

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

MEETING NO. 397
Wednesday, May 7, 2014

KAKAAKO

I. CALL TO ORDER/ROLL CALL

A regular meeting of the Kakaako Members of the Hawaii Community Development Authority (“Authority” or “HCDA”), a body corporate and public instrumentality of the State of Hawaii, was called to order by Mr. Brian Lee, Chairperson of the Authority, at 12:03 p.m. on Wednesday, May 7, 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
Luis Salaveria (DBF)
Dean Seki (DAGS)

Members Absent: Brian Tamamoto

Others Present: Anthony Ching, Executive Director
Lori Tanigawa, Deputy Attorney General
Aedward Los Banos, Administrative Services 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. Report of the Executive Director;
2. Summary Minutes of Special Kakaako Authority Meeting of March 19, 2014;
3. Summary Minutes of Regular Kakaako Authority Meeting of April 2, 2014;
4. Decision Making: Shall the Authority Authorize the Executive Director to Expend an Additional Amount Not to Exceed \$35,000.00 from the Kewalo

Basin Harbor Account No. 28163 for the Design of Repairs to the Kewalo Basin Harbor Fisherman's Wharf Deck;

- 5. Decision Making: Shall the Authority Authorize the Executive Director to Defer the Authority's General Partner Management Fee for the Na Lei Hulu Kupuna Apartments in Favor of Repaying Mark Development Inc. Deferred Property Management Fees;
- 6. Decision Making: Shall the Authority Authorize the Executive Director to Expend Up to \$2,725,000.00 in Capital Improvement Projects Funds Pursuant to the Memorandum of Agreement Between the High Technology Development Corporation (HTDC) and the Hawaii Community Development Authority and Engage Consultants for Planning and Design of Office Facility for HTDC to be Located on Kakaako Makai Lot C;
- 7. Decision Making: Shall the Authority Waive Its Option to Buy-Back the Pacifica Honolulu Condominium Reserved Housing Unit #1711;
- 8. Decision Making: Shall the Authority Authorize the Executive Director to Enter into a Contract and to Expend up to \$10,000.00 from the Hawaii Community Development Revolving Funds Leasing and Management Subaccount for Replacement of the Floor for the Portable Restroom in the Kakaako Waterfront Park Parking Lot?

Chairperson Lee announced that the agenda would be taken out of order, and the meeting would start with Agenda Item #8 on the lease negotiations with the Howard Hughes Corporation.

III. KAKAAKO MATTERS*

- 8. Update on Exclusive Negotiations with The Howard Hughes Corporation for a Potential Lease and Development and Management of Kewalo Basin Harbor.

Chairperson Lee asked whether anyone in the audience wished to comment. There were none.

Member Grune made a motion to convene in Executive Meeting pursuant to Section 92-5(a)(3). The motion was seconded Member Salaveria. By a voice vote, the motion passed unanimously.

Chairperson Lee requested that Deputy Attorney General Tanigawa, HCDA staff members Mr. Ching, Mr. Neupane, Mr. Los Banos, Mr. Sadayasu, Ms. Hoota and Ms. Yoshino join the executive meeting.

 Pursuant to Section 92-5(a)(3), Hawaii Revised Statutes, the Authority convened in Executive Session at 12:05 p.m. to deliberate concerning the authority of persons designated by the Board to conduct labor negotiations or to negotiate the acquisition of public property, or during the conduct of such negotiations.

The regular meeting was reconvened at 1:14 p.m.

Member Evans exited the meeting at 1:14 p.m.

II. APPROVAL OF MINUTES

1. Special Kakaako Meeting of March 19, 2014

Chairperson Lee asked whether there were any corrections to the minutes of the March 19, 2014 meeting. There were no comments or corrections from Members, and the minutes were approved as presented.

2. Regular Kakaako Meeting of April 2, 2014

Chairperson Lee asked whether there were any corrections to the minutes of the April 2, 2014 meeting. There were no comments or corrections from Members, and the minutes were approved as presented.

III. KAKAAKO MATTERS* (continued)

3. Decision Making: Shall the Authority Authorize the Executive Director to Expend an Additional Amount Not to Exceed \$35,000.00 from the Kewalo Basin Harbor Account No. 28163 for the Design of Repairs to the Kewalo Basin Harbor Fisherman's Wharf Deck?

Mr. Ching explained that preparation of a Water Quality Certification ("WQC") was not included in the original scope of services. Notice was received from the Department of Health that the WQC study was required due to the potential for water pollutant discharges resulting from proposed construction activities.

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

Chairperson Lee entertained a motion for the Authority to authorize the Executive Director to expend an additional amount not to exceed \$35,000.00 from the Kewalo Basin Harbor Account No. 28163 for the design of repairs to the Kewalo Basin Harbor Fisherman's Wharf Deck.

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

A roll call vote was conducted.

Ayes: Members Grune, Kamimura, Lee, Mitsunaga, Salaveria and Seki.

Nays: None.

The motion passed 6 to 0 with 3 excused (Member Evans, Tamamoto and 1 vacant position).

4. Decision Making: Shall the Authority Authorize the Executive Director to Defer the Authority's General Partner Management Fee for the Na Lei Hulu Kupuna Apartments in Favor of Repaying Mark Development Inc. Deferred Property Management Fees?

Mr. Sadayasu explained that Mark Development Inc. ("MDI") had found numerous repairs were needed to the Na Lei Hulu Kupuna Apartments ("Na Lei"). MDI had deferred paying itself approximately \$67,667 in fees and payroll, as permitted by its property management agreement, which it used to address much of the deferred maintenance and capital repairs. MDI believes it will be able to pay itself back using the current positive cash flow together with approximately 14 months of HCDA's management fees.

Mr. Craig Watase, president of MDI, provided examples of the deferred maintenance and repairs, as listed in the staff report.

Mr. Ching stated he was endorsing the recommendation to defer the HCDA's management fees.

Member Salaveria asked what was the occupancy rate at Na Lei.

Mr. Watase replied that it was fully occupied. Residents must be 62 years and older, and a lot of tenants have aged with the project. The average age of the tenants is high and turnover is normally due to the passing of the tenants. Mr. Watase noted that some residents should not be there because they cannot live independently.

Member Salaveria asked if the project will get to a position of cash flow positive in order to recoup the costs they were asking to defer.

Mr. Watase replied in the affirmative. They will also have energy savings from a recently installed PV system that will reduce operating costs. The project was well funded with capital replacement reserves which were not used. They had petitioned the Hawaii Housing and Finance Development Corporation ("HHFDC") to defer their deposits into the capital replacement reserves, which is a large expense to MDI. The request was denied because the partnership has taken over \$3 million in residual receipts over the course of the years.

Member Salaveria remarked that he also sat on the HHFDC board. He asked for confirmation that, from a business standpoint, the intention is to defer for 14 months and it was not a waiving of fees.

Mr. Watase replied that it will stay on the books as an accounts receivable to the HCDA and accounts payable from the project's books. In event of a sale, those bills will be paid.

Member Kamimura asked from an ownership structure, what is the exposure from liability if someone gets hurt, especially since some tenants are not able to live independently.

Mr. Watase replied that they carry appropriate liability insurance and it is more of a risk for the tenant. There is a need for more social services because the tenants know that if they fall and get hurt and go to the hospital, they may not come back. They want to stay where they are and not have to move. But, where would they go? They are low income tenants and can't afford assisted living facilities.

Member Kamimura asked if the HCDA is an owner.

Mr. Sadayasu explained that the HCDA is a 1% equity owner and the general partner of the limited partnership.

There were no public comments offered on the agenda item.

Chairperson Lee entertained a motion for the Authority to authorize the Executive Director to defer the Authority's general partner management fee for the Na Lei Hulu Kupuna Apartments in favor of repaying Mark Development Inc. deferred property management fees.

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

Member Salaveria stated that what they are doing is good. He wanted to caution that revenue sources were lost with conveyance of lands to the Office of Hawaiian Affairs. The Authority needs to be cognizant of operational needs that HCDA will need going forward, and hope this won't be a precursor to other revenue losses.

A roll call vote was conducted.

Ayes: Members Grune, Kamimura, Lee, Mitsunaga, Salaveria and Seki.

Nays: None.

The motion passed 6 to 0 with 3 excused (Member Evans, Tamamoto and 1 vacant position).

5. Decision Making: Shall the Authority Authorize the Executive Director to Expend Up to \$2,725,000.00 in Capital Improvement Projects Funds Pursuant to the Memorandum of Agreement Between the High Technology Development Corporation and the Hawaii Community Development Authority and Engage Consultants for

Planning and Design of Office Facility for HTDC to be Located on Kakaako Makai Lot C?

Mr. Ching explained that the Legislature had appropriated \$3 million for planning and design of a new facility for the High Technology Development Corporation (“HTDC”). The HTDC has expended \$275,000.00 on a site selection study. The Authority had previously approved a Memorandum of Agreement (“MOA”) between the HTDC and the HCDA to engage a consultant for planning and design for HTDC to be located on Lot C in Kakaako Makai. A request for a \$22 million CIP from the Legislature to construct facilities was not approved. The HTDC is in process of applying for a \$3 million grant from the Economic Development Administration (“EDA”) of the federal government for construction of an innovation center. The HTDC has identified a potential match in funds from a private source. Combined with an EDA grant, the HTDC is looking to construct an innovation center of 10,000 square feet at Lot C. The request is to expend the available \$2,725,000.00 CIP funds for planning and design purposes.

Member Grune asked whether the initial appropriation of money came to the HCDA from the HTDC and was now allocating it to the design of the project.

Mr. Ching replied that the HCDA would be expending the funds from the HTDC.

Member Salaveria asked what was stated in the original appropriation for \$3 million to the HTDC.

Mr. Ching replied it is was for planning and design of HTDC facilities and for site selection, and no construction.

Member Salaveria asked if the appropriation had any conditions regarding HTDC’s location. If the HTDC remains at the Manoa Innovation Center but has the opportunity with other funding to get a facility at Lot C, he wanted to be sure we would not be changing the original intent of the appropriation.

Mr. Ching replied that original appropriation was for site selection, and planning and design. The site selection study ranked Lot C as the highest site. The HTDC has indicated its willingness to delegate the funds to complete planning and design of HTDC facilities at Lot C.

Member Grune asked whether the HTDC will eventually become a tenant of the HCDA with a lease and would the HDCA receive revenue from them.

Mr. Ching explained that the HTDC would be operating rent free. As they conduct their incubator programs, they receive tiered rent from their tenants which they in turn use as operating funds. If construction funds come through, there would be a lease for the HTDC to occupy Lot C, but they would not have to pay rent. However, they would have to share in certain common area maintenance costs and parking charges.

Member Kamimura asked where the money is coming from to construct the building.

Mr. Ching replied that construction funds were contingent on the HTDC applying for and receiving an EDA grant of \$3 million and a match of \$3 million from a private source.

Member Kamimura asked if \$6 million was enough to build since it would be a small building.

Mr. Ching replied in the affirmative.

Member Salaveria noted that the funds lapse on June 30, 2014. If the Authority were to defer action at this meeting, he asked if there would be an opportunity come back to it.

Mr. Ching replied that the next meeting is June 10, 2014, so it probably is not possible. Since we had an MOA with the HTDC, the HCDA initiated the RFP process for a planning and design consultant and are ready to award, but wanted to be sure we had authorization to expend. He recommended an approval contingent on examination of the CIP language granting the \$3 million to ensure consistency with this expenditure in this manner.

Member Salaveria stated he was agreeable to a contingent approval.

The meeting was recessed at 1:49 p.m.

Member Kamimura exited the meeting at 1:49 p.m.

The meeting was reconvened at 1:56 p.m.

Member Seki asked whether the HTDC is confident they will be able to secure construction funds.

Mr. Ching replied that there is no guarantee with federal grant applications, but the HTDC has had success with the EDA. This type of project which produces jobs in the technology area is what the EDA is trying to do.

Member Seki asked what the anticipated cost of construction would be.

Mr. Ching replied that an estimated cost is \$350 per square foot, and the HTDC will build as much as they can with the \$6 million.

Member Seki stated that we should be careful because the \$2.7 million is quite a bit for a project of only \$6 million.

Chairperson Lee noted that the HTDC had requested \$22 million from the Legislature.

Member Seki stated that size of building would be more applicable.

Mr. Ching stated that the intention for the \$6 million construction funding would only be for an innovation center and not a replacement HTDC building. However, the design work would be comprehensive and provide plans to the HTDC for both a replacement building and an innovation center that could be integrated into the master plan for the entire lot. If construction money is available only for the innovation center, they would proceed to build out just that portion. The HTDC could later present to the Legislature the construction documents for replacement facilities for the HTDC.

Member Salaveria disclosed for the record that he also sits on the board of the HTDC as an ex officio member.

There were no comments from the public on the agenda item.

Chairperson Lee entertained a motion for the Authority to authorize the Executive Director to expend up to \$2,725,000.00 in Capital Improvement Projects funds pursuant to the Memorandum of Agreement between the High Technology Development Corporation and the Hawaii Community Development Authority and engage consultants for planning and design of office facility for the HTDC to be located on Kakaako Makai Lot C, subject to determination that such expenditure is consistent with the appropriation.

A motion was made by Member Seki and seconded by Member Salaveria.

A roll call vote was conducted.

Ayes: Members Grune, Lee, Mitsunaga, Salaveria and Seki.

Nays: None.

The motion passed 5 to 0 with 4 excused (Member Evans, Kamimura, Tamamoto and 1 vacant position).

6. Decision Making: Shall the Authority Waive Its Option to Buy-Back the Pacifica Honolulu Condominium Reserved Housing Unit #1711?

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

Member Salaveria asked if the shared equity of \$8,750.00 was based on the sale price of \$402,500.00.

Mr. Ching explained that the primary determinant is the difference between the pricing of a market unit at the time of purchase and the actual purchase price. There was a relatively small difference in price between a reserved housing unit and market unit in 2012.

Member Salaveria noted that the owner is projecting to sell at \$600,000.00.

Mr. Ching stated there has been a jump in the value of market units at the Pacifica. At this particular point, he was recommending waiving the buy-back option. However, in the future, he would likely not recommend that the Authority waive its buy-back option.

There were no comments from the public on the agenda item.

Chairperson Lee entertained a motion for the Authority to waive its option to buy-back the Pacifica Honolulu Condominium Reserved Housing Unit #1711.

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

A roll call vote was conducted.

Ayes: Members Grune, Lee, Mitsunaga, Salaveria and Seki.

Nays: None.

The motion passed 5 to 0 with 4 excused (Member Evans, Kamimura, Tamamoto and 1 vacant position).

7. Decision Making: Shall the Authority Authorize the Executive Director to Enter into a Contract and to Expend Up to \$10,000.00 from the Hawaii Community Development Revolving Funds Leasing and Management Subaccount for Replacement of the Floor for the Portable Restroom in the Kakaako Waterfront Park Parking Lot?

Mr. Ching summarized the report in the packet distributed to Members. He explained that the executive director normally has authority to expend up to \$25,000.00. However, he felt that the Authority should be aware of the matter and need to return the public facility to use.

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

Chairperson Lee entertained a motion for the Authority to authorize the Executive Director to enter into a contract and to expend up to \$10,000.00 from the Hawaii Community Development Revolving Funds Leasing and Management Subaccount for

replacement of the floor for the portable restroom in the Kakaako Waterfront Park Parking Lot.

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

A roll call vote was conducted.

Ayes: Members Grune, Lee, Mitsunaga, Salaveria and Seki.

Nays: None.

The motion passed 5 to 0 with 4 excused (Member Evans, Kamimura, Tamamoto and 1 vacant position).

V. ADJOURNMENT

The meeting was adjourned at 2:09 p.m.

Respectfully submitted,

/s/

Miles Kamimura
Secretary

*Meals were served to Authority Members and required staff as an integral part of the meeting.

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