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HAWAII COMMUNITY DEVELOPMENT AUTHORITY
STATE OF HAWAII
PUBLIC HEARING
RE:
AMENDMENT OF HAWAII ADMINISTRATIVE RULES,
TITLE 15, SUBCHAPTER 4, CHAPTER 218,
"KAKA'AKO RESERVED HOUSING RULES"

TRANSCRIPT OF PROCEEDINGS

Tuesday, March 28, 2017

Taken at 547 Queen Street, Second Floor
Honolulu, Hawaii 96813
commencing at 9:01 a.m.

Reported by: LAURA SAVO, CSR No. 347

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A P P E A R A N C E S

Curtis T. Tabata, Hearings Officer

Deepak Neupane, Dir. of Planning and Development

Garett Kamemoto, Communications & Community Outreach
Officer

MEMBERS PRESENT:

(None present.)

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I N D E X

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1 Tuesday, March 28, 2017, 9:01 a.m.

2 -o0o-

3 THE HEARINGS OFFICER: Good morning. I'd
4 like to call the March 28, 2017, public hearing of
5 the Hawaii Community Development Authority to order.
6 It is now 9:01 a.m. My name is Curtis Tabata, and I
7 am the hearings officer appointed by the Authority to
8 conduct this hearing.

9 Today's public hearing is held pursuant
10 to the provisions of Chapter 91 and Chapter 206E,
11 Hawaii Revised Statutes, Title 15, Chapter 219,
12 Hawaii Administrative Rules. Section 15-219-26 of
13 the HCDA's Rules of Practice and Procedure provides
14 that, to the extent permitted by law, the Authority
15 may duly appoint a hearings officer pursuant to
16 Section 92-16, Hawaii Revised Statutes.

17 The hearings officer so appointed shall
18 have all the powers, which would be held and enjoyed
19 by the chairperson or authority or any member thereof
20 in connection with the hearing.

21 Section 206E-5.6 HRS provides that two
22 separate public hearings be held before the Authority
23 can adopt an amendment to any of the Authority's
24 community development rules.

25 On October 5, 2016, the Authority

1 approved the retention of a hearings officer to
2 conduct the public hearings relating to the proposed
3 amendments to the Kaka'ako Reserved Housing Rules.
4 HCDA staff presented the proposed draft amendments to
5 the Kaka'ako Reserved Housing Rules to the Small
6 Business Regulatory Review Board on December 21,
7 2016, and the SBRRB voted to recommend holding public
8 hearings on the park rules.

9 On October 21, 2016, Governor David Ige
10 approved the HCDA to hold public hearings on the
11 Kaka'ako Reserved Housing Rules.

12 Notice of this public hearing was
13 published on February 26, 2017, in the Honolulu
14 Star-Advertiser. The notice was also sent to HCDA's
15 email list and posted on the HCDA website.

16 The HCDA's proposing to amend Title 15,
17 Chapter 218, Hawaii Administrative Rules, entitled
18 "Kaka'ako Reserved Housing Rules." The overarching
19 purpose of the proposed amendments to the Kaka'ako
20 Reserved Housing Rules is to promote the development
21 of additional reserved housing units while preserving
22 the existing inventory of current reserved housing
23 units in the Kaka'ako Community Development District.

24 The proposed amendments will expand the
25 sources of reserved housing units, encourage further

1 development of for-sale and rental reserved housing
2 units, preserve existing reserved housing inventory,
3 ensure consistency with affordable housing rules
4 administered by other state and city agencies, and
5 clarify specific existing provisions and terms in the
6 current Kaka'ako Reserved Housing Rules.

7 Additionally, the proposed amendments will establish
8 buyback and equity sharing options for workforce
9 housing units.

10 The decision-making hearing for this item
11 is scheduled for March (sic) 3, 2017, at 1:00 p.m.
12 On that date, public testimony will be accepted prior
13 to the report from the hearings officer on the
14 testimony heard here today. After the receipt of
15 public testimony and the report, the HCDA Authority
16 members will take action on this item.

17 I would note, as of March 24, 2017, the
18 HCDA has received 70 written testimonies. We will
19 now hear testimony from the public. Speakers will be
20 called up to testify in the order in which they have
21 signed up. Public testimony will be limited to three
22 minutes each. Please refrain from reading your
23 written testimony, and, instead, summarize your
24 comments in the time that you have available. When
25 you are called, please come up to the witness table

1 and speak directly into the microphone. Please state
2 your name and any organization that you are
3 representing.

4 From the sign-up list, our first public
5 testifier is Richard Bowles to be followed by Paul
6 Cassidy, Jr.

7 Please.

8 MR. BOWLES: Good morning.

9 THE HEARINGS OFFICER: Good morning.

10 MR. BOWLES: My name is Richard Bowles.
11 I recently moved into 801 South Street, Building B.
12 That's what prompted me to come in and speak this
13 morning.

14 I don't really have an affiliation other
15 than my wife and child, my 10-year-old daughter, and
16 perhaps, I guess, I would be affiliated with just
17 regular people. And as you know, as anyone in the
18 room knows, it's difficult in Hawaii right now. My
19 wife and I have good jobs. She's been with the State
20 of Hawaii for 30 years, and I've been in IT in
21 Honolulu for 40. And so we've been part of the
22 business community, and we make a fair salary, but
23 it's just difficult for us to get into something like
24 this workforce housing that we're basically
25 privileged and blessed to be a part of now.

1 So I'd just like to say that although the
2 reserved housing amendments or the rules, in general,
3 are a really good thing to make sure there's a cross
4 section within Kaka'ako of regular people amidst a
5 lot of wealthy type of situations that only certain
6 people can afford condos there. So I would just like
7 to implore you, as far as the workforce housing
8 specific rules go, to leave things be because I guess
9 I'm of the opinion if it ain't broke, don't fix it.
10 Because I just lived through this experience right
11 now where we're not able to get a nice place unless
12 we go out past Pearl City or Waipahu or perhaps
13 Kaneohe, but not Kailua. Not Hawaii Kai. We're kind
14 of in a difficult situation to try and live the dream
15 or to have a good quality of life and not spend hours
16 on the freeway every day or in our commute.

17 So thank you, HCDA, for the opportunity
18 that we have in our current place and what you've
19 done with workforce housing, and I would just beg you
20 and implore you, beseech you, to keep things the way
21 they are and allow more of these types of structures
22 to come up near the city, near the downtown area
23 where people can walk to work and have their quality
24 of life with their families where they don't need to
25 travel so far to get to their jobs. And they can

1 also be part of this community, whether it's coaching
2 kids or giving back in other ways to be part of this,
3 and not tax the people that do produce these
4 structures with any more rigorous kinds of rules and
5 regulations. Thank you.

6 THE HEARINGS OFFICER: Thank you.

7 MR. BOWLES: Thank you very much. I
8 really appreciate your time.

9 THE HEARINGS OFFICER: Paul Cassiday, Jr.

10 MR. CASSIDAY: Good morning. My name's
11 Paul Cassiday, Jr., and I thought --

12 (Bell ringing.)

13 MR. CASSIDAY: Oh, good. That was you,
14 not me.

15 THE HEARINGS OFFICER: That was me.
16 Sorry.

17 MR. CASSIDAY: I love it.

18 THE HEARINGS OFFICER: I've got to turn
19 this off. It's my way to keep time.

20 MR. CASSIDAY: It's a smartphone. It's
21 the operator.

22 THE HEARINGS OFFICER: Yes, sir.
23 Please --

24 MR. CASSIDAY: Good morning.

25 THE HEARINGS OFFICER: -- state your name

1 and your affiliation, if any.

2 MR. CASSIDAY: My name is Paul Richard
3 Kaunahoakalani Cassiday, Jr. I am a sixth-,
4 seventh-generation Hawaiian. My great, great, great,
5 great grandfather Alexander Adams had a house around
6 here. He also had a business -- one of the first
7 businesses. It was a Lucas Mill. They were
8 contractors and built the palace and then Moana
9 Hotel, got out of the business and the family spread.

10 My affiliation today is with the
11 Waterhouse Foundation. They are great supporters of
12 things like the National Association of Social
13 Workers, which they gave 500 bucks to, because my son
14 got a scholarship from them, for his thing up at UH.
15 So I was pretty pleased about that.

16 They have talked to me, reached out over
17 the years about affordable housing, and I got a call
18 yesterday asking if I'd come in to testify. I said,
19 "Yes." They said, "Would you represent our point of
20 view?" And I said, "I'd be more than pleased to.
21 You guys are good community people."

22 So it's pretty simple. They have land in
23 Kaka'ako, and they've been part of the outreach of
24 the staff here to inform landowners and other
25 stakeholders of the proposed changes and why and

1 wherefore. To date today, they don't feel that they
2 have enough time to digest what is being proposed and
3 what the effect of that will be. So it is my
4 testimony that there be more time given for critical
5 thought applied to these changes on something as
6 important as this.

7 Just as a point of reference, I also did
8 the 2014 Affordable Rental Housing Study for the
9 state, the city and the other four counties, and it
10 showed that probably one in five households in the
11 state struggle with shelter, obtaining shelter, and
12 need some sort of public assistance. So referencing
13 that report as the fact of where we are in terms of a
14 critical juncture for housing our own people, I think
15 it is worth considering giving more time before
16 coming to a decision on this, and that would be my
17 testimony.

18 THE HEARINGS OFFICER: Thank you.

19 Bill Wilson.

20 MR. WILSON: Good morning.

21 THE HEARINGS OFFICER: Good morning.

22 MR. WILSON: My name is Bill Wilson, and
23 I'm the chairman of the Hawaiian Dredging
24 Construction Company.

25 Our company has built and is building

1 more of the recent residential housing projects in
2 Kaka'ako than any other contractor. My concern is
3 that the proposed rules will effectively stop future
4 work in the district. It has already slowed in the
5 last year as the demand for market units has, in
6 fact, reduced, and the proposed changes associated
7 with reserved housing units will make it more
8 difficult for those developers to subsidize those
9 units. Further, for the workforce housing units,
10 that the challenges that will exist there will be
11 greater too given both the equity sharing and buyback
12 rights that are proposed for future workforce housing
13 projects.

14 In the recent years, only one workforce
15 housing project has been developed, and I believe
16 that the restrictions that are proposed will ensure
17 that others are not in the future. I think that the
18 real concern is who will build future projects. The
19 work is needed for the construction industry. The
20 construction industry is prepared to build affordable
21 projects in Kaka'ako as we have in the recent past,
22 but, unfortunately, with these proposed rules, I
23 believe that will not occur, and the opportunities
24 for the buyers in the district in the past will not
25 occur in the future due to those proposed

1 limitations. Thank you.

2 THE HEARINGS OFFICER: Thank you.

3 Next testifier is Harrison from DPP. I
4 can't read the last name. Sorry. Is there a
5 Harrison here?

6 MR. RUE: Too many microphones.

7 Harrison Rue. For the record, R-u-e. We
8 stand on our written testimony.

9 THE HEARINGS OFFICER: Thank you.
10 Harrison, could you spell your last name for me,
11 please?

12 MR. RUE: R-u-e.

13 THE HEARINGS OFFICER: Thank you.

14 George Massengalo? Sorry if I
15 mispronounced your name, sir.

16 MR. MASSENGALE: You did, but that's
17 okay.

18 THE HEARINGS OFFICER: If you could
19 please --

20 MR. MASSENGALE: Everybody does.

21 THE HEARINGS OFFICER: If you could
22 please correct me, I'd appreciate that.

23 MR. MASSENGALE: My name is George
24 Massengale, M-a-s-s-e-n-g-a-l-e, and I'm here today
25 on behalf of Hawaii Habitat for Humanity.

1 We did not prepare a formal testimony;
2 however, I will submit something after this
3 meeting -- after this hearing today. Our main
4 objection to the regulations at this point in time is
5 we question the affordability requirements. We think
6 most of the units that we see in workforce housing
7 and for-sale housing are for people between 100
8 percent and up to 140 percent. We think those should
9 be lowered.

10 Late last year, the city council, which
11 we offer a lot of testimony, defined affordable
12 housing as housing between 30 and 80 percent AMI. We
13 would like to see these -- the high end lowered on
14 the particular projects that are outlined on the
15 rules.

16 I would point out that 100 percent AMI is
17 \$100,000 a year for a family of four. 120 is about
18 120,000. 140, 140,000. The rules, as they are now,
19 would price people outside of the market. So we
20 would like to see some softening of affordable
21 housing requirements. And, again, I will submit
22 testimony after this hearing when I get back to my
23 office today.

24 THE HEARINGS OFFICER: Thank you.

25 MR. MASSENGALE: Thank you.

1 THE HEARINGS OFFICER: Galen Fox.

2 MR. FOX: Thank you. I'm Galen Fox. I
3 speak as a resident of Kaka'ako and a member of
4 Kaka'ako United.

5 I want to just make one point and that is
6 that 140 percent of area medium income is not
7 affordable, and the law under which HCDA operates
8 under Section 20E-1 (sic) speaks of the problem of
9 lack of affordability of housing in Honolulu that's
10 to be solved, in part, by HCDA.

11 Section 206E-4(18) says that "Affordable
12 housing requirements should be satisfied through
13 reserved housing," and that's also workforce housing.

14 And Section 206E-101 says that "Reserved
15 housing means housing designated for residents in the
16 low- or moderate-income range." So it's very
17 important. To fulfill reserved housing requirements,
18 you have to build affordable housing in the low- or
19 moderate-income range. 140 percent of area median
20 income is not affordable housing and is not in the
21 moderate-income range.

22 A study commissioned by the City said
23 that households making over 120 percent of area
24 median income don't need government support. They
25 also say that the 140-AMI tier used by the City

1 represents housing incomes from 120 to 140 percent.
2 That's a tier above the affordable range.

3 The former executive director of HCDA,
4 Tony Ching, used to constantly present a ladder
5 that's referenced in my written testimony. The
6 ladder shows the rising levels of affordability.
7 "Affordable" -- the word "affordable" tops off at 100
8 percent of area median income. Above that from 100
9 and 140 percent, he defines as workforce or reserved
10 housing. By his own law, he cannot define workforce
11 or reserve housing above affordable because it has to
12 be affordable.

13 Now, the University of Hawaii's economics
14 department studied 29 mainland jurisdictions for how
15 they handled inclusive housing. HCDA is supposed to
16 be about inclusive housing. That's where you bring
17 people of various income levels together -- living
18 together. The 29 jurisdictions they studied, not
19 one -- not one of those 29 jurisdictions recognizes
20 anything above 120 percent of area median income as
21 affordable. In fact, only eight even go as high as
22 120 percent. The City, in its latest proposal, tops
23 off at 120 percent. The chart shows the data that I
24 just gave and is in my written testimony.

25 I was stunned to read in the newspaper

1 recently that the current executive director of HCDA
2 said that stakeholders have come up with an agreement
3 to keep the 140 percent AMI level in the rules. Now,
4 that's in contrast to the rules that were presented
5 last year. The draft rules stopped at 120 percent.

6 So the executive director comes in and
7 says "stakeholders." I've always thought that word
8 "stakeholders" is probably 10 or 20 people at the
9 most, people who can get around the table. The
10 community is not present. We never heard about this
11 stakeholders' meeting. We don't know anything about
12 it. You know, it's good that you have a hearing, but
13 I'm here to speak for thousands of people who cannot
14 qualify for housing between 120 and 140 percent of
15 area median income. Thousands, tens of thousands,
16 hundreds of thousands.

17 86 percent of the people in Hawaii,
18 according to the 2013 statistics, file tax returns
19 showing their income as less than 100,000 a year.
20 Less than 100,000 a year, you cannot buy a piece of
21 property in the 120 to 140 percent range.

22 Please -- please do not go away from the
23 2016 draft and raise this level from 120 percent to
24 140 percent. Bad. Thank you.

25 THE HEARINGS OFFICER: Thank you.

1 Dan Nishikawa.

2 MR. NISHIKAWA: Good morning. My name is
3 Dan Nishikawa, and I'm within OliverMcMillan.

4 We have submitted testimony, but I wanted
5 to summarize a few key points this morning. We have
6 successfully completed two projects here in Kaka'ako
7 Mauka: Pacifica Honolulu and Symphony Honolulu. We
8 are proud to have completed 224 reserved housing
9 units in each of these buildings, 25.5 percent of our
10 877 units delivered. Over 85 percent of all of our
11 units sold have been to local Hawaii residents.

12 We understand and appreciate that certain
13 rule changes are good and appropriate, specifically
14 when it's changed to add additional qualified buyers
15 for this reserved housing program and changing other
16 provisions in the Mauka Rules to give the developers
17 the ability to add the additional density on these
18 projects.

19 We think that any of these changes to the
20 rules, most importantly, must be made to enable and
21 promote additional reserved housing units, and making
22 rule changes that make it difficult or more difficult
23 for developers, or buyers may make these projects
24 unfeasible. We also think that the rules should be
25 different for for-rent, multi-family projects, and

1 the same rules should not necessarily apply to
2 for-rent projects. Our view is that incentives
3 should be considered for for-rent, workforce,
4 multi-family projects for rent.

5 We think that there are certain areas in
6 these draft rules that require additional study.
7 One, specifically, is the calculation of how these
8 reserved units are credited based on size factor. We
9 think that the calculation and use of in-lieu fees
10 need further study, and we think that limiting the
11 blended 120 percent AMI may be challenging for
12 developers in a high-cost and high-interest-rate
13 environment. We stand by our comments in our written
14 testimony. Thank you.

15 THE HEARINGS OFFICER: Thank you.

16 Stanford Carr.

17 MR. CARR: Good morning.

18 THE HEARINGS OFFICER: Good morning.

19 MR. CARR: Stanford Carr from Stanford
20 Carr Development.

21 I'm here -- we've provided written
22 testimony that's been submitted. My two concerns I
23 have are the utilizing of the Honolulu Board of
24 Realtors' condominium index as a means of recognizing
25 the appreciation on a subsequent sale of a reserved

1 or workforce housing unit. I believe this impediment
2 on the appreciation will actually prohibit buyers
3 from actually buying --

4 The unintended consequences would be no
5 project will be built because if they're unable -- if
6 developers are unable to meet their presale
7 requirements, they wouldn't be able to obtain secure
8 and satisfy the conditions of the construction
9 financing.

10 The second comment I have is also related
11 to that on the perpetual perpetuity of keeping the
12 unit in affordability. We've seen this concept fail
13 in many other instances, and I'd like the Authority
14 to recognize the mistakes other cities have made in
15 respect to trying to create what I would interpret as
16 socialized housing.

17 The other concern I have is the 30-year
18 mandatory requirement to preserve rentals. As it is,
19 you don't see production rental housing being
20 developed in the Kaka'ako District. To impose an
21 additional 30 years of building and maintaining
22 rentals is not smart. I mean, it's just adding
23 another disincentive of why you already don't have an
24 existence of production rentals unless you're
25 utilizing a federal/state subsidized program. If you

1 use low-income housing tax credits, you're required
2 to, by way of a regulatory agreement, record it
3 against the land to maintain the units as rentals for
4 a period of 30 years. To impose that same condition
5 on property owners that are not subject to any
6 regulatory agreement or federal/state subsidies to
7 build rental units, it's also not a good idea. Thank
8 you.

9 THE HEARINGS OFFICER: Thank you.

10 Henry Chang.

11 MR. CHANG: My name's Ken Chang. Henry
12 is still parking the car.

13 THE HEARINGS OFFICER: Oh, thank you.

14 MR. CHANG: And we are speaking here on
15 behalf of Ililani, LLC. We're a developer. I would
16 like to just generally say that workforce housing and
17 reserved housing were two separate categories, and
18 the current modifications to the rules would
19 essentially create one category of affordable
20 housing.

21 It is an unfortunate fact, but in this
22 country now, we have what the Urban Land Institute
23 calls two-levels-of-affordability problem. In the
24 housing market, the utilized most recent report
25 describes the big "A" and the small "a" problem.

1 Well, we very much agree with the earlier speaker
2 that the big "A" problem, which involves subsidies,
3 must be solved, and 140 AMI, clearly, is not a big
4 "A" problem with subsidies.

5 There's also a small "a" problem in this
6 country today where the lower-middle and the middle
7 class housing has to be provided. Workforce housing
8 is one of the few successful programs in this country
9 that addresses the lower middle and middle class
10 housing problem.

11 The number of units produced up to date
12 far exceeds the reserved housing units in this city,
13 and we believe that much further study needs to be
14 taken on these rules to make sure there is no
15 confusion that there are two levels of affordability
16 that must be addressed by every community. Thank
17 you.

18 THE HEARINGS OFFICER: Thank you. Lisa
19 Eveleth.

20 MS. EVELETH: Hi. My name is Lisa
21 Eveleth. I submitted written testimony, but I'm not
22 sure if it made it. So just in case, I'd like to
23 read it.

24 My family owns Coral Commercial Center
25 located at 670 Auahi Street. It's about four and a

1 quarter acres in the heart of Kaka'ako. We're
2 currently comprised of warehouse and retail tenants.

3 It's recently come to my attention that
4 HCDA has been working on affordable housing rules
5 that will significantly affect the future development
6 options of my property and other nonmaster plan lands
7 in Kaka'ako. I wasn't approached by HCDA staff or
8 leadership and informed of these proposed changes. A
9 process wasn't laid out for us to learn and voice our
10 concerns about the proposed rule amendments.

11 I think we can all agree that the State
12 of Hawaii is in great need of affordable housing;
13 however, we all need to work together to make this
14 happen. My first recommendation is that we take a
15 step back and gather more information and input from
16 the community so we can best understand how to move
17 forward in a productive manner to create more
18 affordable housing.

19 I commend the HCDA board for all their
20 hard work in trying to increase reserved housing and
21 encourage the affordable housing development in
22 Kaka'ako. I believe that the incentives, such as
23 flexible parking and floor area bonuses for workforce
24 housing, have encouraged developers and landowners to
25 build affordable housing. However, the newly

1 proposed equity sharing and buyback provisions tied
2 to workforce housing do not encourage workforce
3 housing development. As these rules will not apply
4 to master plan areas in Kaka'ako, such as Kamehameha
5 Schools and Howard Hughes, those affected by these
6 new rules will be at a great disadvantage when
7 contemplating workforce housing. The new buyback
8 equity sharing provision creates an uneven playing
9 ground for landowners. If this rule passes, I
10 believe we will see a halt to workforce housing on
11 nonmaster plan areas in Kaka'ako.

12 My second recommendation to the board is
13 to keep the workforce housing as is and please do not
14 add the buyback provision and equity sharing at this
15 time. Kaka'ako is thriving. The live-work-play
16 neighborhood is within reach. It would be a shame to
17 see that development stop before the vision has been
18 met. Thank you.

19 THE HEARINGS OFFICER: Thank you. Is
20 there anybody else here who would like to testify?

21 Hearing none, on behalf of the HCDA
22 Authority members and its staff, I thank you for
23 attending today. Thank you. The hearing now stands
24 adjourned.

25 (Hearing adjourned at 9:32 a.m.)

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C E R T I F I C A T E

STATE OF HAWAII)
) ss.
CITY AND COUNTY OF HONOLULU)

I, LAURA SAVO, a Certified Shorthand Reporter in and for the State of Hawaii, do hereby certify:

That the foregoing proceedings were taken down by me in machine shorthand at the time and place herein stated, and was thereafter reduced to typewriting under my supervision;

That the foregoing is a full, true and correct transcript of said proceedings;

I further certify that I am not of counsel or attorney for any of the parties to this case, nor in any way interested in the outcome hereof, and that I am not related to any of the parties hereto.

Dated this 3rd day of April 2017 in Honolulu, Hawaii.

LAURA SAVO, RPR, CSR NO. 347