at 10:35 a.m.

The motion was unanimously approved.



BETTY LOU LARSON
Secretary

**V.
ADJOURNMENT**