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, August 16, 2017

Taken at 547 Queen Street, Second Floor
Honolulu, Hawaii 96813
commencing at 9:08 a.m.

Reported by: LAURA SAVO, CSR No. 347
APPEARANCES

John Whalen, Chairperson
Mary Pat Waterhouse, Vice Chairperson
Deepak Neupane, Director of Planning and Development
Aedward Los Baños, Administrative Services Officer
Garett Kamemoto, Communications & Community Outreach Officer
Michael G.K. Wong, Deputy Attorney General
Lori Sunakoda, Deputy Attorney General

MEMBERS PRESENT:

Beau Bassett
Wei Fang
Laurel Johnston
William Oh
David Rodriguez
Kathy Sokugawa
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PUBLIC TESTIMONY BY:

Jennifer Darrah-Okike 35
Wednesday, August 16, 2017, 9:08 a.m.
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CHAIR WHALEN:  Good morning.  I'd like to call to order the August 16, 2017, public hearing of the Hawaii Community Development Authority. The time is now 9:08 a.m. My name is John Whalen, Chair of the Authority, and I'm the presiding officer for this hearing.

Let the record reflect that the following members are present:  David Rodriguez, Wei Fang, Mary Pat Waterhouse, Beau Bassett and John Whalen. We expect another one to arrive shortly, but we have quorum.

At an earlier public hearing on June 7th, 2017, the Authority voted not to adopt the Draft Kaka'ako Reserved Housing Rules posted on April 6, 2017, for a public hearing held on May 17, 2017, and directed staff to prepare a new draft presented to the Authority at its July 5th, 2017, meeting.

I'd just like to note for the record that board member William Oh has arrived.

At its July 5th, 2017, meeting, the Authority approved the proposed draft Kaka'ako reserved housing rules with three HCDA staff-proposed
amendments for the purpose of holding a public
hearing.

Notice of today's public hearing was
published on July 16, 2017, in the Honolulu
Star-Advertiser, Maui News, The Garden Island, Hawaii
Tribune-Herald and West Hawaii Today. The notice was
also sent to HCDA's email list and posted on the HCDA
website. A copy of the notice can also be viewed
outside in the foyer if anyone present is interested
in reviewing it.

In addition to the required 30-day notice,
the Authority also posted a meeting notice/agenda six
days prior to this meeting to give the public
additional notice above and beyond what is required.

Today's public hearing on the proposed
draft Kaka'ako reserved housing rules published on
July 16th, 2017, is convened under the provisions of
Hawaii Revised Statutes, Chapter 91 and 206E, and
Hawaii Administrative Rules, Chapter 15-219, to
consider the following matter: The HCDA is proposing
to amend Hawaii Revised -- Hawaii Administrative
Rules, Chapter 15-218 entitled Kaka'ako Reserved
Housing Rules to promote development of more reserved
housing units as well as preserve existing reserved
housing stock. Proposed amendments to the Kaka'ako
Reserved Housing Rules will expand the source of reserved housing units, preserve reserved housing stock, encourage development of for-sale and rental reserved housing units, and create consistency with affordable housing rules administered by other state and city agencies.

The proposed amendments also provide for buyback of and equity sharing in workforce housing units. In addition, the proposed amendment clarifies certain definitions in existing provisions.

Before we receive public testimony, let me briefly explain the procedures for this hearing. First, the HCDA will present its report. Following that, we will hear testimony by the public in the order that the individuals have signed up. Individual comments will be limited to no more than three minutes, but we will accept written testimony of any length. Only members of the Authority will be permitted to ask questions of the public. This is not a decision-making hearing. So there will be no decision made today.

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

Now, Director of Planning and Development
Deepak Neupane will provide the HCDA staff report.

MR. NEUPANE: Thank you, Chair and members. A copy of the draft rule is in your packet, and I will just walk through some of the highlights and go section by section in the PowerPoint, and then try to address any of the questions that the members may have.

Just some broader housekeeping kind of things that I wanted to address out front. First, the title of the chapter is amended to Kaka'ako Reserved Housing and Workforce Housing Rules just to reflect that the chapter covers not only reserved housing but workforce housing too.

Also, the section titles are amended because there are -- there are changes to the section titles and some new sections were added. So that's not part of the rule, but that's more of the housekeeping of the rules.

On subchapter 1, General Provisions, section 15-218-1, Purpose and Intent is amended to provide clarity. It provides clarity in that reserved housing is a requirement for developing residential projects in Kaka'ako. It also clarifies that the workforce housing program is a voluntary program. It is not a mandatory program.
And section 15-218-3 and -4 is amended to provide clarity. So grammatical stuff and those kind of comments.

Section 218-5, Definitions, it adds definitions -- new definitions and it deletes some of the old definitions that are not used in the rules anymore.

And section 218-17, Requirements of Reserved Housing, amends the requirement to 20 percent of the total number of residential units in a multi-family residential development instead of 20 percent of the square foot. The current rule requires that 20 percent of the floor area be set aside as reserved housing. That has changed to 20 percent of the units. And part of the reason being there is that later on in the rule, you know, there's a table for --

The intent of 20 percent initially was to encourage building more bigger, larger reserved housing units, and that the three-bedroom kind of reserved housing units, that would be taken care of by that unit-size factor. So that is no longer needed, and floor area is no longer needed to make those kind of adjustments.

In that section further down, the
reserved housing to begin construction prior to initial certificate of occupancy, and there's a requirement on the developer to provide financial guarantee to the HCDA that those units will be built.

Also, because of the change in the statute several years ago, there's a provision that deals with a cash-in-lieu payment instead of providing reserved housing. Also, some changes are for revisions to provide clarity in the rules.

Paragraph -- section 218-18, Reserved Housing Unit Floor Area, this more deals with exemptions where it still keeps the provision that floor area used for reserved housing doesn't count towards FAR; therefore, it provides almost 20 percent bonus floor area for providing reserved housing. No requirement for public facilities dedication for reserved housing units. It provides flexibility in off-street parking requirement, building height, building setback and off-street loading requirements of Mauka Area Rules.

There's a new section added, and I mentioned it earlier, 218-19, Unit Type and Corresponding Factor, where a two-bedroom unit is considered to be one unit, and then, you know, a three-bedroom and three-bedroom-plus and bigger units
are considered to be a little bit more than one unit, and, similarly, one bedroom and a studio are considered to be less than one unit, and this is what I was addressing earlier. It takes care of the incentive of providing larger units. So we didn't have to resort to floor area concept and things.

Also, the calculation makes it -- the calculation is a lot easier too when you look at 20 percent of the unit versus 20 percent of floor area.

Another section, 218-20, was added to provide guidelines for sales and rentals of reserved housing. Now, this is just a guideline. This is similar to what is used by HHFDC on the occupancy of the reserved housing. So it helps to ensure larger units are provided to larger families and, you know, acts as a guideline for the developer and sales of the unit. And the occupancy is based on the occupancy guideline of City and County of Honolulu housing code.

A new section added on workforce housing: 218-21. Again, I'd like to emphasize that it makes it clear that it's a voluntary program, and the requirement for workforce housing where 75 percent of the units are priced based on an AMI of 140 percent or below. It eliminates the unit size, a
specification that's in the current rules, provides
for 100 percent floor area bonus and exempts from
public facility dedication fee. There is also a
provision that the Authority may consider modifying
off-street parking and loading requirements.

Section 218-29, it governs the sale,
rental or transfer of reserved housing and workforce
housing units. It describes the process in the rule.
The general qualification, the only amendment that's
addressed in that section, is that the qualifying
household should have sufficient gross income to
qualify for a loan. It's something that wasn't in
the earlier rules, and this provision comes directly
from the provisions that HHFDC has in its affordable
housing program. It also provides for a provision
for someone who already owns a reserved housing unit
in Kaka'ako but had changes in family because of
birth of children and, you know, the size of the
family has increased, for those families to be able
to apply for a larger unit if it's available within
the district. It didn't exist in the current rule,
but that's added in the new amendment.

Section 218-31, Sales and Rental of
Reserved Housing, it standardizes the workforce
housing and reserved housing sales program, and it
provides that the Authority may manage the sales program itself or allow the developer to manage it. It addresses sales notice requirement and information to be included in the notice and adds a provision that priority shall be given to any family displaced within the Kaka'ako Community Development District because of development in the district.

Section 218-32 amends the provision where it exempts a retirement account from counting towards assets and also provides that the 20 percent of the purchase price that's used as down payment from counting towards assets.

Occupancy requirement in this provision has been revised to make sure that the purchaser of the unit is an occupant of the unit. It allows for verification requirement and for the Authority to enforce the rule in case, you know, a purchaser of the unit is not the occupant of the unit too. And it adds verification requirement too. It allows for the HCDA to require that the owner, at a regular interval, provide information that the owner is the occupant of the unit.

Section 218-34, Factors to Be Used, establishes factors for reserved housing and workforce housing sales price determination based on
a couple of elements there where a down payment --

Now, this is just for the purpose of
calculating the sales price. It should be limited to
10 percent of the sales price. Also, the applicable
AMI, like, whether it's at 100 percent, 110 percent,
120 percent and so forth. And, also, the housing
cost limits to 33 percent of the household income and
includes mortgage payment, mortgage insurance
premium, AAOO dues, and also takes into account the
interest, which is published by Freddie Mac for a
30-year mortgage, and also the unit factor that is --
was part of the earlier provision.

It allows for a maximum sales price to be
based on 140 percent of AMI as long as the weighted
average sales price of all of the reserved housing
units of the project is no more than a price
calculated based on 120 percent of AMI, and also
requires that the executive director establish and
publish a reserved housing sales price formula every
year.

This is an example. It's too busy and
small to read, but this is an example of the price
calculation template or basically a formula that will
be provided to a developer on a project that has
reserved housing, and the developer can work through
this spreadsheet to determine the various pricing levels at various AMIs.

Terms of Reserved Housing and Workforce Housing: Establishes the first option to purchase the reserved housing or workforce housing unit by the Authority, which has been amended to 30 years. The current rule provides for five years, but the amended rule provides for a 30-year buyback period. And it establishes the formula to determine the buyback purchase price where the buyback price is based on the original fair market value of the unit appreciated by an index, which is the index published by the Honolulu Board of Realtors, minus the Authority's equity in the unit. And also provides for consideration for owner-made improvements in the unit in determining the buyback price.

It regulates subsequent mortgages placed on the reserved housing units. It needs to be approved by the ED, and then it limits the subsequent mortgages to the buyback price established by the formula. Basically, what it does is that it doesn't jeopardize the Authority's equity being mortgaged by a homeowner, and this amendment was provided taking into consideration the comments provided by a lot of Honolulu banks and Honolulu Mortgage Bankers.
Association and the financing community.

And I have an example there on, typically, how you would calculate buyback price and, you know, the original sales price of the unit and then the original fair market value so that it establishes the equity sharing. And then the next column after that is the annual median sales price change published by Honolulu Board of Realtors. And the rest is showing you the calculation that, you know, based on past data from 2016 to 2012, if someone bought a unit in 2012 and it was $408,000, pretty much the buyback price established by the Authority would be 518,000. The Authority's equity would be 62,000 in the unit, and then the owner's profit would be 110,000. So this addresses a lot of concerns and comments that was received concerning, you know, the opportunity for an owner of a unit to build equity in the unit. And I believe the way the formula is set up, it provides a very robust opportunity for, you know, increasing equity for the owner of the unit.

Some sections that are no more required and, therefore, are deleted are sections 36 and 37. Section 218-36 (sic) addresses the foreclosure requirement to notify the Authority. The
Authority becomes party to any foreclosure action, and the Authority is in second position after the lender and entitled to any remaining proceeds up to the maximum of its equity sharing. And the owner is entitled to any remaining funds after all that is taken care of.

And section 218-39 provides for foreclosure sale. And this section addresses some of the comments that we have received regarding regular secondary mortgage market with FHA and all of that where this meets the requirement for FHA to provide -- to purchase a mortgage in the secondary market where, if it's a foreclosure sale, then all of the requirements of the rules are extinguished at that point and not applicable.

Section 218-40 requires for -- it creates the deed restriction by incorporating equity sharing and then the buyback provisions in the deed.

Section 218-41 addresses equity sharing, amends the formula a little bit, makes it consistent with actually HHFDC's formula. And the last bullet point there on "HCDA's equity sharing subordinated to any mortgage created for the purchase of reserved housing or workforce housing unit," that amendment was included based on the comments provided by the
local financial institutions, including Hawaii Mortgage Bankers Association where the current rule provides only for a first mortgage being -- the equity sharing being subordinated to just the first mortgage created for the purchase of the unit. And the comment was received that because there is a 20 percent down payment requirement, a person might have to take a second mortgage to purchase a unit and -- or pay mortgage insurance premium, which is money out front. So this is to provide more opportunity for the buyers and make it easier for the buyers who qualified for the loan -- for a second mortgage that we made the changes.

And, again, the criteria from staff side was to look at whether the Authority's equity share would be in jeopardy or not, but allowing that -- restricting it to the mortgage created only for the purchase of the unit, you know, I believe that it doesn't jeopardize the Authority's equity sharing in the unit. And it allows flexibility for bankers and flexibility for the owners. It particularly creates additional opportunity for the owner for financing the purchase of the unit.

Going back to the formula on equity sharing, it is a percentage based on the original
fair market value and original reserved housing sales price. And I have an example there.

Section 218-42, "Deferral," provides for deferral of first option to purchase and adds conditions to deferral of first option to purchase in equity sharing. This section was added to address situations where there's real situations where someone, say, because of their job or family situation, have to move out or, you know, move to a foreign country or move to the mainland, but they don't want to sell their unit. So it creates opportunity for those people to either transfer the unit to a family member if the family member qualifies and those kind of circumstances, and it creates for a life trust and situations like that.

"Terms of Reserved Housing and Workforce Housing For Rent": Again, maximum qualifying income of 140 percent of AMI for rental units as long as the weighted average rent is based on an household income of 120 percent. I've listed the factors for determining monthly rents for reserved housing units, and 30 percent of the applicable AMI includes utilities, exempts parking, telephone, television and internet, and ED to establish a formula. So on the spreadsheet there, there's a formula on the bottom
that really calculates what the applicable rents are.

The next provision, 218-45, "Rental of Reserved Housing and Workforce Housing Unit By Owner," and this provision was added to, again, address the situations where, you know, it's a purchase by say sometimes --

We had a case where it was a military family who purchased the unit and was transferred to, I believe this was Japan, and wanted to keep the ownership of the unit, and we had no provision for the owner to allow -- to rent the unit. So it clarifies that; that a family that needs to -- because of personal circumstances, needs to move out of the unit, is allowed to rent the unit as long as the unit is rented to a qualified household.

Section 218-46, cash-in-lieu provision. Again, as I mentioned earlier, the cash-in-lieu provision is added because it's put in the statute again, and it establishes a formula which is higher of the two, 7 percent of gross revenue of the project or the difference of average -- fair market value and average reserved housing sales price, whichever is greater, and I have a formula there on how it gets calculated.

Section 218-47, that's just the effects
of subsequent rule amendments. This is for owner of reserved housing where, under the current rule, it provides the option for those owners to come under the new rules or to stay within the existing -- the rules that they qualified under.

A new section was added, section 218-48, to address fees for provisions for establishing fees for administering reserved housing and workforce housing program. We get a lot of requests for buyback and things like that, and right now there is no provision for fees established for spending, especially asset management staff. So we're spending a lot of time going through that analysis and administering the program. So there is a provision for fee.

With that, that ends my presentation, and if board members have any questions, I can address those.

CHAIR WHALEN: Thank you, Deepak.

Before we get into questions of board members, I just want to note for the record that Kathy Sokugawa and Laurel Johnston --

MEMBER JOHNSTON: Sorry I was late. I apologize.

CHAIR WHALEN: Actually, if I may, I'll
start out with a question. I didn't see, well, in
your presentation, the amendment that eliminates the
requirement in the present rules that workforce
housing projects may not receive any form of subsidy
or assistance. But I don't see it actually in the
Ramseyer version of the rules.

MR. NEUPANE: It is in the Ramseyer
version, but let me go back and address that. The
current provision is that to qualify as a reserved
housing -- sorry -- the workforce housing program,
the workforce housing project cannot use, you know,
state/federal government funds. That provision has
been taken out in the proposed rules.

CHAIR WHALEN: So it would be sort of the
situation -- well, there was a newspaper story today
about the dedication of Keahole where it met the
rental housing requirements for reserved housing, but
they received funding from HHFDC. I think either a
construction loan or a GET waiver.

MR. NEUPANE: Yeah, I believe it was a
GET exemption. For that project, it was negotiated
with HHFDC. The requirement -- the HCDA's rental
reserved housing requirement is only for 15 years.

CHAIR WHALEN: Right.

MR. NEUPANE: So for receiving GET, the
project agreed to be -- keep it as a reserved -- administered as a reserved housing unit for 30 years, and that was the reason for that.

   CHAIR WHALEN: Okay.

   MR. NEUPANE: The Authority's policy in the past has been that if there is going to be any additional HHFDC funding, like GET exemption and situations like that, to allow that if it goes over and beyond what is required by the current rules.

   CHAIR WHALEN: Okay. I just wanted to clarify that. I don't know if there are other projects that are examples of that.

   MR. NEUPANE: The 440 Keawe Street of the Kamehameha Schools has the situation where it was exempted from GET, but now instead of 15 years, it's regulated for 30 years.

   CHAIR WHALEN: So it's a combination of incentives and direct assistance?

   MR. NEUPANE: That is correct.

   CHAIR WHALEN: Okay. Are there any other questions?

   MEMBER BASSETT: I have a question.

   CHAIR WHALEN: Yes.

   MEMBER BASSETT: This is regarding the Ramseyer format 15-218-19 and its relationship to
what you're mentioning how you amended the other chart regarding -- where is it? Basically, you took out the requirement for the reserved housing unit's square footage to be correlated with the FAR. What section was that?

MR. NEUPANE: That's section 17.

MEMBER BASSETT: So what was the reason for that change?

MR. NEUPANE: Well, initially, in 2011 when the rule was -- new rule was adopted, it went from 20 percent of the unit to 20 percent of the floor area. The thinking at that time was that, you know, if it is floor area, then it probably will provide incentive for the developer to build larger units, saying that three bedroom units and all, you know, because it reduces the number of bathrooms and kitchens and things like that; right? So instead of providing, say, on a 100-unit project, the requirement would have 20 units, but now if you use floor area, then the developer doesn't necessarily have to build 20 units. It could be 15 units, but some of the units would be a three-bedroom unit. So that was the incentive.

But now because of the table that's introduced in section 19 where there is an incentive
provided to the developer by providing a larger unit, we didn't believe that, you know, we still needed to keep the floor area and go to the number of units now because it basically does the same thing.

MEMBER BASSETT: So the way that I see this is, is that one potential, which is like on the bad side of things, right, is that if you have a developer that's required to build 20 units, then they could just cram as many bedrooms as they can into a very small area and that would meet -- you know, they could develop less than 20 percent of their FAR. Just squeeze in maybe like three bedrooms into what should have been, like, an 800-square-foot spot. Is that a concern?

MR. NEUPANE: No, that's not a concern because, you know, the size of living spaces is determined by Honolulu housing code. So the building code takes care of, you know, the size of the -- the minimum size of the units anyway. From a health and safety issue, that's not a concern.

MEMBER BASSETT: I see. Okay. And also, I guess, the market will, you know, address that as well.

MR. NEUPANE: And the market does address it. I mean, typically, in the newer units, a
three-bedroom unit tends to be, you know, 11-, 1200 square foot anyway.

MEMBER FANG: I think I might add, at the time, we were also discussing the City's proposed affordable housing changes, and they had a similar kind of unit-factor-type table.

MR. NEUPANE: Yeah, I mean, the City and County's current affordable housing rules, and I believe they are going to adopt some of that in the new version too, does have a similar table like this. Theirs is more elaborate. It takes into account, you know, different kinds of bedrooms and bathrooms and all. We simplified it to just go by the number of bedroom units.

CHAIR WHALEN: I believe they have a different formula for TOD areas.


MEMBER BASSETT: I have another question. This morning, we received some testimony from the Speaker of the House regarding a concern that the transfers that he's specifying here could trigger our buyback and equity sharing provisions. I'm not sure if staff has a response to these concerns.

MR. NEUPANE: Yes, I do. I mean, you
know, this is -- we had received this comment earlier too, and the comments are taken care of in the rules, actually, by the, you know, provision of deferral that I just went through. Let me point out the section here: 218-42. That takes care of, you know -- it provides for deferral of first option to purchase and equity sharing. And if you look in the paragraph in the Speaker's comment, that says 15-304, that's 127, "Permitted Transfer," it takes care of bullet No. 2, paragraph 2, No. 2 through 7, and it's the exact language from that that's in our rule because I copied it pretty much from HHFDC's provision because that comes from HHFDC's provisions.

And the No. 1 paragraph there is taken care of because, you know, the rule was amended to allow for, you know, a second -- a second mortgage of the buyback -- all the way up to the buyback price established by the Authority. So in that sense, I think the Speaker's comments are already taken care of and included in the rules and addressed in the rules.

MEMBER BASSETT: The difference is that the language that he's citing here from HHFDC says that "that corporation must require -- shall require that consent be granted to those transfers," where
ours says "that we may." Is there a reason why we chose not to follow completely the language of HHFDC?

MR. NEUPANE: Well, it's up to the discretion of the Authority. It's always been at the discretion of the Authority, and we wanted to leave the language like that.

MEMBER BASSETT: Has it ever been our practice historically to not allow for these kinds of transfers?

MR. NEUPANE: Not sure.

Asset Manager or Aedward, do you have -- I am not aware of anyone transferring it to family members, but, you know, a lot of the cases, the Authority has either exercised its option to purchase, and if the Authority doesn't exercise its option to purchase, then the unit can be sold at market. So --

CHAIR WHALEN: Okay. Any other questions before we get public testimony?

VICE CHAIR WATERHOUSE: In this same section under part 2, "Transfer to a Relative," and in looking at the definitions, it said, you know, if it's not -- it's not in that section. In looking at Merriam-Webster, a relative is anyone by blood or by affiliate, which I'm assuming is by marriage. So
what I'm concerned about is, you know, it could be a cousin. How far -- how far do we go with this? And I think the other sections, you know, do address descendants, spouses, children. But I don't know what -- what else was the thought behind that.

MR. NEUPANE: Well, the terminology, like I said, you know, is completely borrowed from HHFDC's rule, and we haven't defined "related." But then there is a tacit provision in the definition section that says that "Terms not defined in the section shall be accorded their commonly accepted meanings." So that provides for flexibility and interpretation either to the executive director or to the Authority in how the Authority or the executive director decides to make that determination.

Now, you know, we could -- we could define what a relative is, but once there is a definition, it's going to be fairly narrow. And if the intent of the Authority is to make it fairly narrow, I can go back and define "relative" in the rules, but then you have to keep in mind that that is the definition. If something comes -- if we get into a situation other than that, then it creates some kind of conundrum at a later time.

And, also, again, I would like to mention
that any changes that we made in the rules, and the AG probably will provide more detailed information on this, may cause us to go back to another set of hearings too. So I just want to caution about changes -- making changes to the rule at this point where it may trigger another set of hearings.

VICE CHAIR WATERHOUSE: And I know we cannot do any decision-making at this time.

MEMBER JOHNSTON: Can I ask that really the determining factor is whether they're eligible; right? So you could be related to them and not be eligible. So it's not going to matter how we define "relative."

MR. NEUPANE: Yes.

CHAIR WHALEN: Katherine?

MEMBER SOKUGAWA: Do we know in the next 5 or 10 years how many sites will be affected by the new rules? In other words, we anticipate they'd be redeveloped to include housing that would be having to be required to follow these rules on affordability?

MR. NEUPANE: I don't know the exact number of, you know, projects or sites that may be affected, but what I can say is that any project outside of Kamehameha Schools Master Plan and Ward
Neighborhood Master Plan would be -- would have to follow these rules if these rules get adopted.

MEMBER SOKUGAWA: Right. But it's also not applicable to under 20,000-square-foot lots.

MR. NEUPANE: That is correct, yeah.

MEMBER SOKUGAWA: So we can kind of do some back-of-the-envelope estimate based on existing, underdeveloped uses and, therefore, a possibility that they may be redeveloped in the next five, ten years.

MR. NEUPANE: I could look at that. I haven't really looked at that.

MEMBER SOKUGAWA: The other question -- I have lots, but I'll try to restrain myself. So section 48 talks about establishing fees. Could we add something about the purpose of the fees or what they're expected to perform or cover? It has the words that, "The Authority may establish if it's deemed necessary." Okay. I get that. "Reasonable or convenient," I don't get that. What would be a convenient fee? And I would think that it would be helpful to know, for the director to establish those fees, is it intended to cover the cost of running the whole program, a portion of the cost? Should there be differentiated fees for first-time buyers, resale?
Do we have an estimate of how much it's going to cost us to process these applications?

MR. NEUPANE: We do. It's mostly to address, you know, buyback situations and then -- mostly to address buyback. We get requests for buybacks, and then the staff has to, you know, go through the paperwork, has to appraise the units and those kind of things. It's intended to cover that.

Typically, initial sale, up until now, the Authority has always allowed the developer to administer the sale program. So, therefore, there is no initial cost to that applicant, and the intent of that section is to cover only if there's a buyback request.

MR. LOS BAÑOS: So, Member Sokugawa, the only thing I'll add is that this rule was also something borrowed from HHFDC, something that currently exists as well.

MEMBER SOKUGAWA: Thank you.

MR. NEUPANE: And mirrors the language too.

MEMBER SOKUGAWA: We have experience -- the Department of Planning and Permitting does have experience with this issue. We qualify first-time homeowners. We qualify buybacks. So it takes a
considerable amount of time to do that work. And so
it's not a small cost if you base it on our
experience. So I just wanted to know that -- what is
the intent of the fees and how they should be
calculated.

The other question I have is there's a
provision here that says the Authority may modify the
off-street parking. I would suggest that we get more
explicit, especially if they're within a transit
station, that across the board from the beginning,
that the parking -- as the city has been doing, is
reducing the parking automatically by half to
encourage a reduction of cost on affordable housing
rather than leave it open-ended.

MEMBER BASSETT: What provision is that?

MEMBER SOKUGAWA: There's a provision
that says "The Authority may modify the off-street
parking requirement." And I'm suggesting that if
it's near a rail station, the affordable housing
should at least be cut by half.

MEMBER BASSETT: What section is it?

MEMBER SOKUGAWA: It was kind of in --
page, whatever, 2-18 -- section 218-18, "Adjustments
to High Density and General Development
Requirements."
MEMBER FANG: At the very end of that section.

MR. NEUPANE: Member Sokugawa, the parking requirement is administered by Mauka Area Rules. And so the provision in the reserved housing rules is just for the Authority to be able to amend that.

MEMBER SOKUGAWA: I understand that, but I think we should be even beyond that and make a rule or a guideline that says as a minimum, you would only need to provide half the parking that would normally be authorized by TOD. You can go lower or you can go higher, but I think that would be a very good signal to developers to say, "That's some place where I could automatically cut costs."

CHAIR WHALEN: Well, we do have a TOD overlay that has not yet been adopted in the rule, and that, I think, probably one of the key provisions is to reduce the off-street parking requirement. I think, actually, the challenge has been to find developers who are willing to reduce parking.

MEMBER SOKUGAWA: I'm not saying it has been easy for us either. Developers and their bankers are resistant to dropping the parking requirement, you know, but I pretty much believe that
in the next 40 years, we're going to be dramatically changing our mobility habits, and there are going to be a lot of empty parking garages, and they're not able to retrofit into habitable spaces. Construction standards are totally different. So unless you've done that now, you're going to be stuck with a lot of empty spaces. So that would be unfortunate, including the front-end cost of affordable housing now, in 20 years, you're not going to need them.

CHAIR WHALEN: We're sort of veering from questions to discussion.

MEMBER SOKUGAWA: Sorry.

CHAIR WHALEN: Thank you.

Any other questions we have for staff? Okay. People have been waiting patiently to give their testimony. As of today, the HCDA has received 147 written testimonies. Board members were provided with copies of testimony before today's meeting. Testimony that was received up until 12:00 p.m., August 15th, yesterday, 2017, have been printed and provided to members.

If you emailed or faxed your written testimony, you do not need to resubmit a copy today. If you'd like to submit written testimony today, please hand it to our clerk. Ku'ulei will be taking
it. Ku'ulei is sitting there at the table. So she can record it and add it to the record.

We will now hear testimony from the public. Speakers will be called up to testify in the order in which they have signed up. Public testimony, as I stated before, will be limited to three minutes each, but you can also supplement this with written testimony.

Please refrain from reading your written testimony if it is lengthy, particularly. Instead summarize your comments in the time that you have available. When you are called, please come up to the witness table and speak directly into the microphone. Please state your name, any organization that you're representing, and whether you submitted written testimony.

Now, I don't have anyone signed up to speak. I'm flabbergasted. No one signed up to speak. But let me ask if anyone wishes to speak at this point even if you haven't signed up.

Yes, please come forward. Just sit at the chair and state your name and if you're representing any organization.

MS. DARRAH-OKIKE: Okay. Hi. Thank you, everyone, for coming here to deal with these
important issues. My name is Jennifer Darrah-Okike. I'm representing myself. I am a researcher and professor. I've studied housing policy for many years. I'm here to underscore the importance of strong policy for inclusionary zoning. This is something I've studied for many years. It's a policy tool that is so important. It's one that's been successfully used in other very high-cost-of-living areas like Honolulu.

I understand there's some debate about where to set the limit in terms of where to target the housing in terms of low- and moderate-income households, and I'd like to make a very strong case for keeping that --

Well, let's talk about what is area median income. Median income is about the area. It's a relative measure. So it captures our realities in your area. And to put it in terms that are simple to understand, 100 percent of area median income is right smack dab in the middle. So, by definition, anything that would include up to 100 percent of the area median income, by definition, is talking about half. Half of the households here.

I would encourage this body, as I know it does, to take very, very seriously the charge that it
was given. This area was envisioned in the late '70s. This body was established with a vision for creating housing in an urban core that would be vital and that would include all types of households and all types of families to benefit. There's bodies and bodies of research that suggest that societies, as a whole, improve when there is social mixing. Areas themselves are stronger when there's social mixing across income, across group, across occupation. Even individual households benefit.

So we're really at risk of losing something really important for our society in general and also for our area in particular if Kaka'ako becomes too heavily influenced and occupied by the very highest-income families.

So I'd encourage you to live up to the charge that was given to this body. In very, very high-cost-of-living places, the only way -- research has shown time and time again that the only way there can be some modicum of inclusion is when public bodies like you and public policies stand up affirmatively to balance out the picture and really keep the eye on the prize in terms of inclusion. So I would say keep your eye on the prize of 100 percent area median income.
Every person in the state of Hawaii is taxed. Every person, every household across the income distribution has contributed to the public monies and the millions of dollars that have been invested in Kaka'ako. It's an investment in all of Hawaii's future, all of the island's future. Why would we completely leave out half of the population from even having a chance?

So I would keep your eye on the prize to target policies at 100 percent so that half -- half or more of the people can have some chance of living in this vibrant place and making it better for everybody.

So I leave my -- I'll leave it there, but I'm happy to answer any questions. And I'll just remind us that, again, median income is already area relative. So it doesn't make sense to say, "Well, in a high-cost-of-living place, we really need to target to 140 percent." It's already relative. So when we talk about 100 percent median, we're talking about if we say below 100 percent, that is half -- by definition, half of all households. And so we're talking about your service workers. We're talking about county workers. We're talking about teachers. And we need to -- we need to bring our policies down.
Other localities have reserved housing that are very robust at the 100 percent, 120 percent level. I've personally never seen policies pitched to the 140 percent median income level. So I'm surprised that we would do that in such a special area where there is so much demand, and, yet, so much need for an inclusive society. So thank you.

CHAIR WHALEN: Thank you.

Any questions of the speaker? Okay.

Anyone else?

Yes.

MEMBER SOKUGAWA: I don't think it's a disrespect to the Authority, but there is a competing hearing on affordable housing at the legislature in, like, 20 minutes. So some people may have had to choose which hearing to attend.

CHAIR WHALEN: Well, I would say in terms of relative importance, the legislature gets more attention than the HCDA. It's not always the case. But in this instance, yeah, I think the timing of the hearing -- well, we set our hearing date first.

MEMBER SOKUGAWA: Yes, we did. Yes, we did.

CHAIR WHALEN: So, anyway, yeah, sorry for, I guess, divided attention on those two things.
But are you -- are you attending that one, the legislature?

MEMBER SOKUGAWA: Well, it depends on when this meeting adjourns.

CHAIR WHALEN: So I think you're sort of a command performance over there; right? Don't you have to go?

MEMBER SOKUGAWA: No.

CHAIR WHALEN: Anyone else like to speak at this point?

Well, okay, we had -- you know, as I say, we've gotten a lot of testimony. We have already been reviewing our second draft of the rules. We have tried to listen to the suggestions that were made. Our next meeting will be a decision-making hearing on the rules, but I just want to thank everybody who has participated. We've learned a lot. We know that there are lots of challenges that we can't rely on just rule-making and requirements; that there needs to be also financing to support affordable housing and make it affordable for the long term. And it's a very complex area that requires looking at what the private sector does and what their needs are, but also what the demands are in terms of the public's need for affordable housing.
The next public hearing will be for decision-making on Wednesday, September 6th, at 1:00 p.m. So on behalf of the HCDA Authority members and its staff, I thank you for your attendance today. The hearing now stands adjourned. The time is now 10:04 a.m. Thank you.

(Hearing adjourned at 10:04 a.m.)
CERTIFICATE

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 20th day of August 2017 in Honolulu, Hawaii.

/S/ Laura Savo__________________
LAURA SAVO, RPR, CSR NO. 347