

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

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

TRANSCRIPT OF PROCEEDINGS

Wednesday, June 7, 2017

Taken at 547 Queen Street, Second Floor  
Honolulu, Hawaii 96813  
commencing at 1:31 p.m.

Reported by: LAURA SAVO, CSR No. 347

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

A P P E A R A N C E S

John Whalen, Chairperson

Steven Scott, Vice Chairperson

Jesse Souki, Executive Director

Deepak Neupane, Director of Planning and Development

Garett Kamemoto, Communications & Community Outreach  
Officer

Michael G.K. Wong, Deputy Attorney General

Lori Sunakoda, Deputy Attorney General

MEMBERS PRESENT:

Beau Bassett

Jade Butay

Wei Fang

William Oh

Jason Okuhama

Mary Pat Waterhouse

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

I N D E X

PAGE

I.	Call to Order	4
II.	Introduction	4
III.	Staff Report	6
IV.	Board Discussion	65
	(Executive Session)	70
IV.	Adjournment	117

PUBLIC TESTIMONY BY:

Kent Walther	24
Dan Nishikawa	27
Ricky Cassidy	38
David Arakawa	42
Jean Jeremiah	58

1 Wednesday, June 7, 2017, 1:31 p.m.

2 -o0o-

3 CHAIR WHALEN: Okay. Good afternoon.

4 I'd like to call to order the June 7th, 2017, public  
5 hearing of the Hawaii Community Development  
6 Authority. The time is now 1:31 p.m. My name is  
7 John Whalen, Chair of the Authority, and I am the  
8 presiding officer at this hearing.

9 Let the record reflect that the following  
10 members are present: Jade Butay, Wei Fang, Mary Pat  
11 Waterhouse, Beau Bassett, Jason Okuhama, William Oh,  
12 Steven Scott and John Whalen.

13 Today's public hearing is a continuation  
14 of the public hearing held on May 31st, 2017, which  
15 convened under the provisions of Hawaii Revised  
16 Statutes, Chapter 91 and 206E, and Hawaii  
17 Administrative Rules, Chapter 15-219, to consider the  
18 following matters:

19 HCDA is proposing to amend Hawaii  
20 Administrative Rules, Chapter 15-218, entitled  
21 "Kaka'ako Reserved Housing Rules," to promote  
22 development of more reserved housing units as well as  
23 preserve existing reserved housing stock.

24 The proposed amendments to the Kaka'ako  
25 Reserved Housing Rules will expand the source of

1 reserved housing units, preserve reserved housing  
2 stock, encourage development of for-sale and rental  
3 reserved housing units, and create consistency with  
4 affordable housing rules by other state and city  
5 agencies.

6 The proposed amendments also provide the  
7 buyback and equity sharing in workforce housing  
8 units. In addition, the proposed amendments  
9 clarifies -- proposed amendment clarifies certain  
10 definitions and existing provisions.

11 The Authority has conducted four public  
12 hearings on this matter: Wednesday (sic), March  
13 28th, 2017, at 9:00 a.m.; Wednesday, May 3rd at 1:00  
14 p.m.; Wednesday, May 17th at 9:00 a.m.; Wednesday,  
15 May 31st, 2017, at 9:00 a.m.

16 HCDA staff suggested alternatives to the  
17 proposed amendments that were presented at the May  
18 31st public hearing. On May 31st, 2017, the  
19 Authority directed staff to incorporate changes from  
20 the staff report, provide the Authority with a  
21 Ramseyer version of the proposed rule amendment, and  
22 to continue the public hearing on Wednesday, June 7,  
23 2017, today, at 1:30 p.m.

24 The Authority is conducting today's  
25 public hearing to consider HCDA staff's suggested

1 alternatives to the proposed amendments. Before we  
2 receive public testimony, let me briefly explain the  
3 procedures for this hearing. First, HCD staff will  
4 present its report. Following that, we will hear  
5 testimony by the public in the order that individuals  
6 have signed up. Individual comments will be limited  
7 to no more than three minutes. Only members of the  
8 Authority will be permitted to ask questions of the  
9 public.

10 Members, if you have any questions for a  
11 testifier, please raise your hand at the conclusion  
12 of their remarks.

13 Director of planning and development,  
14 Deepak Neupane, will now provide the HCD staff  
15 report.

16 MR. NEUPANE: Thank you, Chair. I've got  
17 a short PowerPoint just to go over the alternatives  
18 that was suggested by staff at the May 31st hearing,  
19 and in reviewing -- going back and reviewing the rule  
20 again, there was one definition that it looked like  
21 the term "net appreciation" was not used anywhere in  
22 the rules. Therefore, I'm including that as part of  
23 the suggestion to delete that definition. So section  
24 15-218-4, definition section, where currently the  
25 term "net appreciation" is, delete it since it is not

1 used anywhere in the rules.

2           There were -- apart from that, there were  
3 four suggested areas where staff recommended some  
4 changes considering workforce housing. Two of them  
5 were considering workforce housing projects.  
6 Basically, there's two areas in the rules in section  
7 15-218-4 where the definition -- it changed. What I  
8 have in the PowerPoint slide is the current  
9 definition under the current heading, and then in  
10 black, and then the proposed new definition in the  
11 purplish color.

12           So the current definition says that  
13 "'Workforce housing project' means a new multi-family  
14 residential development where at least 75 percent of  
15 the residential units are set aside for public  
16 purchase or -- for purchase or for rent by households  
17 earning no more than 140 percent of AMI and which  
18 does not require financial assistance for  
19 construction from federal, state and county  
20 governmental bodies."

21           The new recommendation is to take away  
22 the financing restrictions. So the new definition is  
23 "'Workforce housing project' means a new multi-family  
24 residential development where at least 75 percent of  
25 the residential units are set aside for purchase or

1 for rent by households earning no more than 140  
2 percent of AMI."

3 Next, and related to the same workforce  
4 housing project in section 15-218-18, paragraph (a)  
5 of that section is amended to read, again, basically  
6 taking away the restriction for using federal, state  
7 and county funding. So the proposed language is "New  
8 residential projects" -- "project or projects where  
9 at least 75 percent of the residential units are set  
10 aside for purchase or for rent by households earning  
11 no more than 140 percent of AMI shall qualify as a  
12 workforce housing project."

13 In section 15-218-35, the terms of  
14 reserved housing and workforce housing for sale, the  
15 suggestion is to change the buyback period.  
16 Currently, the wording says -- the language in the  
17 rule is that "If the owner of a reserved housing or  
18 workforce housing unit wishes to sell the unit, the  
19 current Authority or an entity approved by the  
20 Authority shall have the first option to purchase the  
21 unit."

22 The proposed language is "If the owner of  
23 a reserved housing or workforce housing unit wishes  
24 to sell the unit within 30 years from the date of  
25 issuance of certificate of occupancy for the unit,



1 the Authority or an entity approved by the Authority  
2 shall have the first option to purchase the unit."

3 So the new language added is in the  
4 PowerPoint in purple.

5 Similarly, in section (c), the buyback --  
6 determination of buyback price for the unit, staff is  
7 making the recommendation that the cost of qualified  
8 improvements made by the owner be added into the  
9 buyback price so the owner can take advantage of the  
10 improvements they have made in the unit. So the  
11 language on the buyback provision is modified to  
12 read -- to include that, and I'll read the new  
13 language.

14 "The buyback price shall be determined  
15 based on the original fair market value of the  
16 reserved housing or workforce housing unit  
17 appreciated annually by a corresponding annual median  
18 sales price percent change index for condominiums  
19 published by the Honolulu Board of Realtors, plus the  
20 allowable cost of improvements made by the owner, if  
21 any, less the Authority's share of equity in the  
22 unit."

23 And to make sure that the owner has  
24 really made the improvements and the improvements are  
25 legitimate, there is an additional requirement that

1 the owner shall provide financial documents  
2 acceptable to the Authority indicating the actual  
3 cost of improvements before the cost is eligible for  
4 inclusion in determining the buyback price.

5 The fourth and the last suggestion is  
6 regarding any subsequent mortgage placed on the  
7 reserved housing or workforce housing unit. The  
8 suggested language is in purple in the PowerPoint:  
9 "Any subsequent mortgage placed on the reserved  
10 housing or workforce housing unit by the owner shall  
11 require approval from the executive director and  
12 shall not exceed the buyback price established in  
13 subsection (c) of the rules."

14 So those are the four suggested  
15 alternatives proposed by staff. If members have any  
16 questions, I can address those.

17 Also, I just wanted to add that the  
18 original PowerPoint is on the HCDA website, and  
19 members of the community can download it. I did  
20 provide members with a copy -- with a  
21 Ramseyer-formatted revised copy of the rules with  
22 added suggested language, as I was directed by the  
23 board at the last public hearing. Copies are  
24 available outside as well as the PowerPoint I just  
25 went through is outside -- is available outside for

1 public review.

2 MEMBER BASSETT: I have a question. This  
3 is regarding 15-218-35, subsection (c). This is the  
4 part where we talked about the allowable cost of  
5 improvements being added on to the purchase price.  
6 So as far as, like, the language "allowable costs,"  
7 how is that going to be -- how do you foresee that  
8 working out? How is that going to be determined of  
9 what is allowable?

10 MR. NEUPANE: That probably, you know,  
11 requires some interpretation. I think the  
12 "allowable" language is put in there to say that, you  
13 know, the owner might decide to gold plate their  
14 unit, and at that time is the Authority actually  
15 going to pay for that.

16 MEMBER BASSETT: So it's going to be just  
17 discretion of the ED or are we going to put in some  
18 kind of policy or something?

19 MR. NEUPANE: The language is acceptable  
20 to the Authority. So unless the Authority delegates  
21 that power to the ED, that decision rests with the  
22 Authority.

23 MEMBER BASSETT: I'm just thinking if I  
24 was the owner of this unit, I would be looking for  
25 guidance as to what kind of improvements I should

1 make that will actually be calculated into the  
2 buyback price. Is there any kind of guidance that we  
3 would provide these owners?

4 EXECUTIVE DIRECTOR: We'd develop a  
5 policy interpretation for that as general guidance  
6 probably related to the habitability of the unit and  
7 not betterments. And it comes back to the board  
8 unless the board delegates. So we will present it to  
9 the board saying, "This is the criteria we applied  
10 and here's why we think you should or should not  
11 include it," and then the board --

12 MEMBER BASSETT: So we would basically  
13 create some kind of policy as to how to interpret  
14 this?

15 EXECUTIVE DIRECTOR: Uh-huh.

16 MEMBER BASSETT: Okay.

17 VICE CHAIR SCOTT: And, also, there  
18 should be a differentiation between improvements and  
19 maintenance because maintenance is not basically  
20 improving. It's just obviously repairing or --

21 MEMBER FANG: Upkeep.

22 VICE CHAIR SCOTT: -- upkeep.

23 EXECUTIVE DIRECTOR: Wear and tear, you  
24 know, distinguishing it.

25 VICE CHAIR SCOTT: There's a difference

1 between that and actually improving the actual  
2 property, the unit.

3 MR. NEUPANE: I believe the operative  
4 word is "improvement," not "maintenance."

5 VICE CHAIR SCOTT: Yes.

6 MEMBER FANG: I have another question.  
7 On the slide for 15-218-35 regarding the terms of  
8 reserved housing and workforce housing for sale, the  
9 proposed language doesn't really jibe with what I  
10 understood to be kind of what we have discussed that  
11 the 30 years' period would start from the date of  
12 issuance of certificate of occupancy, meaning the 30  
13 years --

14 Can you clarify? Is that 30 years  
15 from -- does that reset every time the unit is sold  
16 to a new owner, or does it start at one point when  
17 the building gets certificate of occupancy?

18 MR. NEUPANE: The way I'm looking at it  
19 is, you know, initially, the unit is sold as a  
20 reserved housing. So the reserved housing rule  
21 applies to that unit. Now, if the Authority buys  
22 back and the Authority resells that unit as a  
23 reserved housing, then this set of rules will apply  
24 to that sale again. So, yes, if it resells as a  
25 reserved housing, then the clock starts -- the

1 30-year clock starts again.

2 MEMBER FANG: Okay.

3 CHAIR WHALEN: There may be a question  
4 about the wording of this --

5 MEMBER FANG: Yeah.

6 CHAIR WHALEN: -- whether it would apply  
7 as a reset because certificate of occupancy is issued  
8 once, right, for a new building?

9 MR. NEUPANE: That is correct.

10 CHAIR WHALEN: This is section 15-218-35?

11 MR. NEUPANE: 35(a), the third slide.

12 MEMBER BASSETT: Wait. I'm looking at  
13 the actual document.

14 MR. NEUPANE: It's paragraph (a) on that  
15 actual document if you look at the rule.

16 Now, I do understand -- I think the  
17 challenge is just setting the clock initially. You  
18 know, from staff side, we looked at certificate of  
19 occupancy being, you know, an appropriate date.

20 CHAIR WHALEN: It would be for a new  
21 building.

22 MR. NEUPANE: New building. But I do  
23 understand the challenge, and when it resells, then  
24 at that point there is no certificate of occupancy.

25 MEMBER BASSETT: So are we looking to

1 change that language now?

2 MR. NEUPANE: We could look at it saying  
3 that, initially, we should sell the unit --

4 CHAIR WHALEN: Or when a new buyer is  
5 authorized to occupy the unit or something to that  
6 effect.

7 MR. NEUPANE: Yeah, something to that  
8 effect. I can go back and, you know, modify that  
9 language to make sure that, initially, it starts at  
10 the certificate of occupancy, and, subsequently, if  
11 there is a buyback, then it's maybe at the point of,  
12 you know, resale -- date of resale or something like  
13 that.

14 MEMBER FANG: Thank you.

15 MEMBER WATERHOUSE: You know, in regards  
16 to this same issue, the 35(a) or 35(b) -- well,  
17 anyway, 35, 36, this buyback cost, one thing I'm a  
18 little concerned about is -- well, for one is that,  
19 you know, now that we have included this -- the cost  
20 of any additions -- any renovations that are done,  
21 it's going to be more work for the staff; right? You  
22 know, trying to address that and then, you know, what  
23 do you include, what don't you include? So with that  
24 in mind, I'm wondering if it's just not worthwhile  
25 for us just to go get appraised value for the unit.

1 And then I think it would be easier also to convince  
2 the sellers of the unit that this is -- this is the  
3 value rather than trying to come up with some, you  
4 know, formula that -- I think it would be -- yeah, I  
5 just think it would be more convincing for the owners  
6 of the unit.

7 MR. NEUPANE: That's a very valid point,  
8 Member Waterhouse, and there have been several  
9 comments during the testimony regarding that. One  
10 suggestion was that, you know, why doesn't the  
11 buyback price be set at, you know, whatever the  
12 market -- appraisal of the market value of the unit  
13 is at that point minus the Authority's share of  
14 equity. And if that is the direction that the board  
15 would like to go, then on staff side, we can  
16 certainly look at that.

17 MEMBER WATERHOUSE: Or even --

18 MR. NEUPANE: It does take up all the  
19 issues of the improvements and all these things.

20 MEMBER WATERHOUSE: Yeah. Even if we go  
21 back to the formula that we had previously, our old  
22 formula, you know, the lower of or the higher of.

23 MR. NEUPANE: It is the lower of -- the  
24 current formula is the lower of CPI or AMI.

25 MEMBER WATERHOUSE: Yeah, yeah. That's



1 right.

2 MR. NEUPANE: That still has the -- you  
3 know, the provision for considering owner-made  
4 improvements is in the current rule too. It ties to  
5 the equity sharing. So we still have the same  
6 problem. That problem will go away if the board  
7 decides to, you know, change the formula for the  
8 buyback price and say that it's whatever the market  
9 value of the unit at that point minus, obviously, the  
10 Authority's share of equity on the unit. The  
11 challenge there is that depending on what the market  
12 is, one, the unit may have to be subsidized quite a  
13 bit to make it reserved housing and affordable  
14 housing from affordability side. From a buyer's  
15 side, the market being what it is, it may really  
16 be -- if the market is -- has gone south at that  
17 point, then it really creates an economic hardship  
18 for the owner.

19 The formula that's proposed by the staff  
20 kind of manages the downside for the owner of the  
21 unit and then manages, you know, the price escalation  
22 in terms of affordability, and that was the reason,  
23 you know, that formula was suggested.

24 MEMBER WATERHOUSE: So if we went back to  
25 the current formula, what you're saying then, if I

1 hear you right, is that it could affect the owners in  
2 a down market?

3 MR. NEUPANE: Current buyback formula, if  
4 the unit is -- if the Authority decides to buy the  
5 unit back within the regulated term, then the price  
6 is based on -- that buyback price is based on CPI or  
7 AMI, whichever is lower. And that number is going to  
8 be considerably lower than using the Honolulu Board  
9 of Realtors' index.

10 MEMBER WATERHOUSE: Okay. Got it.

11 EXECUTIVE DIRECTOR: May I ask a  
12 procedural question for the board? So if -- so I  
13 think the intent of the board or the options, I  
14 guess, for today, the board could adopt the rules as  
15 is, like it was originally presented, and then it  
16 would have to talk to the AG about the issue of  
17 substantive changes. It could adopt the rules with  
18 the staff changes, and then they would need to talk  
19 to the AG about the substantive-change issue. It  
20 could direct staff to publish a new form of the  
21 proposed rules with any changes we actually want  
22 today, and that would become the proposed rules for  
23 the next two hearings we're required to post, or you  
24 could defer and have us work on different elements of  
25 this and propose something entirely new to the

1 board -- well, not entirely new based on this, but  
2 something new to the board at another meeting.

3 The reason why I ask is if we're going to  
4 take the option that we're making changes now that we  
5 want to be the proposed rules that we pose for the  
6 hearing, then we probably should be more specific  
7 about what changes you want staff to make now and not  
8 have staff say, "Okay. We'll go away and look at  
9 that." Because that means we're going to pose  
10 something that you've never seen before.

11 CHAIR WHALEN: Right.

12 EXECUTIVE DIRECTOR: And then we're in  
13 that hearing conundrum where you have all this  
14 testimony, but it's hard to make changes because the  
15 law says we can't make changes without going through  
16 another process again.

17 CHAIR WHALEN: Right. We could be caught  
18 in an endless wordsmithing loop.

19 EXECUTIVE DIRECTOR: Groundhog Day.

20 CHAIR WHALEN: The idea was to be  
21 responsive to the public testimony that we've  
22 received to address some of those issues that have  
23 come up, but, you know, getting the precise language  
24 right at the beginning sometimes is challenging  
25 because the questions, I think, that have come up so

1 far is whether the staff proposals reflect exactly,  
2 you know, what the board's intent was at the last  
3 meeting, for example, in Wei's question. There may  
4 be places where -- or things that the board had  
5 intended that didn't seem to be quite covered by the  
6 staff's proposal, but it's not a really significant  
7 change. It's a matter of getting the right language  
8 to reflect what that intent is. So we will get to  
9 that point later in the hearing when we have some  
10 discussion and decision-making as to what the next  
11 steps will be after we hear public testimony.

12 So I see the value on having these  
13 presentations at this point is to get some sense of,  
14 you know, the direction that the board has taken so  
15 far in response to the public testimony, and then  
16 maybe hear, you know, what other things might come up  
17 in the public hearing in terms of testimony. I can  
18 guarantee there will be no perfect draft, not when  
19 you have divergent opinions. So they're not going to  
20 be something that you can say is a complete  
21 consensus. That's just the nature of a major public  
22 issue like this. We're just not going to get that  
23 perfect draft that's going to satisfy everyone and  
24 include all of the public concerns.

25 So, anyway, that's my take on it. I

1 think later on, we'll get to that sort of procedural  
2 step of what do we do next in terms of do we try to  
3 elaborate on some changes that we would like to see  
4 in a new draft? Do we then publish that draft for  
5 further public testimony and then hold the follow-up  
6 of required public hearings? But at some point,  
7 we've got to end this process.

8 VICE CHAIR SCOTT: I have a question  
9 here. What section is it in that the average is  
10 going to be 100- -- the weighted average is going to  
11 be 120 percent; that the high can't be any higher  
12 than the 140 percent and the weighted average of the  
13 units will be 120?

14 MR. NEUPANE: If you look -- Member  
15 Scott, if you look in paragraph 34(c), section  
16 15-218-34 --

17 VICE CHAIR SCOTT: (C)?

18 MR. NEUPANE: Paragraph (c).

19 VICE CHAIR SCOTT: Okay.

20 MR. NEUPANE: It says that the maximum  
21 allowable sales price shall be calculated based on  
22 AMI of no more than 140 percent provided that the  
23 weighted average sales price of all reserved housing  
24 or workforce housing units in the project shall be  
25 the price calculated based on AMI of no more than 120

1 percent.

2 CHAIR WHALEN: You touched on all the  
3 changes, essentially, in those four slides; right?

4 MR. NEUPANE: Those were the four changes  
5 that was in the staff report at the last hearing.

6 CHAIR WHALEN: Right. Okay. So  
7 everything else was pretty much carried forward?

8 MR. NEUPANE: Yes, except for the  
9 definition of "net appreciation" because that term is  
10 not used in the rules. So we will delete that.

11 CHAIR WHALEN: Which is kind of  
12 redundant.

13 EXECUTIVE DIRECTOR: That should have  
14 been taken out previously.

15 CHAIR WHALEN: Okay. Any other  
16 questions? Because I think we really want to start  
17 opening it up for public testimony.

18 EXECUTIVE DIRECTOR: I think that just to  
19 put some language in for Member Fang's question about  
20 15-218-35(a), so I would suggest that -- and you  
21 don't have to adopt this now. This is just  
22 suggested. If the owner of a reserved housing or  
23 workforce housing unit wishes to sell the unit within  
24 30 years, I would add "from the date of purchase,"  
25 and then strike everything up to the comma.

1 CHAIR WHALEN: Right. We just need the  
2 language to reflect the intent.

3 EXECUTIVE DIRECTOR: Right.

4 MR. NEUPANE: So the certificate of  
5 occupancy, it ties it to the date of purchase.

6 CHAIR WHALEN: Original purchase?

7 MR. NEUPANE: Well, date of any purchase.

8 CHAIR WHALEN: Okay. Ready to proceed?  
9 Are there any more questions before we go? Okay.

10 MEMBER WATERHOUSE: This issue that I  
11 brought up already, we'll discuss that later on?

12 CHAIR WHALEN: We'll have a discussion  
13 after receiving public testimony.

14 MEMBER WATERHOUSE: Okay.

15 CHAIR WHALEN: And at that point, we'll  
16 decide where we go from here.

17 MEMBER BASSETT: And about the appraisal?

18 CHAIR WHALEN: Yeah, that idea is one  
19 that could be brought up.

20 MEMBER WATERHOUSE: Yeah.

21 CHAIR WHALEN: Okay. As of today, HCDA  
22 has received 145 written testimonies -- 150,  
23 correction, updated to the minute, 150 written  
24 testimonies. Board members were provided with copies  
25 of testimony before today's meeting. Testimony

1 received after 1:00 p.m. on June 6, yesterday, have  
2 been printed and handed to members.

3 If you emailed or faxed your written  
4 testimony, you do not need to resubmit a copy today.  
5 If you'd like to submit written testimony today,  
6 please hand it to our clerk so that she can record it  
7 and add it to the record.

8 Now we'll hear testimony from the public.  
9 Speakers will be called up to testify in the order in  
10 which they signed up. Public testimony will be  
11 limited to three minutes each. Please refrain from  
12 reading your written testimony. Instead, summarize  
13 your comments in the time that you have available so  
14 people can get to speak -- everyone can get to speak.

15 If you are called, please come up to the  
16 witness table and speak directly into the microphone  
17 so that it can be duly recorded. State your name,  
18 any organization that you're representing, and  
19 whether you submitted written testimony.

20 So the first person that signed up to  
21 speak is Kent Walther from Tradewind Capital Group.

22 MR. WALTHER: All right. Thank you for  
23 this additional opportunity to testify. Today, I'd  
24 like to supplement my written testimony that was  
25 submitted earlier this week. I will not rehash the



1 arguments made there. I just to wanted to add some  
2 new things that were discovered upon further review  
3 of the Strategic Economics report dated May 26 that  
4 was the subject of my comments.

5 First of all, I just want to confirm that  
6 the board received my written testimony?

7 CHAIR WHALEN: Yes.

8 MR. WALTHER: Thank you. So the prior  
9 issues that I raised were substantial, but there's  
10 been another issue that we found with the report,  
11 which is that if you look at the different pro formas  
12 supporting the feasibility of both workforce and  
13 market rate high-rise developments, one of the key  
14 assumptions there that I missed in my cursory review  
15 earlier was that they rely on a building efficiency  
16 of 83 percent for the market rate tower and 84  
17 percent for the workforce housing tower. It's  
18 important because building efficiency ratio is  
19 basically the salable square footage of the building  
20 divided by the gross square footage of the building.

21 Using 83 percent and 84 percent is highly  
22 unusual and highly aggressive. In fact, I've not  
23 seen a building built in this town at that level. I  
24 called the developer of 801 South Street this morning  
25 to ask what the building efficiency was for 801 South

1 Street. They reported it was 74 percent. I looked  
2 through files of other high-rise projects that my  
3 firm's been pitched throughout the past couple years,  
4 whether they've been successfully completed, and the  
5 building efficiencies range from about 71 percent to  
6 77 percent. I have yet to see a building above 80  
7 percent, yet alone 83 or 84 percent.

8           Interestingly, the report -- the  
9 feasibility conclusion hinges upon this efficiency  
10 because if you dial down the efficiency for the  
11 workforce from 84 percent to even 1 percent down to  
12 83 percent, it renders the project infeasible by the  
13 assumptions laid out within the report.

14           So I think an overall comment, coupled  
15 with the earlier issues I had with the report, it  
16 seems to me that the report is kind of goal-seeking a  
17 certain answer. It seems like there was a preset  
18 conclusion to me that the assumptions are dialed  
19 exactly to support a preformed conclusion. Any of  
20 the assumptions that I brought up so far, you bring  
21 them to a level of reasonability, it blows up the  
22 conclusion. It actually shows it is not feasible to  
23 develop workforce housing under the proposed  
24 amendments. You take all of them together, it  
25 actually shows you the developer will lose money.

1                   So I find this concerning since HCDA is  
2                   relying upon this report by Strategic Economics, and  
3                   even more concerning, for the record, that the city,  
4                   it's my understanding, is also engaging this firm to  
5                   do an analysis for them and that's all. Thank you.

6                   CHAIR WHALEN: I was wondering do you  
7                   have any reaction at all to what the staff presented  
8                   today in terms of making workforce housing eligible  
9                   for subsidies?

10                  MR. WALTHER: I think that's a step in  
11                  the right direction. I haven't had time to fully  
12                  digest it.

13                  CHAIR WHALEN: I think you might want to  
14                  work that into your worksheet.

15                  Any other questions? Thank you.

16                  Dan Nishikawa.

17                  MR. NISHIKAWA: Good afternoon. Thank  
18                  you for this opportunity to speak before you. Dan  
19                  Nishikawa, and I was not able to attend the last  
20                  public hearing. So I wanted to make a few comments  
21                  on some of the things that were brought up at the  
22                  last meeting.

23                  First of all, OM has submitted written  
24                  testimony, and I'm not going to be reading that  
25                  today, but I want to reiterate a couple things that

1 my colleague Kris Hui had said at the last hearing.  
2 I heard from Kris that there were some disparaging  
3 remarks made about OliverMcMillan, which I don't  
4 appreciate.

5 I am very proud of the work that  
6 OliverMcMillan has done in Honolulu and specifically  
7 Kaka'ako. Our work at Pacifica Honolulu prior to  
8 your coming on, John, was a project that was stalled  
9 for over a year, partially completed. We got it  
10 reentitled with the cooperation of staff, executive  
11 director at the time, and the board to make that  
12 project work as Pacifica Honolulu where we did 124  
13 reserved housing units.

14 I also am very proud of the work that we  
15 did at Symphony Honolulu where we did 100 reserved  
16 housing units. And the 224 units that we have done  
17 in Kaka'ako represent about a third of the reserved  
18 housing that has been done in this district, and I  
19 think that the work that you are doing as a board is  
20 good, and I do think some of these changes are good  
21 and necessary. I can tell you that we had many, many  
22 people that wanted to try and qualify as a reserved  
23 housing buyer, but because of the clarity or  
24 unclarity of the rules, they couldn't qualify for  
25 one reason or another. So I do think these changes

1 that you're making towards making these buyers, you  
2 know, with the rules very clear, I think those are  
3 all good and positive changes.

4 I do think that not having a distinction  
5 between rental versus for-sale reserved housing units  
6 is a mistake. I think that it's very difficult for  
7 construction projects to pencil out. And I can tell  
8 you that we have looked at a number of projects in  
9 Kaka'ako and other places, and Kaka'ako is --  
10 Honolulu's unique because of the costs associated  
11 with development. One specific thing that was  
12 brought up last week was, is a project viable at 15  
13 to 18 percent, as indicated in your report, and I  
14 would tell you that, from a developer's perspective,  
15 that is not a sufficient return on cost for a project  
16 to move forward. The acceptable return on cost from  
17 both an investment -- financial investment  
18 perspective and also from a lender's perspective,  
19 with all the necessary contingencies for cost  
20 escalations and such, is in the 25 to 30 percent  
21 return-on-cost range. And I can tell you from  
22 firsthand experience that most pro formas start that  
23 way, but they end far below that. So, you know, I  
24 just think that when you -- when you're looking at  
25 project viability and basing your judgments on

1       whether a project is viable based upon a 15 to 18  
2       percent return on cost, I will tell you that those  
3       numbers don't hold true for -- especially in  
4       Honolulu.

5                   Excuse me one minute. I just want to  
6       make sure I touch on everything.

7                   I also want to talk about the impact. I  
8       think that the impact of these changes, times aren't  
9       always good, and I can tell you that the last  
10      probably six to eight years have been very good, and  
11      all the boats have been rising because the tide has  
12      been rising. And I can say that any rules that you  
13      put in place, you want to make sure that you set --  
14      set this area up for positive -- positive  
15      development, which I think is the mission of the  
16      HCDA. And these rules, I would hope, would impact  
17      not just the minority of the landowners, but it would  
18      be consistent for the community, and it would affect  
19      all of Kaka'ako and not just the minority of the  
20      people that are not affected by previously approved  
21      master plans or such. And I think that having two  
22      sets of rules will make it very -- not only difficult  
23      for buyers or renters -- affordable buyers or  
24      renters, but I also think it will perhaps create a  
25      chilling effect on development.

1           I also -- regarding the formula and some  
2 of the other changes in the proposed rules, I don't  
3 really understand how one unit is considered less  
4 than one unit in as far as its credit. That's very  
5 confusing to me. And I also want to just say that I  
6 know it's not an easy decision. I know it's a big  
7 issue. It's an important issue. And then I do  
8 support positive changes that will make it better and  
9 easier for reserved housing renters and buyers, and I  
10 hope some special consideration is being made to  
11 making it clear for everybody and making the changes  
12 positive.

13           CHAIR WHALEN: Okay. Thank you. I have  
14 a question. You mentioned -- just more of a  
15 clarification.

16           MR. NISHIKAWA: Sure.

17           CHAIR WHALEN: You mentioned there needed  
18 to be a distinction between sales units and rental  
19 units. What were you referring to?

20           MR. NISHIKAWA: I just think that it  
21 would be great to have more rental affordable units  
22 or rental reserved units here, and if somehow the  
23 rules could reflect a distinction. You know, I'm not  
24 here to write the rules. It was a comment as I was  
25 reading the proposed rules that there is no

1 distinction between rental or for-sale reserved, and  
2 it seems like it's an important distinction, and I  
3 think things should be done to encourage rental --  
4 rental reserved units. I think that because, as a  
5 rental unit, it will bring in a different type of  
6 person living there. I mean, I think some of these  
7 other rules relative to buyback and things won't come  
8 into play if you have that. Just thought for the  
9 board to perhaps think about some kind of incentive  
10 or some way to incentivize developers to do for-rent.

11 CHAIR WHALEN: At the last hearing that  
12 we had, one of the staff's presentation that preceded  
13 it explained how these rules fit into a bigger  
14 housing strategy in Kaka'ako, and that we can't solve  
15 all the housing problems, obviously, through  
16 rule-making, you know, for inclusionary zoning or for  
17 workforce housing. There is a big demand, even a  
18 bigger demand for affordable rental housing, but that  
19 is primarily a program that requires subsidies. And  
20 we've written down the cost of land. You know, we  
21 have partnerships with HHFDC and nonprofits to try to  
22 provide that kind of housing to meet that market.  
23 It's not something that --

24 Reserved housing isn't necessarily the  
25 way we're going to look at the rental housing.



1                   MR. NISHIKAWA: You know, I understand  
2 what you just said, but I do think there are things  
3 you can incorporate into your rules. I'm not saying  
4 that you should provide subsidies or any of the  
5 things you're not set up to do, but I'm just saying  
6 you can create the rules where it would make rental  
7 reserved housing more viable and from an overall rule  
8 perspective. I'm not saying that you're providing  
9 any additional subsidies, but I'm saying you're  
10 putting everybody into the same bucket per your  
11 proposed rules. You're not making a distinction in  
12 your own rules that if you had a distinction, I think  
13 you could make it easier for projects to happen.

14                   CHAIR WHALEN: Well, there are two  
15 classes. There is for-sale and for-rent. If you  
16 have some sort of specific suggestions, I mean, that  
17 would be helpful.

18                   MR. NISHIKAWA: Well, you know --

19                   CHAIR WHALEN: I'm not asking you to do a  
20 lot of homework for us, but since you've taken the  
21 time to testify, it certainly would be helpful to get  
22 your perspective.

23                   MR. NISHIKAWA: Well, I'm testifying  
24 because we do care about Kaka'ako, and we have done  
25 what I think is good work in the district. So that's

1       why I'm here.

2                   VICE CHAIR SCOTT:  Can I tell you one  
3       thing, when our working group actually met with  
4       several developers and builders, one thing that  
5       became apparent was that they said that without the  
6       rental housing -- without heavy subsidies was  
7       impossible.  So it became very apparent there was  
8       nothing we could necessarily offer unless they went  
9       out and got all sorts of government subsidies somehow  
10      to make it affordable as far as affordable rentals,  
11      and that was almost universal with all the people --

12                   MR. NISHIKAWA:  And I would agree with  
13      that, Steve, and I just -- but I can tell you that  
14      OliverMcMillan is working in other places in this  
15      city where landowners have chosen because they want  
16      to have rental on their property.  Now, this is a  
17      ground-lease situation, but you can structure a deal  
18      to make something viable if you have the right land  
19      structure and the right -- you know, whether it's  
20      percentage rent or whatever it is to make some things  
21      work.  And I'm not here to make rules, but I'm just  
22      making a comment that you have a chance to make a  
23      distinction on for-sale versus for-rent, and if  
24      for-rent is something that is a good, overriding  
25      thing, perhaps it's something you should say you'll

1 give special consideration on specific rules or  
2 formulas or, you know, calculations for rental  
3 projects. It's just a comment.

4 MR. NEUPANE: Chair, could I ask  
5 questions?

6 CHAIR WHALEN: Yes.

7 MR. NEUPANE: Dan, when you say  
8 "distinction," what are you specifically looking at?

9 MR. NISHIKAWA: Well, I know there's  
10 projects we've looked at where we've actually  
11 considered, for example, in a liner building, taking  
12 a liner building that's part of the podium and making  
13 that a for-rent, affordable part of the project on  
14 its own separate condominium map, and then doing  
15 for-sale in a tower above.

16 We've looked at that on city-owned  
17 projects -- city-owned property jurisdictions. But  
18 because we were, you know -- because with the TOD,  
19 each project on the TOD is being looked at kind of on  
20 a one-off basis. So there aren't specific rules or  
21 formulas or requirements that they're jamming the  
22 developer into; right? At least at this point.

23 MR. NEUPANE: That kind of distinction  
24 is, you know, I think -- I believe if you read  
25 through Mauka Area Rules and reserved housing rules,

1 that's already permitted in the district.

2 MR. NISHIKAWA: I'm not saying it's not  
3 allowed. All I'm saying is you can make the rules --  
4 you can lax the rules to incentivize developers to do  
5 that by not imposing the same -- or giving bonus  
6 credits, as an example, to do a portion of your  
7 project as reserved rentals versus reserved for sale.

8 MR. NEUPANE: So are you looking at  
9 reducing the percentage required if it's rental? I  
10 don't understand. What do you mean by --

11 MR. NISHIKAWA: Yeah, I don't have the  
12 solution, but it's something that I think that you  
13 have the opportunity to create a playing field that,  
14 you know, provides a clarity and then also  
15 incentivizes developers in a good and positive way  
16 that will be impactful for the community. And I  
17 don't have the answer, Deepak, but perhaps, yes, if  
18 you did do that, you would get some kind of relief on  
19 percentage or something to that effect.

20 MR. NEUPANE: Okay. I just wanted to  
21 understand what you mean by distinction.

22 MR. NISHIKAWA: But there is no  
23 distinction in the current rules as I read them.

24 MR. NEUPANE: Well, there is. I mean --

25 MR. NISHIKAWA: I mean, there's no --

1 you're getting -- you're better off --

2 CHAIR WHALEN: That's the distinction  
3 you're talking about is the incentive?

4 MR. NISHIKAWA: Yes, the incentive  
5 portion.

6 MR. NEUPANE: The distinction is already  
7 there for for-sale and for-rent projects, right? In  
8 for-sale -- for-rent project, we can go into market  
9 after 30 years with no equity sharing, no buyback or  
10 any of that. So when a developer is running a  
11 pro forma, one of that becomes part of the equation,  
12 right, when you are calculating your return versus  
13 the sale? So there is a distinction --

14 MR. NISHIKAWA: Well, the distinction  
15 you're talking about is by not doing something,  
16 you're, therefore, not having to comply with these  
17 other for-sale rules if you keep it as a -- that's  
18 not providing any incentive. That's just saying,  
19 "We're not going to jam you into that small can that  
20 you're trying to create."

21 MR. NEUPANE: Well, when you are looking  
22 at a long-term return, there's certainly a difference  
23 between a rental project and for-sale project. So  
24 that distinction is already there.

25 MR. NISHIKAWA: I agree you have a

1 distinction in your rules. I'm saying there's no  
2 incentive in your rules. Thank you.

3 VICE CHAIR SCOTT: One last thing. I  
4 don't remember anyone dissing OliverMcMillan.

5 MR. NISHIKAWA: Well, I mean, you know, I  
6 think there was some comments regarding glass, which  
7 I don't think that's relevant at all to this  
8 particular issue. I think there were comments  
9 relative to variances at the last public issue which  
10 have nothing at all to do with this particular issue.  
11 And I just want to say that I appreciate the work  
12 that you guys do and I appreciate working here in  
13 Kaka'ako, but I want to make sure that the rules that  
14 are put in place are positive and good for everybody.

15 CHAIR WHALEN: Thank you. Let's see,  
16 Ricky Cassiday. There you are. You stay close to  
17 that flag, I notice.

18 MR. CASSIDAY: I go to sleep like Andrew  
19 Gomes sometimes does at these hearings.

20 I wanted to say that I recognize, like  
21 the former speaker, you guys do a lot of work. I  
22 also come to say thank you for putting up with me,  
23 and I'm your sure okoles could do something better.

24 I wanted to come today because I did look  
25 at the study produced by Strategic Economics, and I

1 had some comments on it, but I think it's important  
2 that I state my assumptions up front which basically  
3 are that, as a community, we're faced with huge  
4 challenges, rail, paying for rail, paying for rail  
5 without taking away public services, and providing  
6 shelter. And, indeed, while these are giant  
7 considerations relative to your task here, it just  
8 seems to me that everything's connected, particularly  
9 since the rules that you make here will also go to  
10 the city and because it was the same study.

11 I participated in a panel when Harrison  
12 Rue went out in front of the full council on zoning  
13 to describe the study and what he -- what was the  
14 takeaway from it, and the salient point of that was  
15 when Kymberly Pine said, "Well, tell me, is this  
16 going to produce more or less housing?"

17 He said, very honestly, "We can't tell.  
18 We don't know, and we won't be able to tell until  
19 zoning applications come in."

20 And it is to that point that I speak to  
21 you guys here knowing that this is a big decision  
22 with huge implications. The only thing I caution is  
23 to make sure, to ask yourself what's the problem  
24 you're trying to solve, and do you have all the data  
25 to do it.

1           I went through, again, the Strategic  
2 Economics things. I found some flaws in it from my  
3 perspective. The biggest probably is that they took  
4 a number of mainland markets and said it's the same.  
5 We are not -- this is not Kansas, Dorothy. We are  
6 radically different. The leasehold, the composition  
7 of our society, the workforce, the major industry  
8 conspires to make for a lot of low paying jobs and a  
9 lot of really expensive real estate, and because of  
10 that, our business model is based on quality of life.  
11 And our affordable housing policy traditionally has  
12 recognized we take market units and cross-subsidize  
13 affordable units.

14           You have before you a set of rules. I  
15 hope -- I would suggest you need to vet them, stress  
16 test them for both, you know, all the end products,  
17 not just the number of affordable, and I use that in  
18 quotation marks, as opposed to housing that's  
19 affordable for everybody.

20           Ann Kobayashi came up to me just now and  
21 said, "You know, what we don't have is a voice for  
22 the middle class or the working class," and, you  
23 know, we're looking for that and I'm looking for the  
24 same thing in that order. So that's basically a data  
25 dump of my quick thoughts.



1                   CHAIR WHALEN:  Okay.  Thank you.  Do you  
2 have any questions, board members?

3                   MEMBER OH:  I do.

4                   Obviously, you've gone through the rules.  
5 So right now what we have is pretty much a result of  
6 the former rules with the reserved housing rules and  
7 then the workforce being a subset of the rules.  So  
8 they're basically essentially entirely different  
9 animals.  Are you suggesting that the workforce  
10 housing rules -- I mean, there's no changes in that  
11 it would be a complete subset of the rules as it is  
12 right now?  Are you okay with the current sort of  
13 integration of the reserved housing rules and  
14 workforce housing rules?

15                  MR. CASSIDAY:  I'm going to answer that  
16 totally different.  You listen to developers.  They  
17 are very smart and very cost-effective and cheap.  
18 What I've seen here, and it really does encourage me,  
19 is that you push the conversation down to the weeds  
20 and you have a chance at that point to fertilize  
21 everything, but do it in a way not so that you get  
22 rules and hard and fast things.  Do it in a way that  
23 you do have a partnership to get to where you want to  
24 go.  It's the "get to where you want to go" that I'm  
25 far --

1           You know, there's smart people in this  
2 room on both sides. Both have institutional biases.  
3 I'm only here to state, "Hey, look out for unintended  
4 consequences and go for the goal." Don't get up in  
5 rules. Rules you get stuck with for a cycle. You're  
6 looking out into, you know, maybe two, three, four  
7 more years of good barring a black swan event. Why  
8 not try to do the best that you can in collaboration?  
9 And don't vote for any rules that somebody -- that  
10 really says this is going to have a bad impact on  
11 Kaka'ako and the rest of them.

12           So, again, I mean, I'm amazed that you  
13 guys have got what you got. You really have done a  
14 heck of a lot of work. I just want it to be a really  
15 good end product.

16           MEMBER OH: Thank you.

17           CHAIR WHALEN: Any other questions?

18           Thank you. You can go back to the flag.

19           MR. CASSIDAY: I'm going home.

20           CHAIR WHALEN: Go back home, yeah. That  
21 would be better.

22           MR. CASSIDAY: My wife's yelling at me.

23           CHAIR WHALEN: David Arakawa.

24           MR. ARAKAWA: Good afternoon, Chair and  
25 members of the HCDA and HCDA staff. We'd like to

1 start by commending both the Authority and the  
2 subcommittee that was created by the Authority and  
3 the staff for working together with the stakeholders  
4 and developers on a lot of -- a number of changes  
5 that are already made to these rules. So that's a  
6 good step in the right direction.

7 I wanted to answer Commissioner Oh's or  
8 Authority Member Oh's question up front. We believe  
9 there's a huge difference between workforce housing  
10 and reserved housing, and that it should be kept  
11 separate. We would like to see the rules stay as  
12 they are for workforce housing with one exception.  
13 If the workforce housing is publicly funded or  
14 publicly aided --

15 Right now, the workforce housing is  
16 privately funded, privately financed. So you should  
17 leave it alone. If it receives public funds, which  
18 your staff has recommended to ease the rules to allow  
19 public funding of workforce housing, then maybe it  
20 should be subject to some of these restrictions.  
21 Okay? So I'll start with that.

22 You know --

23 CHAIR WHALEN: David, just for the  
24 record, I think you represent Land Use Research  
25 Foundation?

1                   MR. ARAKAWA: Oh, I'm sorry. I represent  
2 Land Use Research Foundation, David Arakawa.

3                   CHAIR WHALEN: I think you're well-known,  
4 but not everybody knows --

5                   MR. ARAKAWA: No, no, no. I wanted to  
6 thank you more than I wanted to talk about myself.

7                   MEMBER OH: You're eager to answer my  
8 question.

9                   CHAIR WHALEN: Okay. I'm Sorry to  
10 interrupt.

11                   MR. ARAKAWA: No, no, no. Warranted.  
12 Warranted.

13                   We took a look at this, and we're looking  
14 at 10 major, major issues, 10 or 11 major issues that  
15 we believe warrant further review and investigation  
16 by this Authority and by all of the stakeholders  
17 together. And we know that everybody on this  
18 Authority and everybody that's involved with home  
19 building in Kaka'ako and the advocates for more  
20 affordable housing want to get it right. We believe  
21 there are these 11 issues.

22                   One -- first issue is we've heard for a  
23 long time about allegations of improper resales or  
24 flipping of reserved housing units and flipping of  
25 income-restricted workforce housing units. So to get

1 to the bottom of it -- because we believe some of  
2 these rules are the result of those allegations, we  
3 believe that this Authority should get to the bottom  
4 of it and come up with the truth on that issue first.  
5 There have been allegations and there have been  
6 denials back and forth, back and forth. So to get to  
7 the bottom of that to know what we're dealing with.  
8 Absent proven major negative impacts, we would ask  
9 that this board leave these privately financed  
10 workforce housing projects alone. They're about the  
11 only affordable housing program in the state that  
12 works. Over 1,000 units in the past five years. I  
13 don't think there's any other affordable housing  
14 program in the entire state that generated that much.  
15 So you know what, leave them alone unless you can  
16 prove misconduct or prove problems.

17 Third issue, got incentives. Okay. You  
18 folks heard from the developers about how hard it is  
19 to do rental housing and affordable housing. The  
20 city is embarking on this program and proposing a  
21 number of incentives in their island-wide affordable  
22 housing policy. So perhaps this Authority can work  
23 with the city to incorporate some of those  
24 incentives.

25 Item No. 4, perhaps we can do a

1 collaborative review. Instead of a battle of the  
2 experts, get the economic experts together to work  
3 together to review the Strategics Economics final  
4 memorandum. Mr. Walther raised some issues. Rick  
5 Cassidy raised some issues with the report. LURF  
6 was involved with the city report. It had the same  
7 type of issues and challenges to the flawed  
8 assumptions, mathematical calculation mistakes and  
9 incorrect conclusions in addition to the experience  
10 of the authors.

11           Some of the unrealistic assumptions --  
12 there are four basically that we found so far in the  
13 city report and this report. That efficiency rating  
14 of 85 percent, that means 85 percent of the area of  
15 the project is available to be sold or rented out or  
16 whatever, and that's not going to happen. Not 85  
17 percent of the entire project is going to be able to  
18 be sold or rented. That's a super high -- high  
19 estimate or assumption.

20           The cost of the land -- at least in the  
21 city report, I believe the cost of the land was  
22 pegged at 200 a square foot where it's more like 300  
23 to 500 a square foot. So that bears some looking at  
24 too. That will skew -- both those things will skew  
25 the numbers. The third thing that will skew the

1 numbers is one parking space, assuming one parking  
2 space for all units, including three bedrooms. And  
3 the fourth is, as Rick mentioned, Hawaii is different  
4 from the mainland. So let's get the experts together  
5 in one room talking together with staff and the  
6 Authority to work those out.

7 Another fifth issue is the unintended  
8 consequences. You have letters from banks and  
9 financial institutions saying that this will hurt the  
10 financing for these major projects. Some people say,  
11 "Yes." Some people may say, "No." The people who  
12 say "No," let's get them together all in one room all  
13 with these financial institutions and hammer that  
14 out. That's something that you folks should know  
15 before passing these rules which could affect  
16 millions of dollars and thousands of people.

17 We've made a list of -- we've made a  
18 list --

19 The last thing is be careful about the  
20 unintended consequences of IZ restrictions. I was  
21 personally involved as corp counsel in the lifting of  
22 the IZ restrictions in 1999. From 1999 to 2005, we  
23 had to lift the affordable housing restrictions on  
24 buyback and resales and -- resales and buyback of  
25 affordable homes in the city and county. So we had

1 to repeal that for six years because it wasn't  
2 working.

3           Likewise, Maui, I have it in here. We  
4 were involved in redrafting the Maui affordable  
5 housing rules after it failed for six years -- eight  
6 years, I guess. Eight years. Three homes sold.  
7 Three homes sold on Maui under that affordable  
8 housing policy.

9           There are a number of amendments we've  
10 proposed, and we've lined them up by sections, and  
11 the main -- main thing about this is to draw the  
12 distinction not only between for-sale and rent, okay,  
13 and the City's new proposed policy does give better  
14 incentives if you produce rental, a lower percentage  
15 of your total number of units. So Deepak was talking  
16 about that. That's the city -- what the city is  
17 proposing as an incentive to get people to build more  
18 rental. So that is something we believe the  
19 Authority should take a look at. And the main  
20 difference we're looking at is the difference between  
21 publicly assisted workforce housing projects and  
22 privately financed workforce housing projects. So  
23 there should be a distinction. We believe the rules  
24 should stay as they are for privately financed  
25 workforce housing. And if it's publicly financed,



1 then you folks can go ahead and take a look at  
2 imposing other restrictions on publicly financed  
3 affordable housing -- publicly financed workforce  
4 housing.

5 So I'm not going to go through all of the  
6 revisions. They're there. Two of the major  
7 revisions proposed by Stanford Carr, one of our  
8 members. Our members that develop in Kaka'ako  
9 include Kamehameha Schools, Howard Hughes, Stanford  
10 Carr, A & B and Castle and Cooke. I hope I didn't  
11 leave anybody out, but those are some of our members  
12 who have developed housing in Kaka'ako.

13 Two of them, No. 8 and No. 9, we would  
14 ask the Authority to take a look at Stanford Carr's  
15 testimony on the buyback price and that it should be  
16 determined by the existing rules or by employing the  
17 HHFDC's shared appreciation equity program formula.

18 Number 9, his comment that terms of the  
19 reserved housing and publicly assisted workforce  
20 housing for rent, we would argue that this Authority  
21 should maintain the current regulated terms and do  
22 not apply restricted terms to privately financed  
23 workforce housing rentals. That's it.

24 CHAIR WHALEN: Okay. Thank you.

25 MR. ARAKAWA: Oh, one last -- I don't

1 know if you folks caught this, but in this handout, I  
2 believe that the definition section is 15-218-5, not  
3 4. Dash 5, not 4. I may be wrong, but I don't think  
4 so. Okay. Thank you.

5 CHAIR WHALEN: David, I have a couple  
6 questions, I guess. One of the issues you raised, I  
7 guess, from your group, and it's been raised by  
8 mortgage bankers and other lenders, the fear that  
9 buyback and equity sharing restrictions are going to  
10 affect the secondary mortgage market; that Freddie  
11 Mac and Fannie Mae won't buy mortgages. We have had  
12 contact on that issue directly with --

13 Deepak, I'll ask you about your  
14 conference call. Previously, we've gotten assurances  
15 from people who actually work with those  
16 organizations and said there's not a problem with  
17 shared equity or continuous buyback or even  
18 perpetually applicable buyback provisions, but if  
19 you'd just share your --

20 MR. NEUPANE: Sure.

21 David, you know, at the behest of -- I  
22 believe Mortgage Bankers Association and First  
23 Hawaiian Bank and the federal credit union here and I  
24 believe some other banks, so Linda from First  
25 Hawaiian Bank was kind enough to set up a meeting, a

1 telephone conference between, you know, her and the  
2 other folks and then a representative of Freddie Mac  
3 last Monday. So we had a good conversation and all.  
4 So when we went through the -- you know, the deed  
5 restrictions, buyback and equity sharing, the  
6 response from Freddie Mac's representative was that  
7 it's not an issue, secondary market. You know, they  
8 buy that all the time. And when I asked the person  
9 about, well, we are raising, you know, the buyback  
10 period from five years to maybe perpetuity and maybe  
11 we are reconsidering bringing it back to 30 years, so  
12 what is their opinion on that. And the response was  
13 that the longer the buyback period, the better. So  
14 this is coming from Freddie Mac.

15 So that said, you know, it doesn't look  
16 like, you know, the two deed restrictions that we  
17 had -- one is equity sharing and buyback -- is a  
18 concern for Freddie Mac and Fannie Mae. Fannie Mae,  
19 that material is on the website. You can actually --  
20 there's a guideline that Fannie Mae publishes that  
21 you can just look at it and basically says it's not  
22 an issue. Actually, the HCDA rules, you know, all  
23 the deed restrictions go away if there's a  
24 foreclosure sale, and Fannie Mae allows and even  
25 Freddie Mac allows the deed restrictions to continue

1 even after a foreclosure sale. So it looks like what  
2 we are proposing in the rule, which has always been  
3 in the rule actually, is not an issue with bankers or  
4 Freddie Mac and Fannie Mae and FHA and VA and those  
5 folks.

6 CHAIR WHALEN: So it seems to be largely  
7 a local concern?

8 MR. ARAKAWA: You know, I wasn't  
9 commenting -- I wasn't necessarily commenting on the  
10 secondary mortgage market, but if that's so, then  
11 let's get it in writing. Let's get it in writing  
12 that there will be absolutely no problems in selling  
13 these secondary mortgages and they will back that --  
14 and they will back that. They will put their money  
15 where their mouth is or their mouth -- yeah, money  
16 where their mouth is. So get it in writing. That's  
17 great.

18 I don't know anything. I'm not arguing  
19 about that or that's not -- you know, that may be a  
20 concern of the various banking --

21 All I'm saying is get these guys together  
22 in one room, talk the same language.

23 Did you invite the people who wrote --

24 MR. NEUPANE: Some of the people who made  
25 that comment were part of that meeting.

1           MR. ARAKAWA: So if that's the case, I  
2 mean, great. I don't know if they said, "It's not a  
3 problem. It's a bit more complicated, but it can be  
4 done." Because if they said, "It's a bit more  
5 complicated," then you gotta ask, "Why," or "How much  
6 money would that cost?" Because you can finance  
7 anything. You can finance anything, but it might  
8 mean that you have to put 50 percent down or 40  
9 percent down. That makes the project unfeasible.  
10 But from the lender's standpoint, "Oh, I can finance  
11 anything. I just ask them for a higher down"; right?

12           So I don't know. Freddie Mac and Fannie  
13 Mae, that's another thing, but if they're willing to  
14 guarantee it in writing, that's fine. What we were  
15 talking is the our experience with the City and  
16 County of Honolulu from 1999 to 2005 when housing  
17 product was on the market, and you had some with a  
18 10-year -- 10-year restriction, a 10-year  
19 restriction, and other product without any  
20 restriction. Nobody was buying the products with the  
21 10-year restriction. 10-year restriction. Couldn't  
22 sell them. Couldn't sell them. Okay? That's a  
23 fact. That's a fact. That's all I'm saying. That's  
24 a fact. And if you're financing -- if you're  
25 financing a project and the people you're financing

1 with read UHERO's report --

2 I'm not making this up. It's in UHERO's  
3 report; right? University of Hawaii Economic  
4 Research Organization, their report. You know, it's  
5 in the report that they have to repeal -- we had to  
6 repeal. I was at Corp Counsel at the time. Because  
7 you couldn't sell units. If somebody reads that  
8 report, a financing organization reads that report  
9 and says, "Wait a minute. Wait a minute. Back in  
10 1999 to 2005, the city actually had to repeal a  
11 10-year -- 10-year because nobody was buying."

12 What if we finance this project and  
13 nobody buys it under a 30-year restriction? Huh?  
14 Right? You think that's not important to a --

15 Not you. I'm sorry. I don't mean to  
16 talk to you like that, Deepak, because I know you  
17 work hard.

18 But I'm asking you folks to consider  
19 whether we get financing people in here and say,  
20 "Look, if the city had to repeal a 10-year  
21 restriction because it couldn't sell affordable  
22 units, developers couldn't sell affordable units,  
23 then what happens?"

24 MEMBER OH: David, just for the record, I  
25 think we have to make sure we set that distinction

1 between financing for the individual units for the  
2 buyers versus financing for construction lenders on  
3 the front end of development. So if there is a risk  
4 associated with the construction loan, with the  
5 construction mortgage because, you know, of  
6 complications, obviously, this is all a function of  
7 the market -- of financial markets, but I think at  
8 least for the individual units, I think it's been  
9 made pretty clear that there is no problem with that.  
10 However, with the construction financing, which is,  
11 of course, a critical part of development and a  
12 critical part of getting development built, units  
13 built, and if that poses a problem, then it should be  
14 a concern to all of us.

15 MR. ARAKAWA: Thank you. I'm sorry. I  
16 should have clarified. I'm sorry.

17 CHAIR WHALEN: And you don't think we're  
18 at all similar to what Maui's inclusionary zoning is?

19 MR. ARAKAWA: I think I would say -- I  
20 would say -- I would say about -- I don't know. I  
21 don't want to put a number on it, but I think you  
22 folks, this Authority and the staff and the  
23 subcommittee have done, you know, a great job in  
24 trying to work with the various stakeholders and  
25 listen to the various stakeholders and, in fact,

1 included some restrictions based on talking with the  
2 stakeholders. That wasn't the case on Maui. Okay?  
3 That's one thing. But the thing that was similar is  
4 that Maui listened to a mainland expert. Maui  
5 listened to a mainland expert.

6 CHAIR WHALEN: The same one we used?

7 MR. ARAKAWA: No, no, not the same one  
8 you used, but against all testimony from local  
9 housing developers, local real estate experts saying,  
10 "This isn't going to work. This isn't going to  
11 work." And the Maui Council said, "No. We need more  
12 affordable housing. We're going to do it. We don't  
13 care what you experienced home builders say or what  
14 you people experienced in the real estate market say.  
15 We don't care. We're just going to do it because we  
16 need more housing." Three units built in eight  
17 years, built and sold in affordable housing.

18 So in that respect, we don't think that  
19 this Authority is like the Maui County Council, which  
20 has done a great -- which did a great job in 2014 to  
21 change the law, but we don't think this Authority is  
22 like that. We think this Authority is more  
23 interested, we hope, in doing the right thing to get  
24 more affordable housing; right? Doing the right  
25 thing to get more affordable housing. I think they



1 were fixated on getting more affordable housing by  
2 their own rules or by what they thought would be a  
3 way to get it.

4           So we are concerned with going down that  
5 same path of disregarding two experts who the state  
6 depends on to do their budget; right? They sit on  
7 the Council on Revenues. They sat for many years,  
8 Brewbaker -- Paul Brewbaker and UHERO; right? So  
9 disregarding them. I don't know if Strategic  
10 Economics advises the State of California on their  
11 budget. But, hey, you know, the two guys who are  
12 testifying on this -- on this issue -- on IZ  
13 inclusionary zoning do. So that's all I can say.

14           I think it would be a good thing if  
15 everybody works together, though, if Strategic  
16 Economics works together. But to disregard -- you  
17 know, to disregard them, Carl Bonham and  
18 Dr. Brewbaker -- Dr. Brewbaker, Dr. Bonham versus I  
19 know there are a lot of good people with master's in  
20 economics, but to disregard their recommendations, I  
21 think -- not I think. It probably would be prudent  
22 for this Authority to seriously consider those kind  
23 of comments.

24           And, again, I think you folks really do  
25 take the time and effort to listen to testimony, and

1 your staff really does take the time to dig deep.

2 So --

3 CHAIR WHALEN: Okay. Thank you.

4 Any other questions, board members?

5 Thanks, David.

6 Jean Jeremiah.

7 MS. JEREMIAH: Good afternoon. I'm Jean  
8 Jeremiah. I came in late. So I don't know what has  
9 been addressed or questioned or answered already, but  
10 I came here not to dissect and question each and  
11 every amendment being proposed and have a  
12 counterproposal, but to address the issue of  
13 affordable housing and the shortage of housing not  
14 only in the Kaka'ako area but statewide.

15 I'm a resident of Kaka'ako, but all I  
16 have to do, and yourselves, is look around and all  
17 these high-rise, luxury condominiums are going up.  
18 And I work for city and county. I've sat in  
19 presentations in meetings where the developers and  
20 lobbyists come in, applying for their zoning permits,  
21 planning, etc., and they're not even local residents.  
22 These are foreign investors. I've actually sat in  
23 those meetings.

24 So my question is we have a housing  
25 shortage and affordable price based on our local

1 income here -- our local salary scale here because  
2 even those presentations, I questioned at one time,  
3 "Who did your research?" And these are all mainland  
4 studies based on mainland salary scales, mainland  
5 population, mainland environment, but they're not  
6 addressing the people here. So I even said that,  
7 "How can you say this is affordable? Define  
8 affordable to me."

9 I mean, I myself -- I mean, for someone  
10 who's earning 30,000, 40,000, 50,000 a year, what is  
11 affordable to them? Give me an example of a unit, a  
12 purchase price or rental price. Tell me, how much  
13 can a 30,000 income, 40,000, 50,000 income afford?  
14 Can you folks give me -- give me a purchase price?

15 CHAIR WHALEN: We --

16 MS. JEREMIAH: Because that's the salary  
17 scale here of a working class, working professional.  
18 I mean, tell me -- give me a development with that  
19 salary scale that we can afford.

20 MEMBER OH: Are you referring to rentals  
21 or homeowners?

22 MS. JEREMIAH: I just said purchase price  
23 or rental. Tell me. Based on the salary scale here,  
24 can you --

25 MEMBER OH: Based on a salary of 30,000,

1 you're probably not looking into buying a house.  
2 It's probably not possible. That's the reality of  
3 the shadow market that we have in Hawaii. So you are  
4 correct.

5 MS. JEREMIAH: Yeah. So that's what I'm  
6 saying. So in relation to that question, define  
7 "affordable." Obviously, it doesn't apply to our  
8 salary scale here or to our population here. And as  
9 I said, without sounding redundant, I've sat in those  
10 meetings. I mean, Jesse and I used to work together  
11 at city and county. These are foreign investors.  
12 They're not even owner occupied. These people are  
13 not owner occupied. So where do you want us to go?  
14 We can't afford to live here. We can't afford to  
15 purchase here. Where do you want us local people to  
16 go?

17 CHAIR WHALEN: Well, in earlier  
18 presentations, we talked about these rules as being  
19 part of a bigger housing policy, and some of them  
20 really require government subsidy in order to do  
21 rental housing. And we do have projects like that in  
22 the pipeline in Kaka'ako, but that's not part of  
23 these rules. That's outside those rules. Like, 630  
24 Cooke Street, 920 Pohukaina project, these are  
25 all -- Artspace project, Hale Kewalo, that was on the

1 agenda earlier. These are all rental projects that  
2 are being developed in partnership with the state  
3 housing agency, and we use whatever public land is  
4 available to try to enable them to be built. And  
5 that's -- that's to try to reach at least some of the  
6 demand for affordable rental projects.

7 MS. JEREMIAH: But when you say  
8 "government subsidy," how many people qualify for  
9 government subsidy? Because we're on the borderline.  
10 We're talking about work -- I mean, I can understand  
11 the low income and those single parents, three kids,  
12 but there's a good ratio. They're on the borderline,  
13 working-class professionals. Because they keep on  
14 promoting work, live and play, work, live and play,  
15 but look around you, these are luxury -- I mean,  
16 every corner, every -- you know, it's just pushing us  
17 out.

18 We have these university students that  
19 are graduating. They want to live independently.  
20 Where are they going? They're moving to the mainland  
21 because they just can't afford to live here.

22 I volunteer -- I do a lot of community  
23 service, and I'm at the homeless shelter every month  
24 serving dinner, and people standing in line are not  
25 just homeless people lying on the street. Homeless,

1 they're living in their cars because they can't  
2 afford the rent. They can't afford the house, but  
3 they're homeless. I mean, I have -- I'm talking from  
4 firsthand experience. So it's -- unless the state  
5 addresses it, this is going out of control to put it  
6 very simply.

7 CHAIR WHALEN: Okay. What this hearing  
8 is about is one little piece of trying to meet that  
9 demand for housing. It's not really focused -- it's  
10 more focused on the moderate-income households, and  
11 these are rules that are already in place, but we're  
12 proposing some changes to those rules to make it --  
13 to have that housing available for a longer period of  
14 time than it is at present. Right now, you can only  
15 build so much, and actually over the years, you just  
16 lose that inventory when it goes on to the market --

17 MS. JEREMIAH: Well, we have to start  
18 somewhere. I understand what you're saying. It's  
19 not going to happen overnight, but even those owner  
20 occupied, like I said, I've sat in those meetings.  
21 I've sat in those presentations. And a moratorium of  
22 one year owner occupied, even that I have proposed in  
23 those meetings, those moratoriums should be at least  
24 five years, ten years because one year they turn  
25 around, they sell it two or three times the price.

1 Again, we're kicked out. We're not the ones  
2 benefitting from these affordable housing, put in  
3 brackets, "luxury."

4 MEMBER FANG: Ma'am, I think the rules  
5 that have been drafted and are in place and we're  
6 looking to amend regarding buyback provisions attempt  
7 to address your concern about units that then get  
8 resold.

9 MS. JEREMIAH: Uh-huh.

10 MEMBER FANG: I think like Chair Whalen  
11 was saying, we all empathize with your concern about  
12 affordability in general terms, and I think all of us  
13 have been trying to work within the parameters of  
14 what HCDA is able to do to address those. And we  
15 also have been working to ensure that the staff at  
16 HCDA is working on interagency councils so that they  
17 can interface with other government bodies to pick up  
18 the other facets of affordability and living here.  
19 But like Chair Whalen said today or at this meeting  
20 and on this subject, these amendments, we're kind  
21 of -- we have some parameters that we have to work  
22 within, and they happen to be the rules that we've  
23 been discussing for the last few months.

24 MS. JEREMIAH: I understand, and I also  
25 know that it's not just one high-rise going up. If

1 it's still on the works -- on the plan, former  
2 Governor Abercrombie approved 22 high-rises in  
3 Kaka'ako alone. And this is another concern I  
4 addressed at the city and county and at the state.  
5 I'm always there. When I say state -- state capitol,  
6 look at the roads around these perimeters, Cooke  
7 Street, Coral Street, South Street, one way in, one  
8 way out. A simple high-rise of conservatively 300  
9 units multiplied by two cars, that's 600 cars per  
10 building, and you're talking about 22. Where are you  
11 going to put those cars? One way in, one way out  
12 this whole block.

13 So this is just looking ahead, you know.  
14 I mean, we're talking about affordable as one issue  
15 here, but even the rail, there's so much criticism  
16 because there was no preplanning -- I mean, there is  
17 planning, but it wasn't planned rightly or managed  
18 rightly. I don't want this affordable Kaka'ako to  
19 end up the same thing that, like, we didn't look  
20 ahead, we didn't plan ahead, we didn't address these  
21 issues ahead.

22 CHAIR WHALEN: Well, that's what we're  
23 attempting to do.

24 MS. JEREMIAH: I appreciate that very  
25 much, but, again, not to question -- or because I



1 read it, but I came from another meeting, by the way,  
2 and I didn't have time to do my own research when I  
3 got the letter in the mail about a couple of days or  
4 something. So I'm just bringing to your attention  
5 these issues and, hopefully, it can be -- I don't  
6 know -- redefined or resolved and addressed in a more  
7 broader scope. Thank you.

8 CHAIR WHALEN: Okay. Thank you.

9 That's all who have signed up to speak.  
10 Are there any -- is there any other testimony at this  
11 point?

12 Okay. I think we can get into  
13 discussion. I think our executive director, Jesse  
14 Souki, previewed -- there are a number of ways we can  
15 approach this. We have staff presentations or staff  
16 proposals for amending the current draft of the  
17 rules. We've heard additional testimony and read  
18 additional testimony for today. So there are a  
19 couple of ways we can handle this. One is we can  
20 come up with a list of -- well, we can -- we can  
21 decide whether or not the staff proposals that were  
22 presented are ideas that should be incorporated into  
23 a revised draft of the rules. We can consider adding  
24 additional revisions to the current draft. It's  
25 possible to consider adopting the draft that is

1 before us without any changes and take a vote on  
2 that, but whatever we do, if we don't adopt the  
3 current draft of the rules that have been the subject  
4 of this hearing, we would have to schedule additional  
5 public hearings to consider a revised draft.

6 So in order to avoid that endless loop  
7 that I talked about earlier where we just come up  
8 with one revised draft after another repeatedly, I  
9 would suggest that we think about revisions that have  
10 been proposed by the staff, whether we want to bring  
11 those forward in a revised draft, whether we want to  
12 propose any other revisions for consideration. We  
13 don't have to have the exact language at this point,  
14 but I think we need to have direction to the staff to  
15 draft the language for those revisions. And then  
16 have a revised draft that we announce as part of our  
17 second round or additional -- this would be a third  
18 round of hearings. We have to have two hearings each  
19 time.

20 So, as I say, I think this is the time to  
21 get our ideas out here and get a revised draft that  
22 we think can go ahead. Nothing is immutable, by the  
23 way. I mean, just because you adopt a set of rules  
24 doesn't mean it's never changed again. Rules are  
25 constantly revised or continually revised, I should

1 say.

2 Anybody have any ideas about how to  
3 proceed on this?

4 MEMBER FANG: I think it was brought  
5 up -- I forget if by Deepak or Jesse earlier today --  
6 the question of whether some of the changes  
7 constitute as substantive or not, and for me, I would  
8 appreciate a little bit of an opportunity to confer  
9 with our attorneys to get a better understanding of  
10 what might constitute as substantive before we move  
11 on.

12 CHAIR WHALEN: Okay. This would be -- I  
13 think you're talking about not just the proposals  
14 submitted by the staff but possibly other things.

15 MEMBER FANG: Yeah.

16 VICE CHAIR SCOTT: Well, just wording on  
17 some of those proposals. Like that one with regards  
18 to the 30 years, if we change the wording, does that  
19 constitute a substantial change?

20 CHAIR WHALEN: Right. Okay. Then it  
21 sounds like somebody wants to make a motion to meet  
22 in executive session. Is that true?

23 VICE CHAIR SCOTT: I make a motion we --

24 MEMBER FANG: I second.

25 VICE CHAIR SCOTT: -- have an executive

1 session.

2 CHAIR WHALEN: The wording --

3 DEPUTY AG WONG: It would be pursuant --  
4 I'm sorry, Chair. That would be pursuant to HRS  
5 section 92-5(a)(4).

6 CHAIR WHALEN: I should know that by  
7 heart by now, but thank you for filling in that  
8 wording.

9 The motion is to meet in executive  
10 session --

11 That's your --

12 VICE CHAIR SCOTT: Yes.

13 CHAIR WHALEN: -- original suggestion is  
14 to move into executive session pursuant to Chapter  
15 91-5(a)(4)?

16 DEPUTY AG WONG: 92-5(a)(4).

17 CHAIR WHALEN: 92-5(a)(4).

18 DEPUTY AG WONG: To consult with the  
19 board's attorneys.

20 CHAIR WHALEN: To consult with the  
21 board's attorneys on questions of liability --

22 DEPUTY AG WONG: Powers, duties --

23 CHAIR WHALEN: -- powers, duties and  
24 privileges and immunities. So we have a second to  
25 seize a motion from Wei Fang.

1 All those in favor, say aye.

2 (Board members voted.)

3 CHAIR WHALEN: Any opposed?

4 I'm just not saying anything at this  
5 point, but I think it's important for the board  
6 members to feel comfortable with, you know,  
7 proceeding with any possible revisions that might be  
8 nonsubstantive as opposed to those that are  
9 substantive and would require additional public  
10 hearings.

11 So I would like to -- so the motion  
12 passes, and I'd ask that our board's attorneys, Lori  
13 Sunakoda and Michael Wong, both be present probably.  
14 Jesse Souki, Deepak Neupane, and I think that's all  
15 we need in executive session, I believe. Oh,  
16 Ku'u lei, yes. I'm sorry. Ku'u lei.

17 So we will meet on the fifth floor?

18 I'd love to give you an estimate of when  
19 we're going to come back from this session, but I  
20 hazard to -- I wouldn't hazard an estimate at this  
21 point. I would say probably 45 minutes to an hour.

22 EXECUTIVE DIRECTOR: We'll come back down  
23 in an hour and let folks know what the status is.

24 CHAIR WHALEN: Come back down in an hour.  
25 You're welcome to stay here if you wish. I know you

1 probably have many other things to do, but if you  
2 would like to stay here, somebody will come down in  
3 an hour, if we're not finished, and let you know.

4 (Board members met in executive  
5 session from 3:05 p.m. until 4:08 p.m.)

6 CHAIR WHALEN: The public hearing is now  
7 resumed at 4:08 p.m. Thank you for your patience.  
8 We did lot of discussion about procedure on how to do  
9 this decision-making.

10 So I'd like to start by asking if there  
11 is a motion to not adopt proposed -- the proposed  
12 amendment relating to Hawaii Administrative Rules,  
13 Chapter 15-218, in the draft posted on April 16th,  
14 2017, for the public hearing held on May 17th, 2017?

15 VICE CHAIR SCOTT: So moved.

16 CHAIR WHALEN: Steve Scott moves. Is  
17 there a second to that motion?

18 MEMBER WATERHOUSE: Second.

19 CHAIR WHALEN: Second, Mary Pat  
20 Waterhouse.

21 Is there any discussion on the motion?  
22 I'd just like to say, you know, part of the reason  
23 for considering this is that we have public hearings  
24 for a reason. That is to listen to testimony and to  
25 make any appropriate revisions to rules, the draft

1 rules as presented, and in order to do that and  
2 consider revised rules, we first need to dispose of  
3 this -- the present draft that's been presented at  
4 the public hearings.

5 So any other comments before we take a  
6 vote?

7 Okay. Shall we have a roll call vote,  
8 please? We can probably take a voice vote. Shall we  
9 just take a voice vote? No. Roll call.

10 MEMBER OH: Just to be clear, this is to  
11 not adopt; right?

12 CHAIR WHALEN: To not adopt, yes.

13 MR. NEUPANE: Members, the motion has  
14 been made and seconded. On the motion, Member Scott?

15 VICE CHAIR SCOTT: Yes.

16 MR. NEUPANE: Member Waterhouse?

17 MEMBER WATERHOUSE: Yes.

18 MR. NEUPANE: Member Bassett?

19 MEMBER BASSETT: Yes.

20 MR. NEUPANE: Member Fang?

21 MEMBER FANG: No.

22 MR. NEUPANE: Member Butay?

23 MEMBER BUTAY: Yes.

24 MR. NEUPANE: Member Okuhama?

25 MEMBER OKUHAMA: Yes.

1 MR. NEUPANE: Member Oh?

2 MEMBER OH: Yes.

3 MR. NEUPANE: Chair Whalen?

4 CHAIR WHALEN: Yes.

5 MR. NEUPANE: The motion passes with  
6 seven ayes, one nay and one excused.

7 CHAIR WHALEN: Okay. Thank you.

8 Now, next, that does set aside the draft  
9 that was originally published for public hearing.  
10 There has since been a lot of discussion on that  
11 draft. We've heard a lot of public testimony. So  
12 the next step is whether to direct the staff to  
13 incorporate the staff-suggested alternatives to the  
14 proposed amendments that we discussed today.

15 I'd like to ask if there's a motion to  
16 that effect to direct the staff to incorporate those  
17 revisions or some modified form of those revisions  
18 that were presented at the hearing today? Is there a  
19 motion to direct the staff to do that?

20 VICE CHAIR SCOTT: I make a motion that  
21 we direct the staff to amend the particular points  
22 that they had proposed and that we also discussed  
23 today the changes to be made to these alternatives.

24 MEMBER WATERHOUSE: Second.

25 CHAIR WHALEN: Okay. I would like to ask



1 the maker of the motion and seconder to see if  
2 there's any clarification. One of the things that we  
3 discussed was for the 30-year buyback term, that it  
4 be reset when the unit is sold to another buyer so  
5 that the 30-year period is continuous. Is that  
6 agreeable to the maker of the motion and seconder?

7 VICE CHAIR SCOTT: Yes, it is based on  
8 when the unit is purchased.

9 CHAIR WHALEN: When the unit is  
10 purchased. Okay. Secunder?

11 MEMBER WATERHOUSE: Yes.

12 CHAIR WHALEN: You agree to that? Okay.  
13 Is there any further discussion on that motion?

14 EXECUTIVE DIRECTOR: Chair, for the  
15 benefit of the motion, just specifically, that would  
16 be section 15-218-35(a), and we are adding -- after  
17 the words "within 30 years," we're adding "from the  
18 date of purchase or repurchase," and striking the  
19 language "from" all the way to that comma, first  
20 comma. And what we're looking at is the  
21 staff-amended version that was posted for this  
22 hearing today for consideration.

23 CHAIR WHALEN: Okay. Another item that  
24 was discussed in terms of clarity is how to determine  
25 the valuation of improvements made by the owner of a

1 reserved housing unit or workforce housing unit, how  
2 to credit them. Any direction to staff on how to  
3 modify that language?

4 Okay. Then are we ready for a vote on  
5 that provision in terms of directing staff for  
6 revised -- prepare a revised draft with those  
7 proposed changes?

8 MEMBER WATERHOUSE: Chair, are we voting  
9 on each separate of the four items?

10 CHAIR WHALEN: The four staff proposals?

11 MEMBER WATERHOUSE: Yeah. Are we going  
12 to vote on it all together?

13 CHAIR WHALEN: Well, the proposal is to  
14 vote on them together, but if that's -- if you  
15 prefer, I guess --

16 MEMBER WATERHOUSE: No, no, no. It's  
17 okay.

18 CHAIR WHALEN: Yeah. This is mainly in  
19 terms of time.

20 MEMBER WATERHOUSE: Right, right, right.  
21 No. I'm fine. I just wanted to clarify that.

22 CHAIR WHALEN: Okay. So is there --  
23 Yes.

24 MR. NEUPANE: This is only two, though.  
25 Is the board going to vote on all four?

1 CHAIR WHALEN: All four, yes.

2 EXECUTIVE DIRECTOR: As proposed in the  
3 amended rules posted for today with the changes that  
4 were just discussed?

5 CHAIR WHALEN: Right.

6 MR. NEUPANE: Then on the section  
7 15-218-35(c), the owner improvements, then there is  
8 no suggested change in the language.

9 CHAIR WHALEN: Yeah, that's what I asked.  
10 There is no suggested change.

11 Shall we have a roll call vote on that?  
12 Would you like a voice vote or roll call on each of  
13 these because --

14 VICE CHAIR SCOTT: Voice vote.

15 CHAIR WHALEN: Voice vote.

16 Okay. All those in favor of that motion,  
17 say aye.

18 VICE CHAIR SCOTT: Which one is this now?

19 CHAIR WHALEN: This is the motion to  
20 direct the staff to incorporate staff-suggested  
21 alternatives to the proposed amendments subject to  
22 clarification on the 30-year term being reset, and  
23 that's it. That's the only --

24 MEMBER BASSETT: Does someone have to  
25 move that first and then we do a voice --

1 CHAIR WHALEN: We did have a motion by  
2 Steve Scott, seconded by Mary Pat Waterhouse.

3 MEMBER BASSETT: Okay.

4 MEMBER OH: I think for clarity, we  
5 should have individual votes? Did we already do a  
6 voice vote already or we didn't do it?

7 MR. NEUPANE: Vote hasn't been made. So  
8 it can be a roll call vote.

9 CHAIR WHALEN: It can be a roll call vote  
10 if you'd like a roll call vote. Is that the  
11 preference of board members?

12 MEMBER BASSETT: It doesn't matter to me.

13 MEMBER FANG: No preference.

14 CHAIR WHALEN: I think we'll just do a  
15 voice vote because there was discussion on this. It  
16 was presented in public session and discussed.

17 So all those in favor of the motion, say  
18 aye.

19 (Board members voted.)

20 CHAIR WHALEN: Any opposed? Okay.

21 MEMBER OH: Yes, I oppose.

22 CHAIR WHALEN: You're opposed? Okay. So  
23 that is seven in favor, one opposed.

24 Okay. Now I'd like to ask board members  
25 if they wish to direct staff to make any other

1 revisions to the rules, and I'll go sort of section  
2 by section. I mean, sort of blocks of sections.  
3 Maybe subchapters rather than all of the sections  
4 because there are a couple dozen of them.

5 EXECUTIVE DIRECTOR: And this will be  
6 working off of the annotated version that was posted  
7 today with the staff changes?

8 CHAIR WHALEN: Yes, right, still working  
9 off of those.

10 So if members have their copies here of  
11 that Ramseyer version, first of all, the subchapter  
12 1, the general provisions are -- is there anything --  
13 that includes definitions, are there any changes  
14 proposed for that subchapter?

15 MEMBER FANG: Subchapter 5, you mean?

16 CHAIR WHALEN: Subchapter 1.

17 MEMBER FANG: Subchapter 1, purpose and  
18 intent?

19 CHAIR WHALEN: Yeah. Purpose and  
20 intent -- well, actually, no. The subchapter is all  
21 of those sections.

22 MEMBER FANG: Subchapter 5. I'm sorry.

23 CHAIR WHALEN: It includes purpose and  
24 intent, administration, severability, interpretation  
25 by the executive director and definitions. Anybody

1 wish to offer a motion to make any revised changes in  
2 that subchapter?

3           Okay. Let's move on to subchapter 2,  
4 which it's meatier. It's got more stuff in it.  
5 That's "Reserved Housing Requirements," and there are  
6 five sections. So that's requirements for reserved  
7 housing units, adjustments to height, density, and  
8 general development requirements for reserved housing  
9 units, reserved housing unit type and corresponding  
10 factor, reserved housing unit type and permissible  
11 household size, for-sale reserved housing schedule.  
12 None of those items were discussed much on the board,  
13 but --

14           Yes, go ahead. Are you offering a  
15 motion?

16           MEMBER WATERHOUSE: The one area that I  
17 have concern about is 218-17. This is section (a),  
18 and this is regarding residential development if it's  
19 "10 residential units or more shall provide" --

20           This is new language.

21           -- "shall provide at least 20 percent."

22           I am concerned about the smaller  
23 landowners that are still in our area, and that is  
24 primarily the properties that are left. And if we  
25 are trying to encourage residential development, a

1 lot of these smaller parcels will probably be doing  
2 workforce housing or smaller units, more middle  
3 income rather than a high-rise or the more expensive  
4 units. I think that we should go back to the  
5 original language, and I think that would encourage  
6 some more of that kind of development.

7 CHAIR WHALEN: The original language  
8 of -- yeah, could you -- I mean, are you offering a  
9 specific --

10 MEMBER WATERHOUSE: Yeah, yeah. So just  
11 leave the original language in there. "Dwelling  
12 units on a lot greater than 20,000 square feet," it's  
13 right above the -- it's what was crossed out. Leave  
14 that in.

15 VICE CHAIR SCOTT: It's crossed out.

16 CHAIR WHALEN: I see that. Everybody see  
17 that on the board what she's referring to, 15-21-17?  
18 It's basically the threshold for the  
19 reserved-housing-unit requirement on properties  
20 whenever housing is developed.

21 MEMBER WATERHOUSE: And, you know, in  
22 looking at what some mainland cities have been doing  
23 is they have said, you know, for smaller-size units,  
24 it's 10 percent because it is -- you know, I can see  
25 where, financially, it would be very difficult for,

1 you know, small lot sizes to make it affordable to --  
2 to be able to do affordable units, rather, to break  
3 even if they have -- if they have a requirement of 20  
4 percent affordable units.

5 MEMBER FANG: What is the -- since you're  
6 talking about smaller lot sizes, what is the height  
7 setback and the front- and side-yard setbacks we're  
8 talking about?

9 MR. NEUPANE: Well, depending on where  
10 the land parcels are, they're probably -- in Central  
11 Kaka'ako, the height limit is 65 feet, and because it  
12 is a form-based rule, there is no concept of setback.  
13 It's just building frontage build-to line. It  
14 depends what street you are on. If the front is Ward  
15 Avenue, then there is a 5 to 15 feet build-to line.  
16 If you are on one of the side streets, like Queen  
17 Street or Waimanu or Kawaihāo, then there is no  
18 build-to-line requirement. The building could come  
19 up to the property line. So it just depends on -- I  
20 don't have the Mauka Area Rules in front of me, but  
21 from memory, that's what it is.

22 MEMBER FANG: Okay. Thank you.

23 CHAIR WHALEN: There are housing code  
24 requirements, though, I mean, besides -- I mean, for  
25 light and air?



1                   MR. NEUPANE: Certainly, there are  
2 building permit requirements. So that has to be  
3 followed.

4                   CHAIR WHALEN: Right.

5                   MR. NEUPANE: I'll give you an example.  
6 Some of the projects that I looked at when we were in  
7 New York City for APA conference, there was a project  
8 that we looked at where it's a microunit on a  
9 5,000-square-foot lot and 55 units.

10                  MEMBER FANG: But that was higher than  
11 65?

12                  MR. NEUPANE: It was a little bit higher  
13 than 65 feet.

14                  If you look in terms of floor area,  
15 provided that the FAR, floor area ratio, of 3.5 is  
16 allowed in Central Kaka'ako, a 5,000-square-foot lot,  
17 the total building area that you can build is going  
18 to be 17,500. And if you consider that maybe an  
19 average gross square footage of a two bedroom is  
20 going to be 1,000 square feet, you could probably  
21 build up to 17 units on those parcels.

22                  CHAIR WHALEN: Okay. But we have a  
23 motion. I don't know if we got a second to that  
24 motion.

25                  VICE CHAIR SCOTT: Second.

1 CHAIR WHALEN: Okay. Steve Scott  
2 seconds. So now we can continue discussion.

3 The city -- just to compare, the city is  
4 proposing a 10-unit threshold; is that right?

5 MR. NEUPANE: That is correct. The  
6 proposed affordable housing program applies to  
7 projects with 10 or more units.

8 CHAIR WHALEN: Right. Okay. Any other  
9 comments? Questions? So let's take a vote on that.  
10 We'll try the voice vote again, and if it's not  
11 clear, we can do a roll call vote on that.

12 All those in favor of the motion made on  
13 the table to restore the original wording in section  
14 15-218-17 to essentially require reserved housing  
15 units only on lots that are greater than 20,000 gross  
16 square feet in area rather than the projects that  
17 have 10 or more units --

18 That's the motion we're considering.

19 All those in favor, say aye.

20 (Board members voted.)

21 CHAIR WHALEN: Any nays? I'm a nay on  
22 that.

23 MEMBER BASSETT: I'm a nay. You should  
24 take a roll call vote.

25 CHAIR WHALEN: Yeah, let's take a roll

1 call vote.

2 MR. NEUPANE: Members, the motion made  
3 and seconded.

4 On the motion, Member Waterhouse?

5 MEMBER WATERHOUSE: Yes.

6 MR. NEUPANE: Member Scott?

7 VICE CHAIR SCOTT: Yes.

8 MR. NEUPANE: Member Butay?

9 MEMBER BUTAY: Yes.

10 MR. NEUPANE: Member Okuhama?

11 MEMBER OKUHAMA: Yes.

12 MR. NEUPANE: Member Bassett?

13 MEMBER BASSETT: No.

14 MR. NEUPANE: Member Fang?

15 MEMBER FANG: I'm going to abstain from  
16 that. I feel like I need a little bit more  
17 information or time to consider.

18 MR. NEUPANE: Member Oh?

19 MEMBER OH: Yes.

20 MR. NEUPANE: Chair Whalen?

21 CHAIR WHALEN: No.

22 MR. NEUPANE: Motion passes with five  
23 eyes, one no and one abstained.

24 VICE CHAIR SCOTT: Two noes.

25 MR. NEUPANE: Sorry. Two noes. Two noes

1 and one abstained.

2 CHAIR WHALEN: Subchapter 3. Last call  
3 with anything in subchapter 2, "Reserved Housing  
4 Requirements"?

5 Subchapter -- moving on to subchapter 3,  
6 which is Sale and Rental of Reserved Housing Units,  
7 and there's many subsections in that one, including  
8 the purpose, qualifications for reserved housing,  
9 sale of reserved housing and workforce housing units,  
10 income, occupancy requirements, factors to be used  
11 for reserved housing unit sale determination, terms  
12 of reserved housing for sale, repealed, repealed,  
13 foreclosure, transfers of title pursuant to a  
14 mortgage foreclosures, incorporation in deed, equity  
15 sharing requirements, deferral of first option to  
16 purchase and equity sharing, terms of reserved  
17 housing unit -- reserved for rent, factors to be used  
18 for determining monthly rent for reserved housing  
19 unit for rent, rental of reserved housing unit by  
20 reserved housing owner, cash in lieu, effects of  
21 subsequent rule amendments.

22 So there are quite a few sections in  
23 there. Some of them, I think, have been covered.  
24 There were some staff proposals that involved those  
25 sections. So --

1                   MEMBER FANG:  So we were just talking  
2 about --

3                   CHAIR WHALEN:  Anything additional.

4                   MEMBER FANG:  -- anything additional?

5                   CHAIR WHALEN:  Yes?

6                   MEMBER WATERHOUSE:  This actually  
7 addresses one of the areas that the staff did change.  
8 This is referring to the buyback price.  So this is  
9 under 218-35(c).  And instead of using the formula  
10 that's presented here, my recommendation to go back  
11 to the original formula or original -- what is  
12 section 36, which is at the bottom of that page,  
13 "First Option to Purchase," and the reason being is  
14 that when we added the cost of -- the allowable cost  
15 of improvements made by the owner, it's going to be  
16 difficult for the staff to keep track of that.  It's  
17 going to be difficult for the owner to keep track of  
18 that.  And I'm thinking that as a buyer of a unit  
19 like that, that they would rather have the actual  
20 fair market value of that unit calculated rather than  
21 a percentage that goes across the whole island as far  
22 as a calculation as an index to increase.  So  
23 twofold.  One, it's just easier for the staff in a  
24 lot of ways to keep track.  And then, secondly, it  
25 also would be more accurate of the value of that --

1 of that unit if we have an appraisal done on that  
2 unit for the selling -- sorry -- for the sale price  
3 of the unit. Not the original purchase price, but  
4 the -- when it's sold at the fair market value, it is  
5 estimated by appraisal that is done currently.

6 EXECUTIVE DIRECTOR: So, basically, we  
7 would strike -- we would strike all the language  
8 under subsection 218-35(c). We would keep the  
9 language that says "The buyback price shall be no  
10 less than the original sale price of the reserved  
11 housing or workforce housing unit." We'll keep that  
12 protection. Strike everything else. Then we would  
13 take the language that we -- that we struck under  
14 218-36 and insert that into subpart (c).

15 MEMBER WATERHOUSE: Yes. Yeah. We can  
16 do that.

17 EXECUTIVE DIRECTOR: We'd make editorial  
18 changes.

19 What do you think, Deepak?

20 MR. NEUPANE: I have a clarification  
21 request on that. So I just want to understand. Does  
22 the motion offered by Member Waterhouse include  
23 paragraph -- that struck paragraph section 218-36-1  
24 and -2 or just -1? Because that section provides --

25 MEMBER WATERHOUSE: It's the lower of.

1 MR. NEUPANE: -- two options in "lower  
2 of."

3 MEMBER WATERHOUSE: It's the lower of.  
4 So it's the whole section. It's on all 36(a)-1 and  
5 -2 (sic) because it's got to be lower of.

6 MR. NEUPANE: I just want the board to be  
7 aware that then it's most likely that the buyback  
8 price will be calculated on CPI or AMI because that's  
9 going to be, certainly, lower than fair market value.  
10 I want to make it clear that that's the intent of the  
11 board.

12 MEMBER FANG: That's the proposal.

13 MR. NEUPANE: That's the intent of the  
14 motion.

15 CHAIR WHALEN: Right. That's the intent  
16 of the motion which needs a second, by the way. Is  
17 there a second to that motion?

18 VICE CHAIR SCOTT: Let me just clarify.  
19 What is the motion, Mary Pat?

20 MEMBER WATERHOUSE: In 35 --

21 MR. NEUPANE: Not the CPI. Sorry. It's  
22 not the CPI. It's just AMI.

23 VICE CHAIR SCOTT: AMI.

24 MEMBER WATERHOUSE: 35.

25 VICE CHAIR SCOTT: It's 36. You want to

1 put that into 35(c)?

2 MEMBER WATERHOUSE: Yeah. Get rid of  
3 35(c), and except for that last paragraph of (c) --  
4 I'm sorry. Get rid of 35(c), except for the very  
5 last paragraph or sentence of it, and replace it with  
6 36.

7 EXECUTIVE DIRECTOR: I think you want to  
8 keep -- sorry. I think what you want to do is strike  
9 all of (c) except for the language -- it's the  
10 second-to-the-last sentence. It says "The buyback  
11 price shall be no less than the original sale price  
12 of the reserved housing or workforce housing unit."

13 MEMBER WATERHOUSE: Correct. Correct.  
14 Yeah.

15 EXECUTIVE DIRECTOR: Right. And then  
16 insert 36.

17 MEMBER WATERHOUSE: Correct. Thank you.

18 EXECUTIVE DIRECTOR: And with editorial  
19 changes to make it work.

20 VICE CHAIR SCOTT: But you're still  
21 taking into consideration any improvements that they  
22 might make to the unit?

23 MEMBER WATERHOUSE: No, because at that  
24 point, it will be fair market value.

25 VICE CHAIR SCOTT: But then if you have



1 the lower of fair market value or the AMI --

2 MR. NEUPANE: The second portion of that  
3 section says that --

4 MEMBER WATERHOUSE: Oh, that's why you're  
5 thinking that if we eliminated the second portion,  
6 then we would stick with the fair market value?

7 MR. NEUPANE: Correct. So I wanted to  
8 know exactly what the motion is.

9 MEMBER WATERHOUSE: I can change it.

10 MEMBER BASSETT: Can you clarify what --  
11 of the stricken language in 36, right, there's two  
12 options, 1 and 2. Can you explain how 2 plays out?

13 MR. NEUPANE: Yeah. The 2 would be based  
14 on AMI just the way we calculated. Say, five years  
15 down the road, this is --

16 You know, the board already voted to have  
17 a 30-year buyback period. So the buyback is going to  
18 be 30 years. So within 30 years, say year No. 10,  
19 you know, the person wants to sell it, and then so we  
20 look at the AMI at that point. Excuse me. If the  
21 original unit was sold at, say, 120 percent of AMI,  
22 so we'd look at what is the 120 percent AMI number 10  
23 years from now, you know, and then base the sales  
24 price on that AMI number.

25 MEMBER BASSETT: So there's an equation

1 that was used --

2 MR. NEUPANE: Yeah. It would be the same  
3 equation that there is in the rule now, but the  
4 dollar number for family income will be 120 percent  
5 of AMI, whatever it is, 10 years from the day of the  
6 purchase. And looking at the past data, I believe  
7 it's reasonable to say that that number is -- that  
8 sales price number, based on AMI, is going to be  
9 lower than what the fair market value of the unit is  
10 going to be at that point in time.

11 VICE CHAIR SCOTT: Right. And that may  
12 not take into consideration any improvements that  
13 they have --

14 MEMBER BASSETT: Which it doesn't; right?

15 MR. NEUPANE: Which it doesn't in the  
16 rules.

17 MEMBER BASSETT: So for discussion  
18 purposes, I think that's the key part that of the old  
19 language, there's the lower of 1 and 2, and it's  
20 actually No. 2 which ensures that this unit will be  
21 affordable. Without No. 2, if we were just to base  
22 it on market prices, there's a potential that it will  
23 be taken outside of the affordable range, which is my  
24 concern.

25 EXECUTIVE DIRECTOR: Yes. The price --

1                   VICE CHAIR SCOTT: Can you make it the  
2 lower of, but then take into consideration any  
3 improvements that they have put into the unit to make  
4 it over and above what, let's say, the AMI comes out  
5 to?

6                   MEMBER FANG: And then less the  
7 Authority's share of equity in the unit.

8                   MEMBER WATERHOUSE: Yes. We have to have  
9 that.

10                  MEMBER BASSETT: But I feel like that  
11 defeats what you're trying to get at, which is the  
12 administrative burden calculating that.

13                  VICE CHAIR SCOTT: But there's going to  
14 be a cost to appraisal. If you have to have it  
15 appraised for fair market value, you're going to have  
16 to pay an appraiser to actually do the appraisal.  
17 That's going to be -- instead of staff doing it,  
18 you're going to have someone outside as an appraiser  
19 doing it.

20                  CHAIR WHALEN: Bringing up that point,  
21 there's been discussion with HHFDC to take over the  
22 buyback function or maybe a nonprofit to do that,  
23 especially now with the legislation that  
24 enables that. So --

25                               Excuse me.

1           MEMBER BASSETT:  Sorry.

2           CHAIR WHALEN:  There was a -- I don't  
3 know whether this has been vetted with either HHFDC  
4 or, you know, a nonprofit that might step into that  
5 role to manage the purchase of these buybacks and  
6 resell them and the rest.  But if the intent was to  
7 reduce the administrative burden, I wonder if that's  
8 really been vetted with either of our --

9           EXECUTIVE DIRECTOR:  So for the two units  
10 that the board approved for HHFDC to process the  
11 buyback for us, the board agreed that HHFDC would  
12 apply their own rules.

13          CHAIR WHALEN:  Their own rules, right.

14          EXECUTIVE DIRECTOR:  So I'm not sure how  
15 we handle it in the future with the Land Trust, but  
16 one approach might be to let them use their own  
17 rules.  I'm not sure.

18                 But for this one, this is the existing  
19 rule on how we process it that we'd be bringing back.  
20 And so if you look at 36, subsection (1), it talks  
21 about the fair market price of the unit less the  
22 Authority's share of equity.  And the second one is  
23 using the housing unit price calculated based on AMI.  
24 And this is how we determine at what price we buy it  
25 back as the Authority.  So it would be the lower of

1 the two to preserve the affordability. So we don't  
2 care about, say, preserving our equity so much as  
3 keeping it affordable for resale, which is why the  
4 AMI doesn't talk about the equity because the buyer's  
5 going to get back, you know, whatever the price is at  
6 the AMI; right?

7 We should have escalated because the AMI  
8 today at 120 is going to be higher AMI in, say, 10  
9 years; right? Because incomes go up, generally. I  
10 don't want to predict the future, but over time,  
11 series of data, income goes up. So that's why equity  
12 is not mentioned in that section and it's worded a  
13 little differently, but the lower of the two.

14 That doesn't take into account -- you  
15 know, currently, we don't take into account  
16 improvements because we're looking at selling it at  
17 that lower price. If we took into account the  
18 improvements, that would be further subsidy by the  
19 agency, which is fine, but that would require  
20 additional cash.

21 CHAIR WHALEN: So I guess the primary  
22 objective is to try to keep the affordable housing  
23 stock and allow other --

24 MR. NEUPANE: There's some impact  
25 consequences of this.

1 CHAIR WHALEN: -- buyers. In the  
2 discussion, I'm just not sure if the reason -- if the  
3 intent is compelling enough to make this change when  
4 we're not really sure what the --

5 MEMBER BASSETT: I guess we have to be  
6 clear on what the proposed change is, if it was to go  
7 back totally to 36. It seemed like you were saying  
8 36, but get rid of (2).

9 MEMBER WATERHOUSE: Well, that's what I  
10 was originally thinking, but then I got confused.  
11 But I agree now that it needs to go back to 36. If  
12 we're going to address the issue to try to make it  
13 affordable, it needs to go back to that.

14 VICE CHAIR SCOTT: To the lesser of?

15 MEMBER WATERHOUSE: Yeah. Yeah.

16 CHAIR WHALEN: So is the motion then  
17 to -- first of all, are you suggesting that the  
18 motion be withdrawn then or --

19 MEMBER WATERHOUSE: No, no. But I guess  
20 I have a question for Deepak then --

21 CHAIR WHALEN: Okay.

22 MEMBER WATERHOUSE: -- and Jesse.

23 So given the proposed option and the  
24 current rule, what are the benefits of each?

25 MR. NEUPANE: Well, the benefit of the

1 current rule is that, you know, it's based on an  
2 index, and then regardless of, you know, market  
3 fluctuations, you know, it's based on median. So  
4 there's less variability. And then there's a  
5 downside protection for the owner because the, you  
6 know, sales price -- the repurchase price is not  
7 going to be less than what the original purchase  
8 price was.

9 MEMBER BASSETT: You're not talking about  
10 the current? You're talking about the proposed --

11 MR. NEUPANE: I'm talking about the  
12 proposed rule.

13 MEMBER FANG: We also talked about it in  
14 terms of that the index is easily accessible to a lot  
15 of people. So you can easily look up online and find  
16 the information or arrive at a close estimate of what  
17 your unit sales price would be.

18 MR. NEUPANE: And, you know, it  
19 provides -- like, I provided historic data to the  
20 Authority about when you look at an average, it's  
21 4.7 percent escalation every year based on the last  
22 30 years of data.

23 Now, yeah, it could be that the owner  
24 ends up selling at a down market because of many  
25 reasons and he just happens to be unlucky. Then,

1       yeah, the prices won't go up.

2                   The current option that we have is --  
3       there's a couple things to keep in mind. One is the  
4       buyback period is only five years. So the section  
5       was written with that in mind, that the buyback is  
6       five years, not 30 years. That if you applied both  
7       paragraph (1) and paragraph (2) and look at the lower  
8       of, then it's very likely that the AMI price is going  
9       to be lower. So from keeping affordability, it is  
10      much better because it's going to be at a lower  
11      price. But if you are looking at it from a buyer's  
12      perspective, then there is a good chance that the  
13      buyer is not going to be able to take out, you know,  
14      much equity out of that unit.

15                   MEMBER FANG: The seller? The seller  
16      won't be able to take out --

17                   MR. NEUPANE: The seller. Sorry. The  
18      seller, yeah, or the owner of the unit. Because, you  
19      know, prices at AMI is going to be lower than -- it's  
20      pretty much guaranteed that the price calculated  
21      based on the AMI is going to be lower than fair  
22      market value.

23                   VICE CHAIR SCOTT: Deepak, is there an  
24      index that applies just to Kaka'ako rather than just  
25      island-wide?



1           MR. NEUPANE: I don't know. I haven't  
2 seen one.

3           CHAIR WHALEN: It would be certainly  
4 based on a smaller number of sales.

5           MR. NEUPANE: It would be based on a  
6 smaller number. I mean, if you just look at general  
7 statistics, as your sample size gets smaller, your  
8 variability goes up.

9           MEMBER OH: Member Waterhouse, are you  
10 okay with maybe perhaps using the same index that the  
11 HHFDC uses, perhaps?

12           MEMBER WATERHOUSE: Yes, I would be fine  
13 with that.

14           MR. NEUPANE: No, HHFDC doesn't have an  
15 index. HHFDC is based on fair market value.

16           MEMBER OH: So no index. Just the fair  
17 market value is what the HHFDC uses?

18           MEMBER WATERHOUSE: And the shared  
19 equity.

20           MR. NEUPANE: Minus the shared equity,  
21 certainly.

22           MEMBER FANG: And it eliminates the AMI?

23           MR. NEUPANE: Eliminates the AMI.

24           EXECUTIVE DIRECTOR: That would be what  
25 subsection 36-1 says.

1           MR. NEUPANE: Of course, it is going to  
2 have impact on affordability because 10 years from  
3 now, fair market value is going to be fairly high.  
4 The way the buyback -- the shared equity formula is  
5 structured --

6           You know, shared equity may be a little  
7 bit higher because of the fair market value, but,  
8 still, the price may not be as affordable as, you  
9 know, the board may desire. So there are pluses and  
10 minuses afoot.

11           Also, I'd like to mention that if the  
12 concern is determining, you know, the improvements  
13 made by the owner, then if section (c) is modified,  
14 then I would recommend that the Authority consider  
15 section 41 to be modified and not allow for the same  
16 requirement in equity sharing because section 41(b)  
17 provides that the Authority shall make allowance for  
18 cost of improvements made by the owner of reserved  
19 housing or workforce housing in determining the  
20 Authority's share of equity sharing. And that was in  
21 the case if the Authority waives its buyback option,  
22 then it goes into fair market value anyway. So to be  
23 consistent then, if that provision is -- that  
24 language is taken out from section 35(c), that  
25 language shall be taken out from section 41(d).

1           CHAIR WHALEN: It gets very complicated.  
2           Anyway, we have to break at this point  
3 because some of you need to move your cars, and I  
4 think our court reporter needs a break also. So  
5 let's take 10 minutes. I don't know how long it  
6 takes to get the cars. And one of our members has to  
7 go. Jade, we'll miss you. You probably won't miss  
8 us. So it's 4:50 now. Reconvene at 5:00? Continue  
9 at 5:00.

10           EXECUTIVE DIRECTOR: Can we reconvene at  
11 5:30 or 5:15?

12           CHAIR WHALEN: Is that enough time for  
13 you?

14           MR. NEUPANE: I have to go pick up my  
15 children. I can make it by 5:15.

16           CHAIR WHALEN: 5:15. It's 25 minutes.  
17 So we'll reconvene at 5:15. We're this close.

18           (Recess taken from 4:50 p.m.  
19 until 5:07 p.m.)

20           CHAIR WHALEN: We're resuming at  
21 5:07 p.m., A little earlier than scheduled,  
22 amazingly.

23           So we're on a motion that was offered by  
24 Mary Pat. I don't believe we still have a second to  
25 it yet, but we had some discussion -- quite a bit of

1 discussion on what the motion really was about;  
2 right? Is there anything that you wanted to revise  
3 in the wording of the motion at this point or --

4 MEMBER WATERHOUSE: Well, I'm not too  
5 sure if Deepak completely answered my question. You  
6 know, for both of these, the current one and the  
7 proposed one, what are the advantages of each?

8 MR. NEUPANE: Advantages from?

9 MEMBER WATERHOUSE: From both. From our  
10 perspective, from the affordable housing -- yeah, the  
11 person that would buy into -- the buyer's perspective  
12 or the seller's perspective, you know, which -- which  
13 one, you know, is better?

14 MR. NEUPANE: Let me address that again.  
15 I believe if you look at it from the affordability  
16 perspective, then what is in the current rule, the  
17 section 15-218-36, that's been crossed out. It has  
18 the advantage because most likely the prices based on  
19 AMI are going to be lower than fair market value. So  
20 that makes the affordability.

21 And I believe -- I don't remember --  
22 about a year ago when I presented, you know, the  
23 draft rules to the board maybe for the first or  
24 second time, there was a question from Member Scott  
25 Kami at that time, and one of his concerns was that,

1 "Hey, if you use this formula, then it is really  
2 difficult for the owner of a reserved housing to, you  
3 know, build any equity in the unit." And given that  
4 comment plus the comments that were received in  
5 discussion with the stakeholders, the language that's  
6 offered in the current amendment was a compromise.  
7 The unit doesn't go into fair market value.

8           So, you know, the owner of a reserved  
9 housing just can't flip the unit and then make a  
10 windfall. But at the same time, since it's tied to  
11 the median price change data published by Board of  
12 Realtors, you know, that increase is substantially  
13 better than the price based on the AMI. So the  
14 reserved housing owner ends up getting quite a bit of  
15 equity. And I provided an example to the board in  
16 one of my presentations, and I can repeat that. If  
17 the initial fair market value was \$500,000 and the  
18 initial reserved housing price was \$400, that's --  
19 \$400,000, so it's at 20 percent. So those kind of  
20 examples. If the owner bought it for \$400,000, and  
21 based on the, you know, Board of Realtors' median  
22 index, he could sell after five years and pay equity  
23 sharing and still make about slightly over \$100,000  
24 in equity in profit from the unit. So that's the  
25 advantage to the owner of the reserved housing.

1           The perspective from affordability, yeah,  
2           it does now, you know, depress the affordability, but  
3           it doesn't depress quite at that level as if it was  
4           left to go to fair market value. So the Authority  
5           would have to put back the equity sharing into the  
6           unit, plus some additional subsidy if it was going to  
7           be -- if the Authority was going to make the unit  
8           affordable at the same AMI as it was before. So from  
9           staff's perspective, the proposed language was a  
10          compromise between the two.

11           MEMBER BASSETT: Intending to give the  
12          owners a chance to gain more equity, No. 1?

13           MR. NEUPANE: Yeah.

14           MEMBER BASSETT: And also to protect them  
15          from a bad market?

16           MR. NEUPANE: Yeah. It protects from the  
17          downside because, you know, the minimum buyback price  
18          is no less than the original sales price of the unit.

19           MEMBER BASSETT: And then the additional  
20          language about the improvements was an added  
21          benefit to --

22           MR. NEUPANE: Added benefit. I think it  
23          came through comments where, you know, I think one of  
24          the testimony was that, "Hey, if you don't take into  
25          factor the investment that the owner is going to make

1 into improving the unit, then what is the motivation  
2 for that owner to keep that unit updated -- you know,  
3 up to date and in good condition? So you need to  
4 factor that into, you know, the buyback price." And  
5 I think that was a reasonable comment and so  
6 that's --

7 MEMBER BASSETT: That wasn't a comment  
8 that was just specific to our proposed amendment.  
9 That was a comment that would be relevant to our  
10 actual rules that we're operating under now of the  
11 AMI.

12 MR. NEUPANE: That is correct.

13 MEMBER BASSETT: They would have the same  
14 critique on the rules as they are now.

15 MR. NEUPANE: Uh-huh.

16 MEMBER FANG: And the selection of the  
17 Honolulu Board of Realtors' index, again, the purpose  
18 was to choose an index that was specific to Hawaii,  
19 but also was easily accessible so that people could  
20 look it up and have a fair estimate of maybe where  
21 their sales price would stand.

22 MEMBER BASSETT: So I think when it comes  
23 to the owner's perspective, the revised rule is a lot  
24 more friendly to the owner. It is a little bit more,  
25 administratively, a headache for us because we have

1 to factor in what is the allowable cost of  
2 improvement, but that's because we're doing something  
3 to give the owner even more benefit than they would  
4 have had under the old rule.

5 MR. NEUPANE: That is correct.

6 MEMBER OKUHAMA: We're actually doing a  
7 30-year now, though. That's the difference. So, of  
8 course, because of the 30-year, you would want to be  
9 a little more forgiving to the buyer.

10 MEMBER BASSETT: But not being so  
11 forgiving as to just giving them market value because  
12 that would take it outside of affordability to pass  
13 on to the next affordable buyer.

14 MR. NEUPANE: And I have looked at other  
15 jurisdictions, and I believe it's in the economic  
16 analysis done by Strategic Economics too. A lot of  
17 other -- many other jurisdictions tie the buyback  
18 price to CPI or AMI. So the formula that has been  
19 proposed is generous compared to, you know,  
20 San Francisco, Boston, New York, Denver, some of the  
21 other jurisdictions out there.

22 CHAIR WHALEN: Generous to the seller.

23 MR. NEUPANE: Generous to the owner of  
24 the reserved housing unit.

25 CHAIR WHALEN: The owner, right.



1                   MEMBER WATERHOUSE: And the reason we  
2 chose this or you folks proposed this formula over  
3 the HHFDC formula is because?

4                   MR. NEUPANE: Well, HHFDC -- HHFDC's  
5 program is a little bit different because of the way  
6 the equity sharing and all of that is calculated.  
7 And HHFDC, basically, those are all LIHTC projects --  
8 type of projects.

9                   MEMBER WATERHOUSE: Those are what?

10                  MR. NEUPANE: Low-Income Housing Tax  
11 Credit and those kind of projects, and also the  
12 formula is different. HHFDC, what it does is that it  
13 initially establishes the price, sales price and then  
14 the market price and calculates equity sharing. And  
15 at the back end, you know, the buyback period is 10  
16 years on those. And then if they buy it in 10 years,  
17 then I believe HHFDC's formula is, the buyback within  
18 10 years, it's tied to CPI. It's only if they waive  
19 their first option to purchase or it's after the 10  
20 years, then it goes to fair market value at that  
21 point. But within the regulated term, I believe  
22 HHFDC's formula is to tie it to CPI. I can't say  
23 that for certain. I don't have the rule in front of  
24 me, but that's what my recollection is.

25                  MEMBER WATERHOUSE: I will take back

1 my --

2 CHAIR WHALEN: Withdraw your motion?

3 MEMBER WATERHOUSE: Thank you.

4 CHAIR WHALEN: Okay. Just last call for  
5 any other changes to that subchapter 3. There are a  
6 lot of sections in there. I'm looking at the list.  
7 Two and three are the -- the easiest way to follow it  
8 is the table of contents, the beginning.

9 MEMBER OH: So subchapter -- Chair --

10 CHAIR WHALEN: Yes.

11 MEMBER OH: -- if I may, this is actually  
12 subchapter 4, which is, of course, of the workforce  
13 housing rules; right?

14 CHAIR WHALEN: Subchapter 4 is repealed.

15 MEMBER OH: It was not included with the  
16 current -- with the proposed rules.

17 CHAIR WHALEN: Oh, okay.

18 MEMBER OH: It was part of the old rules.  
19 And, of course, I know we were going to vote on this,  
20 and, of course, I wanted to say that this does not  
21 represent the opinion of anybody else other than for  
22 myself. You know, the key intent of our rules is  
23 really the preservation of affordable units, but bear  
24 in mind that these rules really don't apply to  
25 existing inventory. Only to new units that are being

1 considered built. We're in the middle of the biggest  
2 housing shortage crisis in the history of the state,  
3 and I think if I'm absolutely serious about trying to  
4 alleviate the crisis and provide moderately priced  
5 housing for the hardworking people of our state, then  
6 I have reservations about not utilizing the only  
7 incentive we have. So for that reason, I'm okay with  
8 subchapters 1, 2 and 3, but I'd like to make a motion  
9 to leave subchapter 4 as it is.

10 MEMBER FANG: I think doesn't most of the  
11 text of subchapter 4 get brought into subchapter 2?

12 CHAIR WHALEN: Yeah, it does.

13 MEMBER OH: It does, and it's integrated,  
14 I think. I think what has happened is it really got  
15 integrated in subchapter 3, and a lot of the rules  
16 really got carried over into subchapter 3; right?  
17 But for subchapter 3, it's really discussing the  
18 reserved housing again or is it --

19 MR. NEUPANE: The sales price calculation  
20 and then the buyback and equity sharing provisions  
21 now apply to -- well, let me back up.

22 The workforce housing provision is still  
23 there, and then, you know, the incentives that was  
24 provided in subchapter 4 for building workforce  
25 housing units is still preserved. It's there in

1 terms of density bonus and then some other waiver of  
2 the rule requirement like public facility dedication  
3 and all of that.

4 MEMBER FANG: It's now in section 21.

5 MR. NEUPANE: Yeah. What is different is  
6 that because buyback, you know, and through the  
7 discussions with the Authority before and the task  
8 force, the buyback provision and equity sharing  
9 provision was, you know, made applicable to workforce  
10 housing project. So from an administrative process,  
11 you know, or perspective, it became a lot easier to  
12 integrate that with provisions than to have to repeat  
13 all of those provisions in a separate subchapter, and  
14 that's why it was integrated.

15 MEMBER FANG: And then the section -- I  
16 believe the section about the maximum unit sizes in  
17 subchapter 4 was deleted because we didn't want to  
18 prescribe additional rules on developers. You know,  
19 we didn't want to micromanage exactly what they were  
20 building, the style type.

21 MEMBER OH: You're talking about the  
22 sizes of the units?

23 MEMBER FANG: Right. That's from the  
24 table in subchapter 4, specifically.

25 MR. NEUPANE: The additional reasoning

1       there is that the unit sizes were there based on the  
2       feedback provided by the developer in 2011 and then  
3       adopting the rule, and the argument was that, "Hey,  
4       the unit sizes are small. So it's not going to  
5       appreciate as much." And that may be true or not,  
6       but if the Authority is going to have the buyback  
7       provision on those units, then there is really no  
8       need to try to, you know, manage the appreciation of  
9       those units through size of the unit.

10               MEMBER OH: Through reserved, yes.  
11       Through workforce, no; right? Okay. So you're  
12       saying that because -- if we're trying to put back  
13       the workforce housing rules and we're leaving that  
14       intact as it is, then because it's been already  
15       integrated to the current rules, I mean, it's  
16       going -- it's basically -- it can't qualify as a  
17       motion?

18               CHAIR WHALEN: You can make the motion to  
19       strike.

20               EXECUTIVE DIRECTOR: What you could do is  
21       ask -- you could direct us to keep the workforce  
22       housing provisions as they are in the 2011 rules.

23               MEMBER OH: 2011 Mauka Rules.

24               EXECUTIVE DIRECTOR: And then make  
25       changes accordingly in the proposed rules to be

1 consistent with that. So we'll pull all the  
2 workforce housing stuff out --

3 MR. NEUPANE: From other sections.

4 EXECUTIVE DIRECTOR: -- from other  
5 sections to put it back to what it was.

6 CHAIR WHALEN: And just to allow things  
7 to run as they have been?

8 EXECUTIVE DIRECTOR: There wouldn't be  
9 the buyback --

10 CHAIR WHALEN: Or qualification of buyers  
11 or anything?

12 EXECUTIVE DIRECTOR: -- or equity --

13 MEMBER OH: For reserved housing,  
14 everything would remain the same. Just for  
15 workforce.

16 MR. NEUPANE: Just for workforce.

17 MEMBER FANG: When we're talking about  
18 everything, we're talking about a lot of different  
19 things. Not just the buyback, but it's the rules  
20 that were relaxed or that were proposed to be relaxed  
21 around qualifying buyers, you know, the assets that  
22 they're allowed to count as qualifying assets,  
23 previous ownership of other property, things like  
24 that.

25 MEMBER WATERHOUSE: When you brought that

1 up, William, were you thinking of putting back only  
2 the one-year requirement rather than the 30-year?

3 MEMBER OH: For workforce housing, yes.

4 EXECUTIVE DIRECTOR: There's no  
5 requirement.

6 MR. NEUPANE: The one-year requirement is  
7 not from the 2011 rules, but it's the condominium  
8 statute that if you are an owner-occupant buyer, then  
9 you have to occupy the unit for at least a year  
10 before you can rent or sell the unit.

11 MEMBER OH: That's for the 75 percent of  
12 the units?

13 MR. NEUPANE: That's not through HCDA  
14 rules. That's through the condominium statute on,  
15 you know --

16 EXECUTIVE DIRECTOR: What Member  
17 Waterhouse is referring to with the one-year, I  
18 think, is HRS Chapter 514B, which defines condominium  
19 projects, and it has a provision defining owner  
20 occupancy -- owner-occupant.

21 MR. NEUPANE: Yeah. Owner-occupant  
22 requirement.

23 VICE CHAIR SCOTT: So we're not going to  
24 have any rules for workforce housing?

25 EXECUTIVE DIRECTOR: What Member Oh is

1 proposing is we go back to the original workforce  
2 housing program without any changes.

3 VICE CHAIR SCOTT: Wasn't that one of the  
4 things we were trying to avoid was going back to not  
5 have the affordability over a longer period of time?  
6 I thought that was one of the directives that we had  
7 for the working group.

8 MEMBER OH: It's not for the working  
9 group. It's the reserved housing rules and workforce  
10 housing rules, Steve. So we're still changing it  
11 from five years -- two years, three years, five  
12 years. For reserved housing rules, we're taking it  
13 all the way to 30 years for reserved housing. We're  
14 still lowering the AMI, the weighted average, to 120  
15 percent, of course, with a maximum of 140 percent.

16 So what I am making the motion for is,  
17 yes, to leave the workforce housing rules as it is  
18 without any changes to it for the 2011 Mauka Area  
19 Rules.

20 MEMBER FANG: Okay. Let's vote on it,  
21 then.

22 CHAIR WHALEN: Well, let's have a second.  
23 Is there a second?

24 EXECUTIVE DIRECTOR: Just to be clear for  
25 the staff, the reserved housing rules as it was in



1 2011, but all the changes that apply to reserved  
2 housing we keep in the proposed rules.

3 MEMBER OH: Correct.

4 CHAIR WHALEN: So is there a second to  
5 the motion? Because, otherwise, we won't have a  
6 vote. Is there a second?

7 Motion fails for lack of second.

8 So I think that pretty much -- we hadn't  
9 anticipated calling for chapter 4 -- subchapter 4,  
10 but that's -- I think the list of proposed changes to  
11 be included in a revised draft that will be --

12 MEMBER BASSETT: There's something that I  
13 noticed. I just noticed in the headings here, the  
14 titles don't match what the revised headings are.

15 EXECUTIVE DIRECTOR: I was going to say  
16 that, you know, when these rules were originally  
17 proposed, so my comment would be that we make the  
18 titles consistent. So even for the rules, it says  
19 "Kaka'ako Reserved Housing Rules," but it's reserved  
20 and workforce. So we'd strike out "reserved" and  
21 just call that the Kaka'ako Housing Rules.

22 MEMBER BASSETT: Even in some of the  
23 section headings, for example, like, "218 Reserved  
24 Housing Unit Type and Corresponding Factor," when you  
25 go to the actual section, it just says "Unit Type and

1 Corresponding Factor." So the change was made in  
2 the -- in the substance of the rule, but not changed  
3 in the heading -- in the table of contents.

4 EXECUTIVE DIRECTOR: Which section is  
5 that?

6 MEMBER BASSETT: So it happens a lot.  
7 Subsection 19, 20, 21, 30, 31, 34. So you can just  
8 do a pass on all of it to make sure the headings --

9 MR. NEUPANE: That's like editing and  
10 I'll take a look at that.

11 MEMBER BASSETT: Sometimes it matches  
12 what it used to be and sometime it matches what it is  
13 now. So just to be consistent to have it all match  
14 to what you're proposing it to be.

15 MR. NEUPANE: Yes. We'll go through the  
16 table of contents and make sure that the table and  
17 contents and the body matches because it looks like  
18 some of the changes were made and some of the changes  
19 were not.

20 MEMBER OH: So we're leaving the general  
21 title without the "Reserved Housing Rules," then? Is  
22 that what you're saying?

23 EXECUTIVE DIRECTOR: It should be  
24 Kaka'ako Housing Rules.

25 MR. NEUPANE: I would say Kaka'ako

1 Reserved Housing Rules and Workforce Housing Rules.

2 EXECUTIVE DIRECTOR: So would the board  
3 prefer just Housing Rules or Reserved and Workforce  
4 Housing Rules?

5 MEMBER BASSETT: When you do that, just  
6 provide -- like, if you can do the same strikeout for  
7 all the titles and everything that you do here. Does  
8 that make sense?

9 EXECUTIVE DIRECTOR: Yeah. We'll be sure  
10 it matches up with the statute to be consistent with  
11 the statutes.

12 MR. NEUPANE: The term "reserved housing"  
13 is used in the statute, and I believe that is the  
14 reason why it's called reserved housing.

15 EXECUTIVE DIRECTOR: So we'll probably  
16 have to do it as reserved and workforce housing, but  
17 we'll show the strikeouts.

18 MR. NEUPANE: Because if we say just  
19 "housing," it could be that it's --

20 CHAIR WHALEN: So it brings me to my next  
21 request for a motion. Shall we authorize the staff  
22 to make nonmaterial, editorial changes related to  
23 form and consistency?

24 MEMBER FANG: So moved.

25 CHAIR WHALEN: So moved.

1 MEMBER BASSETT: I'll second.

2 CHAIR WHALEN: Beau Bassett seconds. All  
3 those in favor, say aye.

4 (Board members voted.)

5 CHAIR WHALEN: Any opposed?

6 Okay. The revised draft will be  
7 presented by staff to the board at our next regular  
8 meeting -- Kaka'ako meeting. I think it's -- I  
9 believe that updates today. So July 7th.

10 EXECUTIVE DIRECTOR: July 5th.

11 CHAIR WHALEN: Missed again. So  
12 July 5th, 2017. And then two public hearings will be  
13 scheduled subsequent to that after notice has been  
14 published for 30 days in advance of the public  
15 hearing. We have suggested dates for those hearings,  
16 but shall we --

17 EXECUTIVE DIRECTOR: We had to adjust  
18 them based on this.

19 CHAIR WHALEN: We might have to adjust  
20 the dates and also make sure we have quorum present  
21 for those hearing dates, but they'll be in the latter  
22 part of July, maybe early August.

23 EXECUTIVE DIRECTOR: Probably August.  
24 Early August and mid-August, two meetings.

25 CHAIR WHALEN: Okay. So --

1 EXECUTIVE DIRECTOR: Hearings, not  
2 meetings.

3 CHAIR WHALEN: So that actually concludes  
4 our hearing for the day, unless there's any desire to  
5 make any public comment at this point. But we're  
6 having two more hearings and a regular meeting where  
7 the revised draft will be presented. So on behalf of  
8 HCDA Authority members and its staff, thank you for  
9 attending and your patience. The hearing now stands  
10 adjourned at 5:32 p.m.

11 (Hearing adjourned at 5:32 p.m.)  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

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 19th day of June 2017 in Honolulu, Hawaii.

\_\_\_\_\_  
LAURA SAVO, RPR, CSR NO. 347