

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

Wednesday, July 13, 2016

KAKAAKO BUSINESS

I. CALL TO ORDER/ROLL CALL

A general business meeting of the Kakaako Members of the Hawaii Community Development Authority (“Authority” or “HCDA”), a body corporate and a public instrumentality of the State of Hawaii, was called to order by Chair Whalen at 09:00 AM July 13, 2016 at Authority’s principal offices at 547 Queen Street in Honolulu, Hawaii, 96813, pursuant to Article IV, Section 1 of the Authority’s Bylaws.

Members Present: Beau Bassett
Wei Fang
Scott Kami
Jason Okuhama
David Rodriguez
Steven Scott
Mary Pat Waterhouse
John Whalen

Members Absent: William Oh
George Atta

Others Present: Deepak Neupane, Planning Director
Lindsey Doi, Asset Manager
Mike Wong, Deputy Attorney General
Lori Sunakoda, Deputy Attorney General
Laura Savo, Court Reporter
Tommilyn Soares, Secretary
Shelby Hoota, Media Specialist

II. APPROVAL OF MINUTES

Kakaako Regular Meeting of June 1, 2016

Minutes were deferred to the August meeting.

III. KAKAAKO MATTERS

Chair Whalen noted for the board that an emergency item to restore restroom services at Kewalo Basin will need to be added to the meeting agenda and that the sunshine law requires two-thirds of a vote by board members to amend and add the agenda item. The emergency matter for Decision Making: Shall the Authority Authorize the Interim Executive Director to Execute All Necessary Agreements and Expend Necessary Funds to Restore Wastewater Elimination Services at Kewalo Basin for the Hawaii Community Development Revolving Fund, Public Facilities Dedication Subaccount.

Vice Chair Scott made a motion to add the item to the agenda.

Member Okuhama seconded the motion. Chair Whalen conducted a voice vote. All members unanimously approved, adding the item to be discussed at the end of the Agenda.

2. Information and Discussion: Howard Hughes Presentation on Ward Neighborhood Master Plan

Mr. Todd Apo, Vice President of Community Development and Mr. Race Randle, Vice President of Development for the Howard Hughes Corporation presented brief background information and an update on completed, current and future projects to the 2009 Ward Neighborhood Master Plan.

Mr. Todd Apo provided background information and explained that Howard Hughes Corporation worked with Victoria Ward Limited to understand the history of the land and its value to create a foundation and a starting point for the original Ward Neighborhood Master Plan that was approved by HCDA in 2009. He also introduced the Ward Village Team that was present in the audience.

Mr. Race Randle updated board members on the projects that have been completed, those currently underway and others that are scheduled to begin construction. The completed Ward Village Shops include:

1. T.J. Maxx,
2. Nordstrom Rack
3. Pier 1 and
4. Parking Structure that includes 800 stalls

The current projects or those scheduled to begin construction include:

1. Waiea, located along Auahi Street and includes 175 home units and an 8,000 square foot restaurant, Nobu Honolulu, is scheduled to be completed at the end of 2016.
2. Anaha, across the corner from Waiea along Kamakee and Auahi Street, includes 318 home units with retail shops and Merriman's restaurant is scheduled for completion in mid-2017.
3. Aeo, is a project that will bring an east-west connectivity through a road that will provide additional connections through its property and includes over 400

home units, Whole Foods Grocery store and a district parking structure. Aeo is scheduled to be completed in 2018.

4. Ke Kilohana project, includes a pharmacy, 424 home units with a majority of them being purchased as reserved housing units between 100 and 140 percent of the area median income. Construction is on target to begin at the end of 2016.
5. The Gateway Towers will include 230+ home units that will help activate the main street along Auahi Street with retail opportunities.
6. South Shore Market, located on Queen Lane, currently underway is a retail project that will allow opportunities for several small businesses (instead of one large tenant) to occupy space.

Howard Hughes is also working with the City and County regarding the rail construction and development that is planned to come through Kakaako and has made changes to the 2009 Masterplan to accommodate and comply with the City and County of Honolulu's requirements.

Beyond creating a walkable community, Howard Hughes further committed to developing a LEED neighborhood, targeting the highest certification, LEED platinum. It would ultimately be recognized as one of the largest LEED platinum projects.

It was discovered through the Ke Kilohana process, there is a demand of housing interest in the Ward Village area and Howard Hughes will be seeking assistance from community members as well as HCDA board members for its next development with Block I and Block N.

Chair Whalen thanked Mr. Apo and Mr. Randle for their presentation and commented that with the new round of planning for the next development it seems Howard Hughes identified an affordable housing market that needs to be served and also some community amenities to be completed. Chair Whalen encouraged Complete Streets and community open and park spaces be realized as residents start to occupy the buildings that are being completed. Chair Whalen also stated per sunshine law only two members are permitted to attend the community meeting by Howard Hughes scheduled to take place Tuesday, July 19, 2016 from 5:30 p.m. to 7:30 p.m and asked if anyone was interested in attending to possibly present a short report back to the board. There were no responses from board members to Chair Whalen's comment regarding the community meeting.

Discussion and questions from board members confirmed Ke Kilohana will not be affected by the planned rail line as its being developed. Central Plaza, included in the Ward Masterplan will be developed in a future phase after the required permits are received. The added bike lanes and other improvements to Auahi Street were recently approved by the City and will start in the latter part of 2016. There is approximately 8 years remaining for the completion of the Ward Master Plan and HCDA and Howard Hughes will start discussion on how the remaining square footage required to be dedicated to the community as public facilities will be fulfilled. Also, Howard Hughes confirmed they would look into

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the Diamond Head Plaza and work with PBR to illustrate how that plaza is being accommodated, as Member Waterhouse asked for clarification regarding the IBM building being designated as a park or plaza in the 2009 master plan.

Member Kami asked if the rail project and its uncertainty has affected the timing of any projects. Mr. Apo responded, the rail hasn't had substantial issues in current projects but it's clearly had impacts and they are doing their best to accommodate and work around the rail project.

Mr. Apo explained the process they used to qualify the 950 applicants for Ke Kilohana (reserved housing units) for Member Waterhouse and stated those that were not selected to purchase a unit has been placed on a backup list.

Member Scott commented, he has not heard reference made to the connectivity to the Makai (Kewalo) portion of Kakaako as mentioned in prior presentations made during the Kewalo Basin improvements and asked whether that connectivity remains included in the plan or if being considered. Mr. Neupane addressed Member Scott's question and stated staff has been in discussion with the Department of Transportation (DOT) who does not express much interest but as DOT is currently going through staff changes the HCDA staff will continue to coordinate meetings with DOT and further discuss the connectivity to Kakaako Makai. Mr. Randle, stated Howard Hughes' strong support for the connection to Kakaako Makai.

Chair Whalen asked if there were further questions or comments. Mr. Neupane stated as Mr. Apo and Mr. Randle's presentation was informational, HCDA staff will put together a packet of the master plan and all decision and order's on file for board members as background information and reference for any future applications that will be submitted for consideration.

Member Bassett stated Howard Hughes mentioned they would appear before the board in August and asked what would that be for? Mr. Apo responded, for informational purposes, they would share information they received from the community meetings, meetings with individuals and organizations and possibly feedback from the board that would help guide the next package that will be proposed and submitted for approval. Member Bassett asked if that approval would be submitted after the August meeting. Mr. Apo confirmed.

Member Waterhouse stated she recalls, as she joined the HCDA board, a discussion confirming members would not meet with developers and asked, now that Mr. Apo has asked for feedback regarding the master plan, whether board members would now be meeting with developers.

Chair Whalen responded, board members would not be meeting developers, however, it may be okay if it's to ask board members what they would like to see or the kind of elements they would like addressed. Deputy Attorney General Mike Wong commented, he and Deputy Attorney General Lori Sunakoda can research the rules with regards to board interactions and provide guidance that may address some of Member Waterhouse's

concerns and questions. Ms. Sunakoda stated the board is seeking some legal guidance on the issue and will be happy to provide that for the board.

Mr. Apo stated, to be clear, Howard Hughes will stay in contact with staff and once the issue is addressed, they will then determine how to proceed with individual board members. Chair Whalen stated, it'd be difficult for the board to make a decision if Howard Hughes returns to the board for approval and there are prior individual interactions. Mr. Apo stated, per Chair Whalen's comment, the extent of any meetings with board members would be about broader master plan ideas and not anything specific to a project. Chair Whalen thanked Mr. Apo and Mr. Randle for their presentation and stated it was a good opportunity for board members to share their thoughts about what they'd like to see in the master plan.

Chair Whalen mentioned the date of the Howard Hughes community meeting will be held, July 19, 2016 for those board members who would like to be engaged in the project.

There were no further discussion or public comment.

3. Decision Making: Shall the Authority Adopt the Recommendation of the Request for Proposal Evaluation Committee for a Civic/Mixed Use Commercial Development on Lot C, TMK: 2-1-015:052 (including the Entrepreneur's Sandbox and Innovation Hale) and Authorize the Interim Executive Director to Negotiate a Development Agreement?

Chair Whalen recessed the meeting at 10:08 am

Chair Whalen reconvened the meeting at 10:16 am.

Mr. Deepak Neupane, Kakaako Director of Planning stated the report provided in the packet summarizes the RFP and that he received additional information that responds to questions raised by board members at the July 6, 2016 board meeting present the information in executive session.

Chair Whalen, before the board enters executive session, asked the audience and board members if there are any questions or comments regarding the report.

Member Waterhouse, asked what the funds Fisher will provide would be used for? Mr. Neupane responded, Fisher is providing \$1.3 million in matching funds as part of a \$3 million EDA grant that will be used for the Sandbox, Member Waterhouse also asked where the money, from HCDA, for the soft cost would come from. Mr. Neupane replied he could provide that information in executive session and stated for public discussion that the BAFO included a relocation of an overhead power line that would typically be the responsibility of a landowner as well as the phase 2 environmental site assessment. The estimate for both costs came in at \$2.2 million and HCDA would provide that by seeking a CIP request from the 2017 legislature.

There were no further questions or discussion from board members and no public comment.

Member Okuhama motioned for the board to convene in executive session pursuant to Hawaii Revised Statutes Section 92-5 (a) (4). Member Waterhouse seconded the motion. Chair Whalen conducted a voice vote. All members unanimously approved entering into executive session.

Pursuant to Section 92-5 (a) (4), Hawaii Revised Statutes, the Authority convened in Executive Session at 10:24 a.m.

Chair Whalen reconvened the meeting at 11:40 a.m. and stated he would like to take one item out of order as it is an emergency issue.

4. Shall the Authority Authorize the Interim Executive Director to Execute All Necessary Agreements and Expend Necessary Funds to Restore Wastewater Elimination Services at Kewalo Basin from the Hawaii Community Development Revolving Fund, Public Facilities Dedication Subaccount?

Chair Whalen stated there is an emergency that requires to be fixed and asked if board members have any questions.

Member Waterhouse asked what the maximum amount HCDA staff has estimated for the repair and if board members can put a ceiling on the cost. Mr. Neupane replied, the estimate is uncertain at this point and, thus far, spent approximately \$10,000 (that needs to be reimbursed to Howard Hughes) to the current vendor Waiialae Plumbing who was unable to clear the line.

Ms. Lindsey Doi, Asset Manager, provided background information for members and stated the vendor and HCDA has not yet confirmed what the problem is and will need to hire a company to do the exploratory work to clear the line. It is uncertain what that cost would be and if the vendor discovers it's not a clog, an excavation would be conducted to fix the line. If the board includes a ceiling there is a concern that repairs will take longer than necessary as it will need to receive approval from the board if the costs go over that ceiling. The bathrooms have been closed since July 4, 2016 and will remain closed until the repairs have been fixed and staff would like to avoid any delays.

Member Kami asked if it is HCDA's responsibility to repair the line. Ms. Doi also stated it is part of the infrastructure owned by HCDA because the City and County's portion is running okay.

Member Rodriguez asked if HCDA will continue to use Waialae Plumbing. Ms. Doi and Mr. Neupane stated that HCDA will look to retain a vendor that will be able to clear the line that has the capability of using the high-pressure-water clearing technique, as Waialae Plumbing was unsuccessful as well as the Department of Environmental Services at the City and County.

Chair Whalen stated, if there is a desire to include a ceiling it should be set high so that the repairs can be completed. Ms. Lindsey Doi stated the concern or caveat to doing that, as this is a public meeting, is quotes may come back at the set ceiling amount.

Chair Whalen stated, the repairs need to be fixed.

Member Fang made a motion for the authority to authorize the interim executive director to execute necessary agreements and expend necessary funds to restore wastewater elimination services at Kewalo Basin from the Hawaii Community Development Revolving Fund, Public Facilities Dedication subaccount.

Member Rodriguez seconded the motion. Chair Whalen asked if there are any comments from the public or further discussion from the board.

Member Kami asked what fund the money for repairs would come from and if there are sufficient funds. Mr. Neupane confirmed there are sufficient funds from the Revolving Fund – Public Facilities Dedication Subaccount.

Mr. Neupane conducted the roll call vote. All member unanimously approved with seven votes and two excused votes.

Chair Whalen reconvened discussion on item number 3. Shall the authority adopt the recommendation of the request for proposal evaluation committee for a civic/mixed use commercial development on Lot C, TMK: 2-1-015:052 (including the Entrepreneur's Sandbox and Innovation Hale) and authorize the interim executive director to negotiate a development agreement?

Chair Whalen asked if there are questions from the board before proceeding to a decision.

Mr. Len Higashi, representing Robbie Melton of HTDC, helped to clarify the application process of the \$3 million EDA grant for Member Waterhouse. Mr. Higashi stated that with the required public-private project grant by EDA, Fisher Hawaii came forward to contribute the private sector matching funds of \$1.3 million which then allowed HTDC with HCDA (as the landowner) to apply for the \$3 million grant for the Entrepreneur Sandbox project. Without Fisher's commitment HTDC and HCDA would not have been able to apply or receive the EDA financial award.

Mr. Higashi stated for Member Bassett that the terms of Fisher's \$1.3 million contribution will be finalized in a development agreement and reimbursements will come from EDA as invoices are provided showing actual work completed. Member Bassett

also asked if the reimbursements received will be EDA's shared contribution and that the remaining cost of the project will be provided by, as current language states, HCDA or HTDC? Member Bassett also asked if the development agreement will clarify that the final contribution will come from Fisher. Mr. Higashi responded the final contribution will come from Fisher and any CIP money that is available. Member Bassett asked at what stage did Ike come alongside with Fisher and also if the grantor (EDA) is okay with Ike being a part of the private contribution? Mr. Higashi stated, Ike formally became a part of Stanford Carr's team that submitted the proposal currently being considered. The EDA has indicated they're okay with Ike and are encouraged to see interest by the private sector in providing matching funds which is what made a compelling grant application. Member Bassett stated he understands Fisher will be getting a space in the Innovation Hale, and asked where that agreement would be formalized. Mr. Higashi stated Mr. Stanford Carr is present and he can answer any questions regarding the project.

Mr. Stanford Carr, President, Stanford Carr Development mentioned at the informational presentation made at the July 6, 2016 board meeting, he stated this project exemplifies public-private partnership, with the federal EDA grant, the private industry that have come together working with HTDC and also the additional funds obtained through the 2016 state legislature. The Innovation Hale and the Incubator Center are codependent, one does not get built without the other. The financing structure will be predominantly private capital with a seven-story innovation center that is planned to be built in collaboration with many people in the healthcare industry. Fisher Hawaii will occupy the ground level and Data House will occupy the second level, however, the project will not proceed until a development agreement and business plan in collaboration with HCDA and HTDC is authorized.

Mr. Higashi mentioned in clarification to the questions stated earlier regarding Fisher's \$1.3 million to the Entrepreneur's Sandbox. Fisher provided the funds in a commitment letter for the grant application without any assurance of receiving anything. The application requires a business model to make it work, but to be clear, when the original grant application was submitted, Fisher Hawaii was in discussion to build their own technology center to support small businesses and the educational community that support them, hence, HCDA, HTDC and Fisher's partnership to research leveraging a project with federal funds.

Mr. Higashi clarified for Member Waterhouse a request for proposal process was utilized to select a developer to complete the innovation block HTDC desired to develop and that federal procurement laws default to state procurement laws when a private-public partnership is coordinated for a federal grant.

Mr. Neupane stated, to follow the competitive process, HCDA issued an RFP for the project. Member Waterhouse stated she did not understand how Fisher and Data House were the only one's proposed on those sections (on the grant application) and why wasn't

a competitive process used when Fisher and Data House were selected. Fisher was part of the original proposal and now Data House is now involved. Mr. Higashi stated he mentioned Fisher was included in the application as they committed to contribute the \$1.3 million match to construct the Entrepreneur's Sandbox and at that time there was no assurance they would be part of a project and because there was a business plan that was required to make the application work, Stanford Carr teamed with Ike (or Data House) and put together a proposal on how the project could work and be financeable and fulfill the requirement of the HCDA RFP. The idea behind the RFP was so everyone could have a chance to comment and anyone would have a chance to compete. Member Waterhouse mentioned to be clear with Mr. Higashi's statement that the proposal Stanford Carr submitted also included Fisher and Data House as part of that proposal? Mr. Carr confirmed that is correct. Member Waterhouse then asked why Fisher is included in the proposal to the Department of Commerce and how was Fisher selected at that time. Mr Higashi then clarified for Member Waterhouse that to submit a grant application to the EDA, HTDC needed a private sector to commit matching funds and at that time, Fisher Hawaii was the only offeror that stepped forward to offer the \$1.3 million so that HTDC could pursue the grant application.

Member Bassett stated to clarify, the \$1.3 million is a donation by Fisher as a grant to the project and separate from the Innovation Hale? Mr. Higashi confirmed that is correct. Member Bassett then commented and said then Stanford Carr submits the proposal with Ike and Fisher as partners in the project that happens to be the same entity that is a contributor for the Sandbox? And there is no direct legal correlation between them being tenant and a partner and then a grantor towards the sandbox? Mr. Higashi confirmed Member Bassett's statements are correct.

Vice Chair Scott stated the innovation center is privately funded so it is up to the developer, Stanford Car to determine who will occupy space and how that's built. He also stated he does not believe there is a conflict as long as Fisher is not occupying space in the Sandbox. Mr. Carr may find someone else who can occupy space that could pay more rent but that would be up to Mr. Carr as he will ultimately fund the project.

Member Kami asked Mr. Higashi to confirm that HTDC has the funding available to cover the requested soft cost for the value engineering that Mr. Carr requested and that those funds are available and can be expended for that purpose. Mr. Highashi stated he is working with HCDA regarding those funds. Mr. Neupane mentioned that part of the CIP money is for the design of the project and there's \$1.2 million available and is currently in discussion with HTDC to allocate that money for value engineering.

Chair Whalen called for a motion for the Authority to adopt the recommendation of the request for proposal evaluation committee for a civic/mixed use commercial development on Lot C, tax map key 2-1-15, parcel 52, including the entrepreneur's sandbox and

innovation hale and to authorize the interim executive director to negotiate a development agreement.

Vice Chair Scott made a motion to move that the board approve the interim executive director's request authorizing the interim executive director to enter into negotiations for the development agreement subject to and conditioned upon, 1. Clarification and revisiting of the proposed lease rent, and 2. Clarifications to the board's satisfaction regarding the grant procurement requirement.

Member Fang seconded the motion. Mr. Neupane conducted the roll call vote. All member unanimously approved the motion with seven votes and two excused votes.

V. ADJOURNMENT

Chairperson Whalen adjourned the regular meeting at 12:43 p.m.

Respectfully submitted,

/s/

John Whalen,
Chair

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