

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

Wednesday, February 19, 2014

KAKAAKO

I. CALL TO ORDER/ROLL CALL

A special 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 10:30 a.m. on Wednesday, February 19, 2014, 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)
Miles Kamimura
Brian Lee
Lois Mitsunaga
Brian Tamamoto

Members Absent: Luis Salaveria (DBF)
Dean Seki (DAGS)

Others Present: Anthony Ching, Executive Director
Lori Tanigawa, Deputy Attorney General
Lindsey Doi, Compliance Assurance & Community Outreach
Officer
Deepak Neupane, Director of Planning & Development-Kakaako
Chris Sadayasu, Asset Manager
Shelby Hoota, Program Specialist
Patricia Yoshino, Secretary
Holly Hackett, Court Reporter

MATERIALS DISTRIBUTED:

1. Decision Making: Shall the Authority Authorize the Executive Director to Extend the Exclusive Negotiation Agreement with Artspace Project, Inc. for Development of a Mixed-Use Affordable Housing Project on Lot 40 for an Additional One Year;

2. Decision Making: Shall the Authority Authorize the Executive Director to Enter into a Kewalo Basin Harbor Property Management Contract for a Term Not to Exceed Six (6) Months and Expend Up to One Hundred Eighty Thousand Dollars (\$180,000.00) from the Hawaii Community Development Revolving Funds, Kewalo Basin Harbor Subaccount.

II. KAKAAKO MATTERS

2. Decision Making: Shall the Authority Authorize the Executive Director to Extend the Exclusive Negotiation Agreement with Artspace Project, Inc. for Development of a Mixed-Use Affordable Housing Project on Lot 40 for an Additional One Year?

Mr. Ching reported that Artspace Project Inc. (“Artspace”) has been conducting their due diligence as required by the exclusive negotiation agreement. A design has been produced and the units are scheduled to be affordable for people with qualified incomes of 50-60% of the area median income (“AMI”). They have been working on obtaining an allocation of low income housing tax credits from the Hawaii Housing Finance and Development Corporation (“HHFDC”) and have indicated that it may take another year to completely assemble the financing for the project.

Member Tamamoto stated that the project was admirable but expressed his concern that the item has come up a third time and wondered if it would be setting a precedent on how the Authority handles unique applications.

Mr. Ching explained that the schedule for the application with the HHFDC was beyond the control of Artspace. The program was being revamped at HHFDC which did not allow for timely application for the low income housing tax credit. They have completed their design and archaeological inventory survey, so the time has not been lost.

Member Tamamoto asked what kind of assurance could be provided to the Authority that they would be able to meet the timeframe within the 12-month period.

Mr. Greg Handberg, senior vice president of properties for Artspace, introduced Ms. Cathryn Vandenbrink, vice president of property development, Jennifer Poipoi, Urban Works Architects, and Ed Bourgeois, PA’I Foundation, who were present for Artspace.

Mr. Handberg explained that there was an understanding that they would be back again to talk about an extension after they knew whether the first tax credit application would be successful or not. In the 23-25 tax credit applications they have done, only 1 or 2 have been granted tax credits on the first application, so their situation here was not particularly unusual. What is unusual is that the application process at HHFDC has been shifting. He believed they were well positioned for the project. This 12-month extension would allow them to get through the next funding timeline.

Ms. Vandenbrink added that they applied for both 9% and 4% credits. They did not receive the 9% but could still get the 4% credit. HHFDC has recommended that all applicants who are under consideration re-apply because they are not sure when the decision will be made.

Member Tamamoto asked what will happen to the project if they do not get the tax credit.

Mr. Handberg responded that Plan A is the 9% tax credit. Plan B is the 4% tax credit supplemented with Rental Housing Trust Fund. Plan C is 4% tax credit without Rental Housing Trust Funds with other sources of financing coming in to bridge the gap.

Member Kamimura asked to hear the Artspace presentation, which could answer questions or prompt others.

Mr. Handberg explained that Artspace is the nation's leading developer of affordable artist housing and have created 35 facilities around the country, including 25 mixed use low income tax credit projects. The Block 40 project will be an 80-unit housing project, 6,200 square feet of cultural commercial space, 96 parking spaces and additional community spaces for residents within the building and neighborhoods outside the building. The rents will range from \$437 for 1-bedroom units and up to \$1,334 for 3-bedroom units. They will be serving households earning between \$20,000 to \$71,000 a year.

To date, they have completed the schematic architectural design, structural design, geotechnical testing, environmental Phase 1 and Phase 2 analysis of the site, traffic study, housing market study, and archaeological inventory study. The 201-H has been submitted to HHFDC for review; the Environmental Assessment will be published on March 1, 2014, and hazardous material construction plans were submitted to the Department of Health. City Bank is on board as construction and permanent lender, Enterprise is a tax credit investor, and they have a 4% tax credit in the Rental Housing Trust Fund application. They are preparing to submit the competitive 9% tax credit application and the 4% application to HHFDC, and an application to the Federal Home Loan bank through their affordable housing program. They are requesting another 12-month extension so they can go back in for the tax credits and complete the other subordinate financing for the project.

Member Kamimura asked if the property was under HCDA jurisdiction and what was the obligation with regard to the property.

Mr. Ching replied that HCDA purchased the property around 2009 from the developer of the Pacifica project. The use of the property would be at the discretion of the HCDA.

Member Kamimura stated that Artspace is trying to do a good project and was something he would support. However, he was concerned about the timeframe. Their duty at HCDA is to use the property going forward. He was concerned that if an extension is granted but the project does not happen, there were be some lost opportunity.

Mr. Handberg explained that the due diligence process has been moving forward rapidly. He understood the concern, but the HHFDC process was something they were responding to as opposed to controlling.

Member Evans disclosed that she sits on the board of HHFDC from time to time and wondered if she had a conflict in this matter.

Deputy Attorney General Tanigawa advised that there was no conflict and Member Evans can vote.

Member Evans commented that the shifting timeline for the HHFDC is actually very true. There have been changes not only in the timeline but in the criteria that are being considered for the 9% tax credit program. There was a timeline shift that could materially affect the ability of the applicant to receive 9% tax credits.

Member Tamamoto asked if the schematic designs for the project would require any kind of modifications to be approved by the HCDA.

Mr. Handberg responded that he did not believe there were any significant modifications.

Mr. Neupane explained that the schematic design does require modifications from the rules. However, the applicant will be applying for 201H-35 regulation where it specifically calls for affordable housing projects with 60% of the AMI. If more than 50% of the units are affordable, then the applicant and the HHFDC can ask for exemption from all county or state regulations.

Member Tamamoto expressed his concern that it would appear inappropriate for the Authority to have control of the property, give 3 extensions and then approve modifications.

Ms. Vandenbrink explained that the modifications are extremely small in terms of design. At this point, they may be 5 feet over the height limit, and there was a loading zone issue. There was no massive floor area ratio issue.

Member Evans stated the opportunity to build rental housing in the district for which renters would qualify at such low income levels is unprecedented and the Authority should embrace the possibility. The Authority has been criticized in the media for approving projects that are market-based pricing. This is an opportunity to have the mixed-use community that we seek.

Mr. Ching noted that the 201H-35 application for affordable housing relief would be reviewed by the HHFDC and would not come back to the HCDA. Granting of modifications would be treated as a qualified affordable housing program for low income, not just for market or gap group.

Chairperson Lee commended Artspace for what they are trying to do. He shared the concerns expressed by Member Tamamoto and Member Kamimura regarding fiduciary responsibility. However, the project would offer rentals as low as 50% AMI, which is about \$45,000 for a family of 4. He did not believe there was any housing being developed that does this without any government funds. The community says they are concerned about affordable housing, yet they are not here today to support the project. He has seen projects such as the Iwilei Senior Center take more than 10 years to finish, so although he was concerned about time, it was a good project.

PUBLIC TESTIMONY:

Ms. Lisa Mitchell thanked the Authority for supporting Artspace and going with the extensions. The art was beautiful and we need it. She believed the community is totally behind the project.

Ms. Vicky Holt Takamine stated she was kumu hula of Pualii Ilima and was a partner with Artspace. She invited them to bring their project here after visiting one of their projects in Seattle. This was one of the best projects for affordable housing and to create art spaces. The project would be a wonderful space for not only halau hula, but artists who work, sell, live and play.

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

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

A roll call vote was conducted.

Ayes: Members Evans, Grune, Kamimura, Lee, Mitsunaga, and Tamamoto.

Nays: None.

The motion passed 6 to 0 with 3 excused (Members Salaveria and Seki and 1 vacant position).

A recess was taken at 11:04 a.m.

The meeting was reconvened at 11:11 a.m.

3. Decision Making: Shall the Authority Authorize the Executive Director to Enter into a Kewalo Basin Harbor Property Management Contract for a Term Not to Exceed Six (6) Months and Expend Up to One Hundred Eighty Thousand Dollars (\$180,000.00) from the Hawaii Community Development Revolving Funds, Kewalo Basin Harbor Subaccount?

Mr. Ching reported that at its February 5, 2014 meeting, the Authority had entered into exclusive negotiations agreement with the Howard Hughes Corporation and Victoria Ward Ltd. for lease and redevelopment of the Kewalo Basin Harbor submerged lands. The current property management contract with Almar Management Inc., would expire at the end of February 28, 2014. Approval was sought to enter into a 6-month contract through August 2014 with a qualified and responsible entity to manage and operate the Kewalo Basin Harbor. Since a bid was not solicited through the competitive bid process, staff would be working closely with the State Procurement Office (“SPO”) as to the final form of the contract extension.

Member Evans asked if the expiring contract was eligible for SPO approval of a 6-month extension and if so, if a request had been made.

Mr. Ching replied that discussions were underway with SPO as to the appropriate way to proceed in this specific case.

Member Evans asked if the HCDA would be able to conduct a competitive procurement in compliance with SPO rules to select a management firm.

Mr. Ching replied that there was not sufficient time to conduct a competitive bid process since the contract would expire in 2 weeks. In the event appropriate approvals are not secured from SPO, HCDA staff would likely be involved with management of the harbor. He believed a bridge contract on the extension would be possible.

Mr. Sadayasu explained that the previous board approval was for just the 5-year contract. Whether it is a 6-month bridge extension or a new 6-month contract, Authority approval was needed because the amount is over \$25,000.

Member Tamamoto asked if the item was exempt from state procurement since an RFP was not done for the harbor lease.

Mr. Ching clarified that a real estate development is exempt from procurement. However, the contract with Almar is for goods or services, and the service is subject to state procurement.

Member Tamamoto asked whether duplicate funds would be paid to Almar and Victoria Ward as we go through this transition.

Mr. Sadayasu explained that HCDA would sign the lease and give notice when the lease effectuation date would be, and then give proper notice to terminate the contract.

Member Tamamoto asked if Almar was agreeable to continuation of 6 months.

Mr. Sadayasu replied in the affirmative.

Member Kamimura asked if the extension would be under the same terms and conditions.

Mr. Sadayasu replied in the affirmative.

There were no comments offered by the public on the agenda item.

Chairperson Lee entertained a motion for the Authority to authorize the Executive Director to enter into a Kewalo Basin Harbor property management contract for a term not to exceed six (6) months and expend up to \$180,000 from the Hawaii Community Development Revolving Funds, Kewalo Basin Harbor Subaccount.

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

A roll call vote was conducted.

Ayes: Members Evans, Grune, Kamimura, Lee, Mitsunaga, and Tamamoto.

Nays: None.

The motion passed 6 to 0 with 3 excused (Members Salaveria and Seki and 1 vacant position).

V. ADJOURNMENT

The meeting was adjourned at 11:21 a.m.

Respectfully submitted,

/s/

Miles Kamimura
Secretary

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