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, SEPTEMBER 8, 2011 IN THE CITY AND COUNTY OF HONOLULU, STATE OF HAWAII

The Board of Directors (Board) of the Hawaii Housing Finance and Development Corporation (HHFDC) met for their Regular Meeting at 677 Queen Street, Suite 300, Honolulu, Hawaii, on Thursday, September 8, 2011, at 9:00 a.m.

CALL TO ORDER/ ROLL CALL

Chairman David Lawrence called the meeting to order at 9:00 a.m.

Present: Director David Lawrence, Chairman
Director Ralph Mesick, Vice Chairman
Director Betty Lou Larson, Secretary
Director Michael Ng
Director Francis Jung
Director Paul Kyno

Executive Director Karen Seddon

Excused: Director Richard Lim
Director Allan Los Banos
Director Kalbert Young

Staff Present: Craig Iha, Deputy Attorney General
Janice Takahashi, Chief Planner
Darren Ueki, Finance Manager
Rick Prahler, Development Branch Chief
Galen Lee, Fiscal Manager
Stuart Kritzer, Asset Manager
Marlene Lemke, Real Estate Services Section Chief
Stan Fujimoto, Development Section Chief
Ken Takahashi, Development Project Manager
Dean Sakata, Housing Finance Specialist
Patrick Inouye, Housing Finance Specialist
Byron Chock, Housing Finance Specialist
Jocelyn Iwamasa, Housing Finance Specialist
Lisa Wond, Planner
Lorraine Egusa, Budget Analyst
Glori Ann Inafuku, Housing Finance Specialist
Kent Miyasaki, Housing Information Specialist
Esa Pablo, Secretary to the Board

Guests: Marvin Awaya, Pacific Housing Assistance Corporation
Donn Nakamura, Accuity LLP
Kevin Carney, EAH Housing
Marian Gushiken, EAH Housing
Keith Kato, Hawaii Island Community Development Corporation
Gil Barden, Pacific Island Investments LLC
Jim Dooley, Hawaii Reporter

QUORUM

A quorum was present.

II. A. APPROVAL OF MINUTES 8/11/11

Director Jung moved, seconded by Vice Chairman Mesick, to approve the Regular Meeting Minutes of August 11, 2011.

The motion was unanimously approved.

Regular Meeting

II.B. APPROVAL OF MINUTES 8/11/11 Executive Session

There was no action taken on the Executive Session Meeting Minutes of August 11, 2011.

AMENDMENT TO THE AGENDA

Director Jung moved, seconded by Vice Chairman Mesick to amend the meeting agenda to include discussions on the Kamakana Project, to be convened in Executive Session pursuant to Section 92-5(a)(4), HRS, for the purpose of consulting with the Board's attorney on questions or issues regarding the board's powers, duties, privileges, immunities and liabilities.

The motion was unanimously approved.

III. A. DISCUSSION AND/OR DECISION MAKING Approve an Extension to Resolution No. 15, Which Provides for Official Intent with Respect to the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds for the Ewa Villages Phase II Project Located in Ewa Beach, Oahu, TMK Nos.: (1) 9-1-017: 076 and 077 (portion)

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

That the HHFDC Board of Directors approve the following:

A. Extend the deadline to issue HMMF Bonds for the Ewa Villages Phase II project to October 31, 2012;

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 proposed Ewa Villages Phase II (Project) consists of 76 units for families in 9 two-story buildings in five clusters, with each cluster surrounding a central courtyard, located in Ewa Beach, Oahu.

The original approval date of Resolution No. 015 was on October 9, 2008.

Previous Board approvals for the Project during April 2007 - August 2011 were noted.

The proposed Financing Structure, Project Budget and Use of funds, and the Project's estimated construction timeline were cited, with the construction start date being in March 2012, first building completion anticipated in April 2013, and project completion estimated in July 2013.

Inducement Resolution No. 015 does not authorize the sale of tax-exempt bonds for the Project and is subject to the availability of volume cap and approval by the Director of Budget and Finance and the Governor.

Mr. Ueki opened for questions along with Mr. Kevin Carney and Ms. Marian Gushiken, on behalf of the Project.

Director Jung inquired on the per square foot construction cost of $369.17 and asked for a general idea of what the average per square foot construction cost is for such projects, when made available. Mr. Ueki stated that placing an average dollar value is difficult due to the multitude of various costs, such as location, land, and type of structure; however, the average construction cost for this type of project would be in the area of $300 - $400 per square foot.

Executive Director Seddon added that conversations about cost and reasonableness have been increasing with the focus, both nationally and locally, on budget deficits. As such, HHFDC is in the process of looking at its historical square foot and per unit costs, in addition to determining what other parameters are necessary to better compare costs of projects.

In response to Director Jung, Mr. Ueki stated that the HHFDC already does receive calls on an ongoing basis with private parties who are interested in selling their projects and are referred to interested developers that the HHFDC works with.

Chairman Lawrence concurred with Director Jung's request for development data when made available.

Executive Director Seddon encouraged the Board to read a National Council of State Housing Agency (NCSHA) report on recommended practices and housing credit allocation underwriting, which covers upon project issues regarding costs and much of the concerns of the Board as discussed. The NCSHA report will be re-sent to the Board for further review.

In response to the Board, Executive Director Seddon stated that the HHFDC does not have a mechanism in purchasing projects and such purchases would be difficult under the timing restraints involved and also require the Board's approval. In terms of using the Dwelling Unit Revolving Fund (DURF), funds are required to be available at the time of use and would need to go through the DURF application process as well as the Board's approval, which could take up to 2 - 3 months.

The motion was unanimously approved.

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

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

That the HHFDC Board of Directors approve the following:

A. Extend the LOI dated June 28, 2011 for the RHTF Loan for the Ewa Villages Phase II project to October 31, 2012, subject to the requirements as set forth in the For Actions dated April 12, 2007 and June 9, 2011.

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

Mr. Ueki stated that this For Action is a companion item to the previous For Action approved, having identical project facts and seeks the Board's approval to extend the Rental Housing Trust Fund Project Award.

With no further discussion, the motion was unanimously approved.

III. C. DISCUSSION AND/OR DECISION MAKING
Approve an Extension to Resolution No. 32, Which Provides for Official Intent with Respect to the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds for the Ko'oloa'ula Phase I Project Located in Kapolei, Oahu, TMK No.: (1) 9-1-017: 107

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

That the HHFDC Board of Directors approves the following:

A. Extend the deadline to issue HMMF Bonds for the Ko'oloa'ula Phase I project to December 31, 2012, subject to the requirements set forth in the For Action dated December 9, 2010.

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

Mr. Ueki presented the For Action, stating that the proposed Ko'oloa'ula Phase I (Project) contains 120 units for families in 10 three-story townhomes, located in Kapolei, Oahu.

The original approval date for Resolution No. 032 was December 9, 2010.

Previous Board approvals for the Project during December 2010 - August 2011 were noted.

The proposed Financing Structure, Project Budget and Use of funds, and the Project's estimated construction timeline were cited, with the construction start date being in January 2012, first building completion anticipated in December 2012, and project completion estimated in March 2013.

Inducement Resolution No. 032 does not authorize the sale of tax-exempt bonds for the Project and is subject to the availability of volume cap and approval by the Director of Budget and Finance and the Governor.

Mr. Ueki opened for questions along with staff. It was noted that Developer David Nakamura, was unable to attend.

Chairman Lawrence inquired on the building permits being in September 2011, as stated in the estimated construction timeline. Housing Finance Specialist Patrick Inouye stated that the project's building permits are close to being issued and has received its zoning approvals.

Vice Chairman Mesick inquired on whether or not the bonds were to be privately or publicly placed. Mr. Ueki responded that originally, the bonds were proposed to be privately placed but, the current direction of the Project is to do a public issuance. Selection of bond counsel, underwriter, and trustee for the bonds are in process.

Director Larson commented that she believes this to be a uniquely rare and valuable project in that it provides 3 - 4 bedroom units for larger families with rent prices that are targeted towards lower income levels.

With no further discussion, 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 Ko'oloa'ula Phase I Project Located in Kapolei, Oahu, TMK No.: (1) 9-1-017: 107

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

That the HHFDC Board of Directors approves the following:

A. Extend the RHTF Project Award LOI to December 31, 2012, subject to the requirements set forth in the For Action dated January 13, 2011.

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

Mr. Ueki stated that this For Action is a companion item to the previous For Action approved, asking for the Board's approval to extend its Rental Housing Trust Fund Project Award.

With no further discussion, the motion was unanimously approved.

II. E. DISCUSSION AND/OR DECISION MAKING
Approve Project Awards from the Rental Housing Trust Fund and Rental Assistance Revolving Fund for the Mohouli Heights Senior Neighborhood Phase I Project Located in Hilo, Hawaii, TMK No.: (3) 2-4-001: 177 (portion)

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

That the HHFDC Board of Directors approve the following:

A. A RHTF Project Award Loan of $8,660,000 to the Mohouli Heights Senior Neighborhood Phase 1 LLLP or its successors for the benefit of the Project, as approved by the Executive Director, with the terms and conditions as shown in Section III(G)(1) of this For Action, and the issuance of the Letter of Intent.

B. A RARF Project Award Loan of $11,500,000 to the Mohouli Heights Senior Neighborhood Phase 1 LLLP or its successors for the benefit of the Project, as approved by the Executive Director, with the terms and conditions as shown in Section III(G)(2) of this For Action, and the issuance of the Letter of Intent.

C. Both the RHTF and RARF Project Award Loans are subject to the following:

1. Authorization and approval by the governor of the proposed project and the release of RHTF and RARF program funds as mandated under Chapters 15-311 and 15-164, Hawaii Administrative Rules.

2. Execution of documentation satisfactory to the HHFDC outlining the terms and conditions of the Project Awards. The documents shall specify the standard terms and conditions as required in order to meet all statutory requirements of the RHTF and RARF programs and the specific terms and conditions that are applicable to the Applicant's request for Project Award funds.

3. Completion of all documentation necessary and required to secure the release of RHTF and RARF funds.

4. Certification of the applicant to comply with all applicable statutory and RHTF and RARF program requirements, including, but not limited to, Chapters 343, 103D, §103-50 and §104, Hawaii Revised Statutes, as they may relate to the use of State funds.

5. Availability of RHTF and RARF program funds.

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

Mr. Ueki presented the For Action stating that the proposed Mohouli Heights Senior Neighborhood Phase I (Project) consists of 60 units for the elderly in 12 single-story buildings of wood frame construction with 4 to 6 units per building, located in Hilo, Hawaii.

The Rental Housing Trust Fund (RHTF) and Rental Assistance Revolving Fund (RARF) programmatics and previous Board approvals for the Project during January - August 2011 were noted.

The proposed Financing Structure, Project Budget and Use of funds, and the Project's estimated construction timeline were cited, with the construction start date being in January 2012 and project completion anticipated in April 2013.

Staff did review the Applicant's request and is proposing the following RHTF and RARF loan terms:

1. RHTF recommended terms:

   a) Loan Amount: $8,660,000

   b) Interest Rate: 0.00% Years 1 through 2 (Construction Period)
   0.25% Years 3 through 50 (Permanent Period)

      (1) 0.00% for the Construction Period is recommended as (i) property operations have not commenced and (ii) eliminates the need to establish and track an interest reserve.

      (2) A lower interest rate of 0.25% for the Permanent Period is recommended as it provides for reasonable debt paydown; $761,289 balance at the end of year 50.

   c) Fee: None

d) Term/Maturity: 50 Years (2-year construction period + 48 year permanent period)

(1) Longer than recommended term to accommodate the 40-year HUD 202 loan; the 202 program does not hard debt repayment during this period (debt can be retired but cannot have a requirement to do so).

e) Repayment: Years 1 to 2 – No Payments

End of Year 2 – Principal paydown to reduce the loan balance to no more than $1,499,154.

Year 3 through 50 – 100% of Available Cash Flow after payment of expenses, senior debt service, and other recognized expenses.

All remaining principal and accrued interest due at maturity.

f) Collateral: Junior Mortgage on Project

g) Other Terms: 1) The Project's loan to value ratio (on the
RHTF loan and debt senior to the RHTF loan) shall
not exceed 100%.

2) No disbursement of Developer's Fee until satisfactory completion of the Project.

3) The RHTF Project Award is subject to the availability of funds.

2. RARF recommended terms:

a) Loan Amount: $11,500,000

b) Interest Rate: 5.00% Years 1 through 2

(1) 5.00% is the RARF program interest rate outlined in the 2011 Consolidated Application.

c) Fee: 2.00% of committed loan amount ($230,000)

d) Term/Maturity: 2-years with two (2) 6-month extension options.

e) Repayment: Interest monthly, principal and any accrued
interest due at maturity. Principal repayment expected
from permanent financing sources (HUD 202, LIHTC Equity, and Sponsor Loan).

f) Collateral: Junior Mortgage on Project

g) Other Terms: 1) The Project's loan to value ratio (on the RHTF loan and debt senior to the RHTF loan) shall not exceed 100%.

2) No disbursement of Developer's Fee until satisfactory completion of the Project.

3) The RARF Project Award is subject to the availability of funds.

Mr. Ueki opened for questions, along with Mr. Keith Kato, on behalf of the Project.

Executive Director Seddon noted that an explanation for the higher construction costs is located in Exhibit A, number 5.

Director Jung inquired on how the construction costs were determined without a general contractor selected. Mr. Kato responded that current construction costs were internal estimates that were reviewed on the basis of a reputable builder and estimated costs received by its civil engineer Nancy Burns.

In response to Director Jung, Mr. Kato explained that the project's infrastructure (e.i., tying in of sewer lines to adjacent subdivisions) and site work costs (e.i., dealing with the lava rock) have caused the construction costs to be higher.

Director Larson asked for clarification on the Project's rents on page one of the For Action. Mr. Kato explained that 40 units were allocated through the U.S. Department of Housing and Urban Development (HUD) 202 Program and 20 units were allocated through the City and County of Honolulu under the Project Based Section 8 program. Each entity determines the rent amount for those units.

With no further discussion, the motion was unanimously approved.

III. F. DISCUSSION AND/OR DECISION MAKING
Approve (1) Resolution No. 037, Which Amends Resolution No. 082 by Increasing the Intended Issuance Amount of the Revenue Bonds and (2) a request from the Developer to Increase the Low Income Housing Tax Credit Reservation for the Senior Residence at Iwilei Project Located in Iwilei, Oahu, TMK Nos.: (1) 1-5-007: (various parcels)

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

That the HHFDC Board of Directors approve the following:

A. Increasing the intended issuance amount of the HMMF Bonds to $33,000,000 from $20,000,000 as described in Sections III(I)(1) and III(J)(1).

 1. All other terms and conditions of the intended issuance amount of the HMMF Bonds remain the same.

B. Increase the non-competitive (4%) Federal LIHTC reservation to $2,273,766 from $1,550,000 and increase the State LIHTC reservation to $1,136,883 from $465,000 as described in Sections III(I)(2) and III(J)(2).

 1. All other terms and conditions of the non-competitive (4%) Federal and State LIHTC reservation remain the same.

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

Mr. Ueki presented the For Action, stating that the proposed Senior Residence at Iwilei (Project) consists of 160 units for the elderly, located in Honolulu, Oahu, on the corner of North King and Iwilei.

The Project's background and previous Board approvals during August 2002 - July 2011 were noted.

The proposed Financing Structure and Project Budget and Use of funds were cited.

The Project endured a significant delay since financing was originally approved in 2002, attributed to: (1) difficulty in obtaining zoning and land use exemptions; (2) consolidation and subdivision of the parcel under regular and Land Court Systems; (3) identification and cancelation of easements and building permits; and (4) difficulty in finding additional financing sources to cover increased costs. Changes in the Project's budget resulted in a net increase of $26,416,599.

Major changes are: (1) $25,915,100 increase in construction costs attributed to the significant delay from initial financing approval and construction cost inflation; (2) $1,140,051 increase in financial and syndication costs attributed to the aforementioned delay and a change in bond structure to a public offering from a private placement; (3) $931,870 increase in architectural and design; (4) $1,837,226 decrease in Interim and soft costs; and (5) $1 million decrease in developer's fee/overhead.

Such cost increases were primarily covered by: (1) a $16,622,482 increase in Low Income Housing Tax Credits (LIHTC) proceeds that was approved by the State of Hawaii Legislation in 2011; (2) a $10,578,486 increase in LIHTC proceeds stemming from an increase in eligible basis and additional State LIHTC, which increased the allocation to 50% of Federal LIHTC from 30% of Federal LIHTC; (3) a $3,452,790 increase in the permanent bond amount; and (4) a $2,306,941 Community Development Block Grant (CDBG) award.

The Project's estimated construction timeline was noted, with the construction start date being in September 2011, bond closing anticipated in March 2012, and project completion anticipated in November 2013.

Staff has reviewed the Project's request and proposes the following:

1. Increase the intended issuance amount of the HMMF Bonds as outlined in Section III(I)(1).

2. Increase the non-competitive (4%) Federal and State LIHTC reservation as outlined in Section III(I)(2).

    a. Increase LIHTC supported by the Project's revised estimated eligible basis of $53,162,647 at an applicable percentage of 3.29%; requires invocation of the 130% Difficult to Developed Area (DDA) provision.

Mr. Ueki opened for questions, along with Mr. Marvin Awaya, on behalf of the Project.

Director Kyno inquired on the construction start date of September 2011. Mr. Awaya stated that construction actually started in December 2010 (e.i., site work and surcharge), with the projections for September being to order additional materials and other necessary items.

In response to Chairman Lawrence, Mr. Ueki explained that the Difficult Development Areas (DDA) is an allowance under the LIHTC program identified by HUD that allows a 30% increase in a project's eligible LIHTC.

In response to Director Jung, Mr. Ueki explained that the $25,690,986 amount is the actual LIHTC equity to the Project.

In response to Director Larson, Mr. Ueki stated that the Project's LIHTC are 4% non-competitive credits and will not negatively impact other projects.

With no further discussion, the motion was unanimously approved.

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

III. G. DISCUSSION AND/OR DECISION MAKING
Approve the Proposed 2012/2013 Qualified Allocation Plan for the Low-

That the HHFDC Board of Directors approve the following:

A. Approve the proposed amendments to the 2012/2013 QAP, subject to a public hearing;

Income Housing
Tax Credit Program

B. Authorize the Executive Director or designated representative to conduct a public hearing on the proposed amendments to the 2012/2013 QAP;

C. After the public hearing, authorize the Executive Director to approve the Final 2012/2013 QAP provided that no substantive amendments are made.

D. Authorize the Executive Director to establish the funding round for the State's 2013 LIHTC volume cap subject to the 2012/2013 QAP;

E. Authorize the Executive Director to take all action necessary to effectuate the purpose of this For Action.

Mr. Ueki presented the For Action, stating that this is the final product of the Qualified Allocation Plan (QAP) as a result of discussions held during the strategic planning meeting in July and August 2011.

QAP requirements related to Section 42 of the Internal Revenue Code (Section 42), specific selection criteria, public hearing process, and previous Board (September 2010) and Executive Director (October 2010) approvals for the 2011/2012 QAP were noted. The current QAP remains valid through 2012.

Staff is recommending that changes to the QAP take effect in 2012 through 2013 in order to: (1) recognize the increase importance of energy efficient and green building practices; (2) increase the minimum scoring threshold of the affordability period; (3) reaffirm the importance of the highest point scoring categories of the QAP; (4) incorporate scoring for families moving to permanent housing from transitional housing.

The QAP contains 20 criteria by which projects are reviews and/or awarded points. Staff is proposing a point structured based on a total of 100 points (from 90 points), increasing the percentage of Energy Efficient/Green Building Criteria (Criteria No. 16) from 3% to 5% of the possible points, with other minor criteria adjustments to maintain the percentage of the total points possible.

A comparison chart of the Existing and Proposed points were cited and discussed.

Mr. Ueki noted a correction and distributed a revised Exhibit B - Ramseyer version of the proposed 2012/2013 QAP document to the Board.

Staff's proposed amendments to the QAP were noted to be on page 3 of the For Action, with substance changes being:

1. Criteria 1 - Length of Affordability

   a. Amend the QAP to award a maximum of 11 points for projects that elect to commit to an additional use period and elect to waive its right to exercise a request for a qualified contract. Additionally, the minimum affordability period needed to score points shall increase to 35 years from 30 years.

2. Criteria 5 - Public Housing Waiting List and the Transitional Housing Program

   a. Amend the QAP to award 0.5 point for projects that demonstrate that all low-income units will be made available to people on the waiting list for low-income public housing and 0.5 point for projects that demonstrate that all low-income units will be made available to people who have successfully completed a transitional housing program.

HHFDC is working with the Department of Human Services (DHS) staff to coordinate how this would be undertaken.

In response to Director Larson, Mr. Ueki stated that at this point, a project would demonstrate such availability through a letter.

3. Criteria 16 - Energy Efficient and Green Building

   a. Amend the QAP to award a maximum of 5 points for projects that elect to incorporate energy efficient practices that promote resource conservation. LEED Certification levels and Energy Star Certification are now taken into account in the scoring criteria.

The following tentative timeline was noted: (1) publish a Notice of Public Hearing later this month, in September 2011; (2) conduct a Public Hearing on October 21, 2011; (3) recommend final approval of the QAP to the Executive Director on November 11, 2011; (4) availability of applications on December 20, 2011; (5) application deadline on February 29, 2012; and (6) present recommendations to the Board in July/August 2012.

Mr. Ueki opened for questions, along with staff.

Based on Director Jung's comment regarding the developer's fee cost for projects, Director Larson questioned Criteria 11 - Developer Fee, on whether or not the percentage range of developer fees (e.i., 15% and above) should be something for the Board to look at. Mr. Ueki stated that developer fee percentages are based on the "best practices" of the National Council of State Housing Agencies (NCSHA). However, this would be a Board policy decision and factual data is available and could be brought forth for the Board's review.

Director Larson stated that it seems that some of the riskiest projects that come to the HHFDC, such as non-profits, have no developer fee or developer fees at lower percentages. Mr. Ueki responded that by having the scoring mechanism in this particular scoring range allows the developer to decide, providing a fair opportunity to receive a return on their risk taken and is something we should not lose sight of.

Director Kyno added that from a developer's perspective, developer's fees could be used as leverage to cut cost where needed; however, he believes that if a developer can hit all the other target criteria, making it a winning project, that developer deserves to be rewarded in that respect.

With no further discussion, the motion was unanimously approved.

Chairman Lawrence asked for a short recess break.

Vice Chairman Mesick moved, seconded by Director Jung, to recess the meeting at 10:03 a.m.

RECESS
10:03 a.m.

The motion was unanimously approved.

The meeting was reconvened at 10:13 a.m.

RECONVENED
10: 13 a.m.

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

III. H. DISCUSSION AND/OR DECISION MAKING
Accept the Audited

That the HHFDC Board of Directors accept the audited financial statements for the fiscal year ending June 30, 2010.

Fiscal Manager Galen Lee presented the For Action, stating that the auditors of Accuity LLP have issued the required financial reports for the fiscal year ending June 30, 2010.

Financial Statements Of the Hawaii Housing Finance and Development Corporation for the Fiscal Year Ended June 30, 2010

The Corporation's total assets increased by $96.4 million to $994.7 million as of June 30, 2010, from $898.3 million as of June 30, 2009.

Primary increases were a result from the net effect of activities in three major funds:

1. $20.8 million in mortgage loans issued by the Multi-Family Housing Revenue Bond Fund related to Franciscan Vistas Project.

2. $26 million of interim loans issued by the Dwelling Unit Revolving Fund related to the Kukui Gardens Project.

3. $37.2 million in loans issued by the Rental Housing Trust Fund related to the Franciscan Vistas Ewa Project, Lahaina Honokowai Villa Project, Koloa Hale Project, Ainakea Senior Residences Project, and the Kahului Terrace Project.

As a result, net assets increased by $20.5 million due to transfers during the fiscal year.

Exhibits consisting of management discussion and analysis as well as further financial highlights of the audit and all other reports (pertaining to the attached CD) were noted.

Mr. Lee happily reported that the Corporation received an "unqualified opinion" for the completed audit and opened for questions, along with Mr. Donn Nakamura, on behalf of Accuity LLC.

Director Larson inquired on issues from last fiscal year that have been resolved. Mr. Lee stated that filling the position of the fiscal manager dealt with the accounting issues, noting that responses to those issues could be found within the financial report.

The Board commended staff on a job well done.

Mr. Lee added that HHFDC is in the process of conducting its 2011 audit.

Executive Director Seddon stated that the HHFDC is also looking to the installment of a new electronic accounting system. A Request for Proposal (RFP) has been completed and the contract is to be awarded. It is anticipated that it will take 6 to 8 months to complete the installation and change over to the new system.

Director Jung reinstated his annual plea of promoting neighbor island members to participate by Skype or teleconference in efforts to reduce spending on airfare and car rentals to attend board meetings.

With no further discussion, the motion was unanimously approved.

III. I. DISCUSSION AND/OR DECISION MAKING
Information on the

Planner Lisa Wond presented the For Information, stating that the purpose of this item is to provide the Board with a summary of HHFDC's annual Consolidated Annual Performance and Evaluation Report (CAPER), required by the U.S. Department of Housing and Urban Development (HUD), assessing the State's performance in carrying out the objectives of the consolidated plan for programs

Consolidated Annual Performance and Evaluation Report for Program Year 2010 (July 1, 2010 - June 30, 2011)

such as the HOME Investment Partnerships (HOME), Emergency Shelter Grant (ESG), Housing Opportunities for Persons with AIDS (HOPWA), Neighborhood Stabilization Program (NSP), and Homelessness Prevention and Rapid Re-housing Program (HPRP).

HHFDC is the lead agency responsible for the preparation of the 5-year Consolidated Plan and annual action plans for the investment of federal Community Planning and Development (CPD) program funds to address affordable housing and homeless needs in the state, primarily in the counties of Hawaii, Kauai, and Maui. The HOME and NSP programs are also administered by the HHFDC.

The Department of Human Service (DHS) administers the ESG, HOPWA, and Homelessness Prevention programs.

During this Program Year 2010 (July 1, 2010 - June 30, 2011), $3,043,720 was allocated for the HOME program, of which HHFDC retained $45,000 for administration fees and distributed the remainder equally between the three neighbor island Counties.

The majority of the HOME activities and projects are funded over multiple years. As such, this year's results are mostly attributed to funding from prior years.

Staff is continuously looking to improve the administration of the HOME program and will return to the Board for discussions on other ways the HOME funds could be allocated.

The State received $19.6 million in NSP funds in 2009 for various projects in all four Counties and met the obligation deadline of September 18, 2010. All activities are underway and are currently on schedule to meet the September 18, 2013 deadline.

The State received $5 million in NSP3 funds in Program Year 2010 to continue NSP activities within the neighbor island Counties and are ongoing.

By March 2013, 50% of the grant must be expended, with 100% expended by March 2014.

Informational charts referencing activity details and accomplishments were cited and the full CAPER was noted to be available for the Board's review.

Ms. Wond opened for questions.

In response to Director Kyno, Ms. Wond stated that Mr. Gary Mackler of the Kauai County Housing Agency is the point of contact for the HOME program on Kauai.

In response to Chairman Lawrence, Ms. Wond stated that Mr. Ueki will be coming to the Board in a future meeting to discuss changes to the way HOME funds are allocated to the Counties.

EXECUITVE SESSION
10:23 a.m.

With no further discussion, Chairman Lawrence proceeded to Item J, and asked for a motion to go into Executive Session.

Vice Chairman Mesick moved, seconded by Director Jung, to convene in executive session pursuant to Section 92-5(a)(4) to consult with the board's attorney on questions and issues pertaining to the board's powers, duties, privileges, immunities, and liabilities as it relates to the projects of Green Homes at Lualualei and Kamakana.

The motion was unanimously approved.

The Board convened in Executive Session at 10:23 a.m.

RECONVENED
11:15 a.m.

The Board reconvened in Regular Session at 11:15 a.m.

Executive Session was adjourned at 11:15 a.m. and immediately proceeded in Regular Session.

III. J. DISCUSSION AND/OR DECISION MAKING
Information on the Green Homes at Lualualei Project Located in Kapolei, Oahu, TMK Nos.: (1) 8-7-33: 011 and 022

Chairman Lawrence called upon Mr. Gil Barden, on behalf of the Green Homes at Lualualei (Project), located in Kapolei, Oahu.

Mr. Barden provided background information on the Project, requesting to change the affordability requirements to have 60% of its units at 140% of the area median income, with remaining units at market, stating that the deed restrictions of the HHFDC's Shared Appreciate Equity (SAE) and 10-year buyback appreciation discourages many of its potential buyers.

Mr. Barden noted that the stance of the HHFDC has been to submit a new 201H application for such a change, which he believed to be wasteful and not in support of the mission of the HHFDC, stakeholders, and tax payers of Hawaii; being a costly and lengthy process, with no guarantees.

Therefore, the request before the Board is to allow the Project to go before the City Council to amend its affordability requirements.

In response to Director Kyno, Mr. Barden stated that unit prices are considerably cheaper and more affordable than other products on the market, having a price range from approximately $249,900 - $440,000 (approximately 2,600 square feet).

Chairman Lawrence inquired on the Condominium Property Regime (CPR) process. Mr. Barden responded that phasing requirements are becoming stricter and therefore, its attorney will not approve the CPR unless the project is contiguous and clearly identified, which the Project is incapable of doing without its financing in place.

Chairman Lawrence inquired on the difference between the City and County of Honolulu's (City) 201 H process versus the HHFDC's. Mr. Barden stated that the City's 201H process requires a minimum of 50 units, with at least 50% of the development costs identified, including construction, letter of credit, and other project details in advance.

In response to Mr. Barden regarding his request, Chairman Lawrence stated that it is his understanding, based on the rules for the 201H process, any change such as this, would require a new application to be submitted, and if approved, would come to the Board for action.

Mr. Barden stated that there is no interest in resubmitting a new 201H application and thanked the Board for listening.

With no further discussion, Chairman Lawrence proceeded to the Report of the Executive Director.

IV. REPORT OF THE EXECUTIVE DIRECTOR

Director Larson inquired on page 3 of the Asset Management Branch Report regarding the 55% vacancy rate at Kamaaina Hale. Executive Director Seddon explained that the vacancy rate is due to the asbestos treatment that remains to be completed. Due to the direction of the Board, this project will be a part of the Private-Public Partnership efforts. A Request for Proposal (RFP) has been completed and the residents will be notified through a public meeting.

Executive Director Seddon introduced HHFDC's new Asset Manager Stuart Kritzer, who was asked to provide a brief introduction of his employment background.

Executive Director Seddon stated that one Property Coordinator position still needs to be filled.

With no further questions, Chairman Lawrence asked for a motion to adjourn.

VI. ADJOURNMENT

Vice Chairman Mesick moved, seconded by Director Jung, to adjourn the meeting at 11:37 a.m.

Betty Lou Larson

BETTY LOU LARSON
Secretary