

DRAFT

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

Wednesday, June 19, 2013

KAKAAKO

I. CALL TO ORDER/ROLL CALL

A regular meeting of the Kakaako 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 1:01 p.m. on Wednesday, June 19, 2013, at the Authority’s principal executive offices at 461 Cooke Street, Honolulu, Hawaii, pursuant to Article IV, Section 1 of the Authority’s Bylaws.

Members Present: Miles Kamimura
Brian Lee
Lois Mitsunaga
Dean Seki (DAGS)
Luis Salaveria (DBF)

Members Absent: Randy Grune (DOT)
Richard Lim (DBEDT)

Others Present: Anthony Ching, Executive Director
Lori Tanigawa, Deputy Attorney General
Deepak Neupane, Director of Planning & Development - Kakaako
Chris Sadayasu, Asset Manager
Shelby Hoota, Program Specialist
Patricia Yoshino, Secretary
Holly Hackett, Court Reporter

MATERIALS DISTRIBUTED:

1. Decision Making: Shall the Authority Authorize the Executive Director or His Designated Representative to Schedule and Hold, as Needed, Supplemental Public Comment Sessions to Accept Additional Public Testimony which Will Be Made Part of the Record on Development Permit Applications being Considered by the Hawaii Community Development Authority;
2. Decision Making: Shall the Authority Extend the Exclusive Negotiations

Agreement with Artspace Projects, Inc. for Development of a Mixed-Use Affordable Housing Project on Lot 40, 1025 Waimanu Street (TMK: 2-3-03:40) for an Additional Six Months;

3. Executive Session: Letter dated May 31, 2013 from the Office of Hawaiian Affairs (distributed during the Executive Session).

II. KAKAAKO MATTERS*

1. Decision Making: Shall the Authority Authorize the Executive Director or His Designated Representative to Schedule and Hold, as Needed, Supplemental Public Comment Sessions to Accept Additional Public Testimony which Will Be Made Part of the Record on Development Permit Applications being Considered by the Hawaii Community Development Authority?

Executive Director Anthony Ching summarized the report in the packet distributed to Members. He explained that supplemental public comment periods would be held on a weeknight and a weekend to collect additional public testimony on the development permit applications being considered by the Authority. A court reporter would record and provide a transcript of any comments received, which will be made a part of the record on the individual development permit applications.

Member Salaveria asked how many public hearings were required by administrative rules and statute.

Mr. Ching responded that under Section 5.6, the Hawaii Community Development Authority (“HCDA”) is required to hold 2 public hearings which cannot be on the same day. There is a 30-day published notice period before the initial hearing, with typically another 30 days until the next decision making hearing.

Member Salaveria asked whether the supplemental comment sessions would be considered public hearings.

Mr. Ching explained that they would be public comment periods with testimony collected and recorded.

Chairperson Lee asked whether it was in response to some requests received by the Authority for more time after-hours and on non-working hours to submit testimony.

Mr. Ching responded in the affirmative.

PUBLIC TESTIMONY:

Ms. Shannon Wood, president of the Windward Ahupua`a Alliance, stated she was in support of extending the hours, times and dates for public hearings. She also requested that the City and County of Honolulu Department of Environmental Services provide information about the total impact on potable

water and sewer systems and solid waste management issues.

Ms. Sharon Moriwaki stated that the hearings were not known to the community. She felt that instead of supplemental hearings, the public hearings should be held in the late afternoon, 5:00 p.m. or on weekends. She felt that the HCDA website was not customer friendly and did not provide enough information.

Mr. Dexter Okada stated he was the owner of a family business in Kakaako. He agreed with *Ms. Moriwaki's* comments. He felt the comment sessions were a good effort but would not be adequate unless the Authority was present.

Chairperson Lee entertained a motion for the Authority to authorize the Executive Director or his designated representative to schedule and hold, as needed, supplemental public comment sessions to accept additional public testimony which will be made part of the record on development permit applications being considered by the Hawaii Community Development Authority.

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

Member Salaveria asked whether board members could attend the supplemental comment sessions.

Deputy Attorney General Lori Tanigawa advised there would be Sunshine Law ramifications depending on the number of members who attended and whether board members engaged in communications. The Authority could decide that they needed to have a supplemental hearing with quorum. However, the action being considered was particular to the Executive Director or his designated representative to have the sessions when the Authority was not available to hold these.

Mr. Okada asked if there could be task forces.

Member Salaveria and Ms. Tanigawa noted that the question was out of context with the current proceedings.

Chairperson Lee clarified for the audience that if the sessions are informal, then the Sunshine Law would apply to board members who might attend. If it is a formal hearing, then a certain kind of notice and other requirements would apply. The sessions being proposed were not public hearings, but supplemental meetings to gather testimony.

A roll call vote was conducted.

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

Nays: None

The motion passed 5 to 0 with 4 excused (Members Grune, Lim and 2 vacant positions).

2. Decision Making: Shall the Authority Extend the Exclusive Negotiations Agreement with Artspace Projects, Inc. for Development of a Mixed-Use Affordable Housing Project on Lot 40, 1025 Waimanu Street (TMK: 2-3-03:40) for an Additional Six Months?

Mr. Ching summarized the report in the packet distributed to Members. He noted that representatives from Artspace Projects Inc. (“Artspace”) and Pa`i were present.

Ms. Cathryn Vandenbrink and Mr. Greg Handberg from Artspace provided a summary of the due diligence conducted for the project.

Ms. Vandenbrink explained they was a delay on the tax credit application process with the Hawaii Housing Finance Development Corporation (“HHFDC”).

Mr. Handberg explained that the extension of the exclusive negotiations agreement was needed for the duration of the HHFDC application review process.

Member Kamimura whether the process would be completed within the 6-month period.

Ms. Vandenbrink explained that they were waiting on the Archaeological Inventory Survey that needs to be completed for the Environmental Assessment. Those would be brought to the Authority and synchronized with the 201-H process. The 9% tax credit applications would be decided on first, followed by the 4% applications. The HHFDC had indicated that decision-making may not be finalized until November/December 2013.

Mr. Handberg explained that the financing programs were highly competitive. If the application receives a positive decision, the Project would be in queue for the financing entities for an application in February 2014.

Chairperson Lee asked how long a decision would take if they applied again in 2014.

Mr. Handberg replied that there would be a 3-4 month decision timeline. The actual construction start would be a shorter time from the decision to construction start. If they received a positive position, there is a signification amount of review approval process work underway as well as a building permit. In any event, the project timeline would take them into 2014.

Mr. Ching asked Mr. Handberg to explain the difference between the 9% and 4% programs.

Mr. Handberg explained that federal tax credits are a source of capital subsidy to a

project. The 9% model can contribute upwards of 40-40% of total project cost for a loan contributed tax credit project. The 4% structure could contribute 30-40% of the project budget. The 9% credits are valuable and highly competitive. The State of Hawaii receives a finite amount and allocates a little bit more than \$3 million dollars in credits to the 9% projects. You would get that allocation every year for 10 years, which is a significant source of subsidy. With the Lot 40 project, there is an artificial cap in terms of the per project allocation that the HHFDC might make to a project. They are also asking HHFDC for rental housing trust funds, which has some prioritization in the Rental Housing Trust Fund Program. A 9% project would have higher priority than a 4% project. They had a Plan A and Plan B which were fairly similar financially, but with different pros and cons in terms of the project's competitiveness for the tax credits.

Mr. Ching asked if the current June 28th application was actually Plan A and Plan B. If either plan was approved, that would be sufficient for the project to move forward.

Mr. Handberg replied in the affirmative.

A recess was taken at 1:35 p.m.

The meeting was reconvened at 1:37 pm

Chairperson Lee asked whether any members of the public wished to testify. There were none.

Chairperson Lee entertained a motion for the Authority to extend the exclusive negotiations agreement with Artspace Projects, Inc. for development of a mixed-use affordable housing project on Lot 40, 1025 Waimanu Street (TMK: 2-3-03:40) for an additional six months.

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

Chairperson Lee asked if there was any discussion on the motion.

Member Salaveria stated as disclosure that he was the ex officio member for HHFDC from the Department of Budget and Finance and involved in the allocation of low-income housing tax credit applications to individual agencies within the State.

Ms. Tanigawa stated that there was no issue.

Member Kamimura stated his concern on what may be continuing extensions because something needs to be done with the property.

Member Salaveria stated he shared the concern about over-extension. However, he could attest to the fact that here have been issues with addressing the low-income housing tax credits on the other board which resulting in the inability to address some of the applicants at the time.

Member Seki asked whether the 6-month extension was long enough and a realistic date if there was an expectation that they would not be ready in 6 months.

Mr. Handberg stated that he wanted to be clear there was the possibility of coming back again. With positive news from HHFDC, they would be coming back with a term sheet or proposal for a lease. With negative news from HHFDC, but with positive feedback, they would be coming back with an update and request for another extension to pursue financing again. At the end of the 6-month timeline, there would be additional information on which to make a decision. The Authority would want to know all conditions necessary to break ground on the project are met before a lease commences.

Member Salaveria asked whether approval low income tax credits (“LITC”) were the hurdle for clearing the project financing.

Mr. Handberg explained that 9% LITC were in Plan A and could address the housing trust funds. While they did not have a competitive decision on the 4% LITC, they would need a gap sources in advance to make the credits work. They could be rental housing trust funds.

Member Salaveria asked if they were requesting a larger rental housing supplement under the 4% Plan B.

Mr. Handberg replied that they were requesting the money from the rental housing trust fund. Due to the practical limitations as to how much money in LITC is awarded to an individual project, their calculated non-competitive 4% ask was about the same.

Member Salaveria asked if they had other avenue for potential equity.

Mr. Handberg replied that if there are no rental housing trust funds available under either scenario, then they would be in a scramble mode to look for it.

A roll call vote was conducted.

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

Nays: None

The motion passed 5 to 0 with 4 excused (Members Grune, Lim and 2 vacant positions).

3. Executive Session - The Authority anticipates convening an Executive Meeting pursuant to Section 92-5(a)(3) and (4), Hawaii Revised Statutes, to discuss a proposed agreement with the Office of Hawaiian Affairs regarding Kewalo Basin Harbor Improvements.

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

Member Kamimura made a motion to convene in Executive Meeting pursuant to Section 92-5(a)(3) and (4), Hawaii Revised Statutes. Member Seki seconded the motion.

A roll call vote was conducted.

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

Nays: None

The motion passed 5 to 0 with 4 excused (Members Grune, Lim and 2 vacant positions).

Chairperson Lee asked that Deputy Attorney General Tanigawa, and staff members Mr. Ching, Mr. Sadayasu and Ms. Yoshino join the executive session.

Pursuant to Section 92-5(a)(2) and 92-5(a)(4), Hawaii Revised Statutes, the Authority convened in Executive Session at 1:45 p.m.

The regular meeting was reconvened at 2:02 p.m.

III. ADJOURNMENT

A motion to adjourn was made by Member Salaveria and seconded by Member Seki. By a show of hands vote, the motion carried unanimously.

The meeting adjourned at 2:02 p.m.

Respectfully submitted,

/s/

Miles Kamimura
Secretary

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

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