

Annual Report 2015





HAWAII COMMUNITY
DEVELOPMENT AUTHORITY



KAKAOKO
KALAELOA

David Y. Ige
Governor

John Whalen
Chairperson

Anthony J. H. Ching
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The Honorable David Y. Ige
Governor
State of Hawaii

Dear Governor Ige:

It is with great pleasure that we present the 2015 Annual Report for the Hawaii Community Development Authority ("Authority"). This report highlights the Authority's activities in the Kakaako, Kalaeloa, and Heeia Community Development Districts for the 2015 calendar year.

In the Kakaako district, the Authority continues to oversee the development of a vibrant, "live-work-play" community. The current housing construction cycle will add about 5,000 new housing units to the district, with about 42 percent (over 2,300 units) reserved for qualified income households. Seven new housing developments are now under construction, and an additional six have permits from the HCDA to pursue financing and construction.

To increase work and play opportunities in Kakaako, the Authority executed a long term lease with the Howard Hughes Corporation for the management and construction of improvements for Kewalo Basin Harbor. In the coming year, bids will be solicited to repair the Fisherman's Wharf and construct new docking facilities in the harbor. The Authority also recently issued a Request For Proposals (RFP) for the development of an Entrepreneur's Sandbox on HCDA's Lot C in Kakaako Makai.

In the Kalaeloa district, the Authority continues to work with state and federal agencies in improving utility infrastructure and helping Hawaii meet its clean energy goals. The Authority is now seeking additional sources of funding for the Kalaeloa Enterprise Energy Corridor Project. More funds are needed, as the HCDA received bids for the construction of the Enterprise Energy Corridor ranging from \$8.1 million to \$24.9 million. Given the importance of enabling more reliable electrical service for the Kalaeloa business district, these additional funds are a necessary expense to allow development of Kalaeloa to proceed.

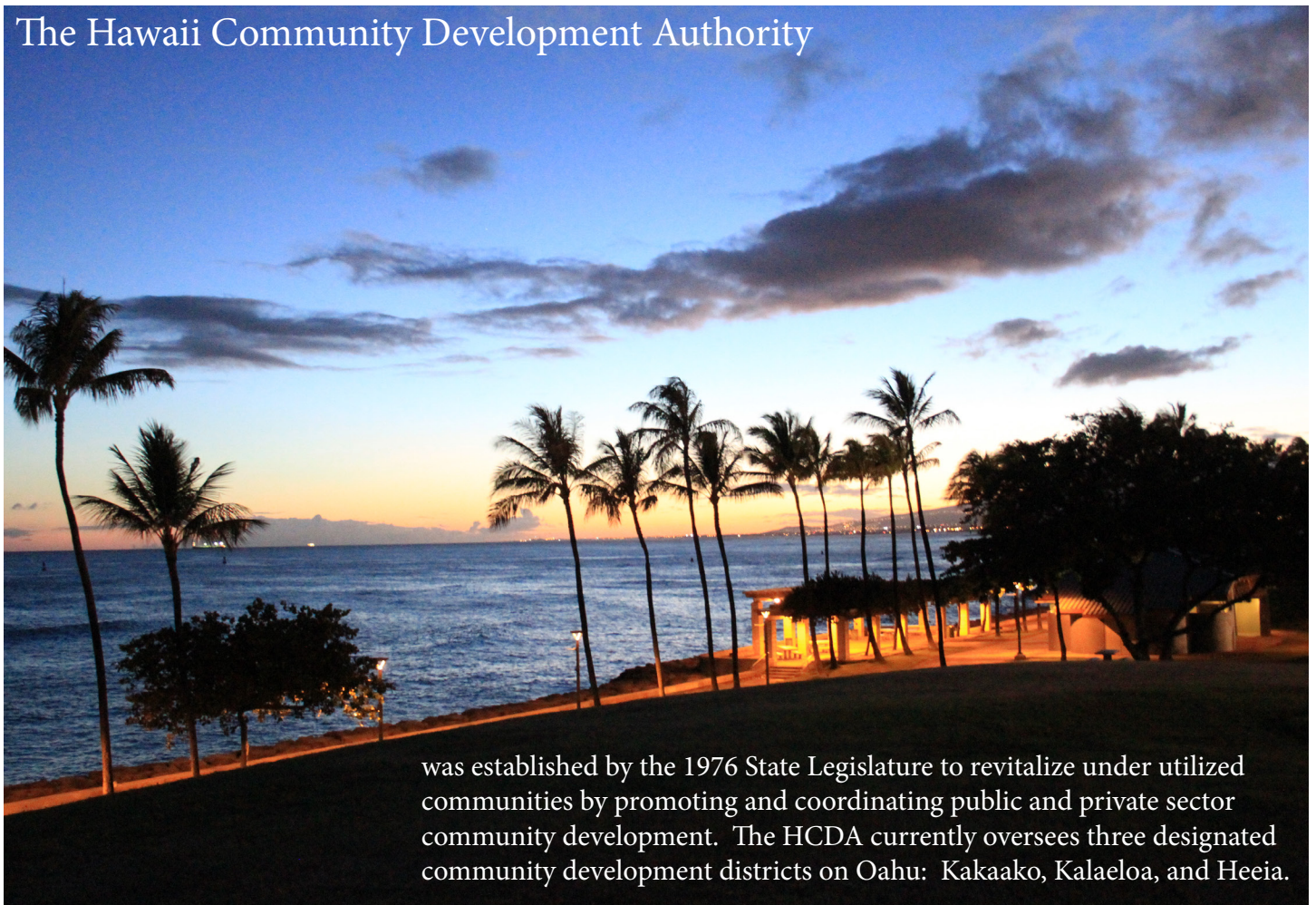
Wetlands restoration continues in the Heeia district, under the guidance of our non-profit lessee, Kakoo Oihi. This group is working with the HCDA and the community to return more than 400 acres of land to diversified agricultural uses, while educating our keiki on the need to develop a more sustainable lifestyle.

We would like to acknowledge your leadership and we look forward to working together to realize your vision for Hawaii in the year ahead.

Respectfully yours,

John Whalen
Chairperson
Hawaii Community Development Authority

The Hawaii Community Development Authority



was established by the 1976 State Legislature to revitalize under utilized communities by promoting and coordinating public and private sector community development. The HCDA currently oversees three designated community development districts on Oahu: Kakaako, Kalaeloa, and Heeia.



The HCDA welcomed a new board in March 2015, with members selected through the process outlined in Act 61, SLH 2014. Along with a new board, the HCDA also moved into a new office at the newly renovated historic American Brewery Building, located on Queen Street in Kakaako.

KAKAAKO

Seven new housing developments in the Kakaako Community Development District are now in various stages of construction, with an additional six already permitted by the Authority. When coupled with three recently completed developments (680 Ala Moana, Rycroft Terrace, and Halekauwila Place), there will be constructed an additional 5,591 new housing units in the Kakaako district. About 42 percent of these new units (2,348 units) will be reserved for qualified income households, ensuring lower priced homes that working professionals and young families can afford. State analysts say 5,700 new housing units are needed in Hawaii each year, and the HCDA is doing its part to meet that demand.



On January 21, 2015, the HCDA approved the development of the Ola Ka Ilima Lofts, which is a low income rental housing project that is sorely needed in Honolulu. In November 2014, the HCDA held an initial public hearing for the project and approved a 65-year lease agreement that would allow Artspace to lease the HCDA-owned lot at 1025 Waimanu Street for \$1 a year. This parcel is one of only two developable parcels owned by the HCDA in Kakaako Mauka, and will provide 84 rental units to low-income artists, a community center, art studio rental space, commercial space, and about 94 parking stalls. Ola Ka Ilima Lofts has already secured funding for the project through Low-Income Housing Tax Credits and a Rental Housing Trust Fund loan. An environmental assessment of the parcel was also completed in late 2014, with a finding of no significant impact.





More affordable housing will also be built at the HCDA-owned lot at 630 Cooke Street. On June 3, 2015, the HCDA voted to enter into negotiations with Bronx Pro Group to develop affordable micro unit housing on the 10,000 square foot lot. Bronx Pro Group proposed a 17-story, 184-foot tall mixed-use building with 104 micro units. The majority of units will be reserved for low-income groups making under 60 percent of the area median income, while a handful of units will be reserved for extremely low-income groups making 30 percent of the area median income. The Bronx Pro Group says its development will offer flexible living spaces and community meeting areas at what are clearly affordable prices. The developer also proposes adding a number of energy efficient features, like solar water heating and LED lighting. By creating a supportive environment for such developments, the HCDA believes the Cooke Street project could serve as a springboard for future micro-unit housing solutions.

On February 4, 2015, the Authority approved the Ward Village Land Block 1, Project 2 at 330 Kamakee Street, also known as Aeo. The mixed-use development will include a flagship Whole Foods Market grocery store, open space, retail space, a parking structure, and a residential tower with 466 new housing units behind the existing Ward Consolidated Theaters complex. The initial public hearing for this project was held in November 2014, and Ward Village received strong public support after describing the five requested modifications that are necessary to create an aesthetically superior development that enhances the community. The principals of Victoria Ward Limited explained that without any modifications, the project would be a less appealing, large mass of concrete at the ground level that diminished the pedestrian experience. The HCDA approved the development on several conditions, including that construction on the required reserved housing component will begin within two years of the completion of the first development within the Ward Village Neighborhood Master Plan.



On July 22, 2015, the HCDA took final action on Victoria Ward Limited's Motion to Amend its development permit for the 988 Halekauwila project. Ward Village agreed to the HCDA's second proposed order, which requires the delivery of 375 reserved housing units for sale at the 988 Halekauwila development and extends the permit for two additional years. Ward Village had previously requested the ability to offer rental units instead of for-sale units at 988 Halekauwila, however the board denied that proposal in May 2015. The HCDA's final decision in July requires construction on the reserved housing units at 988 Halekauwila to begin before residents are allowed to move into the Waiea and Anaha developments at Ward Village.



In response to the public's desire for the development of more affordable housing, the HCDA continues to examine possible amendments to its reserved housing policy. The newly formed Authority reviewed the 2014 Reserved Housing Investigative Committee Report, which can be viewed here: <http://dbedt.hawaii.gov/hcda/reserved-housing-investigative-committee-report/>. HCDA staff also created an informational video to explain the challenges of building affordable housing in Hawaii and the potential ways to influence change, using other cities as examples. That video can be viewed on HCDA's YouTube channel: <http://www.youtube.com/HCDAwab>



Homeless Outreach

The number of homeless living in encampments in Kakaako Makai increased this year, and the HCDA remains committed to being part of the solution. HCDA staff began meeting with the Governor's Leadership Team on Homelessness in September 2015 to identify state-owned parcels that could potentially be used as temporary emergency shelters for homeless families. The governor's team selected the HCDA's maintenance shed fronting Kakaako Waterfront Park as the best option for rapid redevelopment, as it already contains the necessary power and water infrastructure for such a facility. The HCDA continues to be in direct communication with other government agencies and law enforcement to ensure a coordinated response in moving people off the streets and into shelter.



As part of the solution, the HCDA will also continue to fund the Jobs Training Program, which gives a hand up instead of a hand out to homeless individuals who are willing to provide peer outreach, janitorial, and beautification services for HCDA-owned parks in Kakaako. The HCDA began the program in June 2009 and it has since grown to help numerous people find permanent jobs and turn their lives around. The program also provides opportunities at Next Step Shelter so homeless individuals can access weekly shower and laundry services. HCDA's Jobs Training program is a critical element to ending homelessness, as it provides outreach services and also teaches necessary job skills. In addition, the HCDA is continuing to fund its Security Deposit Matching program, which sets aside \$10,000 to help Jobs Training Program participants move out of homelessness and into rental housing.





The HCDA began enforcing its park rules and closures in December 2015, after numerous complaints from the public about homeless encampments in the parks of Kakaako Makai. In a coordinated effort, HCDA staff, contractors, service providers, and Sheriff's deputies informed campers about park hours and rules and offered assistance to shelter, before removing materials and debris from the parks. All abandoned property was carefully documented and sorted to separate trash from personal belongings. A stored property program was put in place to allow homeless individuals to reclaim their belongings that had been left behind.

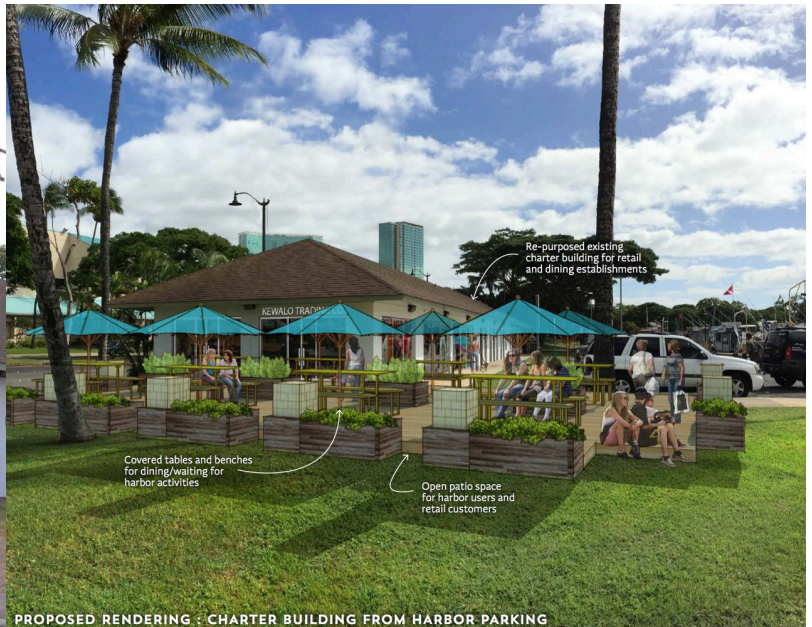


Kewalo Basin Harbor

In March, 2015, the HCDA solicited proposals for the redevelopment of fastlands surrounding Kewalo Basin Harbor. The Howard Hughes Corporation and Kewalo Waterfront Partners presented the top two proposals at the October 29, 2015 Authority Meeting. The Howard Hughes Corporation describes its three proposals for Lots 1-3 as community-inspired solutions that increase connectivity and pedestrian circulation, minimize impacts, and increase available parking. Kewalo Waterfront Partners proposed redeveloping Lot 1 (Diamond Head parking lot) into a vibrant gathering place that offers opportunities for retail, entertainment, both casual and fine dining, farmers markets, and multi-purpose venues. Both developers say community input helped shaped the final proposals. Ultimately, the HCDA rejected both proposals for Lot 1 and selected the proposals from the Howard Hughes Corporation for Lots 2 and 3 (Charterboat building and NOAA lot). Development agreements for both lots are pending.



LOT 2



PROPOSED RENDERING : CHARTER BUILDING FROM HARBOR PARKING

LOT 3



Parks and Open Spaces

In August 2014, the HCDA began a year-long effort to plan for future active use facilities at the parks in Kakaako Makai. The master planning process included a series of public open houses where community members weighed in on the current condition of the parks and brainstormed ideas on how to overcome the various challenges of transforming these areas into better gathering places. A draft environmental impact study (EIS) and master plan are expected to be complete in summer 2016. A 45-day public comment period will follow.





Community Partnerships

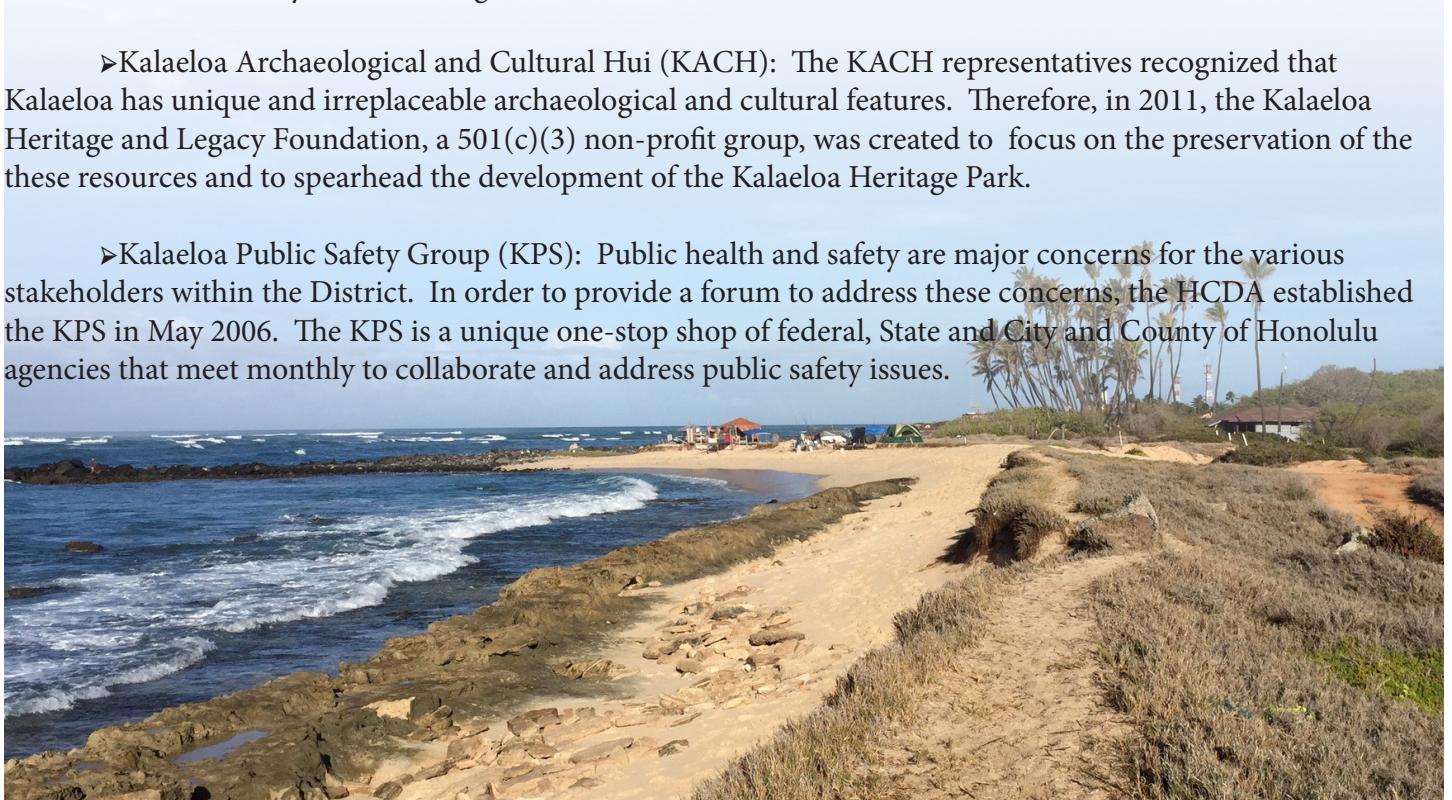
In the Kalaelo Community Development District (Kalaelo), the efforts to create a “Wahi Ho’okela, a center for excellence within the Ewa District,” reflects the district’s core value. The HCDA created four advisory groups to address various concerns and issues, to enhance stakeholder communication and to work together collaboratively for the successful redevelopment of Kalaelo. The four groups are:

►Kalaelo Advisory Team (KAT): The KAT was comprised to focus on the development and implementation of the Kalaelo administrative rules. The KAT team, which includes elected officials and their staff, developers, neighborhood board representatives and government agencies, is integral to bridging the community needs with the current economic drivers to create a successful redevelopment district.

►Kalaelo Community Network (KCN): The HCDA established the KCN in November 2006. Their mission is to share ideas, network, address concerns about the District’s infrastructure, pool resources, and capitalize on opportunities to foster pride in Kalaelo. Kalaelo landowners, tenants, businesses and elected officials attend monthly KCN meetings.

►Kalaelo Archaeological and Cultural Hui (KACH): The KACH representatives recognized that Kalaelo has unique and irreplaceable archaeological and cultural features. Therefore, in 2011, the Kalaelo Heritage and Legacy Foundation, a 501(c)(3) non-profit group, was created to focus on the preservation of these resources and to spearhead the development of the Kalaelo Heritage Park.

►Kalaelo Public Safety Group (KPS): Public health and safety are major concerns for the various stakeholders within the District. In order to provide a forum to address these concerns, the HCDA established the KPS in May 2006. The KPS is a unique one-stop shop of federal, State and City and County of Honolulu agencies that meet monthly to collaborate and address public safety issues.





In the fall of 2015, members of HCDA's four advisory groups reviewed and updated the Kalaeloa Strategic Plan timeline, which was set to expire at the end of 2015. The Kalaeloa Strategic Plan, which was originally formulated in 2005, includes the vision, mission, core values, guiding principles, challenge and opportunities, and a timeline of near-term actions. The process to update the timeline included group meetings, an on-line participation process and a workshop.

The HCDA receives ongoing feedback from stakeholders, government agencies, developers and elected officials that HCDA's advisory groups provide high value to the agency and to the community. It is also noted that the advisory groups' volunteer network should be an inspiration to other community groups. Therefore the HCDA is committed to fostering the community's engagement and trust by working to preserve these partnerships.

Housing

On September 9, 2014, the HCDA voted unanimously to approve the conversion and renovation of Building 77, the former Navy Bachelor Officer Quarters, in Kalaeloa. Hunt Companies invested \$12 million to convert the existing three-story building on Franklin D. Roosevelt Avenue into 100 one-bedroom rental units for qualified income households. On July 1, 2015, residents began moving into the reserved housing rental units. The monthly rent ranges from \$1200 - \$1500, which is 70 – 110% of area median income as determined by the United States Housing and Urban Development.

The Kalaeloa East Energy Corridor project is expected to cost \$5.5 million, plus an additional \$9 million for Navy easements and surveys. The HCDA is currently seeking additional sources of funding, as only \$3.5 million from a 2012 Hawaii State Legislature appropriation is secured. Negotiations with Navy Facilities and GSA are also ongoing, regarding a grant of easement for the project through Navy property.

Separately, bids for the Kalaeloa Enterprise Energy Corridor project ranged from \$8.1 million to \$24.9 million. Currently, less than \$7 million is available for funding from a 2014 Hawaii State Legislature appropriation. The HCDA is now seeking ways to reduce the cost of the project or secure additional funding.



Utilities

In 2015, the Kalaeloa Community Development District continues to produce over 10 mega-watts of photo voltaic solar power with the potential to generate over 50 mega-watts of solar power by 2030.



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Separately, bids for the Kalaeloa Enterprise Energy Corridor project ranged from \$8.1 million to \$24.9 million. Currently, less than \$7 million is available for funding from a 2014 Hawaii State Legislature appropriation. The HCDA is now seeking ways to reduce the cost of the project or secure additional funding. The goal is now to begin construction of the first phase by the end of summer 2016. Since base closure in 1999, Navy owned utilities have continued to deteriorate resulting in frequent power outages monthly and an estimated 30% of drinkable water being unaccounted for or lost daily in the district in 2015. The water and waste water systems have been privatized by the Navy and Pural Water Specialty Company Inc. is finalizing the establishment of the Kalaeloa Water Company with the Public Utilities Commission.

In 2016, HCDA will be working with Kalaeloa stakeholders, area legislators and the congressional leadership on securing special legislation necessary to complete the conveyances of all remaining Navy owned assets in Kalaeloa to the HCDA which is recognized as the Local Reuse Authority. This transition is long overdue and has stifled the State's ability to truly redevelop the district into the community's vision of a "Wahi Ho'okela," Center of Excellence.

Roadways

In November 2015, the HCDA approved entering into a Memorandum of Understanding between the HCDA, the State Department of Transportation, and the City and County of Honolulu to accept the transfer of a portion of Franklin Delano Roosevelt Avenue, between the West Perimeter Road and Enterprise Avenue. This agreement will allow the HCDA to coordinate road improvements with private developers to ensure our vision for the district is achieved. Eventually the road will be dedicated to the City and County for continued maintenance.



Cultural Park

In September 2015, the HCDA has entered into a long term lease with the Kalaeloa Heritage and Legacy Foundation for the 77-acre Kalaeloa Heritage Park. The site serves to preserve the area's unique culture and includes numerous natural, cultural, and archaeological resources, including a historic walking trail and religious sites.





In the Heeia Community Development District, our non-profit lessee, Kakoo Oihi, continues working to restore agricultural productivity to over 400 acres of wetlands. In 2015, Kakoo Oihi successfully managed four acres of agricultural lands with the help of over 5,000 volunteers. 22 mala and kalo lo'i were made, with regular harvests of taro root and leaves. Kakoo Oihi also sells pa'i'ai and poi, as well as raw taro root and dry land vegetables to further its mission and to lead Hawaii to a more sustainable future.



Members of the Hawaii Community Development Authority

Chairperson: John Whalen
Vice Chairperson: Steven Scott
Secretary: Shirley Swinney

Full Authority = 17 members (15 voting, 2 non-voting)

At Large members (same for all boards)

John Whalen

Mary Pat Waterhouse

(Vacant)

Beau Bassett (Cultural Specialist)

Ex-Officio members (same for all boards)

Ford Fuchigami (DOT)

Wesley Machida (B&F)

Non-Voting ex-officio members

George Atta (City DPP)

Jobie Masagatani (DHHL)

Community members (all three boards)

William Oh

Jason Okuhama

Steven Scott

Shirley Swinney

Dean Capelouto

Michael Golojuch, Sr.

Amy Luersen

(Vacant)

Donna Camvel

Kakaako Authority= 10 members (9 voting, 1 non-voting)

At Large members (same for all boards)

Ex-Officio members (same for all boards)

Community members

William Oh

Jason Okuhama

Steven Scott

Kalaeloa Authority= 11 members (9 voting, 2 non-voting)

At Large members (same for all boards)

Ex-Officio members (same for all boards)

Community members

Shirley Swinney

Dean Capelouto

Michael Golojuch, Sr.

Heeia Authority= 10 members (9 voting, 1 non-voting)

At Large members (same for all boards)

Ex-Officio members (same for all boards)

Community members

Amy Luersen

(Vacant)

Donna Camvel

HCDA Executive Director

Anthony Ching

HAWAII COMMUNITY DEVELOPMENT AUTHORITY
STATE OF HAWAII
Statement Of Activities
For The Year Ended June 30, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenues and Changes in Net Assets</u>
Governmental Activities:			
General government	\$ 426,718	\$ -	\$ (426,718)
Leasing and management	2,273,673	2,395,300	121,627
Community redevelopment	2,549,352	7,533,844	4,984,492
Capital improvement projects	<u>4,360,448</u>	<u>-</u>	<u>(4,360,448)</u>
Total governmental activities	<u>\$ 9,610,191</u>	<u>\$9,929,144</u>	318,953
General Revenues:			
State allotments, net of lapsed appropriations			9,555,000
Investment earnings			<u>74,169</u>
Total general revenues			<u>9,629,169</u>
Change in net position			<u>9,948,122</u>
Net position at July 1, 2014, as previously stated			177,524,993
Adjustment relating to net pension liability			<u>(2,400,222)</u>
Net position at July 1, 2014, as restated			<u>175,124,771</u>
Net position at June 30, 2015			<u>\$185,072,893</u>

The accompanying notes are an integral part of the financial statements.

HAWAII COMMUNITY DEVELOPMENT AUTHORITY
STATE OF HAWAII
Balance Sheet - Governmental Funds
June 30, 2015

	General Fund	Leasing and Management	Community Redevelopment	Capital Projects Fund	Total Governmental Funds
Assets					
Cash in State Treasury and petty cash	\$3,500	\$10,852,943	\$ 8,338,696	\$ -	\$19,195,139
Due from State	-	-	-	14,462,730	14,462,730
Accounts receivable	-	463,872	-	-	463,872
Prepaid expenses	-	1,391	249,642	-	251,033
Loan receivable - Halekauwila Partners, LLC	-	-	17,000,000	-	17,000,000
Total assets	<u>\$3,500</u>	<u>\$11,318,206</u>	<u>\$25,588,338</u>	<u>\$14,462,730</u>	<u>\$51,372,774</u>
Liabilities And Fund Balances					
Accounts payable	\$ -	\$ 599,406	\$ 33,434	\$ 214,812	\$ 847,652
Accrued payroll	-	23,555	-	132,659	156,214
Unearned revenues	-	243,081	-	-	243,081
Rental security deposits	-	149,694	-	-	149,694
Due to State Treasury	<u>3,500</u>	<u>1,268,245</u>	<u>-</u>	<u>-</u>	<u>1,271,745</u>
Total liabilities	<u>3,500</u>	<u>2,283,981</u>	<u>33,434</u>	<u>347,471</u>	<u>2,668,386</u>
Fund Balances					
Nonspendable:					
Prepaid expenses	-	1,391	249,642	-	251,033
Loan receivable	-	-	17,000,000	-	17,000,000
Total nonspendable fund balances	-	1,391	17,249,642	-	17,251,033
Restricted	-	-	-	14,115,259	14,115,259
Committed	-	<u>9,032,834</u>	<u>8,305,262</u>	<u>-</u>	<u>17,338,096</u>
Total fund balances	<u>-</u>	<u>9,034,225</u>	<u>25,554,904</u>	<u>14,115,259</u>	<u>48,704,388</u>
Total liabilities and fund balances	<u>\$3,500</u>	<u>\$11,318,206</u>	<u>\$25,588,338</u>	<u>\$14,462,730</u>	<u>\$51,372,774</u>

The accompanying notes are an integral part of the financial statements.

