Minutes of a Regular Meeting of the Members of the Hawaii Community Development Authority, State of Hawaii

MEETING NO. 382
Wednesday, February 6, 2013

KAKAAKO

I. CALL TO ORDER/ROLL CALL

A regular meeting of the Kakaako Members of the Hawaii Community Development Authority ("Authority"), a body corporate and public instrumentality of the State of Hawaii, was called to order by Mr. Brian Lee, Chairperson of the Authority, at 10:13 a.m. on Wednesday, February 6, 2013, at the Authority’s principal executive offices at 461 Cooke Street, Honolulu, Hawaii, pursuant to Article IV, Section 1 of the Authority’s Bylaws.

Members Present: Mary Alice Evans (DBEDT)
Randy Grune (DOT)
Scott Kami (DBF)
Miles Kamimura
Kamaki Kanahele
Brian Lee
Lois Mitsunaga

Members Absent: Grady Chun
Dean Seki (DAGS)

Others Present: Anthony Ching, Executive Director
Lori Tanigawa, Deputy Attorney General
Deepak Neupane, Director of Planning & Development – Kakaako
Shelby Hoota, Program Specialist
Patricia Yoshino, Secretary
Holly Hackett, Court Reporter

MATERIALS DISTRIBUTED:

1. Report of the Executive Director;
2. Summary Minutes of Kakaako Authority Meeting of January 9, 2013;
3. Decision Making: Shall the Authority Authorize the Executive Director to Enter into a Construction Contract and Expend Up to $6,104,900 from the Hawaii Community Development Revolving Fund, Leasing and Management Account, for the Renovation of the American Brewery Building;
4. Decision Making: Shall the Authority Extend the Exclusive Negotiations Agreement with Artspace Project, Inc. for Development of a Mixed-Use Affordable
Housing Project on Lot 40 for an Additional One Year;
5. Decision Making: Shall the Authority Authorize the Executive Director to Execute
an Agreement Subordinating its Shared Equity Encumbrance on the Keola La‘i
Condominium Unit No. 1408 and Consenting to the Owner’s Request to Refinance
the Original Mortgage.

II. APPROVAL OF MINUTES

1. Regular Kakaako Meeting of January 9, 2013

Chairperson Lee asked whether there were any corrections to the minutes of the
January 9, 2013 meeting. There were no comments or corrections from the Members,
and the minutes were approved as presented.

III. REPORT OF THE EXECUTIVE DIRECTOR

Executive Director Anthony Ching provided his report via a PowerPoint presentation (see
Exhibit A).

Chairperson Lee asked whether Members had any questions.

Member Evans asked Member Grune whether there was a possibility of co-investment or
matching funds from the Highways federal funds or other resources that the Department of
Transportation-Highways (“DOT-H”) could bring to the Ala Moana Boulevard intersection
improvements.

Member Grune replied that he would have to check with the Highways Division.

Member Kanahele asked whether the Hawaii Community Development Authority
(“HCDA”) had any responsibilities with regard to the Banyan Drive site in Hilo.

Mr. Ching replied that it would be incumbent upon the Legislature to designate a
community development district before the HCDA would have any responsibility or
exercise any authority.

Member Kanahele stated that prior to the state of State address, the Governor had put up
flags as to future responsibilities the HCDA might be receiving. He asked how issues can
be procedurally transferred to the HCDA and whether the Chairperson meets with the
Governor. He wanted the Authority to be informed and make decisions in the open.

Mr. Ching cited the public school redevelopment measure as an example. While he was
consulted and provided some input on the measure, it was the Governor’s initiative. The
HCDA is expected to coordinate its responses and work with other agencies such as the
Department of Education to support the initiative. Other legislative proposals were not the
Governor’s initiatives and were submitted by individual legislators. The HCDA does not
typically solicit new work, but if asked, will try to provide the most accurate response
possible. With projects involving for project consultation and assistance, he mentions to
the Legislature that the agency employs 23 people, including architects, engineers, planners, asset managers and outreach personnel. We are somewhat unique in terms of our capacities to pursue project management. If asked to do a project, the answer would be that we want to be part of the solution. However, it would be for a finite number of projects, or as our capacity to promote project management services is reached and we would then need to ask for additional resources.

Chairperson Lee asked whether any members of the public wished to comment. There were none.

IV. KAKAAKO MATTERS

2. Decision Making: Shall the Authority Authorize the Executive Director to Enter into a Construction Contract and Expend Up to $6,104,900 from the Hawaii Community Development Revolving Fund, Leasing and Management Account, for the Renovation of the American Brewery Building?

Mr. Ching summarized the report in the packet distributed to Members.

Member Kamimura asked how many square feet would be provided.

Mr. Ching responded that it was a total of 5 floors.

Mr. Neupane stated that there would be 16,000 square feet, including hallways and bathrooms.

Member Kamimura asked whether the HCDA would occupy 4 of the 5 floors.

Mr. Ching explained that HCDA would occupy all floors. However, the ground floor would be community space that the covenant required. The second floor would be a meeting room for board meetings, as well as storage. The primary office space would be the top 3 floors which would be about 9,000 square feet. The current office space is about 8,000 square feet. He also noted that expenses are incurred to station 2 staff members in Kalaaeloa. The staff would be relocated so all 23 staff members would be in the building.

Member Evans asked about the range of bids received from which the $4.5 million from Close Construction was the responsible and responsive low bidder.

Mr. Neupane replied that the winning bid and second bid were separated by $2,000.

Mr. Ching stated he was pleasantly surprised by the bid amounts, which reflected that mid-sized companies, not large construction companies, could meet the qualifications. The high bid was $6.3 million, followed by $5.9 million, $5.245 million, $4.856 million, and the winning bid at $4.854 million. We are in the process of having the bid verified to make sure they bid on the right things.
Member Evans asked whether the bid specifications included a requirement that the bidders had experience in renovating historic properties where you may expect to find unanticipated problems as you go through the demolition and replacement processes.

Mr. Ching replied that the bidders were aware of the historic nature of the building’s shell. The 1996 construction project did much of the same thing in maintaining the brick structure exterior and then constructing a new steel framework and flooring system. We would be retaining the steel frame, ripping out all the wood then putting it back in. The roof would be replaced because everything would go in and come out from there, which is the only logical way to execute a project of this type. The structure is unique, and the steel stars on the building at each floor were intended historically to hold the building together, at least the walls that are perpendicular. While we do not expect to find more historic items because we are just replacing what was new but actually junk, there is a healthy contingency in the event there is something we need to mitigate.

Member Evans stated she would strongly support the provision for contingency since it is well known that when renovating historic buildings, you will find something unexpected that will cost way more than initially anticipated. She noted further that the $6.5 million being requested for authorization is the second largest amount in the list of approved and pending approved projects. She asked what kind of revenues would be anticipated to address other needs that might arise during the construction period.

Mr. Ching replied that the contingency was 25% over the construction cost. If another 25% were needed, the agency’s cash balance or some of the projects lapsing would be able absorb another 25% contingency.

Member Kamimura asked if the construction cost included all the interior improvements for office buildout, heating, ventilation, air conditioning and electrical and would provide offices that are turn-key.

Mr. Ching responded that it would be fully built out except for the furnishings. He expected to use existing furniture wherever possible.

Member Kamimura stated he was concerned about cost. Based on 15,000 to 16,000 square feet and a $6 million expenditure, we would be spending $400 per square foot. If the office area is 8,000 square feet for 23 or 24 people, that is over 300 square feet per person. In his line of work, the standard for office space is well under 150 square feet per person, and includes conference rooms.

Mr. Ching explained that the State standard is 75 to 100 square feet per person. The difference is that the agency is obliged to archive all of the development permits, so there is a significant storage factor in the building. Since the building will have 5 floors, there is an elevator bank and toilet facilities at the core of the building which are redundant on each floor. The average for each staff would not be 300 square feet, but 75-100 square feet. The floor area of 16,000 square feet is confusing because the
gross area includes bathrooms, hallways and exit stairs. It was a small building and you have to take out 20% when you look at net usable space.

Member Kamimura stated that those things are common to many buildings. He felt he did not have enough information to be comfortable voting to approve a $6 million expenditure.

Member Kanahele supported Member Kamimura’s position and wanted more information and financial accountability with a more specific breakdown.

Chairperson Lee asked when construction would start or the notice to proceed issued.

Mr. Neupane replied that it was anticipated in May. The bid could be held for 180 day from the time it was opened on December 16, 2012.

Chairperson Lee asked whether decision making could be delayed to allow the Authority to take a tour.

Mr. Ching replied that it could be accommodated. The current lease expires about the time that construction was supposed to be completed with some time to accommodate relocation of the offices. Constructions would take about 16 months.

Chairperson Lee inquired about the policy issue with relocating the Kalaeloa office and centralizing it.

Mr. Ching explained that from a revenue standpoint, the Kalaeloa office space is $65,000 a year and comes from the Kakaako fund. In Kalaeloa, the rules have been promulgated, so the next steps would be less outreach and more ground asset management. Within the office, activities would be more for zoning and other permit clearances.

Chairperson Lee asked whether there might be any negative impacts in the Kalaeloa community.

Mr. Ching replied that if future finances would support it, a satellite office could be maintained. As facilities build up in the area, it might become easier to maintain a presence. However, as the money for the operation comes from Kakaako, there are tough decisions that have to be made to steward that money.

As far as the value of the Brewery Building project, a condominium highrise development is said to be $250 a square foot and more. Computing the construction cost at $4.8 million and the contingency, the price comes to the $400 level. The Authority has very few assets in the Mauka area other than Lot 40, a park area and the 10,000 square feet Cooke Street lot. The Brewery Building is the one remaining underutilized asset which we had in 1996. Several million dollars were already spent on construction, and we would have preferred it was done right the first time. A decision has to be made on whether to continue to let it sit, or determine the
appropriate mitigation. The issue is not just office space for the agency, because that can be rented. The 2 most important things to remember are (1) a historic building is rehabilitated and restored to productive use and, (2) given the lack of community space in this neighborhood, the meeting rooms will have good value as a community asset.

Chairperson Lee asked when the 2012 HCDA annual report will be printed.

Mr. Ching replied that it was in production and would be submitted to the Legislature.

Chairperson Lee asked if the Brewery Building was listed on any national historic registries.

Mr. Ching responded that it was by any means historic and protected.

Chairperson Lee asked whether any members of the public wished to comment.

Public Testimony:

Mr. Dexter Okada asked whether the second floor meeting room would be comparable in size to the current room which was a big improvement to the previous meeting room at the Gold Bond Building where everyone was squeezed in. He asked about the parking requirements at Honuakaha for the community to use.

Mr. Ching responded that the 2 meeting rooms would be comparable in size. At Honuakaha, there would be stalls available for both staff and Members to use. There is also a DOT parking structure and 2 other major parking lots in the area for the community.

Mr. Okada requested that the building offer a place to park bikes safely. He also asked if the building had an elevator and met ADA requirements.

Mr. Ching replied that the building is fully accessible and has a single elevator to the second floor as well as the requisite emergency stairs.

Mr. Okada stated that you have to be careful of the cost, but the building has been dragged through and he would like to see a conclusion. The State had already spent so much money on legal fees. It has been dragging on a long time with lost revenue. It was not for him to say whether he supported the price, but he supported the intent.

Ms. Beth Malvestiti stated she was a homeowner at Honuakaha for 5 years and worked for a sister agency, so she did live, work, play in Kakaako. While the dollar amount is a different issue, she would love to have a neighbor such as the HCDA occupy the Brewery Building. The building has been vacant since she has been there, and she hoped there would be a resolution. She stated that
the building was secure and there was no guest parking. She asked for clarification on whether there would be 23 parking stalls for all the employees.

Mr. Ching explained that there was a dedicated parking component of 27 stalls currently rented out to monthly users. As the general or limited partner, the HCDA has seats on the AOAO so that the parking could be appropriately apportioned and parking policies established.

Chairperson Lee stated that there was a lot of scrutiny at the Legislature and people like to see organizations who are responsible. Since there would be no significant impact if the decision was delayed, he deferred a decision until the next meeting to allow interested Members to take a tour of the building and see it firsthand.

3. **Decision Making: Shall the Authority Extend the Exclusive Negotiations Agreement with Artspace Project, Inc. for Development of a Mixed-Use Affordable Housing Project on Lot 40 for an Additional One Year?**

Mr. Ching summarized the report in the packet distributed to Members.

Member Kamimura asked for the reasons for the delay in securing financing.

Mr. Ching explained that a critical element of Artspace’s financing strategy is to receive the low income housing tax credit that is administered by the Hawaii Housing Finance and Development Corporation (“HHFDC”). It has its own time frame which they do not control. It is understood that should the financing not materialize, we would end the discussion and seek alternate uses for the site no later than the expiration of the next one year period.

Member Kamimura stated that one year is a long time. He wondered whether we would lose opportunities for the next person.

Chairperson Lee asked whether anyone from Artspace was present.

Mr. Ching replied that they were based in Minneapolis and fly out periodically. The local group Pa’i is headed by Vicky Holt Takamine, who also travels and apologized for not being present. He explained that we should be able to find out, within 6 months, by the end of this legislature. While we could have said 6 months for the financing side, we would still need to finalize the lease and the development agreement and decided to go with the one year extension. If the Authority wishes, performance clauses could be added, and we would know within 6 months the prospects for low income housing tax credits.

Member Kamimura suggested making a motion so within 6 months, they have their financing documented and approved to our satisfaction. Then, if that happens, they would have 6 months more to consummate the development agreement.
Chairperson Lee asked how much was being asked for in their legislative bills.

Mr. Neupane explained that it was in the financials. They have 2 options: one at 4% and one at 9%, and they were going with 4%. They were asking slightly over $15 million.

Mr. Ching stated that Artspace has to receive the state low income housing tax credit for $15 million or there would be no project. It would actually be action taken by the HHFDC and not necessarily by the Legislature. They did seek a grant in aid for about $3 million.

Chairperson Lee stated they also specified $4 million from private sources.

Mr. Ching stated that the private sources were also dependent on getting the low income housing tax credit. The HHFDC is going through some reformatting of their program and he was not sure on the timing. He asked if Member Kami might have some estimate.

Member Kami stated that he sits on the HHFDC board as an alternate. The HHFDC is currently reviewing their qualified allocation plan, which is basically how they will score and rate these tax credit applications. At their February meeting, HHFDC staff will have some recommendations on the criteria to be proposed for the board to take action. Staff can then go out and solicit and accept applications for these tax credits. He also noticed that Artspace is applying for $4.5 million for rental housing trust fund monies. That is another action that would need to be taken by the HHFDC to make the project feasible.

Member Evans stated she would support extending the period of negotiation for another 6 months because there are factors in the financing that are beyond this board and Artspace’s control which would be clearer after the legislative session and after the HHFDC staff and Board complete their deliberations. She is also an alternate on the HHFDC board along with Member Kami.

Chairperson Lee asked whether a Member could make a motion for a 6 month extension.

Deputy Attorney General Tanigawa answered in the affirmative.

Member Kami noted that the loft space would be intended for art people to reside and use the facilities. While it might be more a questions for the HHFDC, if tax credits are used, it generally has to be open to the general public, and they cannot provide any sort of priority for artists in the area. If that is a critical component of the project, the Authority may want to look at that. It was more of an issue for the HHFDC to address when they issue the credits, but we should be aware that the concept might need to be amended to be sure it is in compliance.

Member Kanahele stated that he was sensitive to Pa‘i.
Chairperson Lee commented that the organization did provide a presentation to the Authority last year and some Members had that initial exposure. He recommended that it would be wise to get more input and feedback from them.

Chairperson Lee asked whether any member of the public wished to comment.

Public Testimony:

*Mr. Dexter Okada* stated that Pa‘i did make a presentation to his area and explained their concept. His concern was the issue of parking. Parking would be needed for the residents, the halau and community events. He wanted to be sure they did not add to the parking problems that already exist in the area.

Chairperson Lee entertained a motion for the Authority to extend the exclusive negotiations agreement with Artspace Project, Inc. for development of a mixed-use affordable housing project on Lot 40 for an additional 6 months.

A motion was made by Member Evans and seconded by Member Kamimura.

A roll call vote was taken.

Ayes:   Members Evans, Grune, Kami, Kamimura, Kanahele, Lee and Mitsunaga.

Nays:   None.

The motion passed 7 to 0 with 2 excused (Members Chun and Seki).

4. **Decision Making:** Shall the Authority Authorize the Executive Director to Execute an Agreement Subordinating its Shared Equity Encumbrance on the Keola La‘i Condominium Unit No. 1408 and Consenting to the Owner’s Request to Refinance the Original Mortgage?

Mr. Ching summarized the report in the packet distributed to Members.

There were no questions from Members or comments offered by the public on this agenda item.

Chairperson Lee entertained a motion for the Authority to authorize the Executive Director to execute an agreement subordinating its shared equity encumbrance on the Keola La‘i Condominium Unit No. 1408 and consenting to the owner’s request to refinance the original mortgage.

A motion was made by Member Kamimura and seconded by Member Grune.

A roll call vote was taken.
Ayes: Members Evans, Grune, Kami, Kamimura, Kanahele, Lee and Mitsunaga.

Nays: None.

The motion passed 7 to 0 with 2 excused (Members Chun and Seki).

V. ADJOURNMENT

Chairperson Lee thanked Mr. Ching for inviting him to the Halekauwila Place groundbreaking. That would be considered Phase I of the 690 Pohukaina project.

There being no further business, a motion was made by Member Kanahele and seconded by Member Grune to adjourn the meeting. By a show of hands vote, the motion carried unanimously.

The meeting adjourned at 11:46 a.m.

Respectfully submitted,

/s/

Miles Kamimura
Secretary

Attachment: Exhibit A - Report of the Executive Director

Note: The transcript of this meeting contains a verbatim record and should be consulted if additional detail is desired.
New Personnel

- Volunteer Intern
  - Marina Nishimura
- Relocated From Los Angeles and Osaka
- Graduate of Occidental College w/degree in Diplomacy and World Affairs w/minor in Chinese
- Interest in Government Operations and Real Estate Development

Kewalo Basin Update

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Legislative Briefings

- WAM/FIN Staff CIP Briefing
  - Feb. 5, 2013
- Other Briefings
  - Senate President Donna K Lim
  - WAM Chair David Ige
  - House Speaker Joe Souki
  - House Majority Leader Scott Saiki
  - House Water Land Chair Cindy Evans
- Other Briefings Sought
  - Senate Committee Chairs

Legislative Review

Complete Streets GOV-8(13)

- SB 1090/HB 859
  - Establishes Mandate for HCDA w/in All Community Development Districts
  - Requires HCDA to Develop Complete Streets Design Standards along w/Infrastructure Master and Development Plans
  - Working w/C&C of Honolulu regarding conformance of HCDA design standards with C&C standards

Public School Redevelopment GOV-17(13)

- SB 1095/HB 865
  - Establishes Responsibility for HCDA to administer Public School Development Districts
  - DOE to provide overall priority, phasing and development specifications
  - All Funds to be Deposited to the Benefit of Public School Redevelopment
Clarification Regarding Public Notice

- SB 1028/HB 798
- Part of Administrative Package BED-05(13)
- Clarifies that HCDA will publish statewide notice for rule-making hearings
- Specifies that notice for development permit hearings will be published only w/in the affected county

Other Bills Heard

- HB 1249 Establishes a New Community Development District at Banyan Drive – Hilo
- HB 175 Transfers $2,500,000/quarterly from state agencies receiving ceded lands revenues to DIHL
- HB 191 Allows HCDA to assist DLNR w/small boat harbors
- HB 429 Requires Legislative Approval by simple majority for amendments to the Kakaako plan
- HB 416/SB 741 Limits prohibition of sale of lands to Kakaako Makai

Other Bills to Watch

- SB 449 Repeals exemptions of certain state agencies
- HB 560 Authorizes HCDA to issue development credits to housing projects that incorporate urban gardening programs

C P Requests

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<td>Complete Streets</td>
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<td>Establish bike sharing program &amp; demo street</td>
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<td>Kakaako Basin Harbor intersection improvements</td>
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<td>Waterfront Amphitheater &amp; Community Performing Center Facilities</td>
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Next Meeting

- Regularly Scheduled Meeting
  - March 6, 2013

- Location
  - 461 Cooke Street