

SUMMARY - PUBLIC HEARING
HAWAII COMMUNITY DEVELOPMENT AUTHORITY
State of Hawaii
July 23, 2014 – 10:06 a.m.

ATTENDANCE

Members Present: Linda Chinn (DHHL)
Rodney Funakoshi (DBEDT)
Luis Salaveria (DBF)
Ralph Morita (DAGS)
Shirley Swinney

Members Absent: Randy Grune (DOT)
Miles Kamimura

Others Present: Brian Lee, Chairperson
Chris Sadayasu, HCDA Asset Manager
Lori Tanigawa (Deputy Attorney General)
Tessa Malama, (HCDA Kalaeloa Director of Planning & Development)
Shelby Hoota
Loretta Ho
Ann Shimamura
Susan Tamura
Holly Hackett (Court Reporter)

For the Applicant Kalaeloa BOQ, LLC

Cyrstal Rose
Matthew Shannon
Alan Ong
Blair Suzuki

A public hearing of the Kalaeloa 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 10:06 a.m. on Wednesday, July 23, 2014 at the Department of Hawaiian Home Lands Conference Center, 91-5420 Kapolei Parkway, Kapolei, Hawaii 96707.

DEVELOPMENT PERMIT APPLICATION KAL 14-001: Kalaeloa BOQ, LLC

Chairperson Lee stated that the public hearing was being held in accordance with Hawaii Revised Statutes Section 206E-5.6, Subchapter 3 of Hawaii Administrative Rules Chapter 219 of Title 15, and Hawaii Administrative Rules Chapters 215 and 216 of Title 15.

The Applicant proposes to convert an existing nonconforming structure, the former Navy Bachelor Officers Quarters, into a rental Reserved Housing Project. The existing nonconforming structure was built in 1958 and was comprised of 200 studio units with shared bathrooms. The Applicant proposes to renovate the existing nonconforming structure into 100 one-bedroom rental housing units. The Project also includes fitness and recreation rooms, outdoor recreation amenities, parking and loading stalls. There are no variances, modifications or exemptions being requested for this Project.

A public hearing notice for the Project was published in the Honolulu Star-Advertiser on May 30, 2014. The President of the Senate and the Speaker of the House of Representatives were notified upon posting of the hearing notice. Property owners and lessee of record located within 300 feet of the Project site, the Kalaeloa, Ewa, Waianae Coast, Makakilo/Kapolei/Honokai Hale and Nanakuli-Maili Neighborhood Boards were notified of the public hearings. Various elected officials and State and County agencies were also notified of the public hearings.

A pre-hearing order specifying the dates and deadlines was issued on July 7, 2014. The applicant had no objections. The deadline for interested individuals or organizations to file a petition for intervention was June 19, 2014. No petitions for intervention were filed.

Chairman Lee stated that HCDA will conduct supplemental public comment sessions on Saturday, August 9, 2014 at 10:00 a.m. and Tuesday, August 12, 2014 at 6:00 p.m. Both of these sessions will be held at Barbers Point Bowling Center, 91-1259 Saratoga Avenue, Kalaeloa. Members of the public desiring to provide public testimony will be afforded the opportunity to provide testimony in the same 3 minute time frame that was available today for that purpose. All testimony given at these supplemental public comment sessions will be recorded by our Court Reporter and forwarded to the Authority for their review and placed into the record.

A second public hearing is scheduled for September 9, 2014. At that hearing, the staff will present its recommended findings of fact, conclusions of law and decision and order, after which the Authority will then accept additional public testimony prior to engaging in decision making on this development permit application. If the Authority decides to adopt a proposed decision and order which is adverse to a party to this proceeding, there will be an opportunity for the Applicant to file exceptions to the proposed decision and order. The deadline for filing exceptions would be September 16, 2014 and the Authority would reconvene on September 23, 2014 to make its final decision.

Appearances by the Applicant

Ms. Crystal Rose and Mr. Matt Shannon of the law firm Bays, Lung, Rose and Holma were present representing the Applicant, Kalaeloa BOQ, LLC. Also present were Mr. Alan Ong and Mr. Blair Suzuki, both who work for various Hunt entities.

Staff Report

HCDA Asset Manager, Chris Sadayasu stated that the HCDA staff had prepared a staff report regarding the Applicant's development permit request. This was distributed to the Members to review prior to this hearing and the staff has requested this report be entered into the record and accepted as presented.

Member Swinney asked Mr. Sadayasu to explain the inconsistencies in the recently subdivided project parcel and in the Application and submittals from the Hunt companies and the staff report.

Mr. Sadayasu replied that the Applicant completed the subdivision after submitting its Application and the Applicant will address these inconsistencies in their testimony.

Member Swinney also questioned if the proposed developer would address the effect of the subdivision to the parking and any future development along Wakea Street. Mr. Sadayasu responded affirmatively that it was his understanding.

Mr. Sadayasu presented a letter from the DLNR Hawaii Historic Preservation Division dated July 17, 2014 stating that the HRS § 6E-42 review of the proposed rehabilitation of Building 77 has been completed. Staff submitted this letter to the record marked HCDA Exhibit A and asked that this letter be accepted into the record.

Mr. Sadayasu gave a brief orientation of this project. He stated that the Building 77 Rehabilitation Project is located at 91-1245 Franklin D. Roosevelt Avenue, Kalaelo, Hawaii 96707 and is situated on Oahu Tax Map Key Parcel Number 9-1-13-11. This 67,345 net square feet building is the former Navy Bachelor Officer Quarters with Roosevelt Avenue to its North, Hornet Avenue to the West and the proposed Wakea Street Extension to its East. The Department of the Navy is the fee owner, Kalaelo Ventures, LLC the lessee and Kalaelo BOQ, LLC, the Applicant and future sublessee and operator of this rental project. The Applicant proposes to convert Building 77 into a 100 one-bedroom unit apartment complex. The Applicant is also committing to rent such units at rents that qualify these units as reserved housing units under the Kalaelo Community Development District Rules, thusly rent at no more than 140% of the Area Median Income (AMI).

Chairperson Lee accepted this staff report as well as HCDA Exhibit A into the record. He asked Counsel for Kalaelo BOQ, LLC to describe their exhibits.

Ms. Rose stated that they have three affidavits to submit into record from Blair Suzuki, Phil Camp (Architect of Project) and Alan Ong. They have also presented Exhibits 1-25 to the Authority. In addition they would like to include Exhibit 26, Letter of Intent to Sublease and Exhibit 27, Applicant's Compliance with Act 61, SLH 2014, into record with these three affidavits and Exhibits 1 – 25.

Chairperson Lee asked the Members if there were any objections. There were none. He accepted Kalaeloa BOQ, LLC Exhibits 1 – 27 and the three affidavits into record.

Chairperson Lee asked Ms. Rose to present her first witness.

Ms. Rose introduced Alan Ong, Chief Operating Officer, Hunt Development Group, LLC, Hawaii Division. Mr. Ong oversees the operations of the Hawaii development office which includes office operations as well as property development & asset management. Hunt has land holdings on the island of Oahu, the Big Island and Kauai. On Oahu, land holdings includes the 538 acres in the Kalaeloa area. Hunt Development Group is the development services provider for all the Hunt property ownership entities in Hawaii. Each Hunt entity retains Hunt Development Group to perform the development management. Kalaeloa holdings came to Hunt's ownership through a massive Ford Island development agreement, one of the first public/private partnership that was very successful. In exchange for Hunt providing and constructing new infrastructure on Ford Island, Hunt received several properties of which Kalaeloa was one. Portion of the Kalaeloa exchange was acquired in fee, approximately 460 acres were acquired in leasehold until Hunt is able to acquire these parcels in fee. Kalaeloa land holdings are held by Kalaeloa Ventures, LLC. The intent of Kalaeloa Ventures, LLC is to sublease the parcel that was created for this Project to Kalaeloa BOQ, LLC. Ford Island Ventures, LLC owns Kalaeloa Ventures, LLC, which owns Kalaeloa BOQ, LLC. All entities are divisions of the Hunt companies. Hunt Development Group is the development manager for Kalaeloa Ventures, LLC and Kalaeloa BOQ, LLC. Kalaeloa Ventures, LLC has given the Navy notice that they are ready to take the fee simple interest in all their Kalaeloa properties. The Navy is in the process of transferring the fee which Mr. Ong anticipates should be completed by the first half of 2015. Mr. Ong also is the Senior Vice President of Kalaeloa Ventures, LLC.

Ms. Rose asked Mr. Ong to explain Exhibit 26. Mr. Ong stated that this exhibit is a letter of intent for Kalaeloa Ventures, LLC to sublease to Kalaeloa BOQ, LLC, land, 4.4 acres, for the purposes of this proposed development. Ms. Rose asked Mr. Ong if he had the authority to make representations on behalf of the Hunt Development Group, LLC, Kalaeloa Ventures, LLC and Kalaeloa BOQ, LLC. He responded affirmatively. Ms. Rose also asked Mr. Ong, on behalf of these entities, if he would voluntarily submit to HCDA's jurisdiction over this specific project and the development permit application. He replied affirmatively. Ms. Rose then asked Mr. Ong if he agreed that this jurisdiction would be ongoing so that HCDA can maintain jurisdiction even after the close of this public hearing. Mr. Ong agreed.

Mr. Rose next introduced Blair Suzuki, a development manager of Hunt Development Group, LLC. He is responsible for this Project and will oversee the Project from start to finish. Mr. Suzuki gave detailed specifications of their ongoing work on this Project including his interaction with the project architect, Phil Camp of Hawaii Architecture, Bureau Veritas, DPP, Honolulu Fire Department, Data @ Work and SSFM International. Mr. Suzuki explained his analysis and calculation to the Reserve Housing Rental requirement contained HAR 15-216 § 3. He also explained in detail the various exhibits attached with this permit application.

Mr. Suzuki reviewed Applicant's compliance with Act 61.

A recess was taken at 10:54 a.m.

The hearing was reconvened at 11:09 a.m.

Chairperson Lee asked if Counsel had any further witnesses. Ms. Rose responded she did not but reserved the right to respond as they had expert witnesses on standby. Staff was first to question the applicant followed by Members.

Mr. Sadayasu asked Mr. Ong if Hunt Companies Inc. is the parent company and the Applicant and master lessee are wholly owned subsidiaries; Hunt Development Group, LLC is the development manager and service provider to the Hunt subsidiaries; Ford Island Ventures, LLC was the former master lessee that transferred its Kalaeloa assets to Kalaeloa Ventures, LLC; Kalaeloa Ventures, LLC is now the master lessee and successor to the Ford Island Ventures, LLC and its Kalaeloa assets; Kalaeloa Ventures, LLC will be the featured fee owner of the project site; and Kalaeloa BOQ, LLC has Kalaeloa Ventures, LLC as its sole member and as the Applicant, Kalaeloa BOQ, LLC will be the operator, lessee and future lessee of the project site. Mr. Ong replied in the affirmative to the description of the entities.

Mr. Sadayasu asked Mr. Ong if he is authorized to make representations on behalf of Hunt as the master developer and make commitments on the master developer's behalf with respect to this Project.

Mr. Ong replied in the affirmative.

Mr. Sadayasu asked Mr. Ong about Exhibit 25, a 2009 Utilities Sales Agreement between the Navy and Ford Island Ventures, LLC. As stated previously, Kalaeloa Ventures, LLC assumed the place of Ford Island Ventures, LLC when it acquired its Kalaeloa assets. For this Project, electricity, water and wastewater services will be provided by the Navy or its designated utility provider. The designated utility provider for water will be Purell, who is in the process of obtaining a PUC license. The system will be operated by the Navy until the ownership transfers. No water from the Board of Water Supply will be needed to service this project.

Mr. Ong replied in the affirmative and stated the system will be operated by the Navy until the ownership is transferred.

Mr. Sadayasu asked Mr. Ong if he would commit the master developer to participate in a future improvement district project with respect to the Roosevelt Avenue expansion and upgrade and the Wakea Street extension pursuant to the Kalaeloa Rules.

Mr. Ong replied in the affirmative.

Mr. Sadayasu asked Mr. Ong if he agreed that this Project and parcel be subject to the HCDA's jurisdiction during the life of this project.

Mr. Ong replied in the affirmative.

Mr. Sadayasu asked Mr. Suzuki if this development permit application was prepared by him or under his supervision and that this application would comply with the Kalaeloa Rules.

Mr. Suzuki replied in the affirmative.

Mr. Sadayasu asked Mr. Suzuki if the statements and information provided in Exhibit 27, Act 61 Criteria, were true and accurate. (This Project started before Act 61 was established.)

Mr. Suzuki replied in the affirmative.

Mr. Sadayasu asked Mr. Suzuki if Kalaeloa BOQ, LLC would continue to lease the parcel from Kalaeloa Ventures, LLC, which would establish site control.

Mr. Suzuki replied in the affirmative.

Mr. Sadayasu asked Mr. Suzuki if the Applicant was committed to construct sufficient parking on its 4,403 acre parcel.

Mr. Suzuki replied in the affirmative that they were actually providing 157 stalls for this Project.

Mr. Sadayasu asked Mr. Suzuki about a February presentation to the Kapolei Neighborhood Board and if he had addressed all their comments.

Mr. Suzuki replied that he received positive feedback from that presentation and that their comments were addressed.

Mr. Sadayasu asked Mr. Suzuki about the maximum occupancy of the one bedroom unit.

Mr. Suzuki replied that due to the size of the unit, City and County housing codes, will allow up to 5 persons/per unit. The 270 person occupancy limit was a residential calculation mainly for design standards.

Mr. Sadayasu continued his questioning of specifics regarding this Project. His final question asked if the master developer would commit to submitting an annual report showing the number of units developed in the district and the number of reserved housing units developed in the district.

Mr. Ong replied in the affirmative.

Chairperson Lee asked whether Members had any questions for the witnesses.

Member Salaveria asked Mr. Ong if they were communicating with the DOE in regards to compliance of HRS § 302A-1601.

Mr. Ong replied in the affirmative.

Member Swinney asked Mr. Ong to explain the 15 year lease term stated on Exhibit 26.

Mr. Ong replied that the Applicant's lease for the Project site will be for a minimum of 15 years as that is the starting point of negotiations internally between the development company and the master developer.

Mr. Suzuki also replied that the minimum date was set as required under the Kalaeloa Resort Housing Rules.

Member Morita asked for elaboration on the NEPA process.

Mr. Suzuki stated that their lands are federally zoned. There was an extensive 8-9 month approval process with the Navy that required Hunt to comply with the National Environmental Policy Act. Through this process, it was determined that this renovation project would have no adverse affect on the human or surrounding environments. No new Environmental Impact Statement or Environmental Assessment were required after this process.

Member Swinney asked about the construction time line.

Mr. Suzuki stated that he hoped to receive approval in September with construction to begin in early October. Project should be completed in April of next year.

Member Swinney asked if the completion would coincide with the lease conversion.

Mr. Suzuki replied that they are hoping to receive fee conveyance in March or April next year but it was hard to determine an accurate conveyance point at this time.

Member Swinney stated that there was a question in one of the Kalaeloa community group committees regarding public safety. The question raised was what governmental entity whether, Federal, State or City would have the responsibility to enforce the code. With Hunt's application for lease conversion, the responsibility will be with the City.

Mr. Suzuki replied that they are building to City standards.

Member Funakoshi stated the DOE letter seems to imply that an agreement is required before approval of the HCDA development permit.

Mr. Suzuki did not believe that the DOE has indicated this. It is their opinion that an impact fee is required for this Project and both parties have agreed to execute a master agreement that calls for impact fees and school sites for the entire development of the area.

Member Funakoshi read a quote from the DOE letter which stated that the school impact fee law requires a developer of three or more units to have an agreement with the DOE prior to the approval of any change of zoning, subdivision or any other approval. He asked if Mr. Suzuki would verify this.

Mr. Suzuki replied in the affirmative.

Member Funakoshi stated that Mr. Suzuki mentioned in terms of reserved housing, the maximum rental rate is 140% AMI. He also asked about their proposed rent rate which is to the 80% level.

Mr. Suzuki stated this proposed rate is based on \$1300 per month in addition to the utility allowances. He also stated that if you back into this number at 33% of the maximum income threshold, this would equate to 80% of the AMI or roughly \$50,000 for a one person household up to a maximum \$55,000 for a three person household.

Member Funakoshi replied that this affordability was very commendable. He continued that he had not seen any engineering studies and inquired about the last time that the BOQ was occupied.

Mr. Suzuki stated it was last occupied in 1999. He referred to a utility site plan exhibit where they have investigated existing waste water and water lines which are in good shape and which will be used. They will be connecting to the NAVFAC sub-station, adding 5 new poles and bringing a brand new line to the building.

Member Funakoshi stated that he had concerns about the existing infrastructure being adequate to service the Project.

Mr. Suzuki replied that the infrastructure was adequate.

Chairperson Lee asked if there were any further questions. There were none from the Members.

Chairperson Lee inquired of Mr. Ong or Mr. Suzuki if they would be complying with state contracting and licensing regulations.

Mr. Suzuki stated that he was unsure of the state contracting and licensing regulations.

Chairperson Lee asked if they would be utilizing licensed contractors and tradesmen.

Mr. Suzuki replied in the affirmative.

PUBLIC TESTIMONY AND COMMENT

Chairperson Lee noted that since the notice for this public hearing was published on May 30,

2014 and testimony invited, written testimony in support has been received from Kirsten Faulkner of Historic Hawaii Foundation and Rodney Boucher, member of the Ewa Neighborhood Board 23. Comments were received from the State Department of Education and the U.S. Department of the Interior, Fish and Wildlife Service.

The following persons provided oral testimony and were provided up to three minutes to testify on the Application:

1. Elden Esmeralda (Principal, Kapolei High School), support
2. Claudia Nakachi (Principal, Barbers Point), support
3. Catherine Graham, support
4. Brett Lemount, support
5. Shad Kane, support
6. Helen Crespo, support
7. Linda Painter, support
8. Lance Holden, support
9. Evelyn Souza, support
10. Ricky Cassiday, support

Questions/Discussion by Authority Members during the Testimony Period

Mr. Sadayasu asked Mr. Esmeralda what was the enrollment of Kapolei High School and would the school be able to accommodate additional high school students that may come in from the Project.

Mr. Esmeralda stated the current enrollment is 2,000 students and could work with any influx created by this Project.

Member Swinney asked Mr. Esmeralda if the shortage of housing for teachers was a normal occurrence.

Mr. Esmeralda stated that there is a need for teacher housing as many teachers come from out of state.

Member Swinney commented to Mr. Esmeralda that she hopes some of the area teachers take advantage and show an interest in this Project.

Member Salaveria asked Ms. Nakachi if there were plans to close Barbers Point Elementary School.

Ms. Nakachi said there were none because of the growing population.

Member Salaveria asked Ms. Nakachi what neighborhood her students are from.

Ms. Nakachi stated that her school was unique and that her students came from various neighborhoods.

Member Salaveria asked Ms. Nakachi how many students caught the bus to her school.

Ms. Nakachi replied when she first arrived at this school, there were two buses. Now there are six buses.

Member Swinney commented that she appreciated Ms. Nakachi's observations about the improvements Hunt has made in the area.

Mr. Sadayasu asked Ms. Nakachi about the enrollment of Barbers Point Elementary School and would the school be able to accommodate additional students that may come in from the Project.

Ms. Nakachi stated that enrollment is just under 700. She felt that any influx from the Project would be doable.

Member Salaveria asked Mr. Ong or Mr. Suzuki if there were any studies done on the amount of families with children that would occupy the units that they were developing.

Mr. Suzuki stated it is difficult to determine the demographics that would occupy these units and it would be purely speculative at this point.

Member Salaveria suggested this demographic issue, families with children, should be an ongoing topic with the development of Kalaeloa.

Member Swinney asked Mr. Kane as a member of Kalaeloa Heritage and Legacy Foundation, if he found Hunt supportive of the Foundation's effort.

Mr. Kane replied in the affirmative.

Member Salaveria asked Mr. Kane if he viewed the development as the beginnings to building that critical mass in keeping people here in Hawaii.

Mr. Kane believes that it is important that people like Hunt make the kind of decisions at this early point.

Member Swinney asked Ms. Painter if the development of the BOQ would add to the walkability as well as reaching out to businesses such as hers.

Ms. Painter replied in the affirmative.

A recess was taken at 12:16 p.m.

The hearing was reconvened at 12:27 p.m.

Chairperson Lee asked Mr. Cassidy if there was a demand for rental units in the Kalaeloa area and why developers are not able to provide affordable rentals

Mr. Cassidy replied that there is much more demand than supply. Affordable housing supply is often tied to regulated funds. Programs such as these have strict regulations and the problem lies in finding persons that have the income to support these housing programs.

Chairman Lee asked Mr. Cassidy what is the long term answer to provide affordable housing for local people.

Mr. Cassidy stated that affordable housing is a challenge but if done thoughtfully and respectfully, it can be accomplished and gave several scenarios.

Chairman Lee stated that this is a difficult problem requiring very innovative solutions that are not easy to accomplish.

CLOSING OF HEARING

Chairperson Lee directed the Applicant to submit its proposed findings-of-facts, conclusions of law and decision and order based upon the record of this proceeding no later than Tuesday, August 19, 2014. Any findings are to be tied to the exhibits in the record or to the page and line numbers of transcripts.

He also advised the Applicant that the Authority may have standard conditions that they may wish to consider for inclusion in the order that they prepare. A copy of the standard conditions may be obtained from Authority staff.

Chairperson Lee stated that with the exception of the supplemental public comment sessions, the next hearing on this application is scheduled for September 9, 2014.

ADJOURNMENT

The public hearing was adjourned at 12:47 p.m.

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