

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, JULY 9, 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, July 9, 2009, at 9:30 a.m.

Chairman Charles King called the meeting to order at 9:05 a.m.

**CALL TO
ORDER/
ROLL CALL**

Present: Director Charles King, Chairman
Director David A. Lawrence, Vice Chairman
Director Betty Lou Larson, Secretary
Director Georgina Kawamura
Director Linda Smith
Director Ralph Mesick
Director Allan Los Banos

Executive Director Karen Seddon

Excused: Director Francis Jung
Director Theodore Liu

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
Ken Takahashi, Development Project Manager
Ryan Morita, Development Project Coordinator
Beth Malvestiti, Development Project Coordinator
Patrick Inouye, Housing Finance Specialist
Byron Chock, Housing Finance Specialist
Jocelyn Iwamasa, Housing Finance Specialist
Cynthia Okubo, Acting Asset Manager
Kent Miyasaki, Housing Information Specialist
Esa Pablo, Secretary to the Board

Guests: Barry Kaplan, Hawaiian Island Home
Claudia Shay, Self Help Housing Corporation of Hawaii
Gary Furuta, Hawaii Housing Development Corporation
Peter Savio, Hawaiian Island Home
Jeff Furuta, Hawaii Housing Development Corporation
Keith Kato, Hawaii Island Community Development Corporation
Marian Gushiken, EAH, Inc.
Mike Kimura, Plantation Town Apartments LLC
Roy Amemiya, Central Pacific Bank
Ryan Harada, Central Pacific Bank

Chairman King declared a quorum present, noting that the approval of the June 18, 2009 Executive Session Meeting Minutes will be considered at the end of the meeting.

QUORUM

Director Mesick moved, seconded by Director Smith, to approve the June 18, 2009 Regular Meeting Minutes.

**II. A.
APPROVAL
OF MINUTES
6/18/09
Regular
Meeting**

The motion was unanimously approved.

This item was moved to the end of the meeting, as noted above.

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

That the HHFDC Board of Directors approve the following:

- A. Increase the LOI expiration date to October 31, 2009 as noted in section III(F).
- 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 Ewa Villages Phase I project (Project) is located in Ewa Beach, Oahu, consisting of 64-family units.

In 2008, the Board approved the following to the Hui Kauhale, Inc. (Applicant) for the Project: (1) a Rental Housing Trust Fund (RHTF) Project Award in the amount of \$1.3 million; (2) a Hula Mae Multi-Family (HMMF) Tax Exempt Revenue Bond in the amount of \$17,028,993; (3) Low Income Housing Tax Credits (LIHTC) in the amount of \$1,134,355 in Federal LIHTC and \$567,177 in State LIHTC; and (4) an additional RHTF loan in the amount of \$4,690,240.

The Project proposes to commence construction in February 2010, with the completion of the Project anticipated in July 2011.

Mr. Ueki noted that both the Applicant and General Partner, EAH, Inc. are experienced in affordable housing development and continues to work with the HHFDC on the acquisition/rehabilitation of the Kukui Gardens and Kahului Town Terrace projects.

The Applicant is requesting an extension to its RHTF Letter of Intent (LOI) from July 31, 2009 to October 9, 2009. However, the HHFDC staff recommends that the LOI expiration date be extended to October 31, 2009, coinciding with the Project's HMMF commitment letter deadline, allowing the Applicant to explore other financing options through the Tax Credit Assistance Program (TCAP) or the Section 1602 program, better known as the Tax Credit Exchange Program (Exchange Program).

Mr. Ueki opened for questions, along with Ms. Marian Gushiken, on behalf of EAH, Inc.

In response to Director Smith, Mr. Ueki reported that the Project's LIHTC equity is anticipated to provide \$10.3 million. The applicant may also apply for additional financial relief through the TCAP or the Exchange Program.

In response to Director Smith, Ms. Gushiken stated that the Project is anticipating CDBG and HOME funds from the City and County of Honolulu.

In response to Director Larson, Mr. Ueki stated that the TCAP and Exchange Program are two different programs. Under the TCAP, the HHFDC is qualified to receive \$9.8 million in cash for gap financing whereas the Exchange Program allows projects to exchange up to 100% of its 2007 - 2008 LIHTC and up to 40% of its 2009 LIHTC.

In response to Director Larson, Ms. Gushiken stated that the Project anticipates commencing occupancy in Spring 2011, rather than waiting to the completion of

II. B.
APPROVAL
OF MINUTES
6/18/09
Executive
Session

III. A.
DISCUSSION
AND/OR
DECISION
MAKING
Approve an Extension
to the Rental Housing
Trust Fund Letter of
Intent for the Ewa
Villages Phase I Project
Located in Ewa Beach,
Oahu, TMK Nos.:
(1) 9-1-017: 076 & 077.

the Project in July 2011.

In response to Director Lawrence, Mr. Ueki responded that commitments made to the RHTF will not close until all of a project's financing sources are in place and therefore, does not present a risk to the HHFDC. Ms. Gushiken added that the City Council is aware of the Project's challenges and approvals of the Project's subdivision and infrastructure are expected to be obtained.

The motion was unanimously approved.

Director Lawrence moved, seconded by Director Mesick, to approve staff's recommendations:

That the Board of Directors of the Hawaii Housing Finance and Development Corporation approve the award of Federal and State LIHTC to the following Projects in accordance with the QAP and subject to the conditions specified in Exhibit F of this For Action.

A. The Hale Wai Vista I project.

1. Allocation of up to \$1,511,010 of annual Federal and \$755,505 of annual State LIHTC to Hawaii Housing Development Corporation; subject to the terms as described in Section II, Subsection D and the following project specific condition:
 - a. The Developer's Fee, Overhead, and related costs of this project does not exceed \$785,000.

B. The Ainakea Senior Residences project.

1. Allocation of up to \$434,710 of annual Federal and \$217,335 of annual State LIHTC to Ainakea Senior Residences, LLLP; subject to the terms as described in Section II, Subsection D and the following project specific condition:
 - a. The Developer's Fee, Overhead, and related costs of this project does not exceed \$550,000.

C. Once HHFDC determines how much of its 2009 LIHTC allocations shall be made available for exchange and how these 2009 "exchange" LIHTC should be allocated, recommendations for an award of LIHTC to one or more of the deferred projects may be presented to the HHFDC Board for approval.

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

Director Larson recused herself from voting on this For Action, due to her position on the Hawaii Community Development Corporation Board.

Mr. Ueki presented the For Action, stating that the first section of this For Action states the basic background of the Low Income Housing Tax Credit (LIHTC) program and noted the following:

- A total LIHTC allocation of \$8,673,703 million is available in 2009.
- The American Recovery and Reinvestment Act (ARRA) provides for enhancement programs to the LIHTC program in an attempt to assist affordable housing projects that may have stalled due to the downturn in the financial market. Under the ARRA, Section 1602 Program, better known as the Tax Credit Exchange Program (Exchange Program), housing credit agencies are able to exchange Federal LIHTC for direct funds for awards to

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

Approve an Award of Federal and State Low Income Housing Tax Credits from the State's 2009 Volume Cap to Hale Wai Vista I Located in Waianae, Oahu, TMK No.: (1) 8-6-001: 035 and Ainakea Senior Residences Located in Kapa'au, Hawaii, TMK No.: (3) 5-3-011: 102.

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

qualifying affordable housing projects to finance its construction or acquisition/rehabilitation costs.

- Approximately \$2.8 million (100%) of HHFDC's 2008 Federal LIHTC and approximately \$1.2 million (40%) of HHFDC's 2009 Federal LIHTC are eligible to be exchanged under the Exchange Program. The HHFDC has not determined the amount of Federal Tax Credits to be exchanged; however, the intent is to seek the maximum amount possible, depending on the demand of the Exchange Program.
- Eight applications were received in February 2009, requesting a total of approximately \$9.6 million in Federal LIHTC and approximately \$4.8 million in State LIHTC.
- The applications were reviewed and based on those factors, the HHFDC staff recommends an awarding of LIHTC to the Hale Wai Vista I and Ainakea Senior Residences projects.
- Both projects are currently ineligible for the Exchange Program due to their ability to place the LIHTC with a syndicator or investor. However, in the event that the projects are unable to secure an investor, the Exchange Program may be an option.
- Once the 2009 Exchange LIHTC allocation is determined, recommendations will be made for the Board's approval anticipated in September 2009.

Mr. Ueki stated that both developers concur with staff's recommendation and opened for questions along with Mr. Gary Furuta, on behalf of Hale Wai Vista I, and Mr. Keith Kato, on behalf of Ainakea Senior Residences.

In response to Director Kawamura, Mr. Ueki stated that the Hale Wai Vista I project returned its LIHTC award at the end of 2008, with Ainakea Senior Residences project returning its LIHTC award sometime last week.

Director Lawrence inquired on the Hale Wai Vista I and Ainakea Senior Residences projects' ability to sell their LIHTC, while other projects are struggling. Mr. Ueki responded that he believes it was due to the timing of the project, which started prior to the economic downturn and also their experience and relationships within the industry.

Director Mesick recused himself from voting on this For Action, due to the Bank of Hawaii being the Credit Investor for the Ainakea Senior Residences project.

The motion was unanimously approved, with Directors Larson and Mesick abstaining.

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

That the HHFDC Board of Directors approve the sale of the remaining unsold units as market units at the Plantation Town Apartments project on TMK (1) 9-4-17: portion of 58, substantially as described in this For Action, and authorize the Executive Director to take all actions necessary to effectuate the purpose of this For Action, subject to other terms and conditions as may be required by, i) statutes; ii) administrative rules; and iii) the Executive Director.

Development Section Chief Stan Fujimoto presented the For Action, stating that the Plantation Town Apartments project (Project) is located in Waipahu, consisting of 330-fee simple affordable for sale condominium units.

Due to sales resistance resulted by the economy, on December 13, 2007, the Board approved the developer's request to increase its market target from 110%

III. C. DISCUSSION AND/OR DECISION MAKING

Approve a Request to
Convert Remaining
Unsold Units to Market
for the Plantation Town
Apartments Project
Located in Waipahu,
Oahu, TMK No.:
(1) 9-4-17: 58 (portion)

of the HUD median income to families earning up to 140% of the HUD median income.

As of June 15, 2009, the Project has sold 185 of its units. However, after actively marketing the project for over 2-1/2 years, the developer has 145 units (44%) remaining unsold. Therefore, the developer now wishes to convert the remaining 145 units to market units.

The developer's advertising and marketing cost to date is approximately \$1.1 million and has an interim loan from a private lender with a balance of approximately \$19 million.

The Project has met its GET exemptions income criteria and has met with members of the City Council, who are supportive of the developer's request.

Mr. Fujimoto opened for questions, along with Mr. Mike Kimura, the developer, and some members of his team, Hawaii Island Homes Limited, broker, and members from Central Pacific Bank, the interim lender.

In response to Chairman King, Mr. Fujimoto clarified that the developer is requesting to increase its target market group so there is no income restrictions, eliminating its 10-year buyback and shared appreciation restrictions for the remaining 145 unsold units.

In response to Chairman King's inquiry regarding the increased price of the unsold units, Mr. Fujimoto called upon Mr. Kimura.

Director Smith asked that Mr. Peter Savio join Mr. Kimura for questions, and inquired on the Project's legal obligations being met. Mr. Kimura concurred that the Project has met all legal obligations for its land and GET tax exemptions.

Mr. Kimura introduced himself along with Mr. Peter Savio, Sales Representative of the Project.

In response to Chairman King's previous question on the unit's prices, Mr. Kimura stated that during these difficult times with the economy, the Project is striving to keep its prices at the current level of 80% - 110% of the HUD median income for individuals who have already invested in the Project. Mr. Savio added that the Project plans to market the proposed 145 units to a higher income group in hopes of stimulating its sales.

In response to Director Larson, Mr. Kimura stated that the proposed pricing of the market units would be increased with its 10-year buyback and shared appreciation restrictions being eliminated. Mr. Savio noted that there would be no loss on the shared appreciation value at this point due to the unit and market price points being the same.

In response to Director Lawrence, Mr. Kimura stated that the Project is currently working to be FHA approved. However, the Project has not met the FHA's requirement of having 70% of its units sold. Other than that, Mr. Savio stated that he does not foresee any problems of FHA approval due to deed restrictions on the affordable units.

In response to Director Lawrence, Mr. Kimura stated that with the proposed sale prices of the market units, the Project would be able to retire its debt of \$19 million.

In response to Director Larson, Mr. Savio reported that the Project has exhausted all of its government resources, has provided homebuyer courses for all homebuyers, and continues to pursue its efforts in agreement of sale programs.

Director Smith suggested that the HHFDC staff provide a news release to notify the general public of the reasoning behind the Project's decision to convert to

market sales, that the project has met all of its legal requirements, and that the HHFDC cannot afford to jeopardize the interests of the affordable buyers who have purchased units within the Project.

In response to Director Lawrence, Mr. Savio stated that an affordable developer lacks the flexibility of a private developer in terms of price reductions. Mr. Kimura stated that the Project would convert to a rental program before lowering its prices to protect its buyers.

Director Larson commented that the news release should explain how this decision would protect current owners.

Director Mesick commented that caution should be taken when composing such a news release to avoid hampering the Project’s marketing efforts.

The motion was unanimously approved.

Director Lawrence moved, seconded by Director Los Banos, to approve staff’s recommendation:

That the HHFDC Board of Directors approve a DURF interim loan to Self-Help Housing Corporation of Hawaii, or other development entity approved by HHFDC for this project, in an amount not to exceed \$1.1 million, at five percent (5.0%) interest per annum, one percent (1.0%) loan origination fee, thirty six-month loan term with one (1) twelve (12) month extension, and no administrative fee, substantially as described in this For Action, subject to the following:

- A. SHHCH’s receipt of NSP 2 funds;
- B. Availability of DURF funds;
- C. Approval and release of DURF funds by the Governor;
- D. Approval and execution of loan documents by the Executive Director;
- E. Compliance with all applicable statutory and Program requirements, including but not limited to, Chapter 343, 103D, §103-50 and §104, Hawaii Revised Statutes, as they may relate to the use of State funds; and
- F. The Executive Director shall be authorized to take all actions necessary to effectuate the purposes of this For Action.

Development Project Coordinator Ryan Morita presented the For Action, noting that page 2, Section III. C., reflect the Self-Help Housing Corporation of Hawaii’s (SHHCH) revision of its Neighborhood Stabilization Program (NSP) 2 funding request from \$12.98 million to \$9 million.

In part of a consortium lead by Rural Community Assistance Corporation (RCAC), SHHCH must leverage outside resources beyond NSP 2 funds, precipitating its \$1.1 million Dwelling Unit Revolving Fund (DURF) interim loan request, with the following terms:

Loan Amount:	Up to \$1.1 million in interim financing
Borrower:	SHHCH, or other entity approved by HHFDC.
Form of Loan:	Interim loan in first position; unsecured; non-recourse.
Loan Term:	Thirty-six months, with one twelve (12) month loan extension, at the sole discretion of HHFDC.
Interest Rate:	5.0% per annum, compounded monthly. Interest rate on any optional loan extension(s) will be negotiated.

III. D. DISCUSSION AND/OR DECISION MAKING
Approve a Dwelling Unit Revolving Fund Interim Loan of Up to \$1.1 million to the Self Help Housing Corporation of Hawaii for the Acquisition and Rehabilitation of Approximately Thirty Foreclosed Residential Properties on Oahu Under the Neighborhood Stabilization Program Round 2, Authorized by the American Recovery and Reinvestment Act of 2009.

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

Origination Fee: One percent.
Administrative Fee: Waived.

Mr. Morita introduced Ms. Claudia Shay, SHHCH, who stated that SHHCH plans to acquire, rehabilitate, and sell the selected foreclosed properties in HUD's designated census tracts for low-income families. If approved, SHHCH anticipates acquiring the proposed NSP funds by December 2009 or January 2010.

In response to Chairman King, Ms. Shay stated that SHHCH's mission is to improve the living conditions of low-income families in Hawaii and believes these conditions are being met through this proposed project.

Ms. Shay stated that SCHHCH would be able to repay its DURF loan pretty quickly, due to the NSP 2 funds being invested in the project.

In response to the Board, Ms. Shay stated that the NSP 2 funds are to be used for the acquisition/rehabilitation of foreclosed properties only.

In response to Director Kawamura, Ms. Shay stated that the NSP 2 application is due on July 17, 2009, with the awarding of funds anticipated sometime in December 2009.

In response to Chairman King, Ms. Shay stated that HUD administers the NSP 2.

In response to Director Larson, Ms. Shay stated that the proposed DURF loan amount of \$1.1 million would be used to rehabilitate, while the NSP 2 funds would be utilized for the acquisition of the foreclosed properties. Rehabilitation costs would range from \$25,000 - \$70,000, avoiding properties that require substantial rehabilitation or pose environmental concerns.

In response to the Board, Ms. Shay stated that the NSP 2 funds acts like a revolving fund in that it is a grant that may be reused within the project.

In response to Director Lawrence, Chief Planner Janice Takahashi clarified that the HHFDC is administering NSP 1 funds, with NSP 2, being the second round, administered by HUD.

In response to the Board, Ms. Takahashi reported that the Hawaiian Island Community Development Corporation, Self-Help Housing Corporation of Hawaii, and Lokahi Pacific are the three agencies in Hawaii who are participating in the NSP 2.

In response to Director Lawrence, Ms. Shay clarified that SHHCH will be repaying its proposed DURF loan by the mortgages received by the homeowners.

In response to Director Lawrence, Ms. Shay stated that the project anticipates having FHA services available to the homebuyers.

The motion was unanimously approved.

Director Larson thanked Ms. Shay and the other participating Hawaii agencies for coming together and taking advantage of the NSP 2 funds for the purposes of affordable housing development.

Director Lawrence moved, seconded by Director Larson to recess the meeting at 10:05 a.m.

RECESS
10:05 a.m.

Chairman King reconvened the meeting back into Regular Session at 10:15 a.m. and opened for questions on the Report of the Executive Director.

RECONVENED
10:15 a.m.

Director Smith commended the HHFDC staff with regard to a letter written to the Governor, by Mr. Dickson Lee, with Takushi Wong Lee & Yee, which

IV.
REPORT

recognized Executive Director Karen Seddon, Finance Manager Darren Ueki, Development Branch Chief Rick Prahler, Deputy Attorney General Sandra Ching, and the HHFDC staff, for their cooperation and efforts contributed to the development of the Villas at A'eloia project in Kapolei.

Chairman King noted his attendance at the dedication and blessing of the Kapolei Ho'olimalima project built on Hawaiian Home Lands.

In response to Director Smith, Executive Director Seddon stated that the transfer of title to land for Kealakai at Kapolei and Kamakana Villages at Keahuolu is complete.

In response to Director Lawrence, Chief Planner Janice Takahashi reported on the \$13 million received in NSP 1 funds, which will be distributed to the Counties of Hawaii and Kauai, and three non-profit entities, for the acquisition, rehabilitation, and/or development of various affordable housing projects, anticipated to be released by July 29, 2009.

In response to the Board, Ms. Takahashi stated that staff is unsure of a "NSP 3." However, the HHFDC administers the NSP 1, while HUD will be administering the NSP 2.

Director Kawamura commented that the State of Hawaii website should consist of information on what funds are and are not being administered by the State, avoiding any misperceptions.

In response to Director Smith, Executive Director Seddon stated that the HHFDC is progressing on the planning and design of the Waiahole Valley Water System improvements. The design of the water system will meet the standards of the Board of Water Supply with the intent of the Waiahole Valley Water System being transferred and no longer being an obligation of the HHFDC.

In response to Director Smith, Finance Manager Darren Ueki provided an update on the Kukui Gardens project, stating that the TCAP program may be part of the solution in getting the project up and running. However, under the terms and conditions of the Hula Mae Multi-Family Tax-Exempt Bond program, 15% (approximately \$5.5 million) of the proposed rehabilitation must take place within the first 24 months from the time in which the bond was issued. The project has only expended about \$1.4 million and discussions with Bond Counsel and EAH are scheduled for tomorrow.

In response to Director Smith, Mr. Ueki clarified that through the TCAP program, the HHFDC is designated \$9.8 million in program funding and anticipates bringing forth recommendations to the Board in August 2009.

In response to Director Larson, Mr. Ueki stated that updated regulations for the Section 1602 program, better known as the Tax Credit Exchange program (Exchange Program), are expected sometime next week, with recommendations to the Board anticipated in September 2009.

In response to the Board, Mr. Ueki stated that the recommendations for the Exchange Program are anticipated to consist of the remaining six projects that submitted requests last year. There is much interest in the Exchange Program in spite of the rather tight deadlines of expending all awarded program funds by the end of 2010. If the expended December 31, 2010 deadline is not met, the U.S. Department Treasury will discontinue the awardees' access to withdraw the remaining funds.

In response to Chairman King, Development Branch Chief Rick Prahler stated that the HHFDC is currently in conversations with Ms. Claudia Shay, Self-Help Housing Corporation of Hawaii, on taking over the development of the lots in Hanapepe.

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

In response to Director Larson, Executive Director Seddon stated that the Pohukaina project is currently working out its financial challenges and has received a \$15 million long-term loan from the Hawaii Community Development Authority.

In response to Director Larson, Mr. Ueki stated that once the Senior Residence at Iwilei project has its financing structure in place, recommendations to amend the bond amount will be made to the Board for approval.

In response to Chairman King, Executive Director Seddon stated that while the DURF fund for the Senior Residence at Iwilei project is currently committed, the HHFDC is allowing additional time for the developer to seek other resources before vacating its commitment to the project. However, a withdrawal of the DURF commitment will require the Board's approval.

In response to Director Larson, Executive Director Seddon stated that the HHFDC staff is in discussions on issues for the next Legislative Session, with the Exchange Program being one of them.

Director Smith commented that seeking additional general obligation bonds would be a challenge. Director Kawamura concurred, stating that the State revenues are lower than what was originally estimated, with many existing commitments still on the books.

Director Larson commented on housing development being a major part in stimulating the economy. Executive Director Seddon stated that is one of the reasons why the HHFDC is striving to salvage every project it can and keep them going.

With no further questions, Chairman King called for a motion to approve the Executive Session minutes.

Director Lawrence moved, seconded by Director Mesick, to approve the Executive Session Meeting Minutes of June 18, 2009.

The motion was unanimously approved.

Chairman King called for a motion to adjourn the meeting, noting that he will not be available for the next Board Meeting in August, with Director Lawrence adding that he too, would not be able to attend.

Director Larson moved, seconded by Director Mesick, to adjourn the meeting at 10:50 a.m.

The motion was unanimously approved.



BETTY LOU LARSON
Secretary

II. B.
APPROVAL
OF MINUTES
6/18/09
Executive
Session

V.
ADJOURNMENT