

**HAWAII PUBLIC HOUSING AUTHORITY
NOTICE OF MEETING
REGULAR BOARD OF DIRECTORS MEETING
1002 North School Street, Building A Boardroom
Honolulu, Hawaii 96817
Thursday, July 18, 2019
9:20 a.m.

AGENDA

I. CALL TO ORDER/ESTABLISHING QUORUM

II. PUBLIC TESTIMONY

Public testimony on any item relevant to this agenda shall be taken at this time. Pursuant to section 92-3, Hawaii Revised Statutes, and section 17-2000-18, Hawaii Administrative Rules, the Board may limit public testimony to three minutes per agenda item.

III. APPROVAL OF MINUTES

Regular Meeting Minutes, June 20, 2019

IV. DISCUSSION AND/OR DECISION MAKING

- A. U.S. Department of Housing and Urban Development
Presentation/Training: Mr. Jesse Wu, Director Hawaii Field Office
- Overview of HUD Programs
 - HUD systems
 - Annual Contributions Contract; Declaration of Trust
 - Board Roles and Responsibilities
- B. Financial and Single Audit by KMH, LLC. Discussion to include audit objectives, HPHA accounting, and historical background
- C. Fair Housing Act and HUD Accessibility Overview training by HPHA's Accessibility Consultant, EMG. EMG's presentation will include a discussion on initial assessments and draft transition plan.

(The Board may go into executive session pursuant to Hawaii Revised Statutes sections 92-4 and 92-5(a)(4) to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities as related to initial assessments and the draft transition plan.)

- D. Report, Update, and Overview on the HPHA's Redevelopment Efforts and Development Opportunities, including Mayor Wright Homes (Tax Map Key: 1-7-029-003-0000), Kuhio Park Terrace Low Rise/Kuhio Homes (Tax Map Keys 1-3-039-008-0000; 1-3-039-006-0000; and 1-3-039-003-0000) and School Street Administrative Offices (Tax Map Key: 1-6-009-003-0000). Presentation will include discussion and observations from the HPHA's consultant Mr. Scott Jepsen.

(The Board may go into executive session during the presentation of the redevelopment projects pursuant to Hawaii Revised Statutes sections 92-4, 92-5(a)(8), and 103D-105 to discuss, deliberate or make a decision on information that must be kept confidential, 92-5(a)(3) to deliberate concerning the authority of persons designated by the Board to negotiate the acquisition of public property, and/or 92-5(a)(4) to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities related to the Redevelopment Projects Mayor Wright Homes, Kuhio Park Terrace Low Rise/Kuhio Homes and HPHA's School Street Administrative Offices.)

- E. To Approve the Memorandum of Agreement ("MOA") Between the Governor of the State of Hawaii, as Responsible Entity/Agency Official, the Hawai'i Public Housing Authority ("HPHA"), the State Historic Preservation Department ("SHPD"), Historic Hawaii Foundation ("HHF") and MWH Partners, Inc. ("Developer") relating to Compliance with the Requirements of Section 106 of the National Historic Preservation Act, as amended (54 U.S.C. 306108) for the Redevelopment of Mayor Wright Homes (Tax Map Key: 1-7-029-003-0000)

(The Board may go into executive session during the discussion of the proposed memorandum of agreement pursuant to Hawaii Revised Statutes sections 92-4, 92-5(a)(8), and 103D-105 to discuss, deliberate or make a decision on information that must be kept confidential, 92-5(a)(3) to deliberate concerning the authority of persons designated by the Board to negotiate the acquisition of public property, and/or 92-5(a)(4) to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities related to the Mayor Wright Homes.)

- F. To Approve the First Amendment to Master Development Agreement between the Hawai'i Public Housing Authority and MWH Partners, LLC, a Delaware Limited Liability Company, Dated December 29, 2017, To Incorporate the Memorandum of Agreement ("MOA") Between the Governor of the State of Hawaii, as Responsible Entity/Agency Official, the HPHA, the State Historic Preservation Department ("SHPD"), Historic Hawaii Foundation ("HHF") Relating to Compliance with the Requirements of Section 106 of the National Historic Preservation Act, as amended (54 U.S.C. 306108) for the Redevelopment of Mayor Wright Homes (Tax Map Key: 1-7-029-003-0000).

(The Board may go into executive session pursuant to Hawaii Revised Statutes sections 92-4, 92-5(a)(8), and 92-5(a)(3) to deliberate concerning the authority of persons designated by the Board to negotiate the acquisition of public property, and/or 92-5(a)(4) to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities related to the First Amendment to the Master Development Agreement.)

V. REPORTS

A. Executive Director's Report:

- Financial Report for the Month of May 2019 Financial Report is provided to the board in the monthly packet.
- Report on Contracts Executed During June 2019 and Planned Solicitations for July 2019/August 2019 are provided to the Board in the monthly packet. No formal report is planned.
- Public Housing Occupancy/Vacancy Report; Federal Public Housing; Eviction Hearings for the Month of June 2019.
- Obligation and Expenditure Status for Design and Construction Projects Funded Under the Federal Capital Fund Program (CFP) and the State Capital Improvement Program (CIP).
- Section 8 Subsidy Programs Voucher: Voucher Lease-up and Pending Placements; Update on Rent Supplement Program.

** The start time is an approximation and the meeting will begin immediately after the HHA Wilikina Apartments Project, Inc. Annual Meeting.

If any person requires special needs (i.e., large print, taped materials, sign language interpreter, etc.) please call Ms. Jennifer Menor at (808) 832-4694 by close of business three days prior to the meeting date. If a request is received after July 15, 2019, the HPHA will try to obtain the auxiliary aid/service or accommodation, but we cannot guarantee that the request will be fulfilled. Meals will be served to the Board and support staff as an integral part of the meeting.

HAWAII PUBLIC HOUSING AUTHORITY
MINUTES OF THE REGULAR MEETING
HELD AT 1002 NORTH SCHOOL STREET, BUILDING A
HONOLULU, HAWAII 96817
ON THURSDAY, JULY 18, 2019
IN THE CITY AND COUNTY OF HONOLULU, STATE OF HAWAII

The Board of Directors of the Hawaii Public Housing Authority held their Regular Board Meeting at 1002 North School Street, on Thursday, July 18, 2019. At approximately 9:49 a.m., Chairperson Milo Spindt called the meeting to order and declared a quorum present. Those present were as follows:

PRESENT: Director Milo Spindt, Chairperson
Director Robert Hall, Vice-Chairperson
Director Pono Shim, Secretary
Director Lisa Darcy
Director George De Mello
Designee Daisy Hartsfield
Designee Denise Iseri-Matsubara
Director Roy Katsuda
Director Susan Kunz
Director Todd Taniguchi

Deputy Attorney General Sandy Ching
Meghan Glasheen, Reno & Cavanaugh, DLLC – Specialized
Legal Counsel to HPHA

EXCUSED: Director Betty Lou Larson

STAFF PRESENT: Hakim Ouansafi, Executive Director
Chong Gu, Chief Financial Officer
Kevin Auger, Redevelopment Officer
Rick Sogawa, Contracts and Procurement Officer
Katie Pierce, Section 8 Subsidy Program Branch Chief
Becky Choi, State Housing Development Advisor
Benjamin Park, Chief Planner
Mary Jane (Pua) Hall-Ramiro, Acting Property Management and
Maintenance Services Branch Chief
Shirley Befitel, Human Resources Supervisor
Renee Blondin-Nip, Hearings Officer
Nelson Lee, IT Supervisor
Jennifer Stolze, Compliance Specialist
Sarah Beamer, Compliance Specialist
Gary Nakatsu, Program Specialist
Sahar Ibrahim, Engineer
Lisa Izumi, Engineer
Mario Tadeo, Architect

Nick Wu, Information Tech Specialist
Jennifer Menor, Secretary to the Board

OTHERS PRESENT (and signing in as):

Wilcox Choy, KMH LLP
Steve Colon, Hunt Development
Scott Jepsen, EJP
Thomas Lee, Hunt Development
Sara Lin, Office of the Governor
Monique Ocampo
Derrick Sonoda, Johnson Controls
June Talia, Kuhio Homes
Adrian Tam, Senator Stanley Chang's Office
Robin Vaughn, Hunt Development
Jesse Wu, HUD

Public Testimony

Chairperson Spindt stated that the Board would accept public testimony on any item relevant to the agenda. Pursuant to section 92-3, Hawaii Revised Statutes, and section 17-2000-18, Hawaii Administrative Rules, the Board may limit public testimony to three minutes per agenda item.

Robin Vaughn, President of Public Infrastructure and Capital Markets at Hunt Development Company, has been working with HPHA on the redevelopment of Mayor Wright Homes (MWH). He introduced himself to the new Board members of HPHA.

June Talia, Kuhio Park Terrace/Low-Rise tenant, thanked the Board members for their time and service to HPHA and its tenants. She expressed great respect and love for Director Shim and was heartbroken that he will no longer be the HPHA Chairperson. Ms. Talia thanked him for "the mana and aloha" that he has shared. She also recognized and expressed gratitude to Executive Director Ouansafi. Ms. Talia requested a meeting for the tenants to discuss the redevelopment of Kuhio Homes. She stated that the tenants are unhappy with Michaels Development Company (MDC) and desire a different developer. She stated that she was previously an employee at MDC and couldn't continue to work there knowing that the community was unhappy with their management of the property.

Steve Colon, President for Hunt Development Company, Hawaii Division, has been working on the redevelopment of Mayor Wright Homes (MWH). He reported that the NEPA is near completion and the final letter is ready for the Governor's signature. Mr. Colon expressed excitement in moving forward with the MWH project. He recognized Scott Jepsen (HPHA's consultant from EJP). He acknowledged that Mr. Jepsen has worked with Hunt in El Paso, TX and was pleased that HPHA has teamed up with Mr. Jepsen.

Monique Ocampo, former HPHA tenant, congratulated the newly appointed Chairperson, Vice Chairperson and Secretary. In addition to the importance of relationships and mana, she shared with the Board the significance of having a relationship with culture and diversity. Ms. Ocampo introduced Derek Sonoda and asked that the Board allow him three minutes to introduce himself and share how he and Johnson Controls can assist the HPHA. Ms. Ocampo was previously employed by Hawaii Energy and did outreach to HPHA's low-income communities.

Derek Sonoda, Account Executive at Johnson Controls, has experience working with the low-income sector and public housing at Hawaii Energy. He shared about the opportunity funded by the government to educate the community on ways to save energy and money in order to afford necessities, such as food, medicine and other bills. The Hawaii Energy program performed outreach to previously untapped low-income communities. Due to its success, Hawaii Energy's outreach program received national recognition and he was recruited to Johnson Controls. Mr. Sonoda expressed that the Johnson Controls staff has a heart for Hawaii and is interested in working with HPHA by bringing a unique perspective on the benefits of building energy efficiency, water and sewage throughout buildings. He welcomed the new Board members and expressed gratitude to HPHA for his family who were formerly tenants at Mayor Wright Homes.

Approval of Minutes:

Director Shim moved,

To Approve the Regular Meeting Minutes of June 20, 2019

Designee Iseri-Matsubara referred to page 7 of the Board packet and requested for clarification that her request for a workshop on the status of Mayor Wright Homes redevelopment includes an update on the financial plan.

Executive Director Ouansafi confirmed that the financial plan will be reported on during the meeting.

The minutes were unanimously approved as amended.

Discussion and/or Decision Making

For Information:

- U.S. Department of Housing and Urban Development Presentation/Training:
Mr. Jesse Wu, Director Hawaii Field Office**
- **Overview of HUD Programs**
 - **HUD systems**
 - **Annual Contributions Contract; Declaration of Trust**
 - **Board Roles and Responsibilities**

Mr. Jesse Wu, Director of the Office of Public Housing, HUD Hawaii Field Office, provided an overview training to the Board members. He also offered to return for further in-depth training, if needed.

Mr. Wu presented an overview of HUD, its relationship with the State and the different programs available. Along with reviewing the role of a Board member, Mr. Wu also provided an overview of public housing and its programs, and conflict of interest issues, which will be shared in more depth at September's board meeting.

Director Darcy asked if the presentation handouts were available.

Mr. Wu stated that the handouts were sent to the HPHA staff the day before the meeting and a copy has been handed to each Board member prior to the start of the board meeting.

HUD's mission is to provide guidance to families and ensure opportunities to strengthen the community.

Within the organization chart, Mr. Wu falls under the Assistant Secretary for Public Housing. Mr. Wu works within the Office of Field Operations. Within the local office of public housing, there are 5 positions (4 staffed right now), and within the Honolulu field office, there are approximately 20 staff. He mentioned that Mark Chandler is the Director of the Office of Community Planning and Development at the HUD Hawaii Field Office.

HUD funding is distributed to the community in various ways. The HUD funding chart demonstrates the different government and non-profit agencies that HUD engages with and how funding is dispersed.

The relationship between HUD and HPHA is governed by a handful of documents, with the main one being the Annual Contributions Contract (ACC). The ACC stipulates that it provides the funding to build housing developments along with providing the framework to continue to provide operating subsidy and capital funds. The updated document was signed about 20-25 years ago. With each public housing site, a Declaration of Trust (DOT) is required. The DOT is a legal document which grants HUD an interest in the public housing property and includes requirements not to convey or encumber the public housing property unless expressly authorized by HUD. HUD has been working with HPHA staff and the Attorney General's (AG's) Office on updating the DOT.

HUD has many online systems available for its business partners and citizens. The online systems are used by housing authorities to report information to HUD. All program data is generated and inputted by the housing agency and its staff (not by HUD). Any questions regarding specific data are redirected to the staff at the housing authority.

Lead the Way is a new free resource offered by HUD, which allows commissioners and staff to understand HUD's priorities within their programs. A brief video was shown on training resources available on HUD's *Lead the Way* website.

Mr. Wu explained that the Board's roles and general responsibilities include management, oversight of policies, and development of goals and plans, while allowing the Executive Director to manage the day-to-day operations. Mr. Wu showed another video on roles and responsibilities.

HUD's role is to provide guidance and oversee programs it administers, while providing the flexibility for each community to target their specific needs. HUD can make suggestions on populations they want the focus on, but it is the responsibility of the Board and the agency to identify the local issues, challenges and priorities.

HUD's Honolulu primary contacts are Mr. Jesse Wu and Ms. Darlene Kaholokula.

There are approximately 5,000 public housing units and approximately 13,000 units in the voucher program in the Hawaii jurisdiction.

Under the Housing Choice Voucher (HCV) program, HPHA is rated under the Section 8 Management Assessment Program (SEMAP). Public housing operations are rated under the Public Housing Assessment System (PHAS). The PHAS score report is broken up into four categories: physical, financial, management and capital fund. HPHA's public housing program is currently scored as a "standard performer".

A unique challenge to the housing authority is that HUD's occupancy level goal is 96%, while PHAS goal is 94%, which affects the scoring. On average, HUD provides approximately \$12-13 million in capital funds which is mainly for capital repairs. The Legislature often provides two to three times that amount to the HPHA. While other housing authorities have limited funds to work with, HPHA's portfolio of work is much more extensive.

The Housing Choice Voucher program (Section 8) provides housing in the private market. HUD provides public housing authorities an annual budget to make housing assistance payments.

An agency's voucher funds expenditure rate (utilization) is the percent of subsidy funding allocation expended to assist families during the year. One of the tools that HUD provides housing authorities is the Two-Year Tool. The Tool illustrates how much money is available, the budgetary money set aside by Congress, new funding and reserves available. For 2019, HPHA has an estimated total of approximately \$34.6 million for its voucher program.

According to the HCV Utilization Two-Year Tool, HPHA is projected to expend 100.7% of funds. This is a demonstration of a "shortfall" or spending beyond its means. Fortunately, HUD has the funds available to cover the shortfall allowing HPHA to assist more families. Within the Hawaii field office, there are several housing agencies in

shortfall and HUD works with the housing agencies to ensure that all families can get served. There is also a lot of information on utilization by month.

HUD also pulls data on homeless admissions. The national average is 10%, while the Honolulu office falls at 19%. Supplying this information is not a requirement, but the information is available if a Board decides that serving the homeless is a priority.

HUD's departmental priorities started in the early 1990's when Congress raised concerns about the poor conditions of public housing and began to push housing authorities towards changing the operating paradigm with developments. Today, the amount of funding that HUD provides to housing authorities to address deferred capital maintenance is insignificant related to the need. HUD provides the HPHA approximately \$12 million a year.

In the early 1990's, the Department started a demonstration program that moved large lump sums of cash to demolish properties that weren't occupied and damaged. This program has been around for many years, and today it is known as the Choice Neighborhood program. A Choice Neighborhood planning grant was awarded to HPHA for Kuhio Homes/KPT Low-Rise. HPHA has not received any revitalization grants.

HUD's goal is to reposition public housing units to a more financially sustainable platform.

HUD's Regional Counsel, Lora Han, will attend the Board meeting in September to provide detailed training on conflicts of interest. In general, conflicts of interest requirements are outlined within the ACC contract and the Section 8 regulations. HUD has been working with the AG's Office on understanding what the issues are and if waivers are needed by HPHA at this time.

Litigation reporting is an important requirement when HUD funds and programs are involved.

Mr. Wu stated that HUD is available for further training and the Board can make arrangements through Executive Director Ouansafi. He also encouraged the Board members to visit the HUD website to read more on the HUD programs.

Chairperson Spindt thanked Mr. Jesse Wu for his presentation.

Chairperson Spindt declared a recess at 10:40 a.m. and reconvened the meeting at 10:48 a.m.

For Information:

Financial and Single Audit by KMH, LLC. Discussion to include audit objectives, HPHA accounting, and historical background

Mr. Wilcox (“Wils”) Choy, partner at the certified public accounting firm KMH LLP, reported that KMH LLP is contracted to be the auditor for the next three years. It is important to note that KMH auditors are contracted through the Office of the Auditor and not by the HPHA. In addition, the auditors review HPHA’s management and report their findings to the Board. The objectives of the audit are to review the financial statements of HPHA under government auditing standards and to perform a single audit, which is a compliance audit of the federal programs. KMH LLP is required to provide an opinion of HPHA’s compliance with specific federal funding programs.

Part of Mr. Choy’s presentation included an accounting and historical background. For context, when reviewing the Management’s Discussion and Analysis (MD&A), HPHA processes approximately 650,000 transactions per year. This equates to approximately 2,000 transactions a day. The financial statements show that HPHA has 14 individual funds that need to be reported, each of which are self-balancing and require separate financial statements. There are 4 governmental, 8 proprietary and 2 internal service funds. In addition to the 14 individual funds, there are 16 Asset Management Projects (AMPs), which are accounted for separately.

Mr. Choy discussed the difference between a governmental fund and a proprietary fund, where proprietary fund requires full accrual basis of accounting. With full accrual, the agency is required to record all expenditures for their eight proprietary funds. Under full accrual, the agency must capitalize expenditures, maintain it and depreciate its assets every month. Unlike many other State agencies, which are predominately governmental funded, HPHA has predominately proprietary funds requiring more work and organization.

The auditors are also required to report on internal control over financial reporting and on compliance matters based on governmental accounting standards. There’s a separate report that auditors are required to issue. He explained that an internal control deficiency, a deficiency or a combination of deficiencies in internal control means that there’s a reasonable possibility that a material misstatement in the financial statement was not prevented, detected or corrected on a timely system. Auditors are required to make comments, in the form of findings, when reviewing the internal control structure. There are three levels of findings: 1) deficiency, 2) significant deficiency, and 3) material weakness, which is the poorest rating.

KMH LLP were also the financial auditors for HPHA in 2012. Their internal control report revealed 12 findings with three of them noted as financial statement findings. Those three findings were categorized as material weakness because there was a lack of appropriate review and approval. In 2012, the interfund was not reconciled or tracked, and the beginning balance of the net assets were out of balance by \$3.5 million. There was a lack of monitoring, lack of regular management, and supervisory activities. In addition, there were accounts that were not being reconciled. The auditor proposed 58 adjusting journal entries and the effect of those entries totaled approximately \$14 million.

Mr. Choy reported that in 2018, HPHA had zero audit findings. There were 12 recorded adjustments, which totaled \$279,000. From 2012 to 2018, HPHA demonstrated

tremendous improvement. He emphasized that the auditors don't work for HPHA management as they are contracted by the Office of the Auditor and are responsible to report their findings to the Board of Directors.

Mr. Choy acknowledged the tremendous efforts by Executive Director Ouansafi and Chief Financial Officer Chong Gu for producing a good internal control system over the years. He stated that HPHA's reconciliation is completed in a timely manner. He feels that management understood the challenges and devoted a lot of resources and effort, which was reflected in HPHA's 2018 audit with zero findings. There are comments for improvements, but no findings to be reported. He complimented Executive Director Ouansafi and Chief Financial Officer Gu on their leadership.

Director Katsuda asked how much the 12 adjustments mentioned totaled.

Mr. Choy replied that the 12 adjustments totaled \$279,000. He added that it's a huge decrease from 2012, where there were 58 adjustments that totaled \$14 million.

Designee Hartsfield asked when the contract to audit began, and what specific years are KMH LLP reviewing.

Mr. Choy explained that KMH LLP was recently contracted approximately a month ago for the fiscal years 2019, 2020, and 2021. The Office of the Auditor usually audits in increments of three (3) years. Mr. Choy reported that KMH LLP is auditing for the fiscal years from July 1, 2018 to June 30, 2019 and the subsequent years.

Designee Hartsfield asked for clarification on the financial findings and if there will only be findings when deficiencies are found.

Mr. Choy stated that findings are reported if there are deficiencies, internal control issues, and/or non-compliance issues. He stated in 2012, the single audit revealed nine weaknesses in administration of the federal program. Of the nine weaknesses, eight were material weakness and one was considered a significant deficiency. In 2018, there were zero findings, on both the financial statement reporting and the federal programs. Mr. Choy informed the Board that when the current audit is completed, he will return to report to the Board on its findings.

Designee Iseri-Matsubara acknowledged Executive Director Ouansafi, Chief Financial Officer Gu, and the HPHA staff for their tremendous work. She recognized their efforts and huge improvement resulting in zero findings.

Director Katsuda added that it's about a 98% reduction.

Chairperson Spindt acknowledged the huge reduction and commended the HPHA staff on their hard work.

For Information:

Fair Housing Act and HUD Accessibility Overview training by HPHA's Accessibility Consultant, EMG. EMG's presentation will include a discussion on initial assessments and draft transition plan.

Chairperson Spindt stated that the Board may go into executive session pursuant to Hawaii Revised Statutes sections 92-4 and 92-5(a)(4) to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities as related to initial assessments and the draft transition plan.

Bryon Scott, lead project manager for accessibility division EMG Corporation, introduced himself to the Board. Mr. Scott has a background in construction management for 23 years (last five focusing solely on accessibility assessments), a certified ADA Coordinator and a trainer for ADA. He's also been an ADA specialist with EMG for seven different public housing authorities across the United States.

Civil Rights Act of 1968 started the civil rights program. The Americans with Disabilities Act (ADA) is the only civil rights group that people are able to join after birth. This Act doesn't affect those born with a disability but rather gives people the opportunity to become eligible for benefits under the Americans with Disabilities Act as they age or have motorcycle accident recovery issues.

In 1988, Fair Housing Act Amendments required accessibility to be a part of the Fair Housing Act. It is administered by HUD and the Department of Justice, which also has jurisdiction in housing. Public housing and airports are the main two agencies that have to deal with two governing bodies. The Department of Justice generally yields to HUD, but not always.

The Fair Housing Accessibility Act covers dwellings in buildings designed and constructed for "first occupancy" after March 13, 1991. Approximately 18 of HPHA's properties are subject to the Act. First occupancy is defined as residential buildings. If a building was built as a warehouse, and then converted to housing, the Fair Housing Act no longer applies. There's also requirement for a building permit that overlaps.

Multi-family developments with buildings containing less than four (4) units in each building are not covered under the Fair Housing Act. Buildings built prior to March 13, 1991 for another function and then converted to housing aren't covered. Townhomes with more than two floors without an elevator inside the townhome are not covered. However, tenants need to be able to enter the housing unit on the ground floor. If there is a multi-family development with elevators, all units are considered "ground floor" units because they can be entered from that floor.

There are two ways to comply with the Fair Housing Act. One is the Title II government entity, which includes the 504 funding, and the other is to verify that the building complies with accessibility if substantial alterations were completed on the building. Under Section 504, alterations are considered substantial if they are undertaken to a project that has 15 or more units and the cost of the alterations is 74% or more of the

replacement cost of the completed facility. Substantial alterations require that a minimum of 5% of the dwelling units, or at least one unit, whichever is greater, shall be made accessible to persons with mobility disabilities and an additional 2% of the dwelling units, or at least one unit, whichever is greater, shall be made accessible to persons with hearing or visual disabilities.

Under this section, alterations to dwelling units shall, to the maximum extent feasible, be made readily accessible to and usable by individuals with disabilities. If alterations to single elements or spaces of a dwelling unit, when considered together, amount to an alteration of a dwelling unit, the entire unit shall be made accessible. Additionally, if an alteration is made in the kitchen, the agency is responsible to bring the entire kitchen to full compliance. The same goes for the bathroom. Replacement of doors is another concern.

HUD strongly encourages that agencies meet the 5% accessible units and 2% for the hearing and vision impaired. A needs assessment is also required, which EMG is currently drafting for the Board's review. The needs assessment determines if there's a greater need to exceed the required 5% accessible units and 2% vision/hearing impaired units. Once the need is determined, the Board is obligated to make sure that it's met within a four-year period of time.

Director Katsuda asked for clarification on 2% and 5%.

Mr. Scott explained there are two different numbers. 2% are for visually and hearing impaired because these units are designed differently for specific disabilities. For example, when the doorbell is rung, the person in the unit is notified through a visual signal. They can overlap, but it doesn't count in the total count.

The Fair Housing Act requires that all dwelling units being built are built to the new standards.

Mr. Scott reported on the seven basic design and construction requirements that are required by the Fair Housing Act, such as accessible routes and access, access to public and common areas, doors that can accommodate a wheelchair (e.g., 30 inches wide), accessible route through a dwelling, light switches/outlets in accessible locations, installation of grab bars, and accessible bathrooms and kitchens.

Mr. Scott reported that with new construction (nothing before 1991), anything that's on a ground floor, and units that are not accessible need to be built adaptable. Adaptable dwelling units have built-in features that accommodate a wide range of disabilities. For example, units should have reinforcement in the walls for grab bars. This will allow maintenance staff to readily install grab bars at a later time, if needed. Adaptable units are more flexible.

The two standards acceptable by HUD are: Uniform Federal Accessibility Standards (UFAS) and Americans with Disabilities Act Accessibility Guidelines (ADAAG).

There are ten “Safe Harbors” that are applied when remodeling. Safe Harbor means as the building codes change, you can build under one of the allowable standards to use to meet Fair Housing Act design/construction requirements. Once a Safe Harbor is declared, the agency is protected from any codes that change, such as the wheelchair turning space which is increasing by seven (7) inches in three years.

HPHA has elected to use UFAS on the dwelling units in existing buildings and ADA on the exterior elements. The codes are not exactly the same.

UFAS standards went into effect in 1968. The ADA 2010 Standards for Accessible Design went into effect in April 12, 2010. There’s a 1991 Standards which is similar to the 2010 Standard.

There are eleven exceptions that HUD is required to use with ADAAG, mainly dealing with accessible routes to the streets, primary functions and terrain. ADAAG allows top loading washing machines, while UFAS allows for the washing machines to be front loading. HUD also requests washing machines be front loading.

Director Taniguchi asked as far as the standards that are being applied for the projects, whether EMG is making recommendations for safe harbors, codes or standards for those projects under major renovations or redevelopment. He also inquired about whether Executive Director Ouansafi views it as an executive decision on what’s applied or if the Board is assisting with the decisions.

Executive Director Ouansafi explained that HPHA hired EMG to assess all of the housing properties and units. EMG will report on the current status, while evaluating the community and its needs in order to come up with a plan on how to move forward. Before any adoptions are made, HPHA will present the final report to the Board for review and approval. Executive Director Ouansafi suggests that since Mr. Scott has been working on this for a while, he can discuss in more specific as to the draft findings and some of the resolutions during executive session.

Director Hall asked if the funding to address compliance comes out of the same source that the agency uses.

Executive Director Ouansafi confirmed that funding comes from the same source and many of the accessibility upgrades are very expensive. HPHA’s goal is to exceed the 5% and 2% requirement. More can be reported to the Board during executive session.

Director Darcy asked in Mr. Scott’s experience with different agencies when these types of rooms/spaces are built are there less occupied or more occupied. Working with a physically disabled group, not many will apply because they believe there are no accessible units available. If rooms are being occupied, this could encourage the Board to look at a needs basis versus only at the financials.

Mr. Scott stated that with one housing authority that he’s worked with, used to have difficulty filling their accessible units. After advertising for two consecutive months on the availability, they now have a waitlist. Once the word got out that there were

accessible dwelling units, occupancy increased. He is also working with another agency that is getting ready to execute a VCA with HUD, which had undergone private lawsuits because they had no accessible dwelling units. Since all buildings were built before the 1960s, their challenge is the lack of funding and land to build new units. Accessible units need to be dispersed throughout the inventory.

Director Shim moved,

The Board go into executive session pursuant to Hawaii Revised Statutes sections 92-4 and 92-5(a)(4) to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities as related to initial assessments and the draft transition plan.

The Board entered Executive Session at approximately 11:23 a.m.

The Board reconvened at approximately 12:04 p.m.

(Director Taniguchi left the meeting at approximately 12:04 p.m.)

For Information:

Report, Update, and Overview on the HPHA's Redevelopment Efforts and Development Opportunities, including Mayor Wright Homes (Tax Map Key: 1-7-029-003-0000), Kuhio Park Terrace Low Rise/Kuhio Homes (Tax Map Keys 1-3-039-008-0000; 1-3-039-006-0000; and 1-3-039-003-0000) and School Street Administrative Offices (Tax Map Key: 1-6-009-003-0000). Presentation will include discussion and observations from the HPHA's consultant Mr. Scott Jepsen.

Chairperson Spindt stated that the Board may go into executive session pursuant to Hawaii Revised Statutes sections 92-4, 92-5(a)(8), and 103D-105 to discuss, deliberate or make a decision on information that must be kept confidential, 92-5(a)(3) to deliberate concerning the authority of persons designated by the Board to negotiate the acquisition of public property, and/or 92-5(a)(4) to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities related to the Redevelopment Projects Mayor Wright Homes, Kuhio Park Terrace Low Rise/Kuhio Homes and HPHA's School Street Administrative Offices.

Executive Director Ouansafi introduced the HPHA staff working on redevelopment and briefly shared their background with the new Board:

- Kevin Auger, Redevelopment Officer
- Becky Choi, Housing Redevelopment Administrator who supervises the Construction Management Branch (CMB)
- Sahar Ibrahim, Building Engineer VI with CMB
- Lisa Izumi, Project Engineer with CMB

- Up until recently, Michael Harris was a Project Engineer at CMB who assisted with Mayor Wright Homes. He is now retired.
- Mario Tadeo joined HPHA about two months ago and took on Michael Harris' former position at CMB
- Katie Pierce, Section 8 Branch Chief
- Chong Gu, Chief Financial Officer
- Rick Sogawa, Contracts and Procurement Officer

In addition to those above, Executive Director Hakim Ouansafi and Executive Assistant Barbara Arashiro are involved with the negotiations and the redevelopment projects. Executive Director Ouansafi introduced Mr. Scott Jepsen who is a founding partner of EJP Consulting Group and is contracted to provide technical assistance to HPHA. EJP is an affordable housing consulting group with extensive background and experience in public housing portfolio repositioning around the nation. Mr. Jepsen has extensive experience in redevelopment, mixed finance, strategic planning, and economic growth initiatives, and he has worked with public housing agencies, nonprofits, developers and HUD. Mr. Jepsen previously worked at the Seattle Housing Authority where he managed a multi-phased redevelopment across 102 acres. He also provides technical guidance to HUD and other housing agencies for RAD and CNI grants, and PHA's acting as subdevelopers. Mr. Jepsen is also a licensed architect.

Megan Glasheen is a member with Reno & Cavanaugh, PLLC, specialized legal counsel to HPHA. Reno & Cavanaugh (R&C) is a national law firm which focuses on real estate, community development and affordable housing law. Ms. Glasheen and R&C have advocated for all of the major public housing programs and modernization programs over the past 30 years. She is known for her ability to manage legal aspects of large scale, multi-phased mixed finance development projects. She has specialized experience representing judicially and HUD appointed PHAs in receivership and investigations of the HUD office working for the Office of the Inspector General. She is an expert in the RAD portfolio wide conversion in El Paso, TX and many other public housing agencies across the nation. She has also represented PHAs that have been developers of their own portfolios. She is a speaker and trainer at industry conferences and for HUD.

Director Hall acknowledged the impressive resumes of the entire development team. He asked the HPHA staff for guidance on how the Board as a collective can assist HPHA to assist the redevelopment effort. Director Hall acknowledged that what the team was attempting to achieve was close to impossible and that the Board, wants to help accelerate housing development. Director Hall also expressed his thanks for the opportunity to meet and speak with the HPHA staff and wanted to send a collective message that the Board is here to support them.

Redevelopment Officer Auger presented a slide show presentation which provided an overview of housing assets that are a part of HPHA's major strategic initiative to enter into a series of public-private partnerships to redevelop its low-income public housing portfolio. Expanding the number of affordable units supports Hawaii's legislative goals pursuant to Act 127, SLH 2016 of providing at least 22,500 affordable rental housing units, ready for occupancy by the year 2026. HPHA's primary goal is to leverage capital

resources through public/private partnerships, Transit Oriented Development (TOD) incentives and underutilized state assets to create more livable, vibrant and integrated communities.

Challenges HPHA faces in the redevelopment of new housing include federal restrictions: federal government no longer funds the development and operation of new public housing, as the Faircloth Limit, Section 9(g)(3) of the U.S. Housing Act of 1937 limits the construction of new public housing units. PHA's cannot fund the construction of new public housing if the construction would result in a net increase in the number of public housing units the PHA owned or operated as of October 1, 1999. HPHA's goal is to leverage the agency's existing public housing sites, increase the density of those existing sites and develop additional affordable housing units for the State.

Other challenges include HUD restrictions: a) local PHA owns, not the federal government and operates the public housing properties, b) public housing properties are subject to Declaration of Trust which are place on our federally subsidized assets that state that HPHA cannot develop, demolish, sell or borrow against public housing properties without HUD approval, and c) Environmental Clearance -State Environmental Impact Statement CH 343, Federal NEPA EIS, Archeological and Historical Review.

The HPHA is one of the few State run PHAs in the nation, which has some benefits but also presents unique challenges. An additional challenge is that it is expensive to build housing in Hawaii. The costs to build in Honolulu are among the highest in the nation. Hawaii has an aging and obsolete infrastructure which presents an additional challenge. Federal and State procurement laws also add an additional layer of requirements on development. There are Permits, Approvals, Entitlements and Zoning challenges, financing and structuring challenges and NIMBY issues.

Hawaii has an affordable housing crisis. There's a need for approximately 60,000 new housing units. HPHA has an existing, aging housing inventory that urgently requires revitalization. The average age of HPHA's portfolio to be discussed is approximately 49 years old. HPHA has site control over assets in prime PUC TOD areas and the ability to significantly increase density on those sites where redevelopment of these assets could also be transformative for their communities. The Special Action Team (SAT), assembled by the Governor pursuant to Act 127, is seeking ways to accelerate development of affordable housing on State lands HPHA's redevelopment efforts are consistent with that effort and achieving these state goals. HPHA and HHFDC are lead agencies for housing development in the State.

Redevelopment Officer Auger displayed and discussed the redevelopment opportunities and the potential redevelopment pipeline in TOD areas where the HPHA has sites in close proximity to rail stations. As a general example, the HPHA has identified 10-12 sites on approximately 88 acres along the new HART rail line in prime PUC locations, where there are approximately 2,100 public housing units currently existing that are approximately 49 years old that the State continues to support and maintain. Redevelopment of these sites could replace the existing outdated public housing, and could add approximately 9,000 additional affordable housing units on those sites. That

capacity alone would exceed the capacity of financial resources available to the state to redevelop these units.

Executive Director Ouansafi added that the pipeline was previously presented to the Board and identified sites for the staff to explore.

Redevelopment Officer Auger mentioned some of the unique challenges in some locations like Mayor Wright Homes (MWH). The MWH consists of 35 walk-up buildings that are approximately 65 years old with over 1,500 residents on site a large percentage of which are children. The site is also bifurcated by two different DOE school districts and poses additional challenges in terms of relocation of families with school-aged children. Two-thirds of the senior population are physically disabled. The project contemplates a redevelopment of up to potentially 2,448 units, including the one-for-one replacement of the 364 public housing units currently on site. The new community would include a mix of public housing, affordable units, potentially market rate units. Phase I would include replacement of public housing and the balance all affordable units. The developer has proposed 5 phases of development with a redevelopment budget of approximately \$1.3 billion which demonstrates the magnitude of this project.

The Board was presented maps of the existing site plan, and some elevations.

(Director De Mello left the meeting room at approximately 12:33 p.m. and returned at approximately 12:35 p.m.)

Redevelopment Officer Auger discussed the HPHA's Administrative Offices School Street site, explaining that the site was a little over 12 acres, including the Puahala Homes on the hillside at the rear of the property.

Executive Director Ouansafi added for new board members that Hunt Development Companies is the developer for Mayor Wright Homes.

Redevelopment Officer Auger explained that the HPHA has a 13-building campus. The proposed plan is to consolidate HPHA's outdated and functionally obsolete buildings into a single office building using a significantly smaller footprint and develop 800 new, affordable senior housing units on the balance of the underutilized State land. This proposed project has been accepted by the Governor through the state EIS process. The School Street parcel does not have any State or federal public housing and so no federal funds would be used for phase 1 of the development. Therefore, there is no HUD Declaration of Trust on the land.

Chairperson Spindt asked for clarification on the use of federal funds for Phase 1.

Redevelopment Officer Auger confirmed that there are no federal funds anticipated for Phase 1 of the School Street redevelopment, but it would rely heavily on CIP and LIHTC for financing. He shared maps of the current site and potential redeveloped site plans.

Executive Director Ouansafi explained that HPHA's housing projects are unable to move forward without strong legislative support.

Chairperson Spindt asked for information on the estimate cost for Phase 1 of School Street.

Redevelopment Officer Auger reported an estimate of \$110 million for the first phase of residential units and \$20-22 million for the administrative offices, which would need to be funded separately.

Executive Director Ouansafi added that HPHA will be coming to the Board with options for their review on the funding of the development of HPHA's office building. The Board will be assisting with the decision of going to legislature for the funds needed, for use existing funds while asking for a fair amount or use a third party debt funding. HPHA is working on the proforma.

Chairperson Spindt asked for clarification on existing funds.

Executive Director Ouansafi verified existing funds refers to the funding that HPHA currently has on hand.

Chairperson Spindt asked if HPHA's funds are program restricted.

Executive Director Ouansafi confirmed that HPHA's funds to be proposed for use are not program restricted.

Director Hall asked in regards to the redevelopment agreement what the developer brings in terms of financing.

Executive Director Ouansafi reported that no financing is being proposed by the developer for Mayor Wright Homes. The proposed project is heavily reliant on funding from the state, federal, tax credit, and the difference will be gap that the developer is requesting from the Legislature. Costs are much higher on all fronts because they are a for profit entities. School Street is a little different because it deals with non-profit, so costs and developer fees are lower.

Director Hall commented on the fact that MWH is a massive project where the developer stands to make a profit on the development and he asked what else the developer could bring to the table to help compliment Hawaii's need for housing.

Executive Director Ouansafi stated that this will be addressed in more detail during executive session.

Chairperson Spindt asked if the fee ownership for the School Street property has been processed with BLNR.

Redevelopment Officer Auger reported that the fee ownership for the land is currently being processed by the BLNR for transfer to the HPHA.

Chairperson Spindt asked if it's a long-term lease agreement with developer.

Redevelopment Officer Auger confirmed that the land would be conveyed under a long-term lease agreement to the developer and anticipated that the site would be subdivided to accommodate individual development component phases for the office building, phase 1, phase 2 and phase 3 of the residential component.

Chairperson Spindt asked if the developer will retain management.

Redevelopment Officer Auger reported that the developer will retain management at minimum for the LIHTC compliance period, and HPHA will be the land owner and gap financing provider.

Executive Director Ouansafi explained that for most of HPHA's developments, the bank or syndicators will require a different management agent other than the State. The developers of Mayor Wright Homes, Kuhio Park Terrace and School Street the developer will either serve as property manager or hire another party to manage the property.

Chairperson Spindt asked for clarification if the redevelopment projects will be managed by the developer or if a third-party will be brought in.

Redevelopment Officer Auger confirmed that the projects will be managed by an affiliate of RHF, the developer.

Redevelopment Officer Auger reported on Kuhio Park Terrace (KPT) Low Rise/Kuhio Homes and KPT Towers explaining that the overall site was 22 acres and that the renovation of the two towers in 2012 by MDC (as Phase I), but the redevelopment of KPT low-rises and homes (Phase II) consisting of 174 existing public housing units has not been completed. The existing units have exceeded their useful life, that there are existing environmental and ADA issues and that the site could be redeveloped to accommodate 400-600 units including the one-for-one replacement of the existing public housing units, and a mix of affordable and market rate for the additional units and that the site was in close proximity to the HART Middle Street Station.

(Designee Hartsfield left the meeting room at approximately 12:43 p.m. and returned at approximately 12:45 p.m.)

Executive Director Ouansafi added that a termination letter was sent to the developer, Michaels Development Company (MDC), and in response MDC requested that HPHA rescind the letter. HPHA, with approval of the Board, suspended the termination and they have until mid-August for both parties to come to an agreement. If HPHA and MDC can't come to a mutual agreement, HPHA is ready to proceed with seeking another developer.

Redevelopment Officer Auger showed an illustration of a potential redevelopment project plan for Phase II of the KPT redevelopment with the Towers and an aerial view of the property and some of the proposed redevelopment master planning completed in 2014.

Chairperson Spindt asked if KPT will be a RAD conversion.

Redevelopment Officer Auger reported that a Rental Assistance Demonstration application was submitted as a multi-phase project, for both the existing towers and Phase II.

Chairperson Spindt shared his concerns with the total availability of 4% and 9% tax credits, State bonds and Section 8 for the RAD conversion and looking at the total capability of what HPHA is trying to accomplish blended in with what else is being built throughout the State.

Redevelopment Officer Auger also reported on the potential redevelopment of Puuwai Momi, a public housing property approximately 11.5 acres with 260 current units. The property was built in 1969 and the buildings have exceeded their intended functional life. The property is directly adjacent to Aloha Stadium, other State lands and adjacent to a HART rail station. Existing zoning is Urban District, A-2 Medium Density Apartment providing the potential to deliver 1,300 or more new, affordable housing units including one-for-one replacement of the existing 260 public housing units, with a potential mix of affordable (60-120% AMI) and market rate units. Redevelopment would integrate and complement proposed redevelopment of Aloha Stadium.

Redevelopment Officer Auger also reported on the potential redevelopment of Kamehameha Homes and Kaahumanu Homes. These two sites are 24 acres and 373 existing units contained in 47 two-story buildings, constructed in 1958 & 1996, 0.3 Miles from Kalihi and Kapalama HART Station, zoning is Urban District, A-2 & A-2 Low & Medium Density Apartment. The site is directly adjacent to Kalihi Kai Elementary School, King David Kalakaua Middle School, Farrington High School, and Kalakaua District Park. There is an opportunity to redevelop to accommodate up to 2,500 new, affordable housing units, including one-for-one Replacement of the 376 existing public housing units, with the remaining a mix of affordable (60-120% AMI) and potential for market rate units. The site also presents an opportunity to coordinate and combine resources to upgrade schools and parks. Mr. Auger presented site plans of the existing site.

Redevelopment Officer Auger explained that the HPHA has three active redevelopment projects, Mayor Wright Homes, School Street and Kuhio Park Terrace/Kuhio Homes.

Redevelopment Officer Auger explained that his role at HPHA is to facilitate development. However, in order to achieve this, the HPHA must navigate through complicated state and federal housing laws including the Fair Housing Act, the Civil Rights Act, ADA and accessibility laws, and state and federal environmental laws and the national historic preservation act. Once we get beyond that, design, planning, entitlements and financing, and then HUD approval must be achieved. Collectively, the agency, its staff and its board, have a fiduciary responsibility to ensure approvals are secured. The HPHA has an extraordinary opportunity as an agency given the land and the resources available, and the need existing throughout the state, to leverage those resources and get a lot of housing built. The HPHA must navigate a lot of laws. The

more knowledgeable and cooperative our development partners are in that effort, the easier it becomes. Mr. Auger explained that his role is to be certain that the development efforts fulfill the aspirational goals for these developments. It's about getting them built right. In addition, the HPHA is expending extraordinary amounts of taxpayer dollars in these redevelopments. For example, the potential CIP request for Mayor Wright Homes is \$500 million dollars.

Redevelopment Officer Auger reported on Kuhio Park Terrace (KPT) Low Rise/Kuhio Homes. The Towers renovation was completed in 2012 by Michaels Development Company (MDC), which is referred to as Phase I. A Choice Neighborhood Planning Grant for townhomes/low-rises (Phase II) was awarded jointly to MDC and HPHA in late 2012. The Choice Neighborhood Transformation Plan was completed in 2014. A Rental Assistance Demonstration (RAD) application was submitted in September 2018. RAD creates an opportunity for HPHA to leverage additional federal funding by converting existing public housing units to Section 8 units. There is an incentive to leverage RAD because the current RAD conversion rents favorable. Leveraging RAD also allows us to reduce the dependency on the state gap. However, with RAD the HPHA will lose some federal capital funds.

Mr. Jepsen added that ACC subsidy will vanish, as well as the federal capital cost contribution, making HPHA more reliant on cash flow and project based funding.

Redevelopment Officer Auger, stated an example for Kuhio Park, if we examine what is gained and lost, there's a gain of approximately \$1.2 million per year in potential cash flow as a result of completing a RAD conversion.

Chairperson Spindt asked if that's a net positive cash flow.

Redevelopment Officer Auger confirmed that this would flow through to distributable cash flow.

Chairperson Spindt asked for clarification if HPHA loses the federal capital funding for maintenance on the 176 units.

Mr. Jepsen stated that the report is currently in regard to the Towers.

Redevelopment Officer Auger stated for the ACC units HPHA would lose the federal operating subsidy and capital funds, but would gain the Section 8 HAP contracts overall cash flow. However, much of this cash flow in the initial years after conversion would flow through to the developer in the form of deferred development fee based on the initial partnership agreement.

Chairperson Spindt asked if it's owned and managed by MDC, and is HPHA or MDC seeing the net cash flow.

Redevelopment Officer Auger confirmed that Kuhio Park Terrace is managed by MDC and will discuss more about the financing in executive session.

Redevelopment Officer Auger reported that the Board approved rescinding the MDC Termination letter at the April Board meeting which provided MDC a 120-day period to present HPHA a plan for Phase II. HPHA sent MDC proposed revised business terms for Phase II, as well as goals for RAD conversion in May 2019. MDC has until August 16 to present their approach to HPHA. The RAD Financing Plan is due September 2019.

Chairperson Spindt asked if all the EIS, NEPA, SHPD issues were addressed for Phase II during Phase I.

Executive Director Ouansafi reported that not all issues were applicable. Phase I was simple renovations. Phase II is a complete demolition.

Chairperson Spindt asked if the process of the NEPA, EIS, SHPD takes about a year or two to complete.

Redevelopment Officer Auger confirmed that the process usually takes about 18-24 months.

Executive Director Ouansafi acknowledged that HPHA started the redevelopment four years ago and yet nothing has been built. The public doesn't recognize that there is a lot of work that needs to be accomplished prior to construction. Many requirements are needed and any set back that arises holds up the process. For example, if the NEPA review for a 2,500 unit development does not start on time, it is not unusual that the redevelopment will take 5-6 years to start construction.

Chairperson Spindt stated that tax credits can't be applied for until everything is completed.

Executive Director Ouansafi added that the Declaration of Trust with HUD is another step which requires HUD review and approval.

Chairperson Spindt asked how the RAD conversion dovetails into the LIHTC application process.

Mr. Jepsen stated that the KPT Towers, since already rehabilitated, is half way through its tax credits compliance requirement period, so it would be a straight RAD conversion. No new tax credits will be received. It's adding the sustainable funding level which is at its highest. For the KPT Low Rise, there's a multi-phase RAD application for additional housing assistance.

Chairperson Spindt asked if RAD is being added to the Towers that are already completed.

Mr. Jepsen confirmed that RAD conversion would be applied to the KPT Towers. The concept of RAD is that it's supposed to be more stable funding source. Operating subsidy and public housing are subject to appropriations. Every year, Congress decides on appropriations for both operating funds and capital funds, with some years

as low as 78% on the dollar. Capital fund appropriations are not anywhere close to HPHA's current and future needs. So, HUD set up a RAD program where they add up the existing tenant rent, the existing operating subsidy and the existing capital funds associated with the specific development and identifies it as the maximum rent, which is given to HPHA by HUD. Using it towards a project-based Section 8, but not at a fair market rent and capped to revenue neutral. RAD is also subject to a cost increase every year.

Chairperson Spindt asked for clarification if he's referring to a cost of living adjustment.

Mr. Jepsen confirmed that he is speaking about cost of living adjustment.

Director Hall asked of the regulatory process that we go through, for both federal and State, if there's any consideration to obtain an exemption or abbreviated compliance. Something that's minimized, so that the agency can move things forward.

Megan Glasheen, Reno & Cavanaugh, legal counsel to HPHA, stated an inability to obtain exemption or abbreviated compliance on environmental issues. The way to streamline it is to make sure the agency is performing the state and federal reviews simultaneously. Also, HUD doesn't allow shortcutting when it comes to fair housing and environmental compliance.

Redevelopment Officer Auger added that State law HRS 343 requires that both the State EIS and NEPA to be coordinated and conducted concurrently to the fullest extent possible.

Director Hall expressed a concern for the need for housing and asked if there's a way HPHA can produce housing sooner, rather than later.

Redevelopment Officer Auger reported that the State's Special Action Team has been working diligently to identify State owned lands for redevelopment. To move the process along, he advocated establishment of a Permitting Special Action Team that would include members of each of the approving agencies that could be brought together on a single team around each of HPHA's redevelopment to help facilitate all of the appropriate approvals necessary to expedite these projects.

Director Hall mentioned Act 15 that got people in housing sooner in a similar program.

Chairperson Spindt asked if it's been pursued by the agency rather than waiting for the developer to pursue these things. For instance, in Kauai on county lands, before going out for bid for a developer, the agency will do the EIS to get some tasks out of the way.

Redevelopment Officer Auger suggested asking the legislature for CIP funding to complete some of this front-end work to streamline the process.

Executive Director Ouansafi added that a lot of streamlining of processes has happened under the existing Governor. Because other entities are involved, such as the Legislature and HUD, the process is more extensive and takes more time. When

searching for the appropriate developer, HPHA looks for a developer who can get tasks completed as efficiently as possible and as allowed under the law. Funding is also another issue. HPHA is open to other ideas and opportunities.

(Director Darcy left the meeting room at approximately 1:11 p.m. and returned at approximately 1:13 p.m.)

Redevelopment Officer Auger stated that the other challenge is the State procurement process. For example, he referred to experience in private practice where it would take him a matter of minutes to hire a law firm, whereas, under that State procurement process it can take up to six months.

Mr. Jepsen suggested what the HPHA and the Board can advocate for, if not too late, is TOD plans and programmatic EIS studies to save on time so that each developer isn't doing their own EIS. He commended Redevelopment Officer Auger's map and HPHA's properties along the TOD line.

Chairperson Spindt agreed with Mr. Jepsen and stated that if agencies want to encourage transportation orient development especially with lower-income individuals, other means and resources need to be researched so developments get built easier and faster.

Redevelopment Officer Auger stated that HPHA has been in discussions with DAGS regarding its Puuwai Momi property near the stadium. The Governor approved \$350 million for the redevelopment of the Aloha Stadium to explore potential master planning directly. HPHA's existing residential site along the highway where the rail line has been installed may not be the best location for residential development particularly with HUD's noise regulations. However, there could be an opportunity which allows the HPHA to potentially swap lands and relocate its existing residential units on other state lands along the stadium, allowing the HPHA the opportunity to achieve more density for affordable housing. The HPHA land could then be used for retail development.

Chairperson Spindt asked if Puuwai Momi has a fee or if it's is under an executive order that HPHA manages with federal funding layers.

Redevelopment Officer Auger stated that he believes the HPHA owes that site directly, but that HPHA should confirm fee ownership.

Executive Director Ouansafi added that there's a Declaration of Trust that HUD holds on the property.

Director Hall asked if the stadium redevelopment is in an opportunity zone.

Executive Director Ouansafi stated that the stadium redevelopment isn't one of HPHA's property.

Redevelopment Officer Auger explained when looking at the opportunity zones, it redlines Mayor Wright Homes. He would need to confirm whether Puuwai Momi is located in an opportunity zone.

Designee Iseri-Matsubara commented that a lot of infrastructure is required with these developments. She agreed that important points are being brought up and suggests that they be discussed with the interagency TOD counsel. She asked whether an EIS was completed for KPT Phase II.

Executive Director Ouansafi confirmed that an EIS has not been completed for KPT Phase II.

Designee Iseri-Matsubara expressed that she thought there were new administrative rules related to affordable housing that were amended to assist in streamlining processing of the EIS.

Redevelopment Officer Auger stated that OEQC informed him that the new rules are being introduced in August.

Designee Iseri-Matsubara expressed that some of the streamlining that HPHA wants are in the amended administrative rules.

Chairperson Spindt added that the Governor's office is working on the SHPD related issues, as well.

Executive Director Ouansafi stated that a lot of improvement has occurred within the last three or four years. However, the federal properties still require a tremendous amount of time, due to federal requirements.

(Recess from approximately 1:17 p.m. to approximately 1:24 p.m.)

(Director Kunz left the meeting at approximately 1:22 p.m.)

Redevelopment Officer Auger reported on the School Street Administrative Offices. The RFQ was issued on January 13, 2015 and Retirement Housing Foundation was selected as the developer. HPHA and RHF entered into a Predevelopment Agreement in May 2016. Environmental clearance has been completed and a State EIS was submitted to the Governor and approved on July 17, 2018. Phase I is not planning on using federal funding and therefore is not subject to a NEPA environmental review. The Predevelopment Agreement with RHF expired on December 28, 2018 and a six-month extension to the Pre-Development Agreement was approved by the Board on February 21, 2019. The extension expired on June 30, 2019.

The HPHA and RHF have been working diligently to negotiate remaining deal points, terms and structure of the Master Development Agreement (MDA). Staff expects to submit the final draft MDA and a request for HPHA's projected shared costs for pre-development expenses incurred by RHF to complete the environmental clearance and

additional costs necessary to complete a 201H application to the Board for approval. The request will also include additional expenses required to get to permitting.

The Division of Land and Natural Resources (DLNR) transfer of deed for the School Street property to HPHA was approved, and the proposed transfer of deed was not disapproved by the Legislature. DLNR informed HPHA on May 6, 2019 that a DAGS Survey for map and legal description is required for the deed. DLNR is moving toward the issuance of a deed and will keep HPHA informed of the progress.

RHF has advanced approximately \$1.3 million in predevelopment master planning and environmental clearance costs of the project to date.

RHF is in the process of soliciting proposals from various vendors for additional studies and analysis that will be required to determine and prepare a preliminary baseline budget for the overall project. The estimated costs for these studies total approximately \$700,000. HPHA is responsible for half of the amount.

Under the MDA, if executed, HPHA will be reimbursing RHF 50% of the \$1.3 million costs that RHF has expended to date as well as sharing on a 50/50 basis the additional \$700,000 to get through the 201H application and any additional costs thereafter to get through the permitting process

Each phase of the School Street development will be governed by a DDA which will also require additional predevelopment funding based on a 50/50 split as previously mentioned. The funds invested by each party would be considered as a predevelopment loan to the project and to be refunded at the first financial closing.

Redevelopment Officer Auger reported on the redevelopment of Mayor Wright Homes. The RFQ was issued on July 11, 2014. Team of Hunt, McCormack Baron Salazar, and Vitus were selected as the developer for the project in November 2014. HPHA and Hunt and its partners entered into a Predevelopment Agreement on March 24, 2016, approximately 16 months after selection of the Developer. Under the Predevelopment Agreement, Hunt is required to fund all costs related to the master planning and environmental review approvals. A Preliminary Master Plan was completed in July 2017. McCormack Baron Salazar, a key member of the team with the most public housing partnering experience, withdrew from the Hunt team in August 2017. The Master Development Agreement was executed in December 2017.

Under the Master Development Agreement Schedule, the Final EIS was due no later than February 1, 2018, The Phase I development plan was due no later than March 1, 2018, commencement of construction of Phase 1 was to commence no later than December 31, 2019. The State EIS was accepted by the Governor on April 24, 2018. A Memorandum of Agreement (MOA) to address National Historic Preservation Requirements are on the agenda presented at this Board meeting. Once the MOA has been executed by all required signatories, Hunt will be able to move forward with the completion and filing of the Environmental Assessment required for completing the NEPA environmental review. Hunt has been provided with instructions for registering itself and its consultants into HUD's environmental review portal, which will allow the

uploading of that environmental review material. Per the MDA the proposed final plan, subject to HPHA review and approval, is due upon completion of the NEPA, before moving forward with the 201H/entitlement process.

The master plan for Mayor Wright Homes redevelopment evolved with extensive input from residents, community leaders and stakeholder selected officials, government agencies, school officials, service providers who participated in a series of community meetings held over several months beginning in May 2016, and culminated in a week long charette held on site in August 2016. It builds on research gathered from its historical, physical, social and geographic context with technical information provided by consultants who performed various site analysis. Hunt's recent designs appear to depart from the master plan developed by Torti-Gallas during the master planning and public charette process and the master plan that was described in the State EIS that was approved by the Governor.

On October 30, 2018, Hunt provided HPHA with a revised proforma for the Mayor Wright Homes project indicating a total budget cost over the five phases of development of \$1.7 billion, representing nearly a \$400 million increase in the original \$1.3 budget agreed to under the MDA.

HPHA has met with senior Hunt management numerous times during November 2018, and February and March 2019 in an effort to resolve the masterplan and budget issues.

The total cost per unit under this cost estimate would be approximately \$680,000 on an escalated basis over a 10-year period.

HPHA has not received a baseline cost analysis for the original Torti-Gallas master plan design and that leaves us at a disadvantage because we have no way of comparing the revised designs and revised costs that Hunt is proposing to the original design and budget. Understanding and confirming these budget changes is fundamental to the fiduciary responsibilities of the HPHA particularly as we are using taxpayer dollars.

HPHA has requested additional data and analysis from Hunt to support the proposed increases to the budget, baseline pricing for the master plan presented in the State EIS and outlined three primary issues relating to Hunt's proposed changes to the master plan design that it would like addressed. These include the location of all towers which should be analyzed to understand how it will interact with the exterior environment including shadow studies, sun and daylight access for residential units, wind flow, wind pressure load on and around the towers; a review of the wrapped midrise residential units on the lower floors as presented in the original Torti-Gallas master plan. Hunt's proposed redesign creates a large vertical and horizontal massing above the street that is not pedestrian friendly and departs from the "eyes on the street" design of the original Torti-Gallas Master Plan. A solution for replacing or redesigning the retail component of the development is also required.

HPHA's concerns have not been adequately addressed to date, and there has been not progress on Hunt's part to provide a defensible budget that can achieve legislative funding.

Beyond completion of the MOA for achieving state historic preservation requirements, there has been no meaningful change in the status of the project. The Agency has continued to emphasize to Hunt and its partners that readiness will be a key factor in securing the capital and approvals required to move the Mayor Wright project forward. HPHA has informed Hunt that it will be making presentations to legislators regarding the status of the Agency's redevelopment projects generally and the Mayor Wright Homes project in particular.

Executive Director Ouansafi requested the Board to go into executive session to be able to consult with its attorney if there are any questions that the Board would like to address.

Designee Iseri-Matsubara requested more information on the financial plans for the redevelopment projects.

Deputy Attorney General Ching stated that any information that's a part of the financial plans that may be a result of the negotiations is appropriate for executive session.

Director Hall asked if all the properties discussed are on Oahu.

Redevelopment Officer Auger confirmed that all housing properties that were reported on are on Oahu.

Director Hall asked if there was a reason why HPHA didn't consider redevelopment on the neighbor islands.

Redevelopment Officer Auger explained that there are the 10-12 projects discussed on Oahu were primarily along the HART rail line. These were provided as examples to give the Board a sense of what is possible and the significant number of units that could be developed on these sites, but that there are 85 projects in HPHA's portfolio statewide including neighbor islands and staff are looking at redevelopment possibilities in these locations as well. The properties reported were the major projects currently underway and to give the Board a sense of what is possible.

Director Hall stated that there may be opportunities to develop smaller projects like 60 units, and any addition to the affordable housing market sooner rather than later will be beneficial to the State.

Executive Director Ouansafi added that HPHA is considering all options including the neighbor islands and focusing on net gains.

Director Shim moved,

The Board go into executive session pursuant to Hawaii Revised Statutes sections 92-4, 92-5(a)(8), and 103D-105 to discuss, deliberate or make a decision on information that must be kept confidential, 92-5(a)(3) to deliberate concerning the authority of persons designated by the Board to

negotiate the acquisition of public property, and/or 92-5(a)(4) to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities related to the Redevelopment Projects Mayor Wright Homes, Kuhio Park Terrace Low Rise/Kuhio Homes and HPHA's School Street Administrative Offices.

The Board entered Executive Session at approximately 1:37 p.m.

(Director Shim left the meeting during executive session.)

(Director De Mello left the meeting at approximately 2:35 p.m.)

The Board reconvened at approximately 2:55 p.m.

Chairperson Spindt, on behalf of the Board, thanked the HPHA staff for their updates on all of the projects and acknowledged everyone's hard work.

Director Hall moved,

To Approve the Memorandum of Agreement ("MOA") Between the Governor of the State of Hawaii, as Responsible Entity/Agency Official, the Hawai'i Public Housing Authority ("HPHA"), the State Historic Preservation Department ("SHPD"), Historic Hawaii Foundation ("HHF") and MWH Partners, Inc. ("Developer") relating to Compliance with the Requirements of Section 106 of the National Historic Preservation Act, as amended (54 U.S.C. 306108) for the Redevelopment of Mayor Wright Homes (Tax Map Key: 1-7-029-003-0000)

Redevelopment Officer Auger reported that a Memorandum of Agreement is required for the redevelopment of Mayor Wright Homes (MWH) because the project will be leveraging federal funds for the purpose of the National Historic Preservation Act.

Because the MWH project is utilizing federal funds the project is considered an "undertaking". As such, any adverse effects of the MWH redevelopment project must be addressed. For the last several months, the HPHA, the developer, SHPD, and HHF have been negotiating this MOA to address the effects of the redevelopment. In this instance the adverse effect is the redevelopment of the project itself because the project is over 50 years old and is eligible for the listing on the National Historic Register, any development that HPHA undertakes on MWH will result in adverse effects. The Governor authorized HPHA to negotiate with SHPD on this MOA which proposes mitigation efforts to respond to these adverse effects.

Executive Director Ouansafi added the MOA has been reviewed by the attorneys in Washington, D.C. and the Department of the Attorney General.

The motion was unanimously approved.

Director Hall moved,

To Approve the First Amendment to Master Development Agreement between the Hawai'i Public Housing Authority and MWH Partners, LLC, a Delaware Limited Liability Company, Dated December 29, 2017, To Incorporate the Memorandum of Agreement ("MOA") Between the Governor of the State of Hawaii, as Responsible Entity/Agency Official, the HPHA, the State Historic Preservation Department ("SHPD"), Historic Hawaii Foundation ("HHF") Relating to Compliance with the Requirements of Section 106 of the National Historic Preservation Act, as amended (54 U.S.C. 306108) for the Redevelopment of Mayor Wright Homes (Tax Map Key: 1-7-029-003-0000).

Redevelopment Officer Auger reported that the purpose of the First Amendment to the Master Development Agreement is to memorialize the obligations of all parties to comply with the terms and conditions of the MOA just approved.

Chairperson Spindt asked if the amendment changes the Master Development Agreement.

Redevelopment Officer Auger confirmed that the amendment does not change the terms of the Master Development Agreement, it simply memorializes the obligations of the parties under the MOA as part of the MDA.

Designee Hartsfield asked when the Amendment will go in effect.

Redevelopment Officer Auger verified that the Amendment to the MDA will go in effect simultaneously with the execution of Memorandum of Agreement.

The motion was unanimously approved.

Executive Director's Report:

Executive Director Ouansafi stated that a lot of information was given throughout on the day-to-day operations. With nothing further to add, Executive Director Ouansafi was open to answer any further questions that the Board may have.

Chairperson Spindt acknowledged and thanked HPHA for the amount of information that was given in the Executive Director's Report.

Director Hall asked if there was a lapse in funds.

Executive Director Ouansafi confirmed that there were no lapse in CIP funds for the previous fiscal year.

Executive Director Ouansafi reported that the Federal property inspections have been scheduled. Also, KMH has started the audit review process. It takes a 2-3 months to review all of HPHA's financial records.

Director Hall moved,

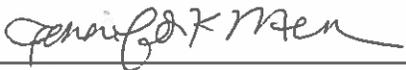
To Adjourn the Meeting

The motion was unanimously approved.

The meeting adjourned at 3:03 p.m.

MINUTES CERTIFICATION:

Minutes Prepared by:



Jennifer K. Menor
Secretary to the Board

SEP 19 2019

Date

Approved by the Hawaii Public Housing Authority Board of Directors at their Regular Meeting on September 19, 2019 [] As Presented [] As Amended



Pono Shim
Board Secretary

SEP 19 2019

Date