MINUTES OF THE REGULAR MEETING
OF THE HHA WILIKINA APARTMENTS PROJECT, INC.
HELD AT 4398 A PUA LOKE STREET
LIHUE, KAUAI, HAWAII 96766
ON THURSDAY, SEPTEMBER 21, 2006,
IN THE COUNTY OF KAUAI, STATE OF HAWAII

The Board of Directors of the HHA Wilikina Apartments Project, Inc., met for their Regular Meeting at 4398 A Pua Loke Street, on Thursday, September 21, 2006 at 12:35 p.m.

CALL TO ORDER/ ROLL CALL

The meeting was called to order by Chairman Travis Thompson and , on roll call, those present and absent were as follows:

PRESENT: Director Travis O. Thompson, Chairman
Director Eric Beaver
Director Clarissa Hosino
Director Carol Ignacio
Director Charles Ridings
Director Linda Smith
Director Matilda Yoshioka
Designee Henry Oliva

Interim Executive Director Patti Miyamoto

EXCUSED: Director Charles A. Sted

STAFF PRESENT: Deputy Attorney General, Margaret Leong
Pamela Dodson, Executive Assistance
Michael Hee, Contracts Administration Section Chief
Sandra Kido, Public Housing Supervisor, MU 8
Dionicia Piiohia, Clerk Typist/OED

OTHERS: Stuart Rosenthal, Kauai County Housing

QUORUM

Chairman Thompson declared a quorum present.

APPROVAL OF MINUTES ANNUAL MEETING 7/20/2006

Chairman Thompson moved, seconded by Designee Oliva.

> That the minutes of the Annual Meeting held on July 20, 2006 be deferred so a more concise summary of the meeting can be provided.

The motion to defer was unanimously carried.

UPDATE ON THE STATUS OF HHA WILIKINA APARTMENTS PROJECT, INC.

Mr. Michael Hee, Contract Administration Section Chief reported that the Hawaii Public Housing Authority (HPHA) subsidy contract with the U.S. Department of Housing and Urban Development (HUD) was renewed retroactively for one year from March 31, 2006 and it is in the process of being renewed for this year. A site inspection was conducted by HUD, and HUD requested that HPHA hire a third party inspector. Staff contacted the Honolulu City and County's Section 8 inspectors and they agreed to help with the inspections. Units that meet the standards will receive retroactive subsidy. HUD also wants the repairs made before the sale or no subsidy contract will be issued.

Ushijima Architects originally designed and submitted a proposal of $8 million to do a complete modernization of the project. To reduce the cost, the scale of work was cut back to include repairs to the roofs, structural repairs, interior and

exterior walls of damaged units, plumbing to the bathrooms and removal of lead-based paint on the stairway railings and the fire stairwell. He will request for a contingency to replace and upgrade cabinets in the end units. The estimated cost is approximately $2 million. Upon approval of the change order, Ushijima Architects can complete the drawings in six weeks, and then go out for bid. Mr. Hee needs to clarify with the architect on the cost to redo the drawings and specifications.

The issue on the sale of the project is that staff time is charged to other programs because we do not get any administrative fee from the project.

Director Smith said that there are two options to the project. Either renovate or sell the project in "as is" condition with the $5.8 million reserve. The previous Boards discussion to move forward was that the proceeds be reinvested to make some of the vacant units livable. But now HUD is telling us to take $2 million out of the reserves, make renovations, and then possibly put it on the market. Director Smith asked if HUD understood the terms of how we were going to market the property. Mr. Hee said that HUD's involvement in the building is the subsidy contract that subsidizes the rent for tenants that meet the income levels.

Director Smith wants to be sure that the new owner knows that he has a guaranteed federal revenue stream to subsidize the rent.

Director Ridings asked what the subsidized amount is. Mr. Hee said that there are 117 units at $600 dollars per unit every month and that HUD is not dictating the repairs, but we are assuming that the project needs to be repaired to be acceptable to HUD.

Director Ridings commented that we're paying $2 million to protect an $840,000 a year revenue stream. It would be a more attractive project to include the $2 million. Director Ridings asked if there is a restriction on it for market rate. Mr. Hee said no and that it was purchased with Capital Improvement Program (CIP) money, to preserve the affordability.

Mr. Hee reported that the average revenue from the project is approximately $900,000 a year and that $300,000 goes into the reserves. The contract was renewed to March 31, 2006 and HUD will renew the contract for another year on the conditions that the units are brought up to their standards.

Chairman Thompson asked Mr. Hee what steps would need to be taken and how long would it take if the Board wants to proceed with the "as is" sale, including the current numbers. Also, with the Board's discussion, comments and suggestions, that Mr. Hee report to the Board with a proposition. Director Ridings suggested the property be appraised.

Director Smith suggested four simultaneous paths, first to continue working with the architect, second to inform HUD that the course they want us to take may not make sense from their standpoint, as well as this agency's standpoint. Third get the appraisal, and fourth complete the Request for Proposal (RFP).

Director Beaver added that part of the analysis should include what happens if we put the $2 million into the project and bring it up to standard. Does that increase the value of the property?

Director Smith asked how much is being drawn down per month out of our reserves to keep the project in operation because we don't have that HUD project subsidy in place right now. Mr. Hee will get the information to the Board.

ADOPTION OF THE REVISED BY-LAWS OF HHA WILIKINA APARTMENTS PROJECT, INC.

Director Yoshioka moved, seconded by Director Smith,

> That the Board adopt the revised By-Laws of the HHA Wilikina Apartments Project, Inc.

Mr. Hee reported that the HHA Wilikina Apartments Project, Inc. By-Laws werereviewed and updated.

Chairman Thompson was concerned that the Articles of Incorporation specify eight Directors.

EXECUTIVE SESSION

Director Ignacio moved, seconded by Director Yoshioka,

> That the Board move into Executive Session at 1:25 p.m. to discuss an issue on the Articles of Incorporation.

The motion was unanimously carried.

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Chairman Thompson called the meeting back in regular session at 1:35 p.m., to continue the discussion of the By-Laws.

Director Ridings said that there are several references where the name on page 1 is called the Corporation, page 3 called HHA Wilikina Apartments Project, and page 5 Wilikina Apartments. He suggested that the language throughout the By-Laws be in conformity. Also on page 3 section 12, the language is awkward particularly that last sentence and requested the Deputy Attorney General look at how the language can be improved. Maybe combine it into the first sentence where we can approve or cancel a management contract. . The other is on page 7; paragraph C, under federal requirements. Director Ridings asked if HUD or anyone else needs to approve this change or if there is any residual approval requirements since the mortgage has been paid off.

Deputy Attorney General Margaret Leong will check on this.

Director Smith moved, seconded by Director Beaver,

> Rescind the motion and defer the By-Laws of the HHA Wilikina Apartments Project Inc., so that staff can include some conforming amendments as identified in today's discussion.

The motion to defer the For Action was unanimously carried.

ADJOURNMENT

Director Beaver moved, seconded by Director Yoshioka,

> That the meeting be adjourned at 1:41 p.m.

The motion was unanimously carried.

Linda L Smith

LINDA SMITH
Secretary

Approved: JAN 18 2007