

SUMMARY - PUBLIC HEARING
HAWAII COMMUNITY DEVELOPMENT AUTHORITY
State of Hawaii
April 22, 2015 - 9:00 AM

Steven Scott, Vice Chairperson of the Authority, called to order the April 22, 2015 public hearing of the Hawaii Community Development Authority at 9:00am.

ATTENDANCE

Members Present: Jade Butay (DOT)
Steven Scott
Jason Okuhama
Tom McLaughlin
Scott Kami (B&F)
William Oh

Absent: John Whalen

For the Applicant Victoria Ward, Limited
Mr. Douglas Ing
Ms. Emi Kaimulua
Race Randall
David Striph
Nick Vanderboom
Calvin Mann

A public hearing 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. Steven Scott, Vice Chairperson of the Authority at 9:00 a.m. on Wednesday, April 22, 2015 at the Authority’s principal offices, 547 Queen Street, Honolulu, Hawaii 96813.

APPEARANCES BEFORE THE AUTHORITY

The counsel for the Applicant made their appearances and introductions of their party to the Authority.

LEGAL BASIS AND PURPOSE

The hearing on Development Permit Numbers KAK 13-036, 037 and 038 was held in accordance with Act 61, Session Law of Hawaii 2014, Subchapter 3 of Hawaii Administrative Rules Chapter 219 of Title 15, and the vested HAR Chapter 15-22.

The following description was provided: Development Permit KAK 13-036 was approved on

August 21, 2013 and requires that the Applicant provide forty five (45) off-site units as reserved housing for sale.

Development Permit KAK 13-037 was approved on August 21, 2013 and requires that the Applicant provide eighty (80) off-site units as reserved housing for sale.

Development Permit KAK 13-038 was approved on July 17, 2013, which requires that the Applicant provide three hundred seventy-five (375) units of reserved housing for sale and provides that the effective period of the permit ends on July 17, 2015.

This Consolidated Motion seeks an order amending the provisions of KAK 13-036, KAK 13-037 and KAK 13-038 to allow the reserved housing units for each respective permit to be provided as for rental and/or for-sale units. The Consolidated Motion also seeks to extend the effective period of KAK 13-038 for construction to commence to up to two years from July 17, 2015.

PROCEDURES FOR THE HEARING

The purpose of this hearing was to allow the Applicant/Movant to present its proposed Findings of Fact, Conclusions of Law and Decision and Order and to provide the general public with the opportunity to present oral and/or written testimony.

The proceedings began with Mr. Ing being asked to proceed with his presentation.

Doug Ing requested that the Authority reopen the record to allow for new evidence and in light of this request for new evidence, Doug Ing also requested that the decision making for the hearing be postponed to a later date so that the missing Authority Members may be included in the decision making. The request was granted.

Race Randall, under oath from the previous hearing, provided his presentation.

Race Randall went through the presentation slides that were provided as part of the record. His slide overview included a list of benefits that a reserved housing rental project would provide over a for-sale project.

Race emphasized that in the Vested Rules, the Reserved Housing units do not have to start construction until two years after the first market rate project is complete. Based on their current construction schedule, the Reserved Housing could be provided as late as 2021. It is also emphasized that if the Reserved Housing project remains as for-sale, then after five years the project's regulated term would expire.

Tony Ching, Executive Director of HCDA, asked when the first market rate projects were expected to be completed and when the Reserved Housing Project would be required to start construction. Race Randall stated that they anticipate Waiea (their first market rate housing project) would be complete at the end of 2016 and Anaha (their second market rate housing project) near the beginning of 2017, which would require the reserved housing project to start

construction by 2018, or two years after the completion of Waiea.

Tony Ching asked if the Reserved Housing Project remained as for-sale, then the construction start date would be dependent upon pre-sale success? Race Randall replied with the confirmation that they would pre-sale prior to construction and that it would impact the construction start date. The ability to pre-sale will determine the construction schedule; however, it is difficult to understand the market condition for pre-sale and therefore sales may impact when the construction starts. The ability to finance the Project will impact the construction start date. Reserved Housing typically requires a higher pre-sale percentage in order to obtain financing, than a market rate project would require. The higher percentage of pre-sale is a result of the lower down payments that are provided with Reserved Housing projects.

David Striph is sworn in and provided his presentations.

David Striph goes through the presentation slides that were provided as part of the record. His slide overview emphasizes the Reserved Housing subsidy of 3.3 million dollars that the Applicant would be providing for the project using private funding. David Striph emphasized the need for rental housing.

David Striph mentions an online (Change.org) petition only ran for a portion of three days and already has 275 supporters of the Applicant's original Motion to Amend. David Striph went through several quotes from community members who are in support of their proposed rental project, which are provided in his presentation slides.

David Striph presented slides on the rental vs for-sale option and emphasized that only 125 families would benefit in a for-sale project versus 1,688 families in a rental project with a 15 year regulated term. This is assuming a conservative estimate that families would remain in the rental units for up to four years.

David Striph emphasized that the Reserved Housing Project is designed and ready to go as a rental project. They have a lender who would finance it as a rental, but not as a for-sale project.

Tom McLaughlin mentions that there are societal benefits to homeownership, then asked if the Applicant has considered using a mechanism where a long term renter has the option to buy the unit after the regulated term expires. David Striph suggested that the Applicant would be providing tenants with that opportunity because they are subsidizing the renters about \$1000 per month, ultimately allowing the renter to save more money for a down payment and then they can buy into the project or another project after the regulated term.

David Striph also noted that the assumption that the project will significantly appreciate over 15 years is unsubstantiated. The Project is modestly built, it will be 15 years old when the regulated term and that it is ultimately unknown what the appreciation will be. Tom McLaughlin mentions that historically over a 15 year period, even with national economic downturns, housing costs have increased. Tom McLaughlin believes it is fair to anticipate that the project will appreciate. David Striph attributes the consistent rise in housing costs to a lack of housing supply and

suggested that an increasing supply will help with reducing the rate of the project appreciation.

Steve Scott mentions that over the course of time during the regulated term the Area Median Income (“AMI”) is assumed to increase so the rental price will actually increase and the Applicant’s subsidy will decrease over time, because the Applicant’s costs are fixed. Race Randall states that he believes it will operate opposite of Steve Scott’s statement. Race Randall states that AMI historically has increased at a slower rate than the rate of increase of the rent price for market rental units. Therefore, Race Randall suggests the amount of the Applicant’s subsidy will increase over time.

Steve Scott states that after the Applicant builds the high rise, their operation costs will be fixed. The retail tenant will also bring in income, which will increase over time. As a result, he still believes the subsidy will decrease over time. David Striph makes the distinction that the subsidy is not the initial building cost, but rather the price difference between market rental rates versus Reserved Housing rental rates, so the subsidy will continue to grow. Fixed cost may stay the same, but you also continually provide maintenance and improvements, which eats up that reduction in subsidy that Steve Scott referenced.

Scott Kami mentions that the subsidy of \$3.3 million a year is a lost opportunity cost, rather than the subsidy actually being a dollar amount that the Applicant has to pay out. David Striph agreed.

Scott Kami asked Tony Ching if this approval is not granted, then the Reserved Housing project may not be built? Tony Ching stated that regardless of if this Project is built or not, the construction of market rate units generates a requirement for Reserved Housing (20%). So the Applicant’s requirement to provide Reserved Housing for their market rate projects will stand, but it may not be met through this Reserved Housing Project.

Steve Scott asked the Applicant what they anticipate the appreciation for the Project will be after 15 years. Race Randall states that they don’t know what will happen tomorrow, and 15 years is even more difficult to predict.

Steve Scott ask if the Applicant has considered keeping the Reserved Housing Project as for-sale in order to meet their current Reserved Housing need and then released the rest as market for-sale. Race Randall states that if they can’t convert this Reserved Housing Project into rental, then they would likely pursue other options to provide the required 125 reserved housing units.

Tony Ching mentions that the Ward Neighborhood Master Plan (“WNMP”) envisions 4,000 market units and 800 Reserved Housing units. This Reserved Housing Project is just part of what will ultimately be required for the WNMP. Tony Ching asked what the Applicant’s rental and for-sale strategy is for the remaining future required reserved housing units? Race Randall stated that they only have a strategy for this Project and don’t have anything set for future reserved housing projects.

The Applicant’s presentation concluded.

Doug Ing states that he would like to provide an updated Findings of Fact, Conclusion of Law and Decision and Order for the Authority in the days following the hearing. Doug Ing's request was acknowledged by the Authority.

PUBLIC TESTIMONY

1. Bob Nakata, Faith Action for Community Equity – oppose
2. Jeff Masatsugu, Painters Labor Management Cooperation Fund – support
3. Stanford Carr, Land Use Research Foundation and Stanford Carr Dev. – support
4. Dave Arakawa, Land Use Research Foundation – support
5. Rod Tengan, Consolidated Theaters, – support
6. Brooke Wilson, Pacific Resource Partnership– support
7. Georgette Hughon – support
8. Tyler Dos Santos-Tam, Hawaii Construction – support
9. Lisa Kim, REAL A Gastropub – support
10. Dennis Oshiro, Hawaii Homeownership – support
11. Blenn Fujimoto, Central Pacific Bank and parent –support
12. Sherry McNamara, Chamber of Commerce of Hawaii – support
13. Mele Apana – support
14. Bob Hines, a Kakaako Resident – support

CONTINUANCE

Vice Chairperson Steve Scott continued the public hearing until May 13, 2015. The Applicant's deadline to submit their revised Findings-of-Fact, Conclusions of Law and Decision and Order is April 29, 2015.

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