

**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, MARCH 11, 2010  
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, March 11, 2010, 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 David Lawrence, Vice Chairman  
Director Betty Lou Larson, Secretary  
Designee Scott Kami for Director Georgina Kawamura  
Director Theodore Liu  
Director Ralph Mesick  
Director Francis Jung  
Director Allan Los Banos

Executive Director Karen Seddon

Excused: Director Linda Smith  
Director Georgina Kawamura

Staff Present: Sandra Ching, Deputy Attorney General  
Craig Iha, 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  
Peter Nelson, Property Manager Coordinator  
Patrick Inouye, Housing Finance Specialist  
Byron Chock, Housing Finance Specialist  
Jocelyn Iwamasa, Housing Finance Specialist  
Lisa Wond, Planner  
Kent Miyasaki, Housing Information Specialist  
Esa Pablo, Secretary to the Board

Guests: Liz Char, Hawaii Community Reinvestment Corporation  
Delene Osorio, Big Island Housing Foundation  
Gary Furuta, Coalition for Specialized Housing

Chairman King noted a quorum present.

**QUORUM**

Director Lawrence moved, seconded by Director Los Banos, to approve the Meeting Minutes of February 11, 2010.

**II. A.  
APPROVAL  
OF MINUTES**

The motion was unanimously approved.

2/11/2010  
Regular  
Meeting

Chairman King noted that there were three Executive Session minutes for the Board to approve, of which will be considered at the end of the meeting.

**II. B.  
APPROVAL  
OF MINUTES**  
2/11/2010  
Executive  
Session

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

That the HHFDC Board of Directors approve the following:

- A. Adopt the Approved project list for the FY2010-1 funding round for Project Awards, subject to the following provisions and conditions:
  - 1. The approval of the Approved Project List does not obligate or guarantee that any and all applicants on the Approved Project List will receive funding;
  - 2. HHFDC may elect to select, reject, or defer an applicant's request, if HHFDC judges such action to be in the best interest of the Program;
  - 3. The amount of an award is subject to the availability of Program funds. HHFDC is not obligated to approve or fund the full amount of the applicant's request;
  - 4. The actual form, terms, and conditions of each award shall be determined by HHFDC and are subject to negotiation between the applicant and HHFDC, and the completion of all appropriate legal documentation satisfactory to HHFDC and its legal counsel;
  - 5. The approval of each award and the disbursement of funds are subject to the final approval of the Governor of the State of Hawaii;
  - 6. The applicants agree to abide by all the terms and conditions that may arise due to the use of public funds; and
- 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 in October 2009, the Board approved three Rental Housing Trust Fund (RHTF) funding rounds for the fiscal year 2010 (FY2010).

The HHFDC received two application requests in the first funding round, which closed on November 30, 2009.

Both applicants for the Hale Makana O Nanakuli and the Hale Mohalu II projects, scored in excess of the minimum 125-point requirement, placing them on the proposed RHTF Approved and Rejected List (Proposed List).

Mr. Ueki noted that the approval of the Proposed List does not obligate or guarantee that an applicant will receive funding and stated that he and staff were available for questions.

Director Jung inquired on the Riverside Apartments project, located in Hilo, Hawaii. Mr. Ueki stated that the Riverside Apartments is currently on the existing RHTF Approved List (Existing List) that will be superseded once the Board approves the Proposed List.

Director Jung expressed concern for the need of housing in the Hilo area and inquired on possible options that the Board could consider in assisting the Riverside Apartments. Mr. Ueki informed the Board on the financial challenges that have occurred over the last six months and stated that because of the budgetary constraints, staff has had to reanalyze its strategy on utilizing its limited resources, determining to assist projects that have existing financial commitments and make them whole in order to ensure its completion.

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

Adopt the Approved and Rejected List for the Rental Housing Trust Fund Project Award for the FY2010-1 Funding Round

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Mr. Ueki explained further, that the Riverside Apartments is a project that does not have any previous or existing financial commitments with the HHFDC and although there is now a 25-year mitigation plan in place to address its soil transfer issues, the plan does not cover the 51-year affordability period for the trust fund loan.

Director Jung asked that Ms. Delene Osorio, representing the Riverside Apartments, be given an opportunity to speak before the Board.

Ms. Osorio thanked the Board for the opportunity and explained the situation of the project, asking the Board to reconsider funding the project, subject to the availability of funds.

In response to Chairman King, Ms. Osorio concurred, stating that the funds requested is for the buyer to purchase and preserve the property as an affordable housing.

Director Lawrence inquired on how the soil erosion is being addressed. Ms. Osorio stated that because of the project's inability to obtain funding, nothing has been accomplished.

In response to Director Lawrence, Ms. Osorio stated that the property is owned by the Big Island Housing Foundation Riverside Community Based Non-Profit Corporation and is financed by the U.S. Department of Housing and Urban Development (HUD).

Mr. Ueki reiterated staff's position on the Riverside Apartments project, stating that in addition to the limitation of funds, there were no guarantees from the Army Core of Engineers to remove the soil erosion within the 25-year duration, which has lead to staff's final decision. Executive Director Seddon added that staff did not feel the mitigation plan was complete in addressing its concerns.

In response to Chairman King, Mr. Ueki stated that procedurally, the application for the Riverside Apartments project did not qualify under the first round's criteria of having had existing financial commitments from the HHFDC.

Director Lawrence inquired on the two recommended projects on the Proposed List. Mr. Ueki stated that staff will be recommending an award to the Hale Mohalu II project in the next For Action, which has obtained the necessary 201H and permitting approvals, anticipating breaking ground in the Fall of 2010. The Hale Makana O Nanakuli project has made progress in securing a Community Development Block Grant funding from the City and County of Honolulu and a United States Department of Agriculture loan and rent subsidy, the only project to receive such an award within the State of Hawaii.

Responding to Director Liu, Mr. Ueki stated that he would need to defer to the Deputy Attorney General regarding the RHTF program's procedures, and explained the HHFDC's ability to make financial commitments from the RHTF. However, in the situation with the Riverside Apartments, the available RHTF balance includes the appropriation allotted and therefore, would not be feasible.

Deputy Attorney General Sandra Ching asked for the procedural manual for the RHTF program and stated that she did not believe the Board could grant an exemption. However, if wished to do so, the Board could deny the Proposed List, thereby enabling the Existing List to preside.

In response to Director Liu, Director Jung stated that he did not have an answer as to how the Board could help the Riverside Project under such budget constraints, but appreciated the Board and staff's consideration on the matter.

Director Larson inquired on the reason for selling the project and if the funding amount requested by the Riverside Apartments project would be an appropriate use of the Dwelling Unit Revolving Fund resources. Ms. Osorio stated the owners

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have decided to sell the project after two failed Real Estate Assessment Center (REAC) inspections, in addition to not having the funding for necessary improvements to the project. Mr. Ueki added that he believed the RHTF to be more appropriate for a \$700,000 loan amount.

Designee Kami commented with regard to Director Larson, that if the purchase proposal does not go through, the current owner would have the opportunity to reapply in the subsequent funding round. Mr. Ueki concurred.

In response to Designee Kami, Mr. Ueki stated that the correct RHTF Available Balance should be \$8,910,661, not \$6,956,287, as stated in this For Action.

Director Lawrence commented that he felt uncomfortable funding the Riverside Apartments based on the unresolved impairments mentioned.

Chairman King noted that after further review, Deputy Attorney General Ching stands by her previous comment made regarding the exemption to the rules.

With no further discussion, the motion was unanimously approved.

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

That the HHFDC Board of Directors approve the following:

- A. An RHTF Project Award of \$7,252,418 that will amend the Project's existing RHTF loan award to \$23,402,418 from \$16,150,000 as described in Section III(G).
- 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 Hale Mohalu II (Project) consists of 164 units, located in Pearl City, Oahu.

It was noted that in October 2007, the Board approved the following to the Project: (1) Resolution No. 004, which provides official intent for the issuance of revenue bonds up to \$30 million; (2) reservation of up to \$1,587,656 in Federal Low Income Housing Tax Credits (LIHTC) and \$793,828 in State LIHTC; and (3) a RHTF Project Awards of 16,150,000 in the form of a loan and \$850,000 in the form of a grant.

Mr. Ueki continued, summarizing the facts stated in the For Action regarding additional extensions and approvals given by the Board, the RHTF Available Balance, the proposed Financing Structure and Budget and Use of funds, and the Project's estimated construction timeline anticipated to start during the 4<sup>th</sup> Quarter of 2010 and completed in 2012.

The Coalition for Specialized Housing (Applicant) has requested for a \$7,252,418 increase and amendments to its existing RHTF loan award. However, staff has reviewed the Applicant's request and proposes the following terms:

- 1. Loan Amount: \$7,252,418 increase to \$23,402,418 from \$16,150,000
- 2. Interest Rate: 0.00% - Years 1 through 2  
0.50% - Thereafter  
(Unchanged from original approval)
- 3. All other terms and conditions of the existing RHTF loan remain the same.
- 4. Subject to the availability of funds.

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

Approve a Rental Housing Trust Fund Project Award for the Hale Mohalu II Project Located in Pearl City, Oahu, TMK No.: (1) 9-7-019: 035

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

In response to Chairman King, Mr. Ueki stated that the \$7,252,428 increase is primarily due to the downward turn in the value of the LIHTC.

In response to Director Lawrence, Mr. Furuta concurred that the Project's foundation and supplemental permits are expected to be obtained by September 2010. Furthermore, project designs are being drawn independently of measures that would require additional approvals from the City or State, in efforts to ensure the project's timeline is met.

The motion was unanimously approved.

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

That the HHFDC Board of Directors approve the following:

- A. Amend the For Action dated June 19, 2003 issuing an Inducement Resolution for the Senior Residence at Iwilei project by extending the deadline to issue HMMF Bonds to March 31, 2011.
- 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 Senior Residence at Iwilei (Project) consists of 151 units, located in Iwilei, Oahu.

The Project was approved in June 2003, with the Inducement Resolution No. 082 (Inducement Resolution) set to expire in March 2010. Staff is recommending a 12-month extension to the Inducement Resolution, which would fall on March 31, 2011.

In June 2003, the former Hawaii Community Development Corporation Hawaii (HCDCH) Board approved the following to the Project: (1) the Inducement Resolution, which authorized the issuance of up to \$20 million in Hula Mae Multi-Family (HMMF) Bonds as well as \$1.5 million in Federal Low Income Housing Tax Credits (LIHTC) and \$456,000 in State LIHTC.

Staff has evaluated the Senior Residence at Iwilei Limited Partnership's (Applicant) request to extend based on the progress made on three basic milestone areas of Site Control - The Applicant has Site Control; Zoning Approvals - The Environmental Impact Statement was published in 2002 and the 201H Exemption was approved in 2004; and Financial Commitments - the Applicant continues to work on its request to the State Legislature for a direct appropriation of funds for the Project.

Mr. Ueki opened for questions.

In response to Director Lawrence, Mr. Ueki stated that the Project is trying a second time to seek an appropriation request of \$33 million from the Legislature. However, if the Project is unable to obtain the requested funding, previous resources awarded to the Project will then become available for other potential projects and will not be lost. Executive Director Seddon added that staff is being optimistic in recommending this extension in case the funds become available.

In response to Director Liu, Executive Director Seddon stated that there is no cost in extending the Inducement Resolution.

In response to Director Larson, Mr. Ueki clarified that the competitive 9% LIHTC have a 30-month window in which to complete the transaction, whereas the non-competitive 4% LIHTC would be able to carry over until utilized.

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

Approve an Extension to Resolution No. 082, Which Provides for Official Intent with Respect to the Issuance of Hula Mae Multi-Family Tax-Exempt Bonds for the Senior Residence at Iwilei Project Located in Iwilei, Oahu, TMK No.: (1) 1-5-007 (various parcels)

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Mr. Ueki reiterated that no projects were affected in this process. Designee Kami added that the Department of Budget and Finance believes there is a sufficient amount of bond cap in terms of flexibility.

Designee Kami inquired on the adjusted amount of tax credit equity. Mr. Ueki stated that he believes the equity amounts of the tax credits have been revised accordingly. However, staff has elected not to make any changes to the amount of tax credits a potential applicant may qualify for or the amount of HMMF bonds they may need.

In response to Chairman King, Executive Director Seddon stated that the Board approved a permanent as well as a short-term loan. Mr. Ueki added that the requested amendments were to the Project's existing loan approved by the former HCDCH Board.

The motion was unanimously approved.

Director Lawrence moved, seconded by Designee Kami, to approve staff's recommendation:

That the HHFDC Board of Directors:

- A. Approve the Hawaii Housing Finance and Development Corporation's Recovery Plan under the American Recovery and Reinvestment Act of 2009, attached as Exhibit A; and
- B. Authorize the Executive Director to undertake all tasks necessary to implement the Recovery Plan.

Chief Planner Janice Takahashi presented this For Action, stating that through the American Recovery and Reinvestment Act of 2009 (ARRA), the State of Hawaii will receive \$1.52 billion in federal funding. Participating State agencies must have a recovery plan in place that sets forth the policies that govern the way the ARRA funds are spent.

The Governor has identified the following seven priorities in which the State of Hawaii is to adhere to in the construction of its recovery plan:

- 1. Save or create jobs and promote economic recovery;
- 2. Use ARRA funds to stabilize the State's fiscal situation;
- 3. Invest ARRA funds wisely;
- 4. Use ARRA funds to improve Hawaii's economic competitiveness;
- 5. Secure the maximum amount of ARRA resources available to Hawaii;
- 6. Apply federal accountability and transparency requirements; and
- 7. Fulfill federal reporting requirements.

Ms. Takahashi continued, noting the members of the HHFDC's Recovery Team and dedicated pages on the HHFDC's website for transparency.

Chairman King asked for questions.

Director Lawrence inquired on the \$1.52 billion amount. Ms. Takahashi clarified that the State will apply for the federal funding and, if eligible, the funds will be drawn down through September 30. Director Liu added that the calculated \$1.52 billion amount includes such imputed values of unemployment, employee benefits, and tax credits, not necessarily \$1.52 billion in cash.

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

Approve the Hawaii Housing Finance and Development Corporation's Recovery Plan under the American Recovery and Reinvestment Act of 2009

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Director Larson inquired on the status of projects receiving funding under the ARRA. Ms. Takahashi and Mr. Ueki responded, stating that the Hale Wai Vista and the Ainakea Senior Residence have almost completed the process of receiving Tax Credit Assistance Program (TCAP) funding, with the Kukui Gardens currently working on its TCAP agreement. In dealing with the Section 1602 Exchange Program (1602) funding, all projects have been identified and the necessary paperwork has been submitted for the release of the 1602 proceeds.

Director Larson inquired on anticipated ARRA funds loss due to projects not meeting the required deadlines. Mr. Ueki stated that at this point staff is very comfortable in the projects' progress and does not foresee any potential loss in obtaining the requested program proceeds.

The motion was unanimously approved.

Chairman King proceeded to the Report of the Executive Director.

Executive Director Seddon opened for questions.

Director Larson inquired on an update on the Neighborhood Stabilization Program (NSP) informational report presented at the January 14, 2010 Board Meeting on the activities at-risk. Mr. Ueki reported on the following:

- (1) County of Kauai - Activity has been reanalyzed and a new process has been found that will hopefully be successful. Bids have gone out and responses are pending.
- (2) Ewa Villages - If unsuccessful in meeting its timeline, the awarded funds will be retracted and an alternate activity will be solicited.
- (3) County of Hawaii - Bids have gone out and responses are pending.
- (4) Seawinds - Funds are being disbursed on a regular basis.
- (5) Na Hale O Maui - Activity needs to reanalyzed for additional properties.

Director Jung commended the Board and staff for the work being done on the Big Island, especially with the Mid-Level Road, which has resulted in positive feedback from the press and public. Director Larson concurred and further commended staff for going beyond the normal workload and keeping up with the tasks that arise.

In response to Director Lawrence, Executive Director Seddon stated that although the HEA Hawaii Solar, LLC has been selected for the Leiali'i renewable energy project, ongoing discussions continue with revisions still being made within its proposal. Once completed, the HEA Hawaii Solar, LLC proposal will be presented to the Board.

In response to Director Liu, Mr. Ueki clarified that the LIHTC are taken over a 10-year period. Therefore, in the case of the Hale Mohalu, the actual value would be \$28 million.

Chairman King inquired on the market lease property in Waiahole Valley. Executive Director Seddon stated that leases are being reviewed and those who are not complying with their leases will be given ample notice followed by eviction from the property.

Director Larson inquired on the status of the 2010 Legislation Session and HB 2885. Ms. Takahashi clarified that the HB 2885 proposes to temporarily suspend the transfer of conveyance tax revenues to the Trust Fund.

Ms. Takahashi continued, stating that staff is also monitoring and advocating for the House version of the Budget Bill that provides for a \$10 million appropriation

**IV.  
REPORT  
OF THE  
EXECUTIVE  
DIRECTOR**

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to the RHTF and Senate Bill 2109 which proposes to monetize the State LIHTC.

In response to Director Lawrence, Ms. Takahashi stated that the HHFDC received approximately \$300,000 for round two and \$13,000 for round three of the National Foreclosure Mitigation Counseling program. Staff continues to work with NeighborWorks America and other non-profit organizations.

With no further questions on the Report of the Executive Director, Chairman King reverted back to the approval of the three Executive Session Minutes of February 11, 2010.

Director Lawrence moved, seconded by Director Mesick.

The motion was unanimously approved.

Director Larson asked for clarification on the February 11, 2010 Executive Session minutes held at 10:35 a.m.

Chairman King asked for a motion to convene in executive session pursuant to Section 92-59(a)(4), Hawaii Revised Statutes, to consult with the Board's attorney on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities on the Executive Session minutes of February 11, 2010.

Director Larson moved, seconded by Director Lawrence, to move into Executive Session at 10:10 a.m.

The motion was unanimously approved.

The Board reconvened into Regular Session at 10:13 a.m.

With no further business on the agenda, Chairman King called for a motion to adjourn.

Director Lawrence moved, seconded by Director Mesick, to adjourn the meeting at 10:14 a.m.

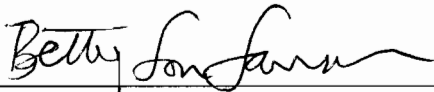
The motion was unanimously approved.

**II. B.**  
**APPROVAL**  
**OF MINUTES**  
2/11/2010  
Executive  
Session

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

**RECONVENED**  
10:13 a.m.

**V.**  
**ADJOURNMENT**

  
BETTYLOU LARSON  
Secretary