

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

Wednesday, September 2, 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 10:17 AM September 2, 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: Beau Bassett
Jade Butay (DOT)
Tracy Ban (B&F)
Tom McLaughlin
William Oh
Jason Okuhama
Mary Pat Waterhouse
Steven Scott
John Whalen

Members Absent: George Atta (DPP non-voting)

Others Present: Lori Tanigawa, Deputy Attorney General
Mike GK Wong, Deputy Attorney General
Deepak Neupane, Planning Director
Laura Savo, Court Reporter
Tommilyn Soares, Secretary
Lindsey Doi, Compliance Assurance & Community Outreach
Shelby Hoota, Media Specialist

II. APPROVAL OF MINUTES

Kakaako Special Meeting of July 22, 2015

Chair Whalen asked if there were questions or corrections to the minutes of July 22, 2015 meeting.

Member Swinney noted the Pacifica Unit number on page four, paragraph 3 of the minutes appears to be transposed and the unit number should be 1205. Chair Whalen

noted with correction to the transposed unit number, as no other comments or questions were made, the minutes of the July 22, 2015 meeting were approved.

III. REPORT OF THE EXECUTIVE DIRECTOR

Deepak Neupane deferred to the report provided in the board packet.

IV. KAKAAKO MATTERS**

1. Information and Discussion re: (a) *Close Construction, Inc. v. Hawaii Community Development Authority, et al.*, Civil No. 14-1-0599-03; and (b) *DTRIC Insurance Company Ltd. v. Hawaii Community Development Authority, et al.*, Civil No. 14-1-1585-07.

Chair Whalen asked if anyone in the audience would like to provide testimony on this item before the Authority convenes in executive session. There were no comments or questions by the board or members of the audience.

Member Waterhouse made a motion to enter executive session. Vice Chair Scott seconded the motion. All members unanimously approved entering into executive session.

Chair Whalen recessed the meeting at 10:21 a.m.

Pursuant to Section 92-5(a)(4), Hawaii Revised Statutes, the Authority convened in Executive Session at 10:21 am

Chair Whalen reconvened the regular meeting at 11:00 a.m.

2. Appointment of HRS § 92-2.5(b) Investigative Committee re: (a) *Close Construction, Inc. v. Hawaii Community Development Authority, et al.*, Civil No. 14-1-0599-03; and (b) *DTRIC Insurance Company Ltd. v. Hawaii Community Development Authority, et al.*, Civil No. 14-1-1585-07.

Chair Whalen asked if there were any members in the audience that would like to provide public testimony. No questions or comments from the board or the public were made.

Chair Whalen appointed member Shirley Swinney and Member Mary Pat Waterhouse to the investigative committee to attend the upcoming mediation for this item and develop recommendations for the Authority's consideration and action. This committee shall present its recommendations at a duly noticed Board meeting following the conclusion of the mediation.

3. Information and Discussion re: Amendment of Kakaako Reserved Housing Rules.

Deepak Neupane provided an overview of HCDA's reserved housing rules. The Part of the Solution Report ("POTS Report") provides recommendations on, financing techniques, producing more low-income rental units, building more moderate-income units (rental for sale), preserving existing and future reserved for-sale housing stock and reducing development costs for reserved housing and low-income housing tax credit (LIHTC) rental unit projects, of the HCDA reserved housing program. Recommendations require continual dialogue and working together with elected officials and other State agencies for implementation. However, there are several recommendations that can be implemented by amending the current reserved housing rules for the KCDD. A brief presentation on aspects of these recommendations were handed out as Exhibit A in the board packet. In October 2014, the authority authorized the Executive Director to begin the process of amending the Mauka Area Rules and the Kakaako Reserved Housing Rules. The rule amendment process involves extensive consultation with KCDD landowners, developers, State agencies and other stakeholders in addition to two public hearings required by HRS, Section 206E-5.6.

Mr. Neupane made a presentation on the amendment of the Kakaako Reserved Housing Rules.

Chair Whalen commented Kakaako reserved housing is a top priority and may be appropriate to look at what the city does for unilateral agreements because it's comparable to what a developer would be required to fulfill for the city in terms of affordable housing requirements and would make sense to have similar requirements. Chair Whalen also commented it'd be much more attractive to have land dedication to fulfill reserved housing requirements that could be for for-sale housing as well as rental but particularly for rental, some legislators and Hawaii Housing Finance Development Corporation (HHFDC) are also very acceptable and partnership with HHFDC is key.

Member McLaughlin suggested that before investing an enormous amount of effort on a very broad scale staff may want to make some assumptions on the more likely things that can be accomplished and get an assessment of how many units are actually produced versus leaving everything as it is to get an idea on how to move forward.

Member Waterhouse asked what the equivalent to the cash-in-lieu would be.

Mr. Neupane responded according to the formula right now, it's just a fraction of what the cost to produce a unit would be and it would roughly translate to \$70,000 to \$100,000 cash in lieu versus about \$400,000 to \$500,000 for the construction of the unit.

Member Waterhouse confirmed Mr. Neupane's response and stated so you're saying its \$70,000 to \$80,000 would be the four to five percent, but in reality, it's costing (even if its reserved housing) at least \$400,000? Mr. Neupane confirmed.

Member Basset asked why the equation stops at 180 and doesn't say for 200. You go five for 300 percent over AMI, you go to 10? Mr. Neupane responded he doesn't know but thinking back to when that rule was adopted from 140 percent it goes to 180 and it flattens out at four percent. Member Bassett stated his interest in understanding more about that. Mr. Neupane responded and stated he'd go back and take a look and see the data filed in the archive to get an idea of how that rule was developed.

Chair Whalen stated to move forward with the agenda and as this item will be continued the authority will now receive public comment.

PUBLIC TESTIMONY

Galen Fox – Kakaako resident, testified in support of the effort to change housing policy on affordable housing and urged the board to fast track the issue.

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

4. Decision Making: Shall the Authority Exercise Its Option to Buy-Back the Pacific Honolulu Condominium Reserved Housing Unit 609?

Mr. Neupane briefly summarized the report provided in the board packet. The unit under consideration is in the Pacifica project, unit # 609 and is currently under the five-year buyback provision of the Authority. HCDA's shared equity is \$25,000. The original purchase price was \$425,000 and the market price was originally appraised at \$450,000. Currently the unit is appraised at \$643,000 to \$643,600. The current owners notified staff of their intent to sell the unit and is requesting the Authority's declaration with respect to its buyback option on the reserved housing. The owners are seeking a waiver of the Authority's buyback provision so they can sell the unit at market value.

Member Oh asked Deepak to confirm the two options for the Authority on this item. If the Authority doesn't go with the waiver of the option, is it to sell it back at the reserved housing price based on the AMI technique that was discussed in reserved housing and/or the third option would be finding a substitute buyer for it; right?

Mr. Neupane confirmed yes, the third option would be to find another buyer and/or work with an agency like HHFDC to see if they'd like to buy it back and keep it in their affordable housing pool and manage it.

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

Vice-Chair Scott made a motion to enter executive session. Member Waterhouse seconded the motion. All members unanimously approved entering into executive

session.

Chair Whalen recessed the meeting at 12:26 PM p.m.

Pursuant to Section 92-5(a)(4), Hawaii Revised Statutes, the Authority convened in
Executive Session at 12:26 pm

The regular meeting was reconvened at 1:11 p.m.

Chair Whalen announced the authority decision will be deferred to the
September 16, 2015 meeting pending Title details on Pacifica Unit 609.

V. ADJOURNMENT

Chairperson Whalen adjourned the regular meeting at 1:12 p.m.

Respectfully submitted,

/s/

John Whalen,
Chair

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