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, DECEMBER 10, 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, December 10, 2009, at 9:00 a.m.

CALL TO ORDER/ ROLL CALL

Acting Chair Lawrence called the meeting to order at 9:00 a.m.

Present:	Director David Lawrence, Vice Chairman Director Betty Lou Larson, Secretary Director Georgina Kawamura Director Linda Smith Director Ralph Mesick Director Francis Jung Director Allan Los Banos Executive Director Karen Seddon
Excused:	Director Charles King, Chairman Director Theodore Liu
Staff Present:	Sandra Ching, Deputy Attorney General Scott Kami, Budget & Finance 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 Cynthia Okubo, Acting Asset Manager Ken Takahashi, Development Project Manager Ryan Morita, Development Project Coordinator Leonell Domingo, Development Project Coordinator Dean Sakata, Housing Finance Specialist Patrick Inouye, Housing Finance Specialist Jocelyn Iwamasa, Housing Finance Specialist Byron Chock, Housing Finance Specialist Lisa Wond, Planner Peter Nelson, Property Management Coordinator Lorna Kometani, Housing Sales Coordinator Kent Miyasaki, Housing Information Specialist Esa Pablo, Secretary to the Board
Guests:	Iris Osaka, Endo & Company LLC Jack Endo, Endo & Company LLC Ray Kunishige, Castle & Cooke Jeff Furuta, Hawaii Housing Development Corporation Ryan McCauley, Hoku Solar Scott Settle, Yamamoto & Settle Dean Yamamoto, Yamamoto & Settle Bruce Barrett, Castle & Cooke Andrew Furuta, Castle & Cooke Race Randle, Forest City Cliff Smith, S & B Karl Bossert, S & B Jesse Wu, Stanford Carr Development Marian Gushiken, EAH

Pam Witty-Oakland, St. Francis
Ron Lee, St. Francis
Robert Faleafine, Realty Laua, LLC
Jon Wallenstrom, Forest City
Sam Chung, THM Partners

QUORUM

Acting Chair Lawrence noted a quorum present.

II. A. APPROVAL OF MINUTES 11/12/09 Regular Meeting

Director Smith moved, seconded by Director Jung, to approve the Meeting Minutes of November 12, 2009.

Director Larson inquired on the second sentence, sixth paragraph, on page 300, which should be amended to read: "The letter also addressed that public housing agencies, such as HPHA, [~~would~~] should no longer operate homeless programs, adhering to only managerial functions of public housing projects.

The motion was unanimously approved, as amended.

III. A. DISCUSSION AND/OR DECISION MAKING Approve a Request from the Developer to Increase the Low Income Housing Tax Credit Reservation for the Kukui Gardens Makai Project Located in Honolulu, Oahu, TMK No.: (1) 1-7-026: 053.

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

That the HHFDC Board of Directors approve the following:

A. Increase the Federal LIHTC reservation to $2,263,589 from $2,088,212 and increase the State LIHTC reservation to $1,131,794 from $1,044,106.

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 Kukui Gardens Makai (Project) consists of 389 family units, located in Honolulu, Oahu.

In November 2007, the Board adopted Resolution No. 006, which allowed the issuance of up to $45 million in Hula Mae Multi-Family (HMMF) Bonds as well as approved an award of $2,088,212 in Federal Low Income Housing Tax Credits (LIHTC) and $1,044,106 in State LIHTC.

On November 12, 2009, the Kukui EAH/DGI Associates, LP (Applicant) submitted a request to increase its LIHTC allocation to $2,263,589 in Federal LIHTC and $1,131,794 in State LIHTC.

This LIHTC increase would address a financial gap of approximately $1.9 million, increasing the Project's budget from approximately $100 million to $102 million.

Construction on the Project began in September 2009 and is anticipated to be completed in January 2011.

Mr. Ueki noted that the additional LIHTC is projected to increase the Project's LIHTC equity by approximately $1,294,462, not $2,850,000 as indicated in the For Action.

Staff has reviewed the Applicant's request and finds the Project eligible for the requested LIHTC allocation.

Mr. Ueki opened for questions, along with Ms. Marian Gushiken, representing the Project.

Director Mesick inquired on what the implication was for the increase of LIHTC and if that would impact the HHFDC in any way. Mr. Ueki confirmed that there would be no financial impact to the HHFDC. Staff had to verify the Project's eligibility to accept the requested LIHTC allocation by ascertaining the financial need.

Director Smith commented that providing the increases to the project's budget would be helpful when indicated at the beginning of the For Action report.

In response to Director Smith, Mr. Ueki stated that Project increases have been due to delays in the sale of its LIHTC. Ms. Gushiken added that because of the sale challenges, the Project has had to delay the repayment of its conventional loan with City Bank, which has resulted in the increased interest costs.

Director Smith inquired on the reason for the Project's increase in its replacement reserves. Mr. Ueki stated that the tax credit investor is increasing the reserves of the Project, of which the developer has little or no control over due to the limited selection of participating tax credit investors in the current market.

Director Kawamura inquired on the interest accrued on the State loans, being that state loans are usually withdrawn right before it is needed to avoid such accrued interest on the loan. Furthermore, if there should be any interest accrued on any State funds, that accrued amount is usually returned to the State, or in this case, the HHFDC. Mr. Ueki stated that he would need to follow up on any interest accrued on the state loans.

Director Smith inquired on deferring this item until additional information was obtained. Mr. Ueki stated that there are time constraints placed on the approval of the additional LIHTC by the investor. Action would need to be taken by December 31, 2009.

The Board discussed the following options: (1) composing a sub-committee; (2) finding other alternatives to cover additional costs; or (3) deferral of approval to the end of the meeting.

Mr. Ueki stated that staff would try to address the request by the Board before adjournment of the meeting.

Director Larson inquired on the difference between the Project's "current rents" and "new tenant rents." Ms. Gushiken stated that the "current rents" are the original existing rents obtained at the time the Kukui EAH/DGI Associates, LP took over the project. The "new tenant rents" is what will be proposed to HUD. If approved by HUD, existing tenants would receive a gradual increase, whereas new tenants would immediately pay the increased rent.

In response to Director Larson, Ms. Gushiken stated that during the renovation phases, the tenants are temporarily placed in other units within the project, while belongings and other personal items are placed into storage onsite.

In response to Acting Chair Lawrence, Ms. Gushiken verified that the increased carrying costs were essentially a result of delays in the Project's ability to place its tax credit investments.

Director Jung moved, seconded by Director Smith, to defer any action taken on this item, until the following questions were addressed: (1) interest accrued on the $51 million from the State, and (2) whether or not that accrued interest was incorporated within the Project's finance sources.

The motion was deferred, as stated above.

III. B. DISCUSSION AND/OR DECISION MAKING
Approve (1) Resolution No. 021, Authorizing the Issuance of Hula Mae Multi Family Tax Exempt Revenue Bond

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

That the HHFDC Board of Directors approve the following:

A. Resolution No. 021, attached as Exhibit E, which provides for the approval of the issuance of revenue bonds up to $21,000,000 for the Franciscan Vistas Ewa project subject to the provisions recommended in Exhibit F.

B. Increase the federal LIHTC reservation to $1,671,307 from $1,386,836 and increase the state LIHTC reservation to $835,653 from $693,418.

C. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

and (2) A Request from the Developer to Increase the Low Income Housing Tax Credit Reservation for the Franciscan Vistas Ewa Project Located in Ewa Beach, Oahu, TMK No.: (1) 9-1-126: 009 (portion).

Mr. Ueki presented the For Action, stating that the proposed Franciscan Vistas Ewa (Project) consists of 150 affordable rental units for the elderly, located in Ewa Beach, Oahu.

On January 10, 2008, the Board approved the following for the Project: (1) An allocation up to $21 million in Hula Mae Multi-Family (HMSF) Bonds; (2) $1,386,836 in Federal Low Income Housing Tax Credits (LIHTC) and $693,418 in State LIHTC; and (3) a Rental Housing Trust Fund (RHTF) Award of $11 million in the form of a loan and $725,000 in the form of a grant.

On November 5, 2009, the Project submitted a request to increase its LIHTC award to $1,671,307 in Federal LIHTC and $835,653 in State LIHTC.

The Project will be owned by a single asset holding company, Franciscan Vistas Ewa LP (Partnership), with its Managing General Partner, FVE Affordable LLC, whose sole member and managing member is St. Francis Development Corporation (Applicant). Stanford Carr Development, LLC is the Development Consultant for the Project.

The Project's development cost has increased from approximately $38.865 million to approximately $41.248 million, due to an addition of a photovoltaic system and other unanticipated development costs.

However, the Project plans to address its increased budget by: (1) the requested additional LIHTC; (2) an approximate $1 million increase of its Permanent Financing loan from CUSO of Hawaii Services; and (3) a State Renewable Energy Grant of $588,000.

The Project anticipates issuing the bonds and obtaining its building permits by December 31, 2009, commencing construction in January 2010, and completion of the Project by July 2011.

The HMSF Bond issue is to be purchased by Wells Fargo Bank. However, it is anticipated that the bonds shall be repaid upon construction completion and that CUSO of Hawaii Services shall provide permanent financing.

Under the HMSF Bond Program, the estimated $21 million in HMSF bond proceeds will fund over 50% of the Project's anticipated basis for acquisition, land, and construction costs.

The HHFDC's role in the transaction is as a financial conduit in the issuance of the tax-exempt bonds on behalf of the Partnership.

A TEFRA Hearing was conducted on Thursday, November 19, 2009. No written or oral testimonies were received. Attendance included HHFDC staff, a representative from the St. Francis Development Corporation, and a representative from Stanford Car Development, LLC.

Resolution No. 021 satisfies the requirements to effectuate the HMSF Bond sale.

Mr. Ueki opened for questions, along with Ms. Pam Witty-Oakland, St. Francis Development Corporation and Mr. Jesse Wu, Stanford Car Development.

In response to Acting Chair Lawrence's inquiry on the Project's projected schedule, Mr. Ueki stated that all participating parties are working diligently to meet the proposed schedule, specifically on issuing the bonds by year-end. Staff will keep the Board apprised on the Project's progress.

In response to the Board, discussions on the changes made to the Project's development budget were as follows:

(1) A $2,415,981 increase in construction costs were due to the inclusion of a proposed photovoltaic system that would sustain the Project's overall affordability of electrical and long-term operational costs, with an invested payback by year seven (7) or ten (10). The system will be designed to assess the electrical use of each unit within the Project.

Director Larson commented that sustainability in affordable rents is vital in providing housing for those in need, especially seniors with a set income.

Mr. Wu and Mr. Ueki explained that there would be a final analysis done to verify that the Applicant's request meets all requirements of the HMSF Program before issuing of the bonds.

Acting Chair Lawrence expressed his support for renewable energy projects and inquired on the Project's estimated schedule being met in terms of obtaining its building permits. Mr. Wu concurred; however, stated that there is also an obligation to issue the bonds by December 31, 2009, as required by the tax credit investor. Mr. Ueki added that without the Project's financing in place the Project will not be able to meet the proposed schedule.

(2) A $907,100 decrease in land costs were a result of reallocation of land acquisition costs. The Project obtained $3.5 million in CDBG funds from the City and County to acquire a 23-acre site. Because the Project only utilizes a certain portion of the 23-acre site, associated costs are being divided accordingly.

(3) A $542,909 increase in Financial and Syndication Costs were based on revised project costs, also reflecting an increase in predevelopment budget interest, a $429,806 increase in the Project's Architectural and Design costs, as well as a $345,934 increase in Interim and Soft Costs.

In response to Director Smith, Mr. Scott Kami, Budget & Finance, clarified that it is clearly stated in the Resolution that the "Bonds shall not be a general or moral obligation of the State of Hawaii or the Corporation." Therefore, the Corporation is the issuer of the bonds and the debt obligation will remain with the applicant or developer.

The motion was unanimously approved.

III. C. DISCUSSION AND/OR DECISION MAKING
Approve an Extension to the Rental Housing Trust Fund Letter of Intent for the Franciscan Vistas Ewa Project Located in Ewa Beach, Oahu, TMK No.: (1) 9-1-126: 009 (portion).

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

That the HHFDC Board of Directors approve the following:

A. Extend the RHTF Project Award LOI to March 31, 2010, subject to the requirements as set forth in the For Action dated January 10, 2008 and subsequent For Actions dated May 14, 2009 and August 13, 2009.

B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Mr. Ueki presented the For Action, restating that the Franciscan vistas Ewa (Project) consists of 150 elderly rental units, located in Ewa Beach, Oahu.

Staff is requesting an extension to the Project's Rental Housing Trust Fund (RHTF) Award Letter of Intent (LOI) from December 31, 2009 to March 31, 2010.

Mr. Ueki opened for questions.

In response to Director Smith, Mr. Ueki stated that inclusion of the LOI dates in previous agenda titles were common practice. However, the HHFDC has since been advised by the Attorney General's Office to remove such dates from agenda titles to avoid locking the Corporation into the specified dates.

In efforts to effectively identify staff's request, the Board suggested that the recommendation with the extension dates be placed first in future For Action reports submitted to the Board.

The motion was unanimously approved.

III. D. DISCUSSION AND/OR DECISION MAKING
Approve an Extension to the Rental Housing Trust Fund Letter of Intent for the Hale Wai Vista I Project Located in Waianae, Oahu, TMK No.: (1) 8-6-001: 035 (portion).

Director Larson recused herself from voting on this For Action.

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

That the HHFDC Board of Directors approve the following:

A. Extend the RHTF Project Award LOI to June 30, 2010, subject to the requirements as set forth in the For Action dated June 15, 2006 and subsequent For Action dated June 18, 2009.

B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Mr. Ueki presented the For Action, stated that Hale Wai Vista I (Project) consist of 84 family units, located in Waianae, Oahu. Mr. Ueki assured Director Smith that staff would include the extension dates, as previously discussed.

The Project is near completion, with a few delays in its zoning and permitting process. The recommended extension of the Project's Rental Housing Trust Fund (RHTF) Letter of Intent (LOI) is to June 30, 2010, which would allow the developer additional time to execute its RHTF loan.

Mr. Ueki opened for questions, along with Mr. Jeff Furuta, representing the Project.

In response to Director Smith, Mr. Furuta stated that the Project anticipates receiving its Certificate of Occupancy at the end of January 2010.

The motion was unanimously approved, with Director Larson abstaining.

III. E. DISCUSSION AND/OR DECISION MAKING
Approve (1) Resolution No. 022, Authorizing Participation in the U.S. Department of Treasury's New Issue Bond Program and (2) the Issuance, Sale and Delivery of Single Family Mortgage Purchase Revenue Bonds for the Hula Mae Single Family Program.

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

That the HHFDC Board of Directors approve the following:

A. Adopt Resolution No. 022, authorizing:

   1. HHFDC's Participation in the U.S. Department of Treasury's New Issue Bond Program; and

   2. The Issuance, Sale and Delivery of Single Family Mortgage Purchase Revenue Bonds for the Hula Mae Single Family Program.

B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Mr. Ueki presented the For Action, noting that the Board did have prior discussion on the U.S. Department of Treasury's New Issue Bond Program (NIB Program) at the November 12, 2009 meeting.

A letter of intent to participate in the NIB Program was executed on October 19, 2009. On October 27, 2009, the HHFDC submitted its application to participate in the NIB Program, requesting $100 million in bonds to be purchased by Fannie Mae and Freddie Mac (GSE's). The HHFDC was notified of its application approval on November 13, 2009, and a $25,000 good faith deposit was submitted.

The proposed financing team for the NIB Program and the 2010 Hula Mae Single Family (2010 HMSF) bond program is as follows: (1) Underwriter/Special Advisor - Citigroup Global Markets, Inc.; (2) Bond Counsel - Hawkins, Delafield and Wood; and (3) Trustee - U.S. Bank National Association.

The NIB Program provides for the Federal Government to purchase certain housing finance agency bonds at what is expected to be "below-market" rates. A one-time purchase of the term bonds, pursuant to an authorization contained within the Housing and Economic Recovery Act (HERA), is set to expire on December 31, 2009.

Under the NIB Program, the GSE's will purchase up to 60% of the bond issue, which in this case would be the $100 million bond request, with the remaining 40%, or $67,000 in bonds, required to be sold publicly by the HHFDC.

The NIB Program will enable the HHFDC to raise lower-cost funds for its 2010 HMSF Program, thus providing lower-cost mortgage loans to qualified buyers.

By December 31, 2009, the taxable term bonds will be sold to the GSE's and bond proceeds will be held in escrow as a short-term variable-rate bond. Once the remaining 40% of the market bonds are issued, the HHFDC will be permitted to redeem the corresponding 60% of the taxable term bonds. Due to the GSE's purchase of the taxable bonds, no Federal tax constraints will apply while the bonds are in escrow.

The bonds structure may be set forth at the time of remarketing, with the sale of the market bonds occurring no more than three times in 2010. The anticipated bond closing for the NIB Program is in January 2010.

The 2010 HMSF Program will participate in the GSE's Mortgage Backed Securities (MBS) program and under the GSE's structure, the participating lenders will originate, sell to, and service the HMSF loans for the GSE's.

The 2010 HMSF Program's structure is under development and will be designed in collaboration with the proposed underwriter and participating lenders, to ensure that the current needs of the mortgage market are being met.

The bonds for the 2010 HMSF Program are anticipated to be issued in the summer of 2010, with relating documents being presented for Board's approval at a future board meeting.

Mr. Ueki opened for questions.

In response to Director Smith, Mr. Ueki stated that the mortgage rates for the Program Bonds will be based upon the program's current rating of AAA/Aaa/AAA.

Mr. Ueki stated that the primary benefit of the NIB Program is the 60% guarantee sale of the bonds. If the HHFDC were to sell $100 million in bonds independently, the overall cost would be approximately $500,000 as opposed to a $250,000 investment under the NIB Program.

In response to Director Smith, Mr. Ueki stated that the HHFDC does not have any lendable proceeds within its HMSF Bond program at this time.
In response to Acting Chair Lawrence, Mr. Ueki stated that the majority of the 2010 HMSF Program structure will be determined by the HHFDC and its proposed Financing Team.

In response to Director Kawamura, Mr. Ueki assured that the bonds would not go to market without the 2010 HMSF Program structure in place.

Director Smith inquired on the anticipated interest on the bonds. Mr. Ueki stated that the bonds would be placed into escrow until the 2010 HMSF Program was effectuated. As such, no negative arbitrage would be incurred.

In response to Director Smith, Mr. Ueki stated that the Trustee, US Bank National Association, was selected through a process with the Department of Budget & Finance and that they have been the Trustee of the HHFDC's Hula Mae Single Family Program for a number of years and staff would like to continue the relationship with the 2010 HMSF Program.

Director Mesick inquired if the $250,000 cost for the HHFDC to participate in the NIB Program is the only risk, being that staff still needs to determine the structure and feasibility of the Hula Mae Single Family Program. Mr. Ueki concurred that the $250,000 would be the only risk to the HHFDC. In the event that the program is not feasible, no bonds will be issued by the end of 2010 and any balance remaining from the $100 million bond amount would be used to call the bonds.

In response to Director Mesick, Mr. Ueki concurred that the work required for the GSE's legal counsel and the fee charged is a set amount regardless of the requested bond amount.

Director Mesick inquired on the success of the 2010 Hula Mae Single Family Program being determined based upon the current market. Mr. Ueki stated for that very reason, the HHFDC would work with its proposed Financing Team in designing a product that is needed and marketable to potential users.

In response to Acting Chair Lawrence, Mr. Ueki stated that the HHFDC could not lend out its 2010 HMSF Program funds before the sale of its 40% bond obligation.

In response to Director Smith, Mr. Ueki stated that by the time the 2010 HMSF Program is established, the bonds would be tax-exempt.

In response to Director Kawamura, Mr. Ueki stated that the NIB Program was actually established in 2008 under the ARRA and each state was given an additional bond cap for housing purposes. However, in 2009, the NSCHA took the lead and the NIB Program was created.

In response to Director Kawamura, Mr. Ueki clarified that most of the expenses would be rolled into the 2010 HMSF Program.

In response to Director Smith, Mr. Ueki stated that the HERA was enacted in August 2008.

With no further discussion, Acting Chair Lawrence called for the question.

The motion was unanimously approved.

III. F. DISCUSSION AND/OR DECISION MAKING
Approve a Right-of-Entry and Ground Lease to Forest City Hawaii, LLC for a Renewable Energy Project at the Villages of Leiali'i Located in Lahaina, Maui, TMK No.: (2) 4-5-021: 003 (portion).

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

That the HHFDC Board of Directors approve a Right-of-Entry and Ground lease to Forest City Hawaii, LLC, or other entity approved by HHFDC, over a portion of the Villages of Leiali'i project, TMK (2) 4-5-21: 003 (portion) for a solar renewable energy project, substantially as discussed in this For Action, and authorize the Executive Director to take all actions necessary to effectuate the purpose of this For Action.

Development Section Chief Stan Fujimoto stated that this For Action and the following For Action involves the proposal of a 1 megawatt renewable energy project (Project) at the Villages of Leialii, a 1,128-acre master planned community, located in Lahaina, Maui. This Project would be developed by Forest City Hawaii, LLC (Forest City).

In September 2009, Forest City submitted a request for a Right-of-Entry (ROE) and ground lease to a portion of the Villages of Leialii, utilizing an allocation of $1.5 million in Federal funds for the construction of the Project.

After discussions with the Department of Land Use and Natural Resources (DLNR), a 25-acre site was identified on the revised master plan completed by Belt Collin Hawaii Ltd, designated for light industrial use within the area of the Keawe Street Extension, Bypass Highway, and the Kahoma Stream.

Staff proposes to issue a ROE to the Forest City for the 25-acre site for 2 years to study and identify a 6-acre site that is needed for the Project. Once the 6-acre site is identified and subdivided accordingly, a 25-year ground lease would be issued to the Forest City at an estimated lease rent of $20,000 a year, escalated at 2% per year thereafter. The proposed lease rent exceeds the market lease rent based on the assessed value of the property.

Forest City reserves the right to terminate the ROE and/or ground lease at any time, should the Project be deemed unfeasible.

The proposed project promotes the State's policies and initiatives on sustainability and energy self-sufficiency.

Mr. Fujimoto introduced Mr. Jon Wallenstrom and Mr. Race Randle from Forest City, who provided the Board with informational background on the proposed Project.

Mr. Randle introduced the development team, which consisted of the following members: Mr. Scott Settle and Mr. Dean Yamamoto, Yamamoto & Settle; Mr. Cliff Smith and Mr. Karl Bossert, S&B Energy; and Mr. Ryan McCauley, Hoku Solar.

Mr. Wallenstrom and Mr. Randle provided a brief presentation on the following topics: (1) Forest City's background; (2) renewable energy experiences and awards; and (3) project concept visuals - previously completed solar projects, the proposed site on the Villages of Leialii, and technology models.

In response to Director Kawamura, Mr. Randle stated that the proposed one megawatt would represent about a half percent of the approximate 200 megawatts needed to supply the island of Maui. However, once the necessary funding for the Project is in place, further discussions on the size, connections, and overall layout of the project can be determined with the Maui Electric Company (MECO).

Director Jung inquired on negotiated cost amounts with MECO. Mr. Randle deferred to Mr. Yamamoto, who stated that no discussions have taken place on a power purchase agreement with MECO at this point. Evaluation studies would still need to be processed further before a value can be determined.

Discussion ensued on the legalities of DURF uses for the Project. Mr. Fujimoto verified that the proposed use of the DURF does comply with Section 201H-44(a), Hawaii Revised Statutes and Section 15-174-30(a), Hawaii Administrative Rules. As such, staff did not feel that a legal opinion was necessary. Executive Director Seddon added that this Project would provide the opportunity to generate income into the DURF and allow the HHFDC to continue its efforts in the development of affordable housing.

The following outcomes were discussed by the Board:

(1) An appraisal needed to be completed to determine the fair market lease rent for this site.

(2) A legal opinion is favored on whether the use of DURF was appropriate for a renewable energy project.
(3) A review of the award process.

After much consideration, the Board determined that more information was needed in order to make a sensible decision and inquired about anticipated repercussions. Mr. Wallenstrom stated that the federal funding for the Project does have time constraints. However, Forest City would need to further review any delay.

Director Kawamura moved, seconded by Director Smith, to defer action on this item.

The motion was unanimously approved.

Director Kawamura moved, seconded by Director Mesick, to defer action on this item.

The motion was unanimously approved.

III. G. DISCUSSION AND/OR DECISION MAKING
Approve a DURF Interim Loan to Forest City Hawaii, LLC for a Renewable Energy Project at the Villages of Leiali'i Located in Lahaina, Maui, TMK No.: (2) 4-5-021: 003 (portion).

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Acting Chair Lawrence called for a recess at 11:50 a.m.

RECESS
11:50 a.m.

Acting Chair Lawrence reconvened the meeting at 12:00 p.m.

RECONVENED
12:00 p.m.

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

That the HHFDC Board of Directors approve the proposed change in the product mix and homeownership status for the Villages of Kapolei multi-family housing project to the existing cluster lot configuration at Villages 4, Kekuilani, TMK Nos.: (1) 9-1-79: 01 to 35 & 129 to 134 (shared driveways), substantially as described in this For Action, subject to other terms and conditions deemed necessary and acceptable by the Executive Director:

A. Cluster lot configuration approved by the City and County of Honolulu; and

B. Conveyance of the Villages of Kapolei Kekuilani parcel to CCHHI, its successors or assigns, as substantially in accordance with this For Action, the executed development agreement and subject to legislative approval under Act 76, SLH 2009.

III. H. DISCUSSION AND/OR DECISION MAKING
Approve a Request to Change the Product Mix and Homeowner-ship Status for the Villages of Kapolei Multi-Family Housing Project to the Existing Cluster Lot Configuration at Kekuilani Village 4 Located in Kapolei, Oahu, TMK Nos.: (1) 9-1-79: 01 to 35 & 129 to 134.

Development Project Coordinator Leonell Domingo stated that this For Action requests a change in the Villages of Kapolei - Kekuilani Village 4's original product mix of 64 multi-family Tax Credit units into a 35 single-family cluster lot configuration (Amended Project), targeting families at or below the 140% HUD median income.

The Amended Project is driven by the success of the Makali'i project, consisting of 32 single-family cluster units, of which were sold immediately after completion.

Castle & Cooke Homes Hawaii, Inc. (CCHHI) is proposing the Amended Project in lieu of the original proposal due to the limited demand in the tax credits.

The Amended Project would fill a niche for larger households and increase homeownership opportunities.

Contingent upon legislative approval, under Act 176, Session Laws of Hawaii, the Amended Project would require a sale of the cluster lots to CCHHI.

Mr. Domingo opened for questions, along with Mr. Andrew Furuta and Mr. Bruce Barrett, from CCHHI.

In response to the Board, Mr. Domingo concurred that the original proposal is being changed to single-family units for sale. Mr. Barrett added that the CCHHI felt this change would facilitate quicker sales.

Director Larson inquired on the amount of affordable rentals being built. Mr. Furuta stated that there are 72 rentals completed in the Villages of Aeloa and the construction of another 72 units in Villages of Malu'ohai anticipated to start in the first quarter of 2010.

Director Larson commented that a balance of both rentals and single-family homes are necessary in the Kapolei area.

In response to Acting Chair Lawrence, Mr. Barrett stated that construction for the Amended Project would be anticipated in the fourth quarter of 2010, with product deliveries in the third quarter of 2011. If the original proposal were to be retained, the anticipated product delivery would be in 2013.

Director Larson inquired on the anticipated prices for the single-family homes. Mr. Barrett stated that the prices would be in the $300,000's. Development Branch Chief Rick Prahler added that the prices are approximately 10% below market.

Acting Chair Lawrence inquired on the repercussions, if the Amended Project was not approved. Mr. Barrett stated that the concern would be in meeting the timeframe for the financing of the tax credits. Mr. Prahler added that even if the CCHHI were unsuccessful in financing its tax credits, those credits would not be lost, but rather used to build another project.

In response to Director Kawamura, Mr. Barrett stated that there is a demand for single-family homes in this price range.

In response to Director Larson, Executive Director Seddon concurred that there are other locations available for future rentals, like the Northwest Corner.

Mr. Barrett clarified that there are still other approvals pending, which determines how the project will proceed. However, this For Action is structured in that if the Amended Project is not successful in obtaining its subdivision by the City & County, this request would revert back to the original proposal with the use of the tax credits.

The motion was unanimously approved.

III. I. DISCUSSION AND/OR DECISION MAKING
Approve a Partial Advance of Up to $3.5 Million Plus Accrued Interest From an Existing Dwelling Unit Revolving Fund Interim Loan for the Holomua Project

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

That the HHFDC Board of Directors approve a partial advance of up to $3.5 million plus accrued interest from the existing DURF loan approved for the Holomua Project, substantially as described in this For Action, subject to the following:

A. Availability of DURF funds;

B. Approval and execution of amended loan documents by the Executive Director;

Located in Honolulu, Oahu, TMK Nos.: (1) 2-4-6: 017 & 018.

C. Compliance with all rules and regulations and such other terms and conditions as may be required by the Executive Director; and

D. The Executive Director shall be authorized to take all actions necessary to effectuate the purposes of this For Action.

Mr. Prahler presented the For Action, stating that the recommendation before the Board is for a partial advance of the DURF inter loan to partially pay off existing loans and release the current liens on the property.

In September 2008, the Board approved a $25 million DURF interim loan and 201H exemptions for the Holomua project (Project).

The $25 million DURF interim loan was approved with a pre-sale requirement of a minimum 90% prior to the initial release of the DURF loan. Currently, the Project has sold approximately 23% of its units. However, due to the current economic circumstances adversely affected its primary mortgage lender, Central Pacific Bank (CPB), further extensions on the loan are inadmissible and is set to mature on December 20, 2009.

Therefore, the KRC Partners LLC (Developer) is requesting for the use of $3.5 million of the previously approved $25 million DURF interim loan, with interest, to be used to pay off its loan with CPB and a portion of its second loan with Pacific Rim Bank (PRB), in order to enable the project to proceed.

Mr. Prahler noted that the advanced loan would serve a loan term of 2 years, followed by the basic terms outlined in the previous DURF loan agreement. Any remaining balance of the $25 million DURF interim loan amount will not be available to the Developer until all initial pre-sale requirements and funding commitments have been met.

Director Mesick inquired on a new underwriting of the loan, being that the economic circumstances have changed drastically from when the original loan agreement was created in September 2008. Mr. Prahler clarified that the only change would be to advance the requested $3.5 million portion of the $25 million DURF amount. The remaining balance of approximately $21 million would still pertain to the previous loan agreement.

In response to Director Mesick, Mr. Chung stated that an appraisal completed by CB Richard Ellis, reflected an appraised value of $6.8 million for the Project, as of December 2, 2009, which was ordered by the Developer.

Acting Chair Lawrence commented that the tools provided by the HHFDC are to help get units built. Mr. Chung responded that there have been challenges within the current market to obtain the necessary pre-sales. These challenges include the inability to provide new homebuyers with the current $8,000 tax credit, since the project's completion date exceeds the program's duration; and secondly, that outside brokers are unwilling to participate in the project because commissions are not paid until the completion of the project and closing of the units.

Director Larson inquired on the anticipated timeframe needed in order for the Project to meet its pre-sale requirements. Mr. Chung stated that the Project will work on its marketing strategies; however, it is anticipated that the pre-sale requirements could be met within 9 to 12 months.

Director Smith inquired on the Project's plan in obtaining the remaining balance of approximately $37.6 million needed to complete the project, if the $3.5 million in DURF funds were approved. Mr. Chung stated that in previous meetings with American Savings Bank, a term sheet was issued based on the proforma provided to the HHFDC, which is contingent upon other participating lenders.

Director Mesick reiterated that he would prefer that updated underwriting be performed to reflect the market changes, being that a lot has changed since September 2008. Mr. Chung stated that a revised proforma was submitted to the HHFDC. Mr. Prahler clarified that because the proforma was recently received, it was not included in the board meeting packets.

Director Smith inquired on the costs anticipated to be incurred on the loans and the approximate timeframe of when this item would return to the Board, if action is deferred. Mr. Prahler stated that the HHFDC would need to go through the procurement process to obtain an appraisal, which would take at least three months to complete.

Director Larson commented that under these unique circumstances, the Board has had to go through situations that were not in our usual process in order to get projects through to completion, working to avoid projects from coming to a halt. With this being the only for-sale project in town, it raises a concern.

Acting Chair Lawrence called for the question.

With a total of 4 ayes and 3 nays, the motion did not carry.

III. J. DISCUSSION AND/OR DECISION MAKING
Accept the Audited Financial Statements of Kekuilani Gardens for the Fiscal Year Ended June 30, 2008.

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

That the HHFDC Board of Directors accepts the audited financial statements for the fiscal year ended June 30, 2008.

Acting Asset Manager Cynthia Okubo presented the For Action, stating that the recommendation seeks the Board's acceptance of the audited financial statements of Kekuilani Gardens for the fiscal year ended June 30, 2008.

Developed in 1997, the Kekuilani Gardens Project consists of 56 two-bedroom units under the U.S. Department of Agriculture (USDA) Program, currently managed by Realty Laua, LLC since March 1, 2008.

The financial statements were completed by the Auditors of Endo & Company, of which have been reviewed and accepted by the Fiscal Management staff.

Ms. Okubo opened for questions, along with Property Management Coordinator Peter Nelson. Representatives from Endo & Company and Realty Laua, LLC were no longer present.

Director Smith inquired on the reasoning for a separate audit. Executive Director Seddon explained that under the USDA Program, federal funded projects such as Kekuilani Gardens, are required to obtain a separate individual audit. All other remaining projects of the HHFDC are part of a combined financial management audit of the State, which will then include the Kekuilani Gardens at that point.

In response to Director Smith, Executive Director Seddon confirmed that the financial statements did not have any major findings and all required paperwork was prepared.

Director Larson inquired on Exhibit A, "Currently Known Facts, Decisions or Conditions," on pages 6 & 7. Ms. Okubo responded, respectively: (1) under the USDA Program, the Kekuilani Garden provides units for families at or below the 30% area median income; (2) in 2008, the occupancy rate was at 95%; and (3) the USDA would accommodate the rent increase due to the rising operational costs and deposits to reserve.

The motion was unanimously approved.

III. K.

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

That the HHFDC Board of Directors:

A. Approve the State of Hawaii's Five-Year Consolidated Plan for Program Years 2010 through 2014 (July 1, 2010 through June 30, 2015) and the Annual Action Plan for Program Year 2010 (July 1, 2010 through June 30, 2011); and

B. Authorize the Executive Director to undertake all tasks necessary to submit and implement the Consolidated Plan and Annual Action Plan.

DISCUSSION AND/OR DECISION MAKING
Approve the State of Hawaii's Five-Year Consolidated Plan for Program Years 2010 through 2014 (July 1, 2010 through June 30, 2015) and Annual Action Plan for Program Year 2010 (July 1, 2010 through June 30, 2011).

Planner Lisa Wond presented the For Action, stating that the draft five-year Consolidated Plan and Annual Action Plan was presented to the Board at the November 12, 2009 meeting as an informational item and has since then, been available for public review. No public comments to the draft Plans were received during the 30-day comment period, which ended on December 6, 2009. This five-year Consolidated Plan and Annual Action Plan will be submitted to HUD upon approval.

Ms. Wond opened for questions.

Director Larson indicated a possible name change to the Emergency Shelter Grant (ESG) Program for 2010 that would now be called the Emergency Solutions Grant.

The motion was unanimously approved.

III. L. DISCUSSION AND/OR DECISION MAKING
Approve a Delegated Procurement Authority from the Director of the Department of Business, Economic Development and Tourism to the Executive Director of the Hawaii Housing Finance & Development.

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

That the HHFDC Board of Directors approve the delegated procurement authority from the Director of the Department of Business, Economic Development and Tourism to the Executive Director of the Hawaii Housing Finance and Development Corporation.

Executive Director Karen Seddon presented the For Action, stating that the approval would permit the executive director to have procurement authority of up to $500,000, cutting down on time spent routing through the Department of Business, Economic Development and Tourism (DBEDT) for signatures. Staff has taken all mandatory training necessary to perform the customary procurement delegations at hand.

In response to the Board, Executive Director Seddon responded that presently, she has a procurement authority of up to $25,000. The proposed procurement delegation would be utilized for procurements dealing with property management, housing appraisals, and maintenance repairs, to name a few, of which are all well under the $500,000 authorized amount.

In response to Acting Chair Lawrence, Executive Director Seddon concurred that the $500,000 ceiling amount is practical.

Director Jung inquired on the time consumed in the procurement process otherwise. Executive Director Seddon responded that the HHFDC runs quite independently because it is an attached agency rather than a division within DBEDT. However, because the HHFDC is an attached agency, all related documents require a fair amount of time to be routed through the DBEDT for necessary signatures, of which the proposed procurement delegation would mitigate. However, consultations from various departments within DBEDT will continue.

In response to Director Smith, Executive Director Seddon concurred that this procurement delegation would need to be submitted for review and approval by the Board each fiscal year.

The motion was unanimously approved.

III. A. DISCUSSION AND/OR DECISION MAKING
Approve a Request from the Developer to Increase the Low Income Housing Tax Credit Reservation for the Kukui Gardens Makai Project Located in Honolulu, Oahu, TMK No.: (1) 1-7-026: 053.

Acting Chair Lawrence reverted to agenda item III. A.

Mr. Ueki thanked the Board for the additional time to discuss the matter and clarified that out of the $51 million amount, the first $25 million was utilized for the acquisition of the Project. The second $26 million was deposited with the Projects trustee, to be disbursed accordingly throughout the rehabilitation process. Any interest earned on the $26 million, will be returned to the State.

In response to Director Kawamura, Mr. Ueki concurred that any interest earned on the $26 million amount would be returned to the State. What is reflected in the Project budget and financial structure, should be sufficient in covering the Project cost, without the inclusion of the interest accrued on the $26 million. However, in the event there is a shortfall in the Project's budget, the Project reserves the right to utilize the interest accrued for the Project.

In response to Director Smith, Mr. Ueki clarified that the loan includes accrued interest on the loans, with no intent of the interest being paid during the construction period. Housing Finance Specialist Patrick Inouye further explained that what is reflected on the Project's budget and financial structure does not include the interest income that the HHFDC accrues on the $26 million amount, but rather the loans and debt incurred on the initial $25 million for the acquisition of the Project. As such, the HHFDC will receive repayment on the interest accrued on the $26 million at the end of the loan term, which is held by the Project's trustee and is currently not included in the Project's source of funds.

The motion was unanimously approved.

IV. REPORT OF THE EXECUTIVE DIRECTOR

Acting Chair Lawrence noted that Director Smith would need to be excused shortly and asked if there were any questions on the Executive Director's Report.

Director Larson commented on the following:

(1) In reference to Exhibit C, the Report to the 2010 Hawaii State Legislature: Relating to Projects Funded by the Rental Housing Trust Fund (RHTF), wording should be added to clarify that the RHTF loans are effective in creating rental units for those at or below the 30% area median income, making a clear distinction between RHTF loans versus grants.

(2) In reference to Exhibit A, HHFDC Program Resources (Major Programs), page 5, the conveyance tax should read 25% for FY 2010, not 30% as indicated in the report.

V. ADJOURNMENT

With no further business on the Agenda, Director Kawamura moved, seconded by Director Jung, to adjourn the meeting at 1:10 p.m.

The motion was unanimously approved.

Betty Lou Larson

BETTY LOU LARSON
Secretary