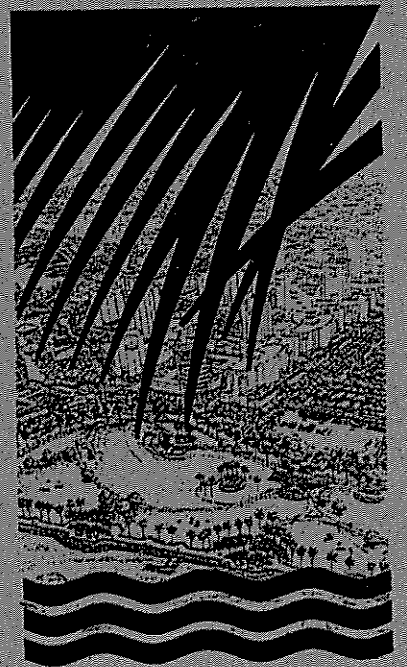


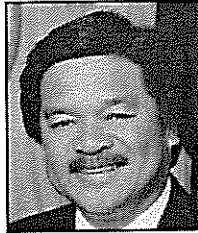
HAWAII
COMMUNITY
DEVELOPMENT
AUTHORITY

1996
Annual
Report



LETTER TO THE GOVERNOR

The Honorable Benjamin Cayetano
Governor
State of Hawaii



Dear Governor Cayetano:

It is with great pride that we present the Hawaii Community Development Authority's (HCDA) Annual Report for the 1995-96 Fiscal Year. This report describes the Authority's activities, accomplishments and progress as it continues in its mission to create in the Kakaako District a community where Hawaii's people can live, work and play in harmony.

For too long, Kakaako had been known mainly for its aging, poorly-functioning infrastructure and overall blight. Since its inception, the HCDA has worked to shape the destiny of this valuable urban community and today, many are cognizant of the attractive and vital district that is emerging there. During the past fiscal year, the HCDA continued its ambitious program of improving and upgrading the deteriorating system of roadways and utilities in Kakaako. The Honuakaha Affordable Housing Complex was completed, making affordable elderly rental units and for-sale condominiums available to Hawaii residents. Major improvements to Kewalo Basin's harbor and park were completed, facilitating access, traffic circulation and parking within the area. Yet, much work lies ahead. The changing social and economic conditions, and the passage of time, have tended to constrain timely redevelopment in Kakaako. During the past year and in the future, the Authority will continue to ensure that its rules and goals promote increased development activities in Kakaako and to support economic development in the State at large. The transformation of Kakaako's Makai Area and waterfront lands holds much promise for the State's future. The Authority is continuing its planning efforts for this area to accommodate the growing recreational, cultural and commercial needs of Hawaii's residents and visitors.

As the HCDA pursues its goals, we have to acknowledge the invaluable contributions and support of many organizations and individuals—the State administration and Legislature, other government agencies, community groups, private developers, concerned citizens, and Kakaako's landowners, business people and residents. Their continued support and participation is crucial to the HCDA's mission and success.

Respectfully yours,

A handwritten signature in black ink, appearing to read "Michael K. Kawaharada". The signature is fluid and cursive.

Michael K. Kawaharada
Chairman
Hawaii Community Development Authority

HAWAII COMMUNITY
DEVELOPMENT AUTHORITY
1996 ANNUAL REPORT

A report covering the period of
July 1, 1995 - June 30, 1996

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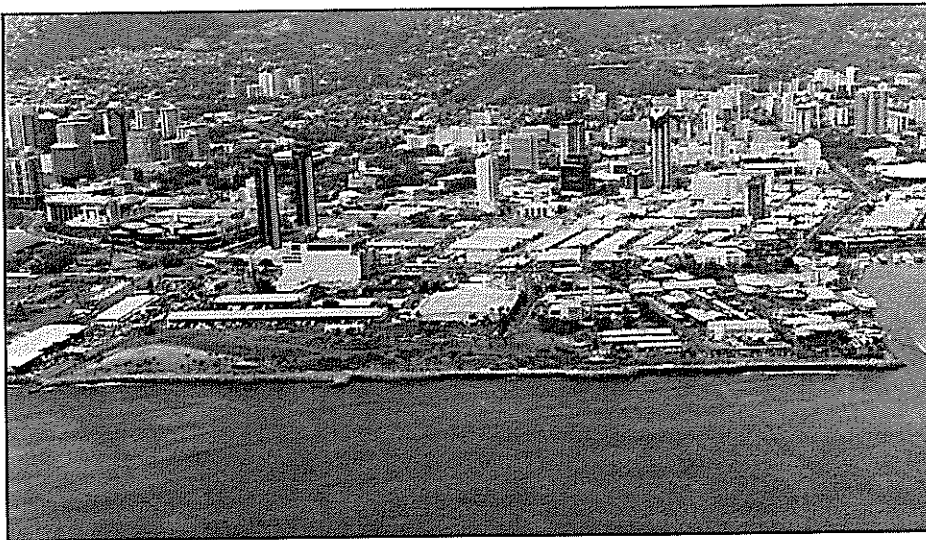
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A Introduction: About the Hawaii Community Development Authority

Recently marking its two decades in existence, the Hawaii Community Development Authority (HCDA) was created by the 1976 State Legislature to plan for and implement the timely redevelopment of urban areas in the State of Hawaii which are determined to be in need of revitalization. Such areas are designated by the Legislature as "Community Development Districts".



The 1976 Legislature designated the Kakaako area as a Community Development District, endorsing its potential for increased growth and development and its inherent economic importance to Honolulu as well as the State. Legislators recognized that the Kakaako District was underdeveloped and underutilized relative to its central location in urban Honolulu, and at risk of becoming a seriously blighted area. Furthermore, the Legislature determined that the redevelopment of Kakaako offered significant opportunities to address the needs for more housing, parks, open areas, and new commercial and industrial space in the

urban core.

To fulfill the legislative mandate, the HCDA is empowered with comprehensive planning, development, and financing authority to implement a range of programs to revitalize Kakaako. Having substantial authority to implement its own long-term development plans for Kakaako, the HCDA is uniquely positioned to simultaneously address the range of issues and concerns associated with the redevelopment of a major community which traditionally has been the responsibility of multiple agencies.

The Kakaako Community Development District Plan was adopted by the HCDA in 1982 following an intensive, five-year planning process. The Plan regulates both public and private development activities in the revitalization of Kakaako.

In 1993, the State Legislature designated the Hamakua region of the Island of Hawaii as a new HCDA Community Development District to plan for the long-term economic stability of the area and to address the critical needs of the community as a result of the closure of Hamakua Sugar Company. With this act, the Legislature broadened the purpose of the HCDA to allow the agency to redevelop community development districts in all areas throughout the State rather than in urban areas only. While \$1 million was initially appropriated to fund, in part, the formulation of a Hamakua Community Development District Plan—a prerequisite to HCDA implementing programs or projects for the



District—the 1994 Legislature reallocated these funds for specific services and projects to provide immediate relief to the Hamakua community. Funds were not set aside for HCDA to administer this redevelopment effort or to develop a community district plan. This action has effectively relieved HCDA of its responsibility to redevelop Hamakua.

HCDA's Organization

As a public corporate entity, the HCDA is attached to the Department of Business, Economic Development & Tourism for administrative purposes. Eleven voting members from the private and public sectors comprise the HCDA board of directors. The board members oversee the agency's operations and establish policies to implement the legislative objectives. Four HCDA members are ex-officio, voting members from the State Departments of: Accounting and General Services; Budget and Finance; Business, Economic Development & Tourism; and Transportation. Of the remaining seven members, four are appointed directly by the Governor and three are selected by the Governor from recommendations submitted by the Council of the county in which a community development district is situated. The HCDA Executive Director serves as the chief executive officer and is appointed by the Authority members. The HCDA staff includes personnel in the areas of planning, engineering, development, finance, relocation, public information and administrative services.

The HCDA's Objectives in the Kakaako District

As designated by the Legislature, the Kakaako Community Development District currently includes: 670 acres of land bounded by Piikoi, King, Punchbowl Streets and Ala Moana Boulevard; the stretch of waterfront from Kewalo Basin to Pier 4 in Honolulu Harbor; and the Hawaiian Electric power plant site in downtown Honolulu. The Kakaako District is largely comprised of retail and commercial businesses, wholesale and semi-industrial companies, and single and multi-family residences. Much of Kakaako has come a long way from being a swampland or submerged under water. The area was filled, developed and redeveloped over the years. From the early 1900s until World War II, Kakaako was an important residential area, sprinkled with stores and commercial activities to service the neighborhood. Over the years, Kakaako then changed from a residential neighborhood to a primary industrial area and, finally, to an economic center of varied commercial and service activities. Prior to the creation of HCDA, Kakaako had remained relatively underutilized and underdeveloped. Since its inception, HCDA's goal has been to transform Kakaako into an economically and socially viable community of residents and businesses, and to provide a range of public benefits to address critical community needs.

The development plan for the Kakaako District reflects the best of Honolulu's future—a bustling business center during the day and entertainment center at night. The new Kakaako will combine open space and parks with well-planned commercial, industrial and residential development, including affordable

housing. With public and private sector investment, the Kakaako of the future will feature new retail shops and office space, a variety of restaurants and entertainment, and improved infrastructure to provide the services, growth opportunities and quality of life that will make Kakaako an ideal place for residents and visitors. Kakaako will once again become a vibrant and cohesive community through the people that work and live there. Along with convenient public transportation and increased parking, improved roads and new sidewalks will ease traffic congestion and make Kakaako a safer, less cluttered and cleaner environment. The revitalized Kakaako waterfront will provide acres of new park area and open space, making miles of shoreline accessible to residents. With new cultural, educational and entertainment facilities, it will become the premier gathering place for residents and visitors.

The Kakaako District development plan provides a flexible framework for district-wide community development and improvements over the next thirty years. It serves as a decision-making tool to guide both public and private sector actions in the revitalization of the Kakaako District. The Plan's policies reflect the Legislature's findings, purpose and objectives, and include the following HCDA functional tasks of:

- Implementing community development programs and cooperating with private enterprise and the various components of Federal, State and county governments to bring plans to fruition.
- Establishing and enforcing community development rules on planning, zoning, land use, building, health and safety.
- Undertaking the planning, design and

construction of improvements to roadway, sewer, drainage, water, and other utility and communications systems.

- Accomplishing the development of major public facilities, such as parks, schools and community facilities.
- Developing affordable housing and implementing policies requiring private sector participating in the delivery of affordable housing.
- Financing of infrastructure and other public improvements.
- Facilitating private sector development of industrial, commercial and residential spaces.
- Formulating and implementing a development strategy for the Kakaako Makai and waterfront area.
- Managing and developing lands owned by HCDA and coordinating development of other State-owned lands in the District.
- Administering a relocation program to assist persons and businesses displaced by government action or a development project approved by the HCDA.
- Monitoring and evaluating current community development policies to ensure that such policies are consistent with current market conditions and public sentiment and needs.

I nfrastructure Improvements in Kakaako

The HCDA's Improvement District (ID) Program is one of its most important functions in the Kakaako District. It involves the systematic improvement of Kakaako's network of streets and utilities, some of which are substandard, deteriorating and in need of

susceptible to serious flooding during times of heavy rainfall. Certain roadways lacked safe pedestrian walkways and were stifled with haphazardly parked vehicles. Existing overhead utility poles, cables and equipment provided a unsightly and cluttered character to the Kakaako streetscape. Moreover, the District's obsolete infrastructure network was not only detrimental to its business people, residents and visitors, but it also stymied the timely redevelopment of properties. Many areas just did not have sufficient capacity to support further development.



Drainage boxes are installed on Kamakee Street

repair and enhancement. For many years, the District had been afflicted with a deteriorating and inadequate infrastructure system, much of which was installed over 70 years ago. Many streets were narrow and unimproved, and

The ID Program undertaken by the HCDA has proven to be a very effective and successful method of financing and constructing the massive infrastructure improvements that are necessary for the revitalization of Kakaako. For this ambitious program, the HCDA has joined forces with property owners and the public utility companies to ensure that the construction of improvements to Kakaako's roadways and utilities are accomplished in a systematic, timely and cost-effective manner. The ID Program is being used to reconstruct and/or widen streets with new street lights, curbs, gutters and sidewalks. Drainage, sewer and water systems are being improved and upgraded. Telephone, electric and cable television systems are being relocated underground. State government, the public utility companies and Kakaako District landowners in the ID area share the cost of each improvement district. State government funds a greater share of the cost because the general public derives a greater amount of benefit from the improvements. For example, a major public cost involves improvements to the drainage system. A substantial amount of the construction cost can be attributed to

major drainage systems that run through Kakaako while serving the Punchbowl and lower Makiki areas. Since these drainage improvements benefit out-of-District as well as Kakaako property owners, a substantial amount of the cost cannot be charged to the properties within Kakaako. Kakaako's property owners are assessed only for improvements which specially benefit them. To provide financing for property owners who are being assessed for improvements, the HCDA either arranges the sale of assessment area bonds or offers State financing for each improvement district project. This allows landowners to pay for their assessment in installments over a period of up to 20 years, along with interest.

To date the HCDA has completed three Improvement District Projects and a fourth project was under construction during the 1995-96 Fiscal Year. The four ID projects undertaken thus far have cost approximately \$126 million and have dramatically improved the infrastructure and development potential of approximately one-third of Kakaako's mauka area. Although many of the improvements are hidden underground and not readily visible to the eye, streets are now safer and more conducive to traffic and pedestrian flow. Sidewalks, curbs, signage and fire hydrants have been added to roadways where once there were none. Streets that were flooded under normal rainfall conditions no longer hamper daily activities. And, equally important, the functioning of utilities have been dramatically improved for current and future usage.

The ID-1 Project, completed in September 1988, improved and upgraded the infrastructure of approximately 100 acres of land bounded by Punchbowl, Ala Moana,

Queen, Cooke, Kapiolani Blvd. and King Streets. The utilities and roadways in 59 acres of land bounded by South, Pohukaina, Halekauwila, Cooke and Ilalo Streets were the focus of the second ID project, which was completed in December 1990. In 1994, the HCDA completed construction of its third ID project which renovated and upgraded the infrastructure in 60 acres of land bounded by King, Kapiolani Blvd., Cooke, Queen, South and Pohukaina Streets.

Improvement District 4

A segment of Kamakee Street—between Kapiolani Boulevard and Queen Street—is the focal point of construction activities on the HCDA's Improvement District 4 (ID-4) project, for which work began in August 1995. The \$12 million ID-4 project is similar in nature to the previous improvement district projects, and it revolves around the installation of drainage, water, sewer and roadway systems, and the undergrounding of existing overhead utility lines. In preparation for its fourth improvement district project, the HCDA staff met with the affected ID-4 landowners and lessees to brief them on the proposed construction scenarios and how assessments were calculated. Public hearings afforded the public the opportunities to comment on the proposed project, and the Authority gave its final approval for the ID-4 following these public forums. The project is scheduled for completion by the summer of 1997.

During the construction of any improvement district project, the HCDA endeavors at all times to ensure that construction activities are achieved as quickly as possible, while



INFRASTRUCTURE IMPROVEMENT PROJECTS

IMPROVEMENT DISTRICT 1

Area: About 100 acres bounded by Punchbowl, King, Cooke, Queen, South & Auahi Streets, and Ala Moana Boulevard.

Work: Improvements to roadways, drainage, sewers, water systems and the undergrounding of electric, telephone and CATV lines.

Cost: \$35.2 million Completed: September 1988

IMPROVEMENT DISTRICT 2

Area: About 110 acres bounded by Keawe, Auahi, Coral, Pohukaina, Cooke and Ilalo Streets to the ocean.

Work: Improvements to roadways, drainage, sewers, water systems and the undergrounding of electric, telephone and CATV lines.

Cost: \$36.7 million Completed: October 1990

IMPROVEMENT DISTRICT 3

Area: About 60 acres involving portions of Cooke Street, Kapiolani Boulevard, Halekauwila, Keawe, Coral, Victoria & Curtis Sts.

Work: Improvements to roadways, drainage, sewers, water systems and the undergrounding of electric, telephone and CATV lines.

Cost: \$42.4 million Completed: October 1993

KEWALO BASIN IMPROVEMENTS

Work: Improvements to Kewalo Basin access, interior roadways, grade-separated promenade, bus lanes, parking.

Cost: \$2.4 million Completed: August 1995

IMPROVEMENT DISTRICT 4

Area: Kamakee Street (from Kapiolani Boulevard to Queen Street.

Work: Improvements to roadways, drainage, sewers, water systems and the undergrounding of electric, telephone and CATV lines.

Cost: \$12 million Completion: Scheduled for summer 1997

IMPROVEMENT DISTRICT 5 (Kakaako Makai Gateway Project)

Area: Cooke Street (between Ala Moana Boulevard and Ilalo Street); block bounded by Ala Moana Boulevard, Cooke, Ilalo and Ohe Streets and the block immediately Makai of Ilalo Street and Ewa of Ohe Street.

Work: Improvements to roadways, drainage, sewers, water systems & the undergrounding of electric, telephone & CATV lines; development of two-acre passive park & four-acre play field.

Cost: \$6.7 million Start: Early 1997 Completion: Early 1998

maintaining public safety and minimizing the disruptions and inconveniences to the businesses and public to the greatest extent possible. Based on the experience gained from past improvement district projects, the HCDA initiated many new measures in ID-4 to mitigate the unavoidable consequences of construction noise, dust and difficult access on day-to-day business operations. As the ID-4 project continues, the Authority will continue to search for and institute modes to reduce the impacts to businesses and to foster communication with the business community.

To aid ID-4 area businesses, the Authority began allowing the deferral of assessments until two years after the start of construction. This change assures property owners that construction work will be substantially completed before any assessments will be collected. The phasing of construction work is being closely monitored throughout the ID-4 construction. To the greatest extent possible, the more complicated work is concentrated on one segment and one side of the street at a time. By finishing the sidewalks and installing pavement on a block-by-block basis, the amount of dust in the area will be minimized, and businesses will have partial use of the improvements while the construction is taking place. The HCDA also worked very closely with the ID-4 project area's businesses, residents and permitting agencies to schedule a system of phasing construction work during "non-standard" hours, generally between 12 noon and 9:30 p.m. on weekdays. By beginning construction work at mid-day, merchants are allowed to operate in a fairly normal fashion during the morning hours, without construction equipment on the roadways. On a daily basis, the HCDA staff is present in the

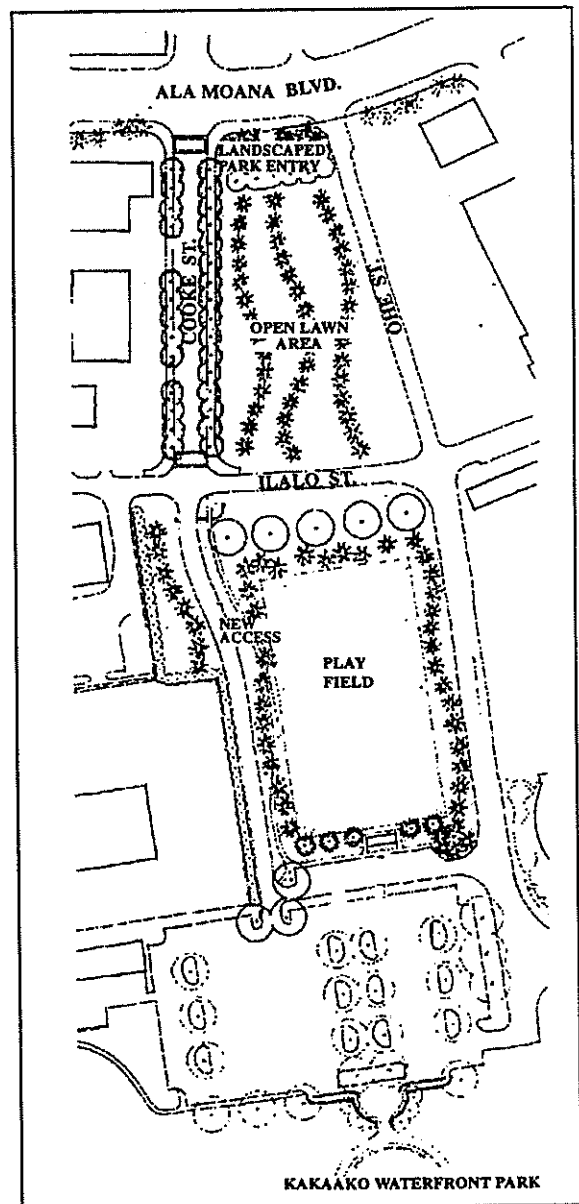
project area to serve as a liaison between the Authority and businesses, and to deal with problems on an individual basis as they may occur. Through in-the-field and one-to-one contact, the HCDA is better able to keep the merchants and residents informed of pending roadway and utility system improvements as they are scheduled to occur in their area.

Kakaako Makai Gateway Project (Improvement District 5)

The Kakaako Makai Gateway, or Improvement District 5 (ID-5), is a project which will establish an attractive and visible "gateway" to the Kakaako Waterfront Park and make important improvements to the infrastructure in a portion of the District's Makai Area. Authority members of the HCDA gave their approval to proceed with the Kakaako Makai Gateway Project after a public hearing was held in March 1996. The second ID-5 public hearing was held in December 1996, after bids were opened and the final assessments determined.

Scheduled to start construction in early 1997, the \$6.7 million Kakaako Makai Gateway Project will create a view corridor from Ala Moana Boulevard into the Kakaako Waterfront Park. It will substantially enhance the roadway and utility systems on Cooke Street, between Ala Moana Boulevard and Ilalo Street. New water, sewer and drainage structures will be installed along this segment, and new street lights, driveways, sidewalks, walkways, curbs and gutters will be constructed. The project will relocate the existing overhead utility lines underground and a temporary comfort station will be built. The ID-5's interim landscaping

improvements will open up views to the Kakaako Waterfront Park. The project includes the construction of a two-acre passive park on the block bounded by Ala Moana Boulevard, Cooke, Ilalo and Ohe Streets. A four-acre playing field will also be developed on the block immediately Makai of Ilalo Street and Ewa of Ohe Street. The project is scheduled for completion by the first quarter of 1998.



Kakaako's Residential Community

The Hawaii Community Development Authority (HCDA) is working to re-establish Kakaako as a vibrant community where people from all walks of life can be proud to call home. Since its creation, an important priority of the HCDA has been the development of affordable housing and the public facilities to support new development in the Kakaako



District. When the HCDA was conceived, the State Legislature directed the agency to ensure that residential development in Kakaako increase the supply of housing for residents of varying incomes, ages and family groups.

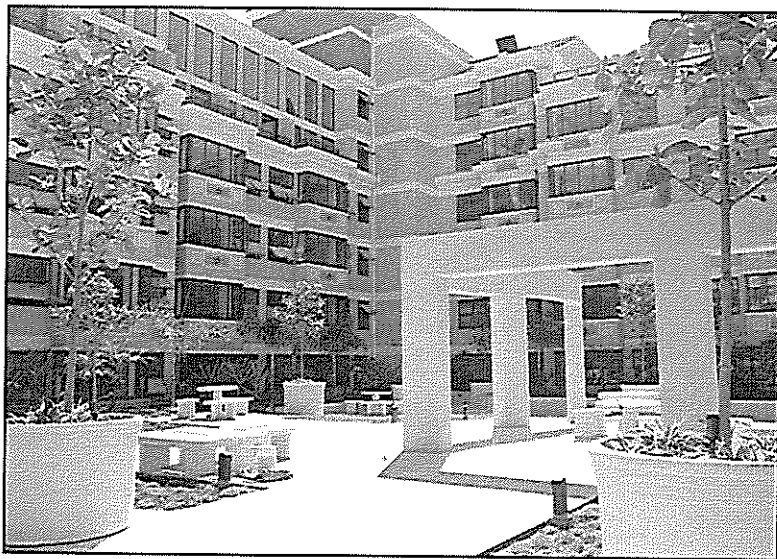
To date, the HCDA, in association with the Housing Finance (HFDC) and Development Corporation and the private sector, has developed 1063 affordable rental and for-sale housing units for Oahu's families and senior citizens. In October 1995, the HCDA completed and dedicated its Honuakaha Affordable Housing Complex on the site of the historic Royal Brewery on Queen Street. Also, by the close of Fiscal Year 1995-96, Waimanu Venture's 1133 Waimanu Street affordable housing project was completed.

Delivery of Housing in Kakaako

To provide for housing in times when public funds and land are scarce and construction costs are high, the HCDA has searched for creative solutions to meet the critical need of housing for Hawaii's people. One of these solutions is the Kakaako Plan's "reserved housing" provision, which requires private developers to provide below-market priced units as a condition for development. Under the reserved housing rules, the private developer must "reserve" 20 percent of the total number of residential units in the project for families earning between 65 percent to 140 percent of median income. The Authority, in certain circumstances, may allow the developer to meet the reserved housing requirement through alternative means. For example, the developer may be allowed to provide the required number of units elsewhere in Kakaako, or the units may be sold to the Authority at a negotiated price. The developer may also be allowed to provide a cash payment in lieu of providing the reserved units. In lieu funds collected by the HCDA have been used

to construct the agency's affordable housing projects.

The undertaking of affordable housing projects with the participation and resources of other government agencies and the private sector has been a very important and successful method employed by the HCDA to develop affordable residential units. Alliances with the HFDC, the City and County of Honolulu, the Bank of Hawaii and First Hawaiian Bank—and the use of State and Federal tax credit programs—have helped to bring the HCDA's projects to fruition.



The courtyard of the Honuakaha complex.

Honuakaha Affordable Housing Complex

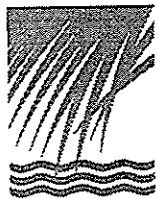
The recently completed Honuakaha Affordable Housing Project includes 243 affordable housing units, 150 of which are rental apartments for seniors and 93 condominium units for sale. As the cornerstone of the Honuakaha, the historic Royal Brewery

structure was completely renovated and transformed to serve as a senior citizens community center.

The Honuakaha was developed through the unique partnership of the HCDA and First Hawaiian Bank (FHB). FHB contributed 99 percent of the equity for the elderly housing component through the Low-Income Housing Tax Credit Program and the bank also provided the interim construction financing for the project.

An eight-story, low-rise complex next to the renovated Brewery building contains Honuakaha's affordable senior rental apartments. Each fully furnished studio and one-bedroom rental unit, ranging in size from 325 to 515 square feet, has its own bedroom furniture, kitchen appliances, dining table, chairs, emergency call system, and air-conditioning. The units rent for \$375 and \$424 per month for studios and one-bedrooms, respectively. The 93 fee-simple studio and one-bedroom condominium units, located in the same building, range in size from 510 to 675 square feet and are priced from \$150,000 to \$187,000.

Honuakaha's rehabilitated Brewery structure includes five stories of newly constructed loft spaces. The first three floors of the building are home to the 6,800-square-foot Kakaako Senior & Community Center, and the top two floors provide commercial office space. In late 1996, the Center—established and operated by the Catholic Charities Elderly Services—opened its doors to provide recreational, educational and social services to senior citizens and the community at large. The Center is located within easy walking distance



HCDA AFFORDABLE HOUSING PROJECTS AND PUBLIC FACILITIES

<u>Project</u>	<u>Units</u>	<u>Completion Date</u>
KAMAKEE VISTA Mixed-Use Family Rentals	225	December 1991
POHULANI Mixed-Use Senior Rentals	262	August 1992
NA LEI HULU KUPUNA Senior Rental Housing	75	November 1992
KAUHALE KAKA'AKO Mixed-Use Family Rentals	258	December 1993
HONUAKAHA Affordable Senior Rentals & For-Sale Condominiums	243	November 1995
HONUAKAHA SENIOR CITIZENS/COMMUNITY CENTER	6,800 sf	November 1995

for the 600 seniors who live in the three HCDA elderly housing developments in Kakaako. For a nominal annual membership fee, seniors can participate in a wide variety of classes, excursions and special events covering a spectrum of interests and subjects. Some of the classes include: tai chi, ethnic dancing, foreign languages, arts and crafts, and health and fitness training.

As part of the Honuakaha project, the State dedicated a quarter-acre parcel of the site as a commemorative park for historic Hawaiian burial sites adjacent to Quinn Lane.

1133 Waimanu Street

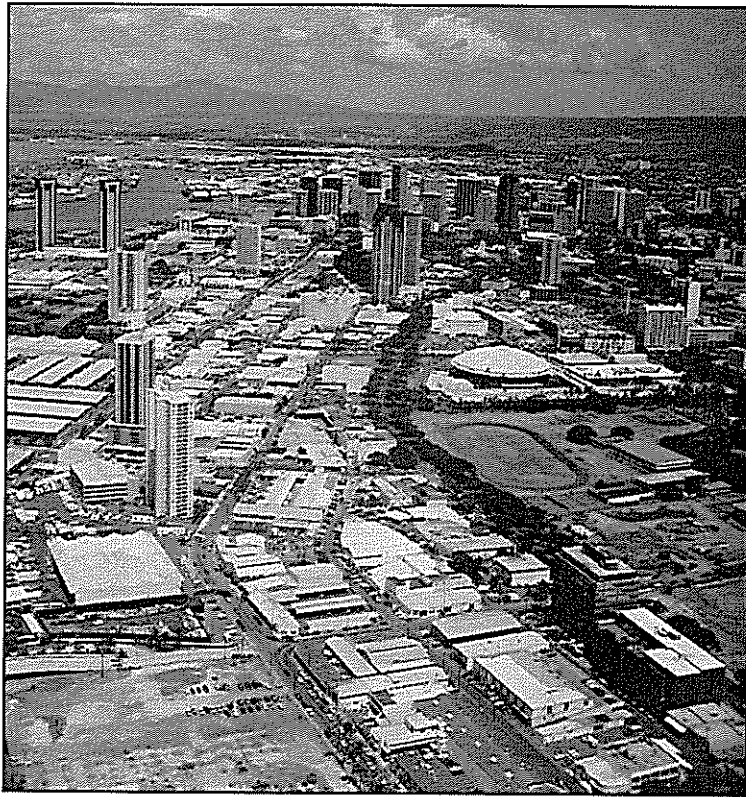
The 1133 Waimanu Street affordable housing complex, developed and completed by Waimanu Ventures in mid-1996, satisfies the HCDA's reserved housing requirements for the developer's 404 Piikoi Street project. The 1133 Waimanu Street Project includes 282 units (130 one-bedroom and 152 two-bedroom affordable apartments) in a 26-story residential building and a parking structure with 311 parking stalls.

Two hundred and seventy of the 1133 Waimanu units were sold to owner-occupants, and the remaining units are being rented to qualified persons pursuant to a rental program approved by the HCDA. A public lottery was held in March 1995 to determine the prospective buyers for the units. The one-bedroom units were priced from \$146,000 and the two-bedroom apartments started at \$173,000.

Encouraging Development in Kakaako

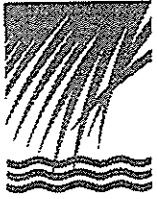
One of the main reasons that the Hawaii Community Development Authority (HCDA) was created was its role as a catalyst and generator of development and revitalization of the Kakaako District. The HCDA's ability to provide for flexible development rules and its improvement district program worked to jump-start development activities. The District enjoyed an unprecedented rate of growth during the first decade after the Kakaako Plan took effect. During this period of stable inflation and favorable interest rates and

industrial and open space, and dedication fees) imposed by the HCDA. However, the current economic conditions and the passage of time have demonstrated that some of the development requirements and fees in Kakaako have tended to constrain timely redevelopment and the delivery of public benefits to the community. For this reason, during the past year and in the future, the Authority will continue to scrutinize and seek changes to the Kakaako Plan's regulations to promote increased development activities in Kakaako and, ultimately, to support economic development in the State.



market conditions, capital was readily available for longer term and higher risk investments, such as real estate development. The exceptionally strong market conditions helped developers in Kakaako to absorb the various "social" requirements (affordable housing,

During the 1995-96 Fiscal Year, the Authority adopted changes to the rules governing reserved (affordable) housing and it was in the process of finalizing amendments pertaining to industrial, open space and public facilities dedication requirements. Changes to the Kakaako Plan's reserved housing rules, adopted in July 1995, will facilitate the production of middle-income housing in Kakaako. The cash fee required in lieu of providing reserved housing was revised to provide a proportional reduction (from 4 percent to 0 percent) based on the amount of the reserved housing provided and the affordability of the market units in the development. The change is aimed at encouraging development of lower priced housing by reducing cash in lieu fees in accordance with the average prices of non-reserved housing units. The Authority's reserved housing buyback requirements, found to be overly restrictive in certain circumstances, were also changed from a fixed 10-year period to a graduated buyback schedule. The amendment addresses the concern that the fixed 10-year buyback period impedes sales of, and is disproportionate to,



reserved housing units that are not priced far enough below fair market value to justify this restriction. The graduated buyback method is based on identifying affordable price levels for specific income groups and comparing these levels to comparable market rate housing. The smaller the gap between affordable price and the market price, the shorter the buyback period will be. These, and other amendments adopted by the Authority, will increase the supply of middle-income housing for Hawaii's residents.

In late 1996, the HCDA also adopted changes to the Kakaako Plan's industrial requirements which will facilitate development in Kakaako and encourage the retention of industrial activities. The amendments encourage, rather than require, the provision of industrial uses in new developments in the Kakaako District's Mauka Area. The changes eliminate the HCDA rules that require that new projects in Kakaako must include 30 percent of their lot area, or 0.3 FAR (Floor Area Ratio), in industrial floor space. The option allowing relocated commercial space in lieu of the required industrial uses was also repealed. These requirements have been replaced with an incentive program intended to encourage industrial uses by allowing developments providing industrial space to receive a density bonus of up to 0.3 FAR. The rationale for the industrial requirement amendments was evident as public comments and analyses conducted by the HCDA indicated that it is not feasible, for economic and other reasons, to incorporate many of the industrial uses in new high-density planned developments in Kakaako.

During the 1995-96 fiscal period, the Authority

was also examining its open space and public facilities dedication requirements for possible revisions. The goals in revising the Kakaako Plan's open space rules are to create an active, pedestrian-oriented public environment at street level and the encouragement of development activities in the Kakaako District. The HCDA is considering amendments that would work to invigorate the street level by providing incentives to create active open space and more flexible urban design requirements. Allowing commercial uses (such as sidewalk cafes and restaurants) in front yards and incorporating portions of front yards into open spaces that are publicly accessible and well-located are some of the changes under review. The elimination of requirements for upper level open space and provisions for flexibility in regards to view corridors, yards, loading space, parking and building heights would provide further incentives to create the desired public realm.

HCDA's dedication requirement for public facilities was adopted to recover the costs for developing recreational and community facilities such as parks, community centers and schools. Although the public facilities dedication program has gone through several revisions since its original adoption, the 7.5 percent dedication fee has never been changed. The Authority is currently studying possible changes which would allow the HCDA to substantially reduce its public facilities dedication impact fee from the current level. The changes would consider Kakaako public facilities needs over a 30-year planning period and at maximum development capacity, rather than over an indefinite period of time. It is felt that these changes, along with amendments which have been adopted or are under consideration, will help to stimulate HCDA's

redevelopment efforts in Kakaako, as well as the State's economy.

Current Development Activities

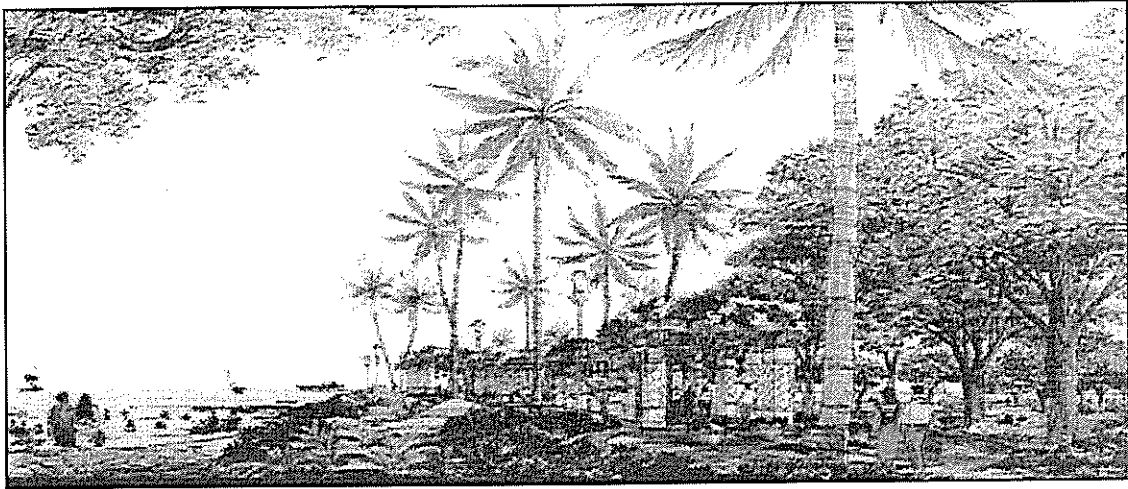
During the 1995-96 Fiscal Year, the HCDA processed about 125 permits for smaller scale mixed-use zone (MUZ) projects and it conducted preliminary reviews on several larger scale planned developments. The resurgence of smaller scale development activity in Kakaako has become apparent over the past two years, indicating a renewal of interest and new investment coming into the Kakaako District.

After years of stagnation, several of the planned developments approved by the HCDA were revised and resurrected. In mid-1996, construction work began on The Myers Corporation's One Archer Lane project. Specifically designed and priced to attract a broad cross-section of middle-income buyers, this mixed-use development will provide 331 one- and two-bedroom residences and 33,000 square feet of commercial/industrial space. One Archer Lane was originally conceived as the reserved housing component of the proposed Symphony Park luxury condominium project. However, changing economic conditions resulted in a fee simple middle-market project for the One Archer Lane site at 801 South King Street. Construction is expected to be completed by December 1997. In 1996, the Nauru Phosphate Royalties (Honolulu) Inc. unveiled their plans for the Hawaiki Tower, a 46-story, 432-unit residential/commercial condominium, the next phase of the 404 Piikoi project. Construction on this project began about three years ago but was halted due to unfavorable economic

conditions. In redesigning the complex for more efficiency, the developer increased the number of residential units and provided a range of unit prices.

In late 1996, the HCDA also granted variances and a planned development permit for development of a 26-theater movie complex and a residential, commercial and industrial complex in Kakaako, respectively. The Kakaako Theaters complex is proposed for development by Consolidated Amusement Co. Ltd. on a two-acre site bounded by Coral, Ilalo and Keawe Streets in Kakaako's Makai Area. It would include 26 movie auditoriums with a total of 4,420 seats, two restaurants and 449 parking spaces. A planned development permit was approved for POSEC Hawaii Inc.'s Emerald Tower—a mixed-use complex to be built at the Diamond Head makai corner of Kapiolani Boulevard and Ward Avenue. This 30-story complex will include 178 residential units planned for the "mid-market" group, 11,392 square feet of commercial space and a 17,868 square foot industrial component.

T ransformation of Kakaako's Makai Area & Waterfront



Kakaako's Makai Area lands, including the Kakaako waterfront, are one of the State's most precious resources. Kakaako Makai offers a dramatic location strategically poised between Waikiki, Ala Moana and downtown Honolulu, and a majority of the land area is under the State's ownership and control. As development pressure on lands in the Honolulu urban core increases and resources remain scarce, demand for conversion of these lands to more intensive uses will continue. Without doubt, Kakaako's Makai Area presents an unprecedented development opportunity to accommodate the growing recreational, cultural, educational, commercial and maritime needs of Hawaii's residents and visitors.

With numerous projects completed and in the planning stages, the HCDA has taken the first steps in transforming the Kakaako waterfront and Makai Area lands. During the 1995-96 Fiscal Year, the HCDA was at work in developing a new Makai Area Plan that will set strategies to create an active, attractive and people-oriented place in Kakaako Makai, and to harmoniously integrate urban Honolulu with its underutilized central waterfront. In 1995,

the Authority completed construction of Kewalo Basin harbor and park improvements. The HCDA also finished remediation and structural stabilization work on the Kewalo Incinerator, setting the stage for development of the Children's Discovery Center.

Kewalo Basin Harbor and Park Improvements

In July 1995, the Authority completed the second phase of Kewalo Basin harbor and park improvements. These improvements continue the State's effort to create a "lei of green" along Honolulu's urban shoreline by integrating Kewalo Basin Park and the adjoining harbor with Ala Moana Park. Kewalo Basin now features a new signalized intersection at Ala Moana Boulevard, segregated bus loading/unloading areas, a new centralized parking area, and a revamped vehicular circulation system which separates service and general auto traffic. These improvements greatly improve the capacity of the Basin to efficiently handle traffic flow, while enhancing safety and accessibility for park users and Kewalo Basin boaters and

visitors. The improvements provide a continuous pedestrian promenade along the harbor front and extensive new landscaping fronting Ala Moana Boulevard, establishing Kewalo Basin as a vibrant and vital community asset.

COMPLETED & ONGOING MAKAI AREA PROJECTS

KEWALO BASIN PARK

A five-acre scenic shoreline park located in Kewalo Basin. Includes a pedestrian promenade, observation areas, trellised picnic area, reconstructed seawall, comfort station and shower facilities, and a new net shed. Completed in 1990.

KAKAAKO WATERFRONT PARK-PHASE I

Thirty acres of passive recreational park space. Includes contoured, rolling landscaped mounds, a scenic pedestrian promenade, comfort stations and picnic areas, five oceanfront observation areas, a community amphitheater, and two protected water access points. Completed in 1992.

KEWALO BASIN HARBOR & PARK IMPROVEMENTS

Improvements facilitate and enhance access, traffic circulation and parking within the harbor area. Includes a pedestrian promenade along the Mauka and Diamond Head pier face. Completed in July 1995.

CHILDREN'S DISCOVERY CENTER

HCDA completed remediation and structural stabilization of the former Kewalo Incinerator for use as a children's museum. The Children's Discovery Center (CDC) is now continuing the extensive construction work, additional structural work, tenant improvements, exhibits and landscaping work. HCDA's work was completed in September 1995. Completion of the CDC is slated for late 1997.

KAKAAKO MAKAI GATEWAY PROJECT

(Improvement District 5)

On a portion of Cooke Street in the Makai Area, improvements will be made to roadways, drainage, sewer, and water systems and electric and telephone lines will be relocated underground. The project also includes the development of a two-acre passive park and four-acre play field. Construction to start in early 1997. Completion slated for first quarter of 1998.

Children's Discovery Center

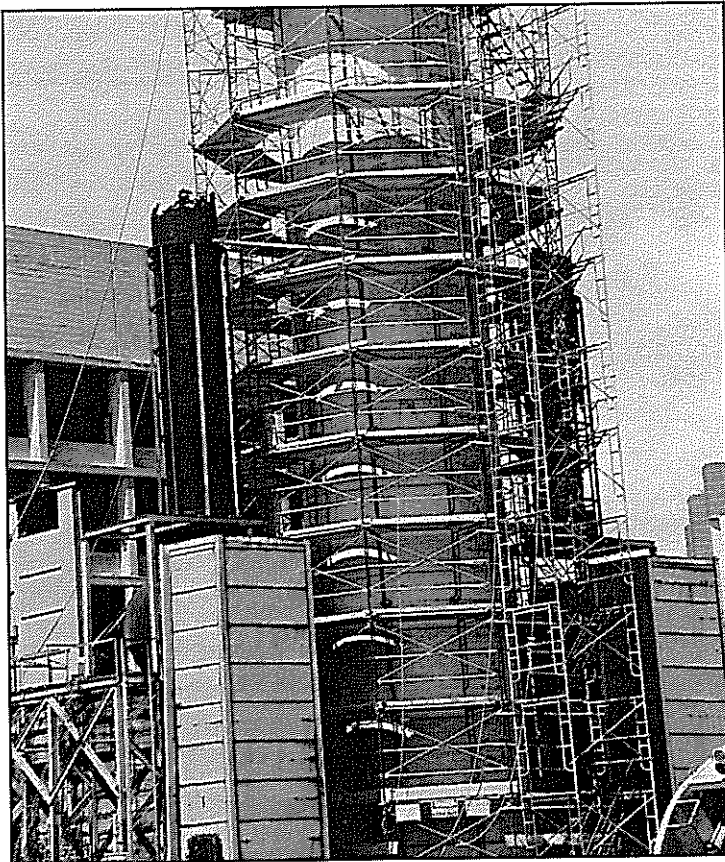
In September 1995, the HCDA completed remediation and structural stabilization work on the former Kewalo Incinerator, located adjacent to the Kakaako Waterfront Park, for use as a children's museum. The Children's Discovery Center (formerly known as the Hawaii Children's Museum) is now proceeding with renovation of the 17,000 square foot structure and the addition of 20,000 square feet of new construction. The HCDA has issued a lease to the Children's Discovery Center for use of the former incinerator site to develop the new facility. The new Children's Discovery Center will appeal to a target audience that extends from pre-school-aged children to teens and beyond. Children and adults alike will be able to actively participate in discovery experiences throughout the Center's hands-on interactive exhibits and through its innovative programs. Construction work on the Center is expected to be completed in late 1997.

Promise of the Waterfront

Nearly nine years ago, the State announced that after decades of inaction the time had come to reap the potential of Honolulu's central waterfront and to accommodate a variety of new recreational, cultural and commercial activities. Today, as a result of the shared commitment of both the public and private sectors, we are on the verge of seeing that promise fulfilled. Nowhere, however, will the transformation be more apparent than along the Kakaako waterfront. Completion of the Kewalo Basin Park and the Kakaako Waterfront Park by the HCDA stand as



testimony to the Authority's resolve in revitalizing this long-neglected area. In 1990, the HCDA adopted its Makai Area Plan and Rules, which prescribed controls and standards for developing Kakaako Makai. Since that time, the State economy has weakened and while the goal of the Plan is still to create a



HCDA finished remediation & structural stabilization work on the Kewalo Incinerator, setting the stage for development of the Children's Discovery Center.

people-oriented gathering place, it was recognized that a broader, more proactive development strategy is needed.

The HCDA is currently revising its plan and rules for Kakaako's Makai Area to keep up with

the current economic conditions and the passage of time. As the HCDA continues to finalize its development strategy for Kakaako's Makai Area, it will continue to recognize the economic as well as intrinsic social value of the lands to all of Hawaii's residents. The primary goals of the HCDA is to return the waterfront to public use, achieve maximum public benefits, and to create an active and dynamic area.

The Governor has articulated a vision for the Makai Area based on the development of a special, world-class "center of the Pacific" at Kakaako's waterfront, an area focused on families and on fostering the physical, intellectual and social growth of children. Although the State owns and controls about 200 acres of land in Kakaako's Makai Area, it will need to establish a partnership with private enterprise to employ its resources, creativity and expertise to accomplish this vision for Kakaako's waterfront area. As part of this vision, the State is seriously considering the development of a world-class aquarium facility which would incorporate and expand upon the present Waikiki Aquarium. As a possible "anchor" attraction for the exciting development possibilities offered by Kakaako's Makai Area lands, the aquarium could play a vital role in creating a new center of activities. The State has committed land next to the Children's Discovery Center for the development of a children's theater and dramatic arts complex. To be privately funded and operated, this complex could include a theater, rehearsal rooms and classrooms for instruction in the performing arts.

Financial Information

HAWAII COMMUNITY DEVELOPMENT AUTHORITY Statement Of Appropriations, Expenditures, Encumbrances And Balances (For Fiscal Year Ended June 30, 1996)

	Prior Year Available Funds 7/1/95	Appropriations	Transfers	Expenditures	Encumbrances	Allotments	Unallotted	Funds	Lapsed
OPERATING FUNDS									
Act 218, SLH 1995	—	\$ 245,935	(\$100,934)	\$ 138,074	—	—	—	—	\$ 6,927
PROJECT FUNDS									
Kakaako Community Development District									
Act 264, SLH 1982	\$ 22,816	—	—	2,376	—	—	—	—	20,440
Act 301, SLH 1983	19,118	—	—	—	—	—	—	—	19,118
Act 300, SLH 1985	11,531	—	—	208	\$ 1,323	—	—	—	10,000
Act 216, SLH 1987	69,357	—	—	3,151	60,256	—	—	—	5,950
Act 316, SLH 1989	47,211	—	—	23,172	15,517	—	—	—	8,522
Act 299, SLH 1990	110,445	—	—	76,317	34,128	—	—	—	—
Act 296, SLH 1991	1,959,600	—	—	388,358	1,029,507	—	—	—	541,735
Act 300, SLH 1992	606,896	—	—	606,896	—	—	—	—	—
Act 289, SLH 1993	10,922,419	—	—	3,741,879	4,697,750	—	—	\$ 1,360,790	1,122,000
Act 252, SLH 1994	13,061,555	—	—	408,304	8,128,051	—	—	1,008,400	3,516,800
Act 218, SLH 1995	—	23,550,000	—	1,499,722	22,586	—	\$21,514,000	513,692	—
Delegations	1,273,449	—	—	458,984	814,465	—	—	—	—
IMPROVEMENT DISTRICT BOND FUNDS									
REVOLVING FUND	18,132,092	17,710,740 ^{1/}	—	17,127,158	989,734	—	—	17,725,940	—
	\$46,236,482	\$41,506,675	(\$100,934)	\$24,474,592	\$15,793,317	—	\$21,514,000	\$20,608,822	\$5,251,492

^{1/} Variance, dedication fees, assessment fees, etc., collected.

Financial Information

HAWAII COMMUNITY DEVELOPMENT AUTHORITY Statement Of Expenditures (For the Fiscal Years Ending June 30, 1995 and June 30, 1996)

	June 30, 1996		June 30, 1995
	Operating Funds	Project Funds	Total Expenditures
Personal Services	\$135,442	\$ 1,602,360	\$ 2,068,398
Other Current Expenses	2,632	22,734,165	17,132,926
Equipment	—	—	883
TOTAL EXPENDITURES	\$138,074	\$24,336,525	\$19,202,207

AUTHORITY MEMBERS

(July 1, 1995 - June 30, 1996)

Chairman

MICHAEL K. KAWAHARADA
Vice President, Director of
Hawaii Office/Robert Englekirk
Consulting Structural Engineers, Inc.

Vice Chairman

ALVIN K. T. GOO
Assistant Vice President
First Hawaiian Bank
Waikiki Branch

Secretary

JAN N. SULLIVAN, Esq.
Takeyama & Sullivan

EARL I. ANZAI

Director
Department of Budget and Finance

SAM CALLEJO

Comptroller
Department of Accounting and General Services

KAZU HAYASHIDA

Director
Department of Transportation

WAYNE MATSUO

(resigned in February 1996)

BRIAN MINAAI

Marketing Director
Haseko (Hawaii) Inc.

G. A. "RED" MORRIS

President, G. A. Morris Inc.

SEIJI F. NAYA, Ph.D.

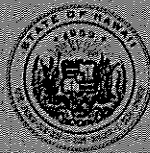
Director
Department of Business, Economic
Development & Tourism

LYNNE WATERS

KGMB Director of Creative Services

Interim Executive Director

JAN YOKOTA



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