

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

Wednesday, May 6, 2015

KAKAAKO BUSINESS

I. CALL TO ORDER/ROLL CALL

A general business meeting of the Kakaako Members of the Hawaii Community Development Authority (“Authority” or “HCDA”), a body corporate and a public instrumentality of the State of Hawaii, was called to order by Chair Whalen at 10:13 a.m. May 6, 2015, at Authority’s principal offices at 547 Queen Street in Honolulu, Hawaii, 96813, pursuant to Article IV, Section 1 of the Authority’s Bylaws.

Members Present: Tom McLaughlin
John Whalen
Rod Becker (B&F)
Jade Butay (DOT)
William Oh
Jason Okuhama
Steven Scott
Mary Pat Waterhouse
Beau Bassett

Others Present: Anthony Ching, Executive Director
Lori Tanigawa, Deputy Attorney General
Lindsey Doi, Compliance Assurance & Community Outreach
Officer
Aedward Los Banos, Asset Manager
Sara Allen, Asset Management Specialist
Shelby Hoota, Media Specialist
Laura Savo, Court Reporter

II. APPROVAL OF MINUTES

1. Kakaako Regular Meeting of April 1, 2015
Chair Whalen asked if there were questions or corrections to the minutes of April 1, 2015 and hearing none, the minutes were approved as presented.

III. REPORT OF THE EXECUTIVE DIRECTOR

Executive Director, Tony Ching, gave his report and provided updates on HCDA projects, asset management, and financials. Mr. Ching also noted that Amy Luersen has declined to serve as HCDA Secretary, as the roles and responsibilities conflict with her current work schedule. Mr. Ching also passed out and discussed an HCDA response letter to Rep. Scott Saiki's inquiry on the state of homelessness in Kakaako. He gave a short PowerPoint presentation on the current status of homelessness in the district, and what the HCDA can and does do to be part of the solution.

Member Waterhouse asked if a copy of Mr. Saiki's letter was in the packet, to which Mr. Ching replied he would send it to members shortly.

Chair Whalen proposed adding this subject to the agenda for the next Kakaako meeting to allow members to read through HCDA's response and digest the associated materials.

Member Scott asked about the city's relocation of the stored property ordinance division to Kakaako Makai. Mr. Ching replied that the city's coning branch, which enforces the stored property ordinance and sit lie law, will be relocating from Auahi Street to the former Look Laboratory lot near Ohe and Olomehani Streets. The HCDA is still trying to develop utilities there so that the division can move in and have an enforcement presence in the area. Member Scott asked when the last street clearing was done in Kakaako. Mr. Ching noted that the last street beautification done by the city was perhaps over two months ago, and that the city police did recently go into the area to ensure there was no public camping in parking lots.

Chair Whalen noted that there are other means and funding available for emergency shelters. He said he was interested in cooperating with the city and other agencies to address the issue, since the HCDA is not an isolated entity. Chair Whalen wants the HCDA to look at the issue more broadly to see who may be responsible for intervention.

Member McLaughlin asked when the city relocation would be complete. Mr. Ching noted the HCDA is still working to secure water and power at the site, and a right of entry may be secured within a few months.

Member Bassett asked about the coning division and what it is. Mr. Ching explained it is the city division that manages all street programs to ensure operation and maintenance of all city streets.

Chair Whalen asked about the sit-lie law, to which Mr. Ching noted it excludes Kakaako.

Member Butay asked who enforces the park rules. Mr. Ching stated HCDA staff enforces the park rules with the support of the Sheriff's office and private security. HPD can respond to emergencies in the parks as well.

Member Waterhouse asked what organization is dealing with the homeless. Mr. Ching noted a number of agencies and programs who work with the homeless, including DHS and Waikiki Health Center, through the Next Step Shelter.

PUBLIC TESTIMONY

1. Sharon Moriwaki, Kakaako United: Stated she appreciates the board looking at the problem and the coordination between agencies. She asks Mr. Ching to bring some of the agencies to report on the status of Kakaako homelessness to the next briefing.
2. Jack Hamada: Asked Mr. Ching about the parking lot by McKinley high school and the land on the corner. Mr. Ching discussed the Dept. of Education's ongoing project at the site, which would develop a new track and field and tennis courts.

There were no additional comments on this item from board members or the public.

IV. KAKAAKO BUSINESS

2. Decision Making: Shall the Authority Authorize the Executive Director to Enter into a Memorandum of Understanding with the Department of Human Services to Continue a Jobs Training Program in the Kakaako Community Development District for an Amount Not to Exceed \$354,000.00 from the Hawaii Community Development Revolving Fund, Leasing and Management Subaccount, for a Twelve-Month Period Effective July 1, 2015 to June 30, 2016?

Mr. Ching summarized the report located in tab 2 of the packet and discussed the merits of the Jobs Training Program/Security Deposit Matching program and HCDA homeless outreach. Mr. Ching noted these are hand ups, not hand outs, as they provide homeless with opportunities to learn job skills and earn money to get off the streets.

Member Scott asked where the money comes from, to which Mr. Ching noted that the money comes out of HCDA's revolving fund and not state appropriations. Member Scott asked why this was HCDA's responsibility to pay for it. Mr. Ching noted the expenditure must be made by the HCDA to maintain park facilities anyway, so this program fills that need but also helps residents. Mr. Ching explained Waikiki Health Center employs the residents for the program, while DHS provides the contract supervision.

Member Becker asked about competitive selection for these services. Mr. Ching noted that there is a memorandum of agreement with DHS to provide these services via an interagency agreement. The securing of Waikiki Health Center by DHS was done via the required procurement channels.

Member McLaughlin asked about adding a requirement for including new reports on individuals who are helped by the program into the MOU. Mr. Ching replied he would add it.

Member Scott asked if the program was directly attributed to the homeless in Kakaako. Mr. Ching replied that the location of the homeless shelter does bring homeless to the area, however other factors like being excluded from the city's sit-lie law and a lack of body heat in the parks drive homeless to Kakaako Makai. Mr. Ching noted this is a temporary solution until the community comes up with a long term solution.

Member Scott asked about the year to year expenditure, to which Mr. Ching replied the program funding levels have been relatively flat since it was created (around 2010).

Member Bassett asked about park landscaping, to which Mr. Ching replied that landscaping is a separate contract for the parks. He noted park expenses exceed \$1 million a year, and this agenda item only represents one part of it.

PUBLIC TESTIMONY

1. Sharon Moriwaki, Kakaako United: Asked about evaluations about the people helped and the services provided. She asks for clarification about whether this is a jobs training program or a homeless program and that it be included in the briefing if it is a homeless program.
2. Richard Kaai, Next Step Shelter: Explained the program has helped residents by giving them good employment history for future job applications. Program lasts 6-months for each member, and recently members have left the program because housing has opened up for them because of their participation with the program. 36 participants last year, with 21 gaining employment for the year. Many are COFA migrants, and they don't have prior employment or skills, which this program teaches them. Money management classes are also offered at the shelter. These are tough jobs, so staff shortages are a problem, but the jobs training program is successful at helping participants learn skills.
3. James and Cece Kualau, Jobs Training Program supervisors: Were homeless for 3 years, stayed at Next Step for 2 years. Were able to get off streets and into their own place thanks to the jobs training program. People need to be willing to help themselves first, before we can help them.

Mr. Ching noted that the cost of janitorial and maintenance services for the parks would be comparable to this expenditure. He noted this program serves a dual benefit, since it provides the services HCDA requires but also benefits an at-risk population.

Chair Whalen asked about the urgency and whether the current MOU needs to be replaced. Mr. Ching noted that the current MOU expires at the end of June but it is more efficient to take action now.

Chair Whalen asked about the capacity for Next Step Shelter, to which Mr. Kaai replied it has a 246 capacity and right now 245 are filled. Mr. Kaai noted the shelter has only been at capacity for the last year, since the city's sit-lie law went into effect.

Member Scott asked about the staffing shortages. Mr. Kaai noted that participants are employed through Waikiki Health Center, so they need references and background checks.

Mr. Ching noted that he misspoke about delaying this item, as with the MOU contract expiring on June 30, the HCDA would need to procure a replacement service in the interim. Chair Whalen acknowledged.

There were no additional comments on this item from board members or the public.

Chair Whalen entertained a motion for this item. A motion was made by Member McLaughlin and seconded by Member Oh. The motion was approved unanimously.

Chair Whalen recessed the meeting at 11:25 a.m.

Chair Whalen reconvened the meeting at 12:05 p.m.

3. Decision Making: Shall the Authority Authorize the Executive Director to Enter into a One-Year Elevator Maintenance Contract with an Option to Extend for Two One-Year Periods and Expend an Amount Not to Exceed \$60,000.00 from the Hawaii Community Development Revolving Fund, Leasing and Management Subaccount, for the HCDA's Offices in the American Brewery Building?

Mr. Ching summarized the report located in tab 3 of the packet.

Member Scott asked if this what put out to bid. Mr. Ching noted it was procured online as required by state procurement process, but Kone was the only respondent.

There were no additional comments on this item from board members or the public.

Chair Whalen entertained a motion for this item. A motion was made by Member Scott and seconded by Member Bassett. The motion was approved unanimously.

4. Decision Making: Shall the Authority Authorize the Executive Director to Enter into a Right of Entry with the University of Hawaii for a Term of 3 Years for the 135 Ohe Street Parking Lot Located in Kakaako Makai on TMK (1) -2-1-060:30 (por)?

Mr. Ching summarized the report located in tab 4 of the packet. Mr. Ching noted this parking lot would be located across the main entrance to JABSOM and would

serve visiting professors, etc. This would be a flexible lot, above and beyond UH's required parking requirements, and security would be provided by UH.

Member Bassett asked about how the \$1,000 a month rent was calculated.

Mr. Ching replied it was an offered figure and is not required by zoning. Member Bassett noted that the price should be higher, similar to values with the other parking used by UH. He asked about other possible uses for the lot. Mr. Ching noted that the parking lot is public and serves Children's Discovery Center. He noted the lot is in the middle of homeless encampments, so he is not aware of any other potential uses.

Member Waterhouse asked about security, to which Mr. Ching replied UH security has one security guard present during weekday business hours, not at night. Mr. Ching noted there is no fencing or gate. Member Waterhouse stated it should cost at least \$2,000. Member Bassett noted it's a nice looking lot and well maintained.

Member Scott asked about regulating who uses the lot, to which Mr. Ching replied UH security would monitor that. Member Scott asked about weekend use, and Mr. Ching did not believe a security guard would be present.

Member Butay asked about the right of entry and Mr. Ching stated the right of entry would be non-exclusive and granted by HCDA.

Member Bassett asked about the other acknowledged uses for other people and stated it might justify the lower price. Ms. Tanigawa stated that language is the standard language for a right of entry that allows others to use the property as long as it doesn't interfere. Mr. Ching noted that other uses could be events such as Sen. Chun Oakland's outreach event held at night.

Member Scott asked about UH being permitted to gate the entrance/ exits and exclusivity. Mr. Ching noted UH offered installing a gate, however they ultimately chose to use a security guard instead to control access during weekday business hours. This allows others to use the lot during non-business hours. Mr. Ching stated there is currently a chain on the parking lot at night, after 10 pm.

Ms. Tanigawa noted that UH would need to notify HCDA of any changes.

There were no additional comments on this item from board members or the public.

Chair Whalen entertained a motion for this item. A motion was made by Member Waterhouse with the amendments for a term of 1 year for \$2,000. Member Waterhouse asked if there was any reason UH would reject \$2000, and Mr. Ching noted that it seemed fair.

Member Okuhama asked about control for the other UH lot. Mr. Ching stated HCDA maintains a concessionaire who manages the lot for about 376 stalls.

The board unanimously approved the Authority to Authorize the Executive Director to Enter into a Right of Entry with the University of Hawaii for a Term of 1 Years for the 135 Ohe Street Parking Lot Located in Kakaako Makai on TMK (1) -2-1-060:30 (por), provided the rent is no less than \$2000 a month.

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. 703 and Consenting to the Owner's Request to Refinance the Original Mortgage?

Mr. Ching summarized the report located in tab 5 of the packet. He clarified the buyback period for this unit was 2 years, which has now expired. Member Okuhama asked about the period for shared equity, to which Mr. Ching replied there is no expiration and the shared equity will be paid upon first transfer.

Member Bassett asked about the title change, which would be a first transfer. Mr. Ching noted since no equity is leaving, HCDA Mauka Area Rules allows a petition for the title change without triggering the shared equity.

Member McLaughlin asked about whether the partners were not brothers if HCDA's position would be different. Mr. Ching noted if the partners were taking out equity during the title transfer, then it would be a first transfer and shared equity would be triggered.

Chair Whalen recessed the meeting at 12:36 p.m.
Chair Whalen reconvened the meeting at 12:45 p.m.
George Atta joined the meeting.

Mr. Ching noted this particular case represents a void in HCDA rule, as it does not involve the removal of equity or impact equity.

Member Oh discussed cash out refinancing and protecting HCDA's shared equity. Mr. Ching noted that as long as there is no cash out, then it's ok. Member Bassett asked about a document that would be given to the owner, to which Ms. Tanigawa replied there would be a subordination agreement between the owner and HCDA. Mr. Ching reaffirmed that the subordination agreement would not release the owner from the shared equity clause.

Member Okuhama noted that some would recognize that changing title is technically a sale. Mr. Ching stated that the shared equity remains and would be exercised at the first point of sale.

Member Scott asked about the removal of equity, to which Mr. Ching replied the owners are representing that they will not take out equity.

There were no additional comments on this item from board members or the public.

Member Becker asked for verification there is no consideration being made for the transfer. Ms. Tanigawa noted that subordination is only subordination, and verification happens at the staff level and is not part of that document.

Member Oh made a motion to Authorize the Executive Director to Execute an Agreement Subordinating its Shared Equity Encumbrance on the Keola La'i Condominium Unit No. 703, provided verification that there is no consideration being paid occur prior to the execution of the agreement. Member Okuhama seconded the motion. The motion was approved unanimously.

- 6. 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. 1608 and Consenting to the Owner's Request to Refinance the Mortgage?

Mr. Ching summarized the report located in tab 6 of the packet.

Member Okuhama noted that interest rates are low so he finds it odd that buyers are refinancing now. Mr. Ching noted he may end up behind, due to the costs of refinancing.

There were no additional comments on this item from board members or the public.

A motion was made by Member Okuhama and seconded by Member McLaughlin. The motion was approved unanimously.

- 7. Information and Discussion re: Request for Proposals to Develop an Affordable Low- to Moderate-Income "Micro Unit" Housing at 630 Cooke Street Staff Update to the Authority.

Mr. Ching presented his report from the members' packet, which included a history of the project at 630 Cooke Street, as well as the solicitation and scope. Mr. Ching noted that the HCDA has received 7 proposals and has identified the top 3. HCDA solicited best and final offers from the top 3 and is looking to make a potential selection. Mr. Ching mentioned that the offers and negotiations can be discussed in executive session.

Member Butay made a motion to enter executive session. Member Bassett seconded the motion. All members unanimously approved entering into executive session.

Chair Whalen recessed the meeting at 1:04 p.m.

Pursuant to Section 92-5(a)(3) and 92-5(a)(4), Hawaii Revised Statutes, the Authority convened in Executive Session at 1:10 p.m.

The regular meeting was reconvened at 2:12 p.m.

There were no additional comments on this item from board members or the public.

8. Information and Discussion re: 2015 HCDA Reserved Housing Investigative Committee Report.

Mr. Ching summarized the report located in tab 8 of the packet and made a PowerPoint presentation that documents the huge demand and low supply of housing in Hawaii, as well as the challenges to building housing for lower income groups.

Member Atta mentioned that the city's affordable housing requirement only triggers with a zoning change, which does not produce much. The city proposed broadly applying the affordable housing requirement, however a question over the legality of that is now being explored. Member Atta explained this is because the landowner would generally get a higher land value from rezoning, but requiring affordable units without rezoning would be taking something from the landowner without giving anything in return.

Mr. Ching noted that HCDA can have these types of affordable housing rules because it has purview over all new developments in Kakaako.

Chair Whalen asked about taking certain policy positions and making other rule changes. He stated extending the rental term from 15 to 30 years, and the buyback period should be done immediately. He noted TIF and whether the city was exploring it. Member Atta mentioned the administration may be open to it now.

Mr. Ching noted that the legislature requested to be briefed on the housing report. It is now included and referenced in HCDA's 2014 annual report so that lawmakers can incorporate statutory changes as they see fit.

Chair Whalen stated Honolulu should be like Boston, which requires affordable housing at the building permit level.

Member McLaughlin asked about an educational campaign that should precede any proposed action by the board to prevent any potential problems. Mr. Ching noted that he can solicit specific questions and areas where there should be education to bring everyone to a common ground prior to any action. Chair Whalen agreed, but stated they should continue the momentum on this report.

PUBLIC TESTIMONY

1. Galen Fox, resident: UHERO study on housing areas didn't mention low or moderate income at 120% AMI, with only three areas going as high as 120%. HCDA's affordable housing definition needs to be changed, since a low or moderate income family could qualify to buy a unit for \$750,000, which is not affordable.

There were no additional comments on this item from board members or the public.

9. Information and Discussion re: EIS and Master Planning for Active Use Facilities at Kakaako Makai Parks.

Mr. Ching summarized the report located in tab 9 of the packet. He stated that the draft EIS should be published in July 2015, followed by a 45-day public comment period and eventually the finalized EIS being accepted at the end of 2015. A master plan will be completed around the same time, in December 2015.

Chair Whalen noted that the city is master planning for Ala Moana Beach Park and that's helpful to the HCDA in its own master planning. He noted there is a lot of pushback against commercialization of the park.

Mr. Ching noted that the promenade on the Ewa side of Kewalo Basin transitions to OHA lands, where the HCDA exercises little control. However, the HCDA is using elements described by the Trust for Public Land for good park creation. Mr. Ching noted that nothing will be pushed through without thorough consideration.

Member Scott asked if OHA's actions will be reflected in the EIS. Mr. Ching stated that the EIS only deals with park lands, which are not OHA lands. However, the EIS will disclose to OHA about the impacts of activities and how OHA can participate in the master plan. The original Conceptual Master Plan incorporated OHA lands, which were previously owned by HCDA. Member Scott stated that whatever OHA does with its land will impact the area. Mr. Ching stated that HCDA will ensure that OHA developments have enough parking, etc. to not negatively impact park activities. Member Scott asked about OHA being bound to the conceptual master plan, to which Mr. Ching noted that OHA is not bound to that plan and has landowner rights to develop their lands according to HCDA's makai area rules. HCDA was bound to that plan when the lands were owned by HCDA.

Chair Whalen asked that when OHA requests a development permit, if it goes through HCDA. Mr. Ching clarified that if OHA comes to HCDA as a government agency with a project, the HCDA will consult with them. However if OHA leases property to a private agency, they must undergo the full development permit application process.

Member Butay asked if HCDA was ever cited for MS4 violations. Mr. Ching noted that construction activities that leak into the stormwater system might end up in the harbor waters, but HCDA is working to prevent getting into any NOV situation. Mr. Ching noted park rules are in effect, but park permitted events are not generally a money making activity.

PUBLIC COMMENT

1. Tom Schnell, PBR Hawaii: Was interested in hearing what the board had to say about the master planning for park lands in Kakaako Makai.

There were no additional comments on this item from board members or the public.

V. ADJOURNMENT

Chairperson Whalen adjourned the regular meeting at 3:22 p.m.

Respectfully submitted,

/s/

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