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, September 6, 2017

Taken at 547 Queen Street, Second Floor

Honolulu, Hawaii 96813

commencing at 2:33 p.m.

Reported by: LAURA SAVO, CSR No. 347

# A P P E A R A N C E S

John Whalen, Chairperson

Mary Pat Waterhouse, Vice Chairperson

Jesse Souki, Executive Director

Deepak Neupane, Director of Planning and Development

Garett Kamemoto, Communications & Community Outreach Officer

Lori Sunakoda, Deputy Attorney General

MEMBERS PRESENT:

Beau Bassett

Wei Fang

Laurel Johnston

William Oh

Jason Okuhama

David Rodriguez

Steven Scott

# I N D E X

Wednesday, September 6, 2017, 2:33 p.m.

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CHAIR WHALEN: Okay. Let's settle in, get this started. Good afternoon. I'd like to call to order the September 6, 2017, public hearing of the Hawaii Community Development Authority. The time is now 2:33 p.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, Laurel Johnston, Wei Fang, Mary Pat Waterhouse, Beau Bassett, Jason Okuhama, William Oh, John Whalen and Steven Scott.

Today's public hearing is being convened under the provisions of Hawaii Revised Statutes, Chapters 91 and 206E, and Hawaii Administrative Rules, Chapter 15-219, to consider the following matter: The HCDA is proposing to amend HAR or 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.

The proposed amendments to the Kaka'ako reserved housing rules will expand the source of reserved housing units, preserve reserved housing stock and 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 and equity sharing on workforce housing units. In addition, the proposed amendments clarify certain definitions in existing provisions.

Notice of today's public hearing was published on July 16, 2017, in the Honolulu Star-Advertiser, Maui News, The Garden Isle (sic), 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. The proposed rule amendments were presented at the August 16th, 2017, public hearing.

Before we receive public testimony, let me briefly explain the procedures for this hearing. First, HCDA staff 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. Only members of the Authority will be permitted to ask questions of the public.

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

Director of Planning and Development Deepak Neupane will now present the HCDA staff report.

MR. NEUPANE: Thank you, Chair. The staff report is in your packet. It just highlights the process in table 1, a summary all the way down to today's hearing, and I have provided a summary of comments that we received. There were three comments received -- written comments and testimony received at the August 16th public hearing, and after the packet went out, I believe we received seven more comments in here that's been distributed to the Authority.

With that, I can answer any questions that the members might have. I made a long presentation at the last public hearing on the provisions of the rules, the changes and all. I didn't prepare that for today. I've only presented it about six times now.

CHAIR WHALEN: I think we've heard it.

Okay. As of today, as Deepak mentioned, we've received some written testimony, and we have three people signed up to speak, and others certainly can speak after those -- after the initial three have signed up.

Testimony that was received after 1:00 p.m. on September 5th -- that's yesterday -- 2017, have been printed and handed to the members. So we have copies of those. If you emailed or faxed your written testimony, you do not need to resubmit a copy today. If you would like to submit written testimony today, please hand it to our clerk at the door --

There is a clerk at the door.

-- so that she can record it and add it it to the record.

We will now hear testimony from the public. The speakers will be called up to testify in the order in which they have signed up. Public testimony will be limited to three minutes. Please refrain from reading your written testimony, and, instead, summarize your comments in the time that you have available. When you're called, please come up to the witness table and speak directly into the microphone. Please state your name, any organization you're representing and whether you've submitted written testimony.

The first person signed up to speak is Louise Black.

MS. BLACK: Good afternoon. I'm Louise Black. I'm a long-time resident of Kaka'ako and also a member of Kaka'ako, our kuleana, the Kaka'ako United group.

I submitted my testimony through your website the other day, but I would like to say a few words about that.

CHAIR WHALEN: We've received it, but you're signed up to speak. So you add your comments.

MS. BLACK: Okay. I generally support the rules regarding reserved housing, but I do not agree with the maximum allowable sales price based on household income of 140 percent of AMI. According to the mayor's office in August, Oahu is short over 24,000 units of affordable housing. Seventy-five percent of this demand is for households earning less than 80 percent of AMI. This is a real housing crisis.

In 2013, 86 percent of Honolulu income tax filers earned less than $100,000. That's not even 120 percent of AMI. I think that 140 percent favors those who are already better off than most people.

Kaka'ako right now is really growing. There's a lot of really fun and glossy and exciting ads about things happening here and being built here, but please don't be distracted from the reality of our homelessness problem and of more generations having to double up with their families in single-family homes. I think we all probably know people who have two or three generations living in one house together. I think we need more affordable prices that will help our residents and our children. Thank you.

CHAIR WHALEN: Okay. Are there any questions?

Sharon Moriwaki.

MS. MORIWAKI: Good afternoon, Chair Whalen, Vice Chair Scott, members. I'm Sharon Moriwaki. I'm a resident owner of One Waterfront Towers condo in Kaka'ako and also president of Kaka'ako United, a voluntary citizen's group that ensures quality life for all those who live and work in Kaka'ako from mauka to makai.

We've submitted numerous testimony and we've been really concerned about the housing, and I ditto everything that Louise has mentioned. We have a lot of condos going up, but they're not for people who live and work in Honolulu. And you have my written testimony, but I want to, again, go on record and say that we're really concerned that it does not go far enough in really dealing with the problems. And one of the major things in terms of reserved housing was that -- and for Chapter 206E, was that it was supposed to represent the best and highest interest of the people and that is for meeting the needs for affordable housing from low-to-moderate income households.

And, you know, as I say that, we'll miss Steve Scott, the vice chair. He's been a real supporter, not only for small business, but also as importantly for the whole community and has worked on homeless issues as well as housing, and we will miss him. And we hope that the new -- newly commissioned member who represents small business will indeed follow in his footsteps and will not only represent small business, but also all of us who care about Kaka'ako and its -- and all the other issues, affordable housing to small business to the makai that you've been grappling with.

I do want to say and I want to take this opportunity to say I really do appreciate the many, many hearings you've had on this and listening to everybody and trying to come up with some compromise. I know it's not easy. And just even hearing you talk about Kupu, that there are many issues and it's very complex, and I really do appreciate the kind of real, conscientious, thoughtful consideration of all of our interests in trying to come up with the best interest for Kaka'ako and for all of us who want to continue to live and work and play also in Kaka'ako; that it's not all one-sided, luxury, high-rise condos, but that there is consideration for open space parks, the amenities, the services, as well as real interest in having a diversity, not just those who can afford luxury housing or invest in luxury housing, but those who cannot, and have low and moderate income. We need a diverse community and that's everybody. And I really do appreciate the comments that you've made to consider that, and I hope that you will continue to do that. We count on you to do that.

We do support, therefore, a number of things, and you have them in my written testimony. The one thing I do want to underscore is we do support the Authority having the ability and authority to establish fees and also in terms of what it can do with those fees, and we hope, which hasn't been done previously by the previous board or staff, is actually monitoring the kinds of requirements that are being put in. I don't know if the task force will be doing that, overseeing that some procedure for monitoring that, in fact, qualified people do get into these housing units that are set aside as affordable. Affordable. And that it really is monitored and they are monitored for the regulated term, and I appreciate the 30-year term. So thank you very much. We support what you're doing. Continue to do that, and that for our best interest, we thank you.

CHAIR WHALEN: Jen Darrah-Okike. Did I pronounce that right?

MS. DARRAH-OKIKE: I'm sorry. I missed the deadline for written testimony, but I have copies. So I don't know who --

Okay. I'm Jennifer Darrah-Okike, and I want to thank all of you for your very hard work on behalf of the public. We really do appreciate you dealing with these tough and pressing issues.

I'm speaking today as a resident of Honolulu, somebody who was born and raised on this island, and, also, I do work in research on housing issues in Hawaii. So I'm also speaking as a professor and an expert on urban issues and housing issues.

I provided a little bit more of my background for context on the written comments, but I'd like to share some general findings that I take away from my own expertise and a range of relevant research literature.

So the first is that the kinds of policies that the board has adopted and is considering have a proven track record of working. All of -- there's a diverse toolkit and these policies -- these kinds of policies, various inclusionary zoning rules, incentives for producing affordable housing, they work. And so I'd encourage you to continue using those tools.

I'd also like to say that as I was -- as considering what's before the board, I started looking at reviews of research, and I was really struck by the findings of comparable places that are really facing the kinds of pressing crises in affordable housing supply. Those -- the tools and policies being used are targeted much deeper than many of those that are being considered in the rules, particularly for reserved housing. So, actually, I was very surprised that in Honolulu, where we have the highest rental costs, you know, anywhere in the country, why would we not be a leader in terms of the depth and the strength of the policies at hand in terms of targets to really push as hard as we can to promote access really for moderate-income and low-income families?

So I would really encourage you to do all that you can to promote the spirit of this Authority on what it was charged with. It was charged to really make this a model place for all kinds of people, of all kinds of incomes. But the research shows that that doesn't happen without a strong set of policies, a strong public presence. And so I'd really just like to encourage you to take that charge seriously as I see that you are doing. And, specifically, to really do all that you can to support and push for access to moderate-income families and low-income families. And I would say target 100 percent of area median income.

I'm really surprised that there would be incentives/extra bonuses for targets that are aimed higher to the 140 or 120 percent. And, again, comparable places that really have this high cost of living aren't doing. So why would we be a lagger?

We should be a leader. We have a history for fighting for working families. So I would just encourage you to really keep that in mind. And, moreover, the sociology suggests that neighborhoods and communities with a mix of types of families, all ethnic backgrounds, all income backgrounds, all kinds of -- you know, any sort of history, diversity is actually really good. It's good for the residents. It's good for the state as a whole. And, simply put, it's not good for Hawaii or Kaka'ako to develop in a way where the highest income houses or luxury housing units are overrepresented, and it really falls to the board to really hold that line and to do all you can to try to balance out the equation and really push hard to create access really to moderate-income families. When we're talking 100 percent of AMI, that's literally the halfway point. So let's pitch our policies to the group that really need to be fought for to have a toehold in this place.

So I think that's all I have to add, but I would just, again, mahalo you for your hard work and really encourage you to do that difficult work of holding that line and really keep your eye on the prize of all the different tools at your disposal to fight as much as you can to create access to, you know, moderate- and lower-income households. They deserve a chance to live, work and play in Kaka'ako, but our whole society is better when we have diversity. It's not good for anybody to be enclaved off into luxury, little enclaves, and then, you know, really extreme places of poverty and disadvantage. So let's make Kaka'ako a model, and let's be a leader in terms of fighting for working families. Thank you.

CHAIR WHALEN: Just a comment -- you weren't here maybe earlier -- that the board decided, at the Kaka'ako meeting, that the former task force is to take proactive measures to reach deeper --

MS. DARRAH-OKIKE: Right.

CHAIR WHALEN: -- for affordability, and we found it's really necessary to have those kinds of incentives because sometimes they tie it to lower -- reach lower-income housing. We have a track record of having, you know, several projects that are for lower-income rentals, and we're running out of land to develop that kind of housing. So one thing that the task force is looking at is what strategy can we develop, in partnership with other agencies and nonprofits, to reach that deeper affordability. Because the other cities that you've looked at, I am sure, have incentives and not just regulations. They have -- that's the only way this kind of housing is going to get built is through fairly deep subsidies, LIHTC and others.

MS. DARRAH-OKIKE: Absolutely. And I understand the workforce rules is really pitched to that so-called gap group that aren't typically served by the very low income. But I still think that aiming towards 140 percent is too high even for that gap group. So let's really -- you know, I would just encourage you to keep working on all of the issues. So it's great news -- I'm sorry I missed the early meeting -- that there will be a task force looking at the lower groups, but even in terms of that gap group. Thank you.

CHAIR WHALEN: Do you have any questions?

VICE CHAIR WATERHOUSE: Yeah. Thank you. I wish you had -- you were able to attend meetings when we started this whole process.

MS. DARRAH-OKIKE: I'm sorry. I have two little kids. So, hence, the lateness of everything.

VICE CHAIR WATERHOUSE: You had mentioned that you have a strong body of research. It says that it's important that it is a very diverse community.

MS. DARRAH-OKIKE: Yes.

VICE CHAIR WATERHOUSE: What do you mean by -- what are the benefits that come from a diverse economic community in a sociology perspective?

MS. DARRAH-OKIKE: Sure. That's a big question, but let me try to think through it. I think I see it in terms of benefits for society as a whole. So one of the things that scholars are concerned about is the extremity of segregation that we're seeing, segregation meaning separation by income as well as race and ethnicity, throughout the United States and, I would say, also here, and why that's concerning is because when we don't live next to people who are different than us, we tend to fracture as a society.

There's also really clear research that shows that both for low-income, but also for high-income families, there's a benefit for children in terms of their development, in terms of their sense of, you know, access to resources, but resources not only in terms of safety and well-being, but also resources in terms of community, community capital. I think just really in a very simple sense too, we want people who -- who work in town, who work in the stores, to be able to also live there. So in a very concrete sense, we don't have those affordabilities, and if all of the affordable or moderate-income housing is far away, then that puts pressure on infrastructure. We're dealing with that already to the extreme; right? So that's part of one consequence of the fact that there just isn't enough supply in town, and so the whole society suffers when we create this kind of separation. Yeah.

VICE CHAIR WATERHOUSE: Thank you.

MS. DARRAH-OKIKE: Does that answer your question?

VICE CHAIR WATERHOUSE: Yeah.

MS. DARRAH-OKIKE: I'll keep thinking on it, though.

CHAIR WHALEN: Those are the only three individuals that have signed up, but does anyone wish to testify?

Stanford. Okay.

MR. CARR: Aloha. My name is Stanford Carr. Chair, members of the HCDA board, I'll let my written testimony speak for the record that I previously submitted, and I would like to just reiterate to this body that having the 30-year affordability is not a good idea. You want to create -- it's a great idea creating a task force. I think a deferral on this decision today should be made until the task force comes up with some tangible programs and options to create the incentives.

In a more recent event, the city council has tabled Bill 58 and is working on overhauling it. They are also abandoning the 30-year affordability policy that they were considering adopting. So I would suggest that this body consider deferring any decision today in order to let the task force do the job as you're proposing, which I think is a great idea, to work with the different stakeholders at hand to come up with some more incentives so that we can actually realize and see the construction -- financing and construction of mixed-income communities.

The young lady testifying earlier is absolutely correct. We have a socioeconomic imbalance in many of our neighborhoods, but for one who's built over 5,000 units in nearly 30 years, we have built mixed-income communities from as far as back as 25 years ago and proven that it does work.

That is correct, in Kaka'ako, the urban core throughout, you have an opportunity to have mixed-income communities. That also lies with your sister agency to amend their current QAP to grade and give better grades of scoring for proposed projects utilizing LIHTC that also propose other higher AMI categories for renter households, and that program is already permissible under the Section 42 program. Thank you.

CHAIR WHALEN: Would you say that the state could benefit by having increased financial resources for the development of affordable housing without that recommendation? Because that's something that we could --

MR. CARR: We already have a lot of tools at hand. We have 201H as a means to entitle property and to request for variances and exceptions in order to build rentals. We have the federal Section 42 Low Income Housing Tax Credit program of which the state has a piggyback program, which the legislature amended the use of -- accelerated the use of those credits from 10 years to 5 years, which will result in higher equity being injected into the project.

There is a current $38 million statutory cap on the rental housing revolving fund, which is the necessary gap financing that we must use, augmented with the Low Income Housing Tax Credit and private activity bond financing, to actually succeed in closing the bond issuance to build rentals.

There are existing programs such as having -- building projects 60 percent 140 and below that exempts us from general excise tax, and the city has its statute on the books that if you provide 20 percent of the rentals serving families earning 80 percent of the AMI, you get a real property tax exemption.

We need more tools in order to realize -- as stated before and by the DBEDT studies, we're in need of over 64,000 units over all four counties, half of those which need to be targeted to families earning 100 percent -- 100 percent of the AMI or less. So we need more tools in order to realize it.

Hawaii is the hardest in the country. Of course, we have the highest cost of living, one of the highest costs of construction, and our handicap is that although even if you give me free land, the freight, at times, costs more than the actual building material itself, which is why we do not have a production rental housing industry in Hawaii unlike our counterparts on the mainland, the other 48 contiguous states. And with the exceptions of metropolis cities, such as L.A., San Francisco, Boston, New York City, Chicago, there is no development of rentals without government subsidies.

If you're talking about Arizona, Southern California, they do this all day long on production rentals. In fact, for the lack of the -- as the Dodd-Frank's policies were adopted and the mortgage lending business tightened up, you know, it created a stimulus for the production of rentals throughout our country, and that's been holding up and supplementing our construction industry literally for the last, you know, nearly 10 years, you know, after the financial collapse.

CHAIR WHALEN: Okay. Thank you, Stanford.

MR. CARR: Thank you.

MEMBER SCOTT: I've got a question. Couple points of clarification. When we met with you, and this was several months ago, this is the task force that was looking into changing the rules, and it was you and several other developers, and one of the things that the developers there, including you, were saying is you wanted to have -- you would like to see an average of 125 percent of AMI to make a project worthwhile. You said that for the most part, rental projects were not feasible here unless you really had LIHTC or you had government help. It was just too damned expensive. You decided construction was too expensive. So really the only thing is we somewhat took that to heart, but you also said at the time you could live with 120 percent average, which is what we came up with.

MR. CARR: Yes.

MEMBER SCOTT: And that was pretty much based on you and several others at that time.

Some other points that need to be pointed out, and this is with regard to the average, it is an average, which means you're going to get some at 140, you're going to get some at 120, you're going to get some at 100, you're going to get some at 80, but it has to average out at 120.

So we're not catering to -- this perception that we're trying to cater to the 140 percent is not true. We are trying to lower it, but, realistically, I think we took to heart what you developers and builders told us was that it is almost infeasible unless you had heavy government subsidies or financing or whatever incentives. And, also, HCDA can't provide those incentives. That has to come from the city, from the state or federal or whatever.

So I just wanted to point out, I think, to everybody here that we tried to establish, I guess, a happy medium --

MR. CARR: Sure.

MEMBER SCOTT: -- to help you and to help others, and at the same time, try to make it so that people on the lower 100, maybe 80 percent, you still have to average out at 120, but we also made some other incentives in terms of coming up with down payments. We opened that up so that in order for people to qualify, if they had someone give them money, family members give them money, that wasn't going to count against their assets, which would then put them out of where they need to be percentage-wise.

So I think there are some incentives that we could offer -- that HCDA could offer, but other than that --

MR. CARR: So let me -- may I respond to that?

MEMBER SCOTT: Yes, you sure may.

MR. CARR: So a lot of policymakers, with all good intentions, adopting policies and defining rules, make the mistake of coupling rental housing projects along with for-sale housing projects. The underwriting of rental housing is very distinctly different than for-sale housing in how you finance and analyze the feasibility of financing and permanent financing.

You're talking about with for sale and with the median incomes, as we illustrated to staff on some of the financial sensitivities, when interest rates do go up, when mortgage rates do go up, the prices will have to come down because you're targeting everything to a certain AMI category.

MEMBER SCOTT: Right.

MR. CARR: And the cost -- funds go up, they can borrow less. So we've got to be cognizant of that, that we live in an interest rate environment that we may never see again.

So it's wise -- in fact, the city is taking our suggestions, which is to bifurcate the bill, Bill 58 now, and separate legislation on rental housing from for-sale housing because --

MEMBER SCOTT: Well, we're primarily addressing for-sale housing in this change of the rules.

MR. CARR: I understand that. And you do have --

MEMBER SCOTT: And that's mainly because you told us that the rental housing was infeasible unless you had heavy subsidies.

MR. CARR: Correct. So it's feasible

when you use federal and state low-income housing tax credits, free land, general excise tax exemption, real property tax exemption. All right? You do have the tools to make it -- create the incentives to create more rentals or for-sale housing, and those are densities, variances, modifications, much like what we asked for through a 201H process. So you can provide the necessary assistance and provide more tools for us -- to help us create more rental housing as well as for-sale housing because this Authority has the authority and purview for those rules. So you can make a difference. It's not another state agency or the city. You can.

Right now, I may ask you, former vice chair of this board --

Right.

MEMBER SCOTT: Uh-huh.

MR. CARR: -- how many rentals has this Authority ever built?

MEMBER SCOTT: In most cases, you build them.

MR. CARR: No, no. How many units has HCDA, as an authority, built?

MEMBER SCOTT: I don't know.

MR. NEUPANE: I can answer that. It's

about 1,700 units.

MR. CARR: No. Under the current rules of the HCDA rental income category?

MR. NEUPANE: Yes.

MR. CARR: But HCDA did it in collaboration with HHFDC.

MR. NEUPANE: That is correct.

MR. CARR: Not HCDA; right?

But the point I'm trying to drive, Mr. Scott, is this: The current rental rules under the HCDA policy right now is not financeable. This is why Keauhou Lane was financed through HHFDC because under the current policies that's written by your book, your handbook, you cannot finance a rental project under the HCDA language. And that's why my suggestion to K.S. and Bernie Evan (phonetic) was walk across the street and do a deal with HHFDC, and that's how they got that deal done.

So you have a lot of ability to help the creation of rental and for-sale housing in this district. It just needs to be addressed and worked on, and you need to overhaul some of your language in your policies.

So, again, I reiterate my suggestion is to defer action or decision on today's proposed policy changes and postpone it until the outcome of the task force findings can come before you.

CHAIR WHALEN: Speaking of "defer," you mentioned that Bill 58 was tabled at city council.

MR. CARR: It's deferred. We're overhauling it.

CHAIR WHALEN: I think David mentioned that. But, you know, tabling a bill means, essentially, you're talking about filing a bill because --

MR. CARR: No. Sorry. Sorry for the wrong terminology. It's a work in progress. It's being --

CHAIR WHALEN: You followed the lawyer's term.

MR. CARR: It's being amended. It's being overhauled through a workshop and discussions among stakeholders, and stakeholders that have been doing this for 30, 35 years or more.

CHAIR WHALEN: I know. I've been around all that time.

MR. CARR: And then some; right?

CHAIR WHALEN: Okay. I just wanted to clarify that.

MR. CARR: Sure.

CHAIR WHALEN: I mean, you know, it may seem like the city's proposal is dead, basically.

VICE CHAIR WATERHOUSE: That's the impression I got, you know, using the term "table."

CHAIR WHALEN: So, in other words, it's going to some kind of task force that's looking at modifications?

MR. CARR: Correct.

CHAIR WHALEN: So we don't know the outcome of that yet?

MR. CARR: They're already abolishing or abandoning any concept of a 30-year affordability. We already don't have a production rental housing industry here that exists. Why add 30 years if you have to maintain it as affordable for 30 years when we don't have that policy today and nothing's being built?

CHAIR WHALEN: LIHTC funding?

MR. CARR: Pardon?

CHAIR WHALEN: LIHTC funding?

MR. CARR: If you use LIHTC, you're bounded by a regulatory agreement for 30 years. But if I was a private landowner in Kaka'ako, and I have a family piece of property, I have zero debt, I've got an antiquated warehouse that is just pieced together with Band-Aids to hold it up, and I want to decide what am I going to build to redevelop this. I have zero debt. I've got a lot of equity in the land. Do I build commercial building or do I build rentals? And with the rules that you're looking at adopting right now, it would preclude any family from making any decision to build rentals because it would be mandated I have to keep it affordable for 30 years despite the fact I don't touch any government program. I'm going to choose to go build a commercial building where I have none of these issues to contend with.

CHAIR WHALEN: You're talking about using the workforce housing --

MR. CARR: Whether it be just build rental apartments. You're saying if any rental is built today, you have to keep it as rentals for 30 years.

CHAIR WHALEN: No, no. That's not what the rules say at all.

MEMBER FANG: We're talking about the for-sale.

MR. CARR: Okay. For the for-sale. Now, let me ask you this then since we're in discussion: Who would want to buy a unit that's got a 30-year deed restriction when I can buy some other condo down the street that has no strings attached? If I'm a young couple, my intent is to get in an entry-level condo. You have that tool right now, the reserved housing. We completing Keauhou Place right across the street. 20 percent of those units are set aside for families earning 100 to 140 percent AMI. So our sales prices were from the low threes to low fives. Those are first-time homebuyers. They don't have any interest in the idea of real estate, but they're buying it with the intent that they could at least trade up their equity to buy another home, maybe a single-family home in West Oahu when they get married or have children. They know going in this deal they have a shared appreciation with HCDA. To have -- to keep it affordable where they have to sell it to another affordable household, you're looking for that finite buyer that's willing to live with the deed restrictions going into this where they have other options in the marketplace without any restrictions. You know, I find it very -- you're experimenting with economics is what I'm saying.

MEMBER FANG: But I think that's looking at buyers a little bit too simplistically because if the buyer's other option is to keep renting or to keep living at home or to take on debt they actually really can't afford, then building some equity in a neighborhood with all of these advantages: You're close to the beach; you have great shopping; you got great neighbors; you live, work and play here --

MR. CARR: So what's wrong with the existing shared appreciation program that we've been living with all these years as well as HHFDC's shared appreciation policy, which is a defined formula? It's known. It's been accepted by the secondary housing market, the finance market, Fannie Mae/Freddie Mac. It's been accepted by the consumers for 25, 30 years. Why are we experimenting with a new policy that you want to put your fingerprints on with all good intentions, but you still gotta figure out how you're going to administer and effectuate the program?

MEMBER FANG: I think we're all -- well, sorry. I'll speak for myself. I think that we're looking at updating these rules because times have changed, because we've seen a lot of reserved housing units in a relatively short amount of time flip over to market rate units, which can never be recaptured again. So we've lost the affordability of those units, and we're seeing that our economy and society as a whole is not changing its direction on its own from having a larger and larger wealth gap and all the social problems that come with that. So we're making an attempt here, imperfect as it may be, to try and reset some of the parameters there to try and reset it so this newer generation, which is no longer a generation that can even graduate from college and be guaranteed a living wage, much less maybe even graduate school if they can afford that, reset the expectations and the parameters there to try and give a new generation of homebuyers a different kind of playing field to work with.

MR. CARR: Yeah. So the Maui County Council did the same thing with all good intentions. They adopted a workforce housing policy that flatlined their housing industry for literally eight years. So a developer on a high-rise or high-density, type 1 poured-in-place construction must achieve a presale requirement before they can meet -- as part of the conditions to meet their construction loan. So if they never achieve their presales, because the sale of the units come with all these deed restrictions, nothing will get built. You've effectively caused a moratorium on housing.

MEMBER FANG: But a moratorium is not a

permanent stop, though. It's just temporary, and you have to think, you know, the state has a different timeline than you do in your mid to late career.

CHAIR WHALEN: You know --

MR. CARR: Yeah. I've written -- I've submitted written testimony. It's in the record. I promise you, Wei Fang, if you had this condition on your Moiliili project, you never would have hit the presales to trigger your construction loan.

MEMBER FANG: Yeah, I understand. There's a lot of challenges there and -- but what I'm saying is that just because there's challenges doesn't mean that this board --

MR. CARR: By all means.

MEMBER FANG: -- should not try to create a situation that is better than what we have today. So this is an attempt, and I don't think all of us agree that what we have here as a draft is perfect. Some of us like it. Some of us don't. We're having, I think, a good discussion here --

MR. CARR: Sure.

MEMBER FANG: -- and I think we're all going to learn a little bit from it, and it's going to, for me at least, help me consider what we should do with the draft we have before us today.

MR. CARR: So we'll learn from the mistakes, but at what cost and at whose cost?

MEMBER FANG: Yeah. It's not a win-win-win. It's not going to be; right?

CHAIR WHALEN: On the subject of experimenting, Honolulu's already experimenting with the urban renewable plans. There were covenants that lasted 35 to 40 years that affected the prices and resale prices of units in some of the buildings that were built, and rents. Queen Emma apartments, of course, when those covenants expired, they went to market rate, but that was after 35 years.

MR. CARR: Correct.

CHAIR WHALEN: So it's not something that is completely foreign to Honolulu, but more important, other cities have done this. They've done -- they have -- in some cities, they have perpetual affordability for resales and for rentals. So some of that is combined with certain financial incentives, you know, using HHFDC's resources, for example, but it's not as if this has never been done before. You know, I don't --

MR. CARR: Hawaii is a very -- and Honolulu, in particular, is a very unique locale and unique market that you really can't compare it to the other 48 contiguous states. To say that they've done it elsewhere and say it's going to work here is not true. It's not perfect. It's not true. It's not necessarily the case, Mr. Chair.

CHAIR WHALEN: How about Hong Kong and Singapore?

MR. CARR: That's a different country. It's a whole different body.

MR. ARAKAWA: They cut off your hand.

MR. CARR: I know this board has a lot of good intentions, and I think you've heard over the months a lot of testimony on this topic and from a diverse group of people, not only developers, but realtors, finance people, all sort. Again, I really suggest that now that you've taken -- made the decision to create a task force, to create incentives, I would suggest to be prudent to not let the cart get ahead of the horse, but take a pause here and let the task force do their work, roll up their sleeves to come up with some very tangible tools and solutions and incentives so that you can really make a difference and, you know, put a permanent imprint on the policies of this agency. One would be to start to change the current interpretation of how rents are calculated. That would be helpful.

CHAIR WHALEN: Any other questions?

MR. CARR: Thank you.

CHAIR WHALEN: Anyone else who has not signed up who wishes to speak on this?

David, do you want to just reiterate your testimony from this morning?

MR. ARAKAWA: Good afternoon. David Arakawa on behalf of the Land Use Research Foundation. Again, I'll make it quick. Thanks to the HCDA and especially the staff for working -- working on this bill -- excuse me -- working on these revised rules and especially on the AMI percentage, as Mr. Scott talked about. This board of any government entity, any county or any state board, has the strongest affordability, 120 percent median and below. So that's a credit to you folks. You folks have targeted that. You want the most homes at 120 percent and below. So that's a biggie. No other government entity has required that, 120 and below. So that's a biggie while still maintaining the 140 percent AMI cap, which is consistent with the federal regulations, consistent with all state agencies and consistent with all counties. So you folks really worked hard on that and, you know, we commend you for that.

LURF members are the largest affordable housing developers in this state. The largest affordable housing developers in this state. So it's not like our members don't know what they're doing. Stanford's a member. And our members are Kaka'ako landowners and developers. Our members and subscribers include Howard Hughes, Kamehameha Schools, Stanford Carr, A & B, Castle and Cooke and HHFDC. Okay? So these are all members and subscribers of LURF.

We have four -- five suggestions, possibly six. Five suggestions. I'll go through it right now. Number 1, delete the 30-year restricted period. Hawaii's most experienced developers and most trusted economists say that it will not work. UHERO did a study that says it does not work. I've been at this since 1983. I've been doing this kind of work since 1983.

In the 1990s, Harold Matsumoto proposed 60 percent affordable housing. Miserable failure. Same argument. Let's try something different. In the 1990s, Honolulu had an affordable housing policy we had to repeal. We had to roll it back. 10 years' restricted period. It wasn't selling. 10 years, it wasn't selling. In Honolulu, we had to repeal it for six years. On Maui from 2006 to 2014, for eight years, only one project. We warned it -- excuse me. We explained just like we're explaining now that it's not going to work, and they said, "We want to try something different," same argument as Ms. Fang, and one project in eight years. One project. Three units sold in eight years on Maui under that policy. So there's a record of it not working.

I mean, UHERO even did a report. Kauai -- today, Kauai has a 25-year restricted period. They have sold one -- one of our developers there has been trying to sell. One unit sold at 25 years. Honolulu, on the other hand, has a 10-year restricted period, and we're selling them. We're selling, selling, selling.

So there is evidence at this point in time in the world -- excuse me -- in Hawaii, state of Hawaii, 25 years doesn't work. 10 years works.

And, you know, you folks talk about -- binary issues came up earlier and experiments. As Stanford said, it's binary. If the restrictions are too harsh, they're just not going to do it.

And one thing that doesn't change -- things change over the years, but I don't think this is going to change. A father and mother are not going to give a down payment to my daughter or my son if they gotta stay in that unit for 30 years unless they go across the street and buy that other unit. Okay? Or go to Kapolei or go someplace else and buy it. You're not going to be tied into that thing for 30 years and not take any equity out. I don't care what you do. I'm not giving you the down payment for that. That doesn't change. It may change, but I think as long as we have fathers and mothers in Hawaii taking care of their kids, that's not going to change. So when you talk about change, the history of Hawaii has been these kind of IZ, inclusionary zoning, requirements may not -- do not work. Do not work. And, in fact, I warned Craig Hirai. I said, I'm going to ask you -- I'm going to say, board, you call him up and you ask him, "Would you support a 30 year?"

Is he here?

CHAIR WHALEN: No. I think he discreetly left.

MR. ARAKAWA: The third thing is do not impose more restrictions on workforce housing. It's the only thing working.

Number 4 is please provide a requirement for an annual monitoring report. I never thought I would agree with Sharon Moriwaki, but an annual monitoring report is very important. Set the criteria for the evaluation. We want to come back one year from now, and we want to see that these rules are a success. Okay? But I don't know if they will be, but let's see. One year from now, put it in the rules. One year, we're coming back. Evaluation criteria goes one year. We hope it's a success, but if it's not working in one year, something's gotta change.

Right now, the interest rates are low. Developers can borrow. So we're experimenting during a very critical time. If we go to war, all bets are off. This thing goes -- sadly, a lot of things around the state are going to go down the toilet bowl if we go to war. So you guys want to experiment? Be our guests. Experiment. But the interest rates now are good for borrowing and good for developing. So that's our position.

The city council is holding off on Bill 58. It's not dead, but it's being worked on. But the fact that if you ask them when is it going to be done, they're not even -- we're not even working on it yet. Not even on the radar, Bill 58, the IZ requirements. We're doing affordable housing rental incentives first. They get it. The council gets it. Incentives first. Restrictions later. And no date in sight to even start on the IZ restrictions. So that's the truth. That's the truth.

Anyway, and lastly, diversity is great. You know, we support 100 percent. I was born and raised in Waipahu. I went to a private school in town where there was nobody from Waipahu at the private school I attended. So diversity is very, very good, but we need to be careful about that because you can diversify all you want, but when that local family is a low-income family that's paying $800 to $1,000 a month in CAM, in CAM, is that fair to them -- for them to be living in a unit, in a luxury condo, if you force affordable housing units in luxury condos and they have to pay the same CAM that everybody else is? That doesn't make sense. It would be much better for that money to go into some kind of in-lieu fee or some other kind of contribution to create a revolving fund so that Stanford can borrow some of that money and create affordable housing condos.

So we're all about diversity, and all of our members built 30 percent of their units in the entire project for affordable families -- for low-income families, but sometimes it doesn't make sense -- for them to pay 1,000 bucks to 2,000 bucks a month just on CAM, that's not fair to low-income families.

Thank you very much for your time, and I know you folks all did well, and I commend you folks for taking the time to serve on this Authority. Thank you very much for at least hearing us.

We kind of are thinking at this point, let you guys pass whatever you want and come back in one year, and let's see how many units -- how many projects are approved. Because it doesn't -- listening to the conversation, you know, Stanford Carr is up here and telling you what it's about, and he's not very successful. I listen to Stanford Carr and other people who actually build in Kaka'ako. So thank you very much. I'm sorry.

CHAIR WHALEN: We have a comment for you. I don't know how much you've really read the proposed revised rules, but the -- there is a section in there that allows the waiver of certain requirements, and that could be the term "depending on economic circumstances." Because we know that God forbid we get into a war -- who knows with the current president, but if we do, there are going to be a lot of dire circumstances sort of worse than our housing crisis. So that could certainly affect markets substantially. And in the past, HCDA has suspended the rules, which I think was a mistake in retrospect because it didn't take advantage of the opportunities for reserved housing units that could have been developed at that time. So it doesn't mean that, you know, a drastic step of suspending the rules is necessary, but adjustment of those rules could happen if economic circumstances warrant that.

So don't feel as if this is an all-or-nothing thing. You know, if within a year, nothing happens, truly nothing happens, then --

MR. ARAKAWA: By all means -- by all means, I think HCDA has done a good job in many areas. You folks have taken the forefront and been very fair in cost-sharing equity. If somebody makes improvements, you guys have figured out a way to allow people to --

So you folks have done a great job on a lot of things. And I was a corporation counsel for the city when we had to repeal our 10-year restricted period, and while you can always repeal it, if you have the chance to make it right the first time, when you repeal it, some of us say: "Make A." "Make A"; right? Because you could have done it right the first time. But I had that experience of being at corp counsel when we had to rebill it. Not rebill it. I don't know what the right word is, but there was a 10-year restricted period in buyback, and we had to say, "This no longer applies." But I don't know what that means, but it was still on the books, but we had to say, "This no longer applies."

You folks have done a great job in a lot of areas, you know, that we appreciate with these rules.

CHAIR WHALEN: And that's a shame because HHFDC is making the 10-year buyback work through all that period. So I don't know why the city would repeal it.

MR. ARAKAWA: People weren't buying the units. That was the problem.

CHAIR WHALEN: There were HHFDC --

MR. ARAKAWA: No. Private.

CHAIR WHALEN: Okay. Thank you very much.

MEMBER OH: I have a question.

CHAIR WHALEN: Yes.

MEMBER OH: Let's just talk about

Kaka'ako; right? Because, you know, this is for Kaka'ako and not the city. You touched upon the economics. So to me, my opinion is that we have right now the lowest interest rates probably within the last 40 years.

MR. ARAKAWA: We're not going to see it again.

MEMBER OH: Oh, yeah, that's what I'm saying. We probably won't see that in our lifetimes. We have a pretty good amount of liquidity in the capital markets. We have unprecedented demand. So all of the favors right now are favorable to actually building supply, but we're not seeing that, right, in spite of all of that? So my question then becomes a point, because we're talking about Kaka'ako, is do you think we'll probably ever see reserved housing units within the next cycle? To me, I don't see that happening where 80 percent of the market rate units are subsidizing for the 20 percent of the affordable housing or reserved housing. So in that case, do you think workforce housing is the only tool that the HCDA has to supply units?

MR. ARAKAWA: You know, I think right now, workforce housing is the absolute strongest thing you have going and only Kaka'ako -- not only

Kaka'ako is doing it, but Kaka'ako has been the most successive -- okay. I'm going to talk about in the whole state, but Kaka'ako -- I want to bring it back to Kaka'ako. So messing with it, I don't know if it's too good messing with. The only thing that has worked across the state, that workforce housing that gets built in Kaka'ako. 801 South Street and the stuff that Marshall builds, it works; right? And there are problems with flipping; right? But those issues, I mean, we're not going to drop an atom bomb on an ant, you know. So address the issues on flipping, but don't just say, "Okay. Let's make it 30 years, then, because we don't want to do the details"; right? But you're correct.

The other reason why all things are perfect. I mean, it's a perfect sum. You would think people would build, but this report -- this financial report done for the city, it's infeasible. It's absolutely infeasible, right, under the current restrictions, under restrictions the city wanted, the city's own report? And you guys are going to be adopting -- may adopt those same types of requirements without the incentives; right? So this report explains why people aren't building.

Interestingly enough, the workforce

housing people are willing to build without state or -- without government subsidies. That's kind of amazing; right?

MEMBER OH: Yeah, it is. And there is subsidy in a form, because, you know, I wrestle with this issue. And let me ask you this question: Is affordable housing a public good? And, of course, it's a public good; right? So if that's the case, and this is where the more debatable issue comes into play, is workforce housing for the public good and is it a public good? Yes, we provide subsidies in the form of 200 percent density bonuses and fee waivers and such, but in terms of providing direct and front-end subsidies to acquire the land and to build the buildings, now there's that -- is that truly a public good? Because it is, like you said, privately financed; right?

MR. ARAKAWA: Right.

MEMBER OH: So that's where the issue is, and if that's the case, then again, I guess I'm asking you the question: Is workforce housing the only tool that we have that potentially may address any of these concerns that we have to address the housing supply?

MR. ARAKAWA: Stanford would probably be

a better person to talk about that but --

MEMBER OH: No. I was asking for your opinion. Probably? Yes? No?

MR. ARAKAWA: Yes, probably workforce housing --

MEMBER OH: Is it the only tool that we have?

MR. ARAKAWA: Wow. No. There are a lot of --

MEMBER OH: Given the HCDA only has -- remember, we're limited in our powers. We cannot tax. We don't have the authority to tax. We can do density bonuses and so forth.

MR. ARAKAWA: You know, I don't want to diss you folks. You folks work really hard and things like that, but, you know, when you go to the city -- I worked for government for eight years. I've been at this since I've been 18. The government says, "We're doing you a favor. We're giving you a density bonus."

"But wait a minute. Aren't we short homes? Don't you want us to build more homes? You're doing us a favor?" Right? You know, I appreciate the fact that government thinks they're doing everybody favors and giving up all this stuff when in other places, probably Hong Kong and Singapore, they let you build way higher than 400 feet; right? So that's not a given; right? So I assume there will be other -- when we have that task force, there will be other things in the toolbox other than workforce housing. I'm sure Stanford and other developers can think of other things that could go into that incentive toolbox, but you're 100 percent correct, now is the time. Now is the time with interest rates as they are to take advantage of it with the demand. So sorry about that.

MEMBER OH: No. Thank you.

MR. ARAKAWA: Thank you.

CHAIR WHALEN: You held up well.

MR. ARAKAWA: Sorry. It's the shirt.

CHAIR WHALEN: Okay. Is there anybody else that wishes to speak before having the need to get into deliberation? Anybody else?

Okay. All right. So I think we're ready to deliberate and maybe not propose a motion at this time unless you wish to. Are there -- basically, the decision will be to either adopt or not adopt the rules. We can wait till that motion later, but are there any comments from the board about where we are at this time in the decision-making? Yes.

MEMBER RODRIGUEZ: If we don't adopt any rules today, does it go back to the rules that were there formerly?

CHAIR WHALEN: We can, I think, yes.

EXECUTIVE DIRECTOR: Lori's shaking her head. But, Lori, the rules that currently exist are the rules. So if the board doesn't pass the amendments --

DEPUTY AG SUNAKODA: You're talking about the rules that were --

EXECUTIVE DIRECTOR: No, no. The existing rules you're talking about?

MEMBER RODRIGUEZ: Right, the existing rules.

DEPUTY AG SUNAKODA: They would still govern, yes.

MEMBER RODRIGUEZ: I think with our deferral, we're actually causing -- like I said, it's the perfect timing today. A lot of developers are just holding back, right, waiting to see what our move is; right?

DEPUTY AG SUNAKODA: If your question is whether what happens if the board takes no action on the proposed amendments today and is not continuing it to another hearing and this is the last opportunity, then the existing rules stand.

MEMBER RODRIGUEZ: Thank you.

CHAIR WHALEN: They do anyway.

DEPUTY AG SUNAKODA: Yes, but the board has, also, the opportunity to continue and set another public hearing if that's what the board -- if you're asking what the options are, those are the options.

CHAIR WHALEN: Sorry to be so demonstrative in my reaction, but, anyway, are there any other questions? That's a good question to ask, though, about what happens, you know, if there is no decision today. We could continue the hearing, to set another date, if there's no decision today. And, otherwise, I'd just like to -- you know, this is the fifth public hearing, I think, we've had, and that includes an original draft that went through three hearings, and the revised draft which we promulgated after the -- or released, I should say, after having the board decide on what those revisions should be. So this refined draft has already been kind of vetted by this board. People may have changed their viewpoints on certain things. If we --

The real question is can there be any amendment of these rules at this point without going through another hearing process, another two hearings, essentially; right?

DEPUTY AG SUNAKODA: If there are any changes made at this stage of the rule-making process and if those changes are deemed to be significantly different from what was originally noticed in the public hearing that was issued and what was in the Ramseyer-formatted version that was provided simultaneously, then there would be a requirement for an additional notice and other hearing requirements if that change is deemed to be significant and --

CHAIR WHALEN: Which is not completely clear what "significant" is; right? I mean, whether it's substantive, I suppose, is another word, and that is sort of something that would be hard, I think, for us to decide without a substantial amount of debate about what a significant change would be.

DEPUTY AG SUNAKODA: It would be -- well, it's difficult to answer that question without some factual context.

CHAIR WHALEN: Right. Yeah, I know. It's hypothetical, right, what significant would be?

Okay. Well, just my observation is that, you know, we have been through a lot of hearings, but preceding that, we had a task force look at this to come up with the original draft. We've heard a lot of comments. There's been a lot of back and forth with staff in terms of, you know, refinements to the draft rules.

On the matter of public policies like this, there are bound to be divergent views, and we have people testifying on both sides of this issue and have from the very beginning. I'm not sure that there's an easy way to reconcile those positions. So it's highly improbable to get a consensus, but -- and I'm not really one to believe the old saying that if neither side of the debate is happy with the decision, they must be doing something right. I think really doing something right is exercising the best judgment we can after weighing the facts on more than preestablished positions or opinions.

My feeling is that we've done a lot of due diligence on this. And on the 30-year requirement, specifically, I mean, there were concerns raised originally about whether Freddie Mac or Fannie Mae or Veterans Administration would provide, you know, a secondary mortgage market backing for loans on those, and that was raised by the banking community. So I think we've gotten through that one. We've gotten assurances from

Fannie Mae and Freddie Mac and Veterans Administration that this is not an unusual requirement.  It's done in many other places, the 30-year term or even longer, and, yet, loans are being extended.

So we try to approach each of these issues as time has progressed, and in my view, the three most significant things that HCDA can do in revising the reserved housing rules are, one, to preserve the stock of reserved housing and workforce units for a much longer period so it can benefit future residents of Kaka'ako, and not just provide a temporary supply of winners of housing lotteries that will then be able to sell in a very short term and turn them around, which deprives others and future generations the opportunity to purchase housing they can afford in the district.  And I think prices are only going to get higher in Kaka'ako.  It's a desirable place to live.  Even though people complain about high-rise development, they still -- there's still demand for these units at this location.

The second thing is to bring the workforce housing provisions under the buyback and shared equity rules to ensure these units have a more effective and lasting benefit for housing consumers that are in line with the reserved housing requirements and other city and county housing rules.

The other one is to keep the sales prices lower than what HHFDC, for example, allows by making use of the unadjusted HUD AMI figures to do this.

The effective -- most consumers, what they really care about is what is the purchase price of the unit and can I qualify to purchase that. It's not based on some percentage of AMI. It's what the actual dollar figures are because that's how people calculate whether they are eligible to buy the unit and can afford to buy it. So I think those things are at least, in my mind, contained in our revised draft, and I think Wei had mentioned there's no such thing as a perfect regulation or perfect draft.

And I think there are some safety valves in this, as we discussed earlier, that we can adjust certain rules if they're not working, you know, if there are market conditions that demonstrate to us that these provisions aren't working or if production suddenly stops, and we can look at that.

I don't think necessarily, in my view, we have to defer this or postpone this for a task force to look at the incentives. I think these incentives already kind of exist out there. They may not be

HCDA's incentives, but there are financing tools that are available through HHFDC, for example, our major partner agency, but I think if we can coordinate, as we said we want to do, and also with what the city is providing in incentives too. They're offering real property tax exemptions and other kinds of financing tools from the city.

So I think when we converge on this, I think we'll have a package that will -- will work. It's not as if these -- any housing project is built next week or even proposed next week. It takes a long time, a lot of lead time, Stanford, right, to put together a proposed housing project? And so I think there are plenty of ways that those converging points can catch up with each other. That's my viewpoint on this. Any other comments?

MEMBER OH: Just a quick question regarding the convergence. So, Chair, are you -- I think this is an important point, but do you think there's a possibility that the city's incentives, when you mean "convergence," they could basically be shifted or allocated partially towards our rules as well? Is that a possibility?

CHAIR WHALEN: For example, the property tax incentives apply to -- throughout. I mean, it doesn't matter. Kaka'ako isn't a separate jurisdiction. We're not a taxing authority. But if the project qualifies under the city's rules for a property tax exemption or reduction, it can be applied to a project in Kaka'ako. I mean, that's the good thing. We have to sort of think about this as being a coordinated effort in setting of policies, but there will be certain requirements attached to those property tax exemptions and not granted automatically. They have to meet the city's qualifications.

MR. NEUPANE: If I may add, Chair, we have already done that, not done property taxes, but in GET, the two rental projects, 440 Keawe and then Keauhou Lane, both had GET exemption. And, obviously, because, you know, they have GET exemption, they had to follow additional regulation that's in HHFDC's regulations. We're already working in partnership with some of that.

MEMBER OH: Yeah. I just question whether or not these incentives are going to be enough to make up for the fact that these smaller landowners because we have -- in Kaka'ako, these lots are small, and as many of you know, these lands -- these are small landowners; right? And coupled with those incentives, is that going to be enough to overcome the myriad of obstacles in getting a building built is my question?

MEMBER FANG: Well, we've already -- in a recent round, the change we made was to exempt parcels, I think, under 20,000 square feet.

MR. NEUPANE: 20,000 or --

MEMBER OH: We changed to 20 units; right?

MR. NEUPANE: 20,000 square feet or less are exempted from reserved housing requirement. It was 10 units. It was changed to -- it was changed to the original. So there is no change.

CHAIR WHALEN: That's the current, right. But I think there's also maybe an overlooked opportunity, you know, with the smaller properties that -- and that's what I think the new task force will look at. There might be some opportunities for a small project because I think a lot of the small property owners wouldn't be able to do this on their own. They need to have some kind of assistance.

MR. NEUPANE: The current rule already -- you know, the proposed amendment already includes a lot of incentives for development. Twenty percent of density is provided. Additional density is provided, and there are -- yeah, there are a lot of -- parking is, you know, a really used option. And although developer does say to use parking as a benefit. Then especially on the workforce housing, the density is doubled.

We can look at it from -- you know, we are working at the staff level and the board had -- the previous board a couple years ago had directed looking at amending Mauka Area Rules. So we are still working through on the Mauka Area Rules, and some of the density bonus and interest density and those kind of things can be looked at in that context. You probably don't want to look at density just in a very limited fashion with only reserved housing, but you have to look at density for a whole district. And, obviously, once you increase density, even with the current rules, you are increasing production. And if you double the density, then you double the number of units. So you're 20 percent. Now instead of just being 100 units, it became 200 units. So there are those kind of options that have to be looked at from the whole mauka-area-rule perspective, not just from reserved housing.

CHAIR WHALEN: So the big question at this point, you know, we had some discussion and maybe some other questions you might want to have staff answer, but do we have a motion to either adopt or not adopt or defer?

MEMBER SCOTT: I'll make a motion that we adopt these rules -- proposed revised rules.

CHAIR WHALEN: Steve Scott makes a motion. Is there a second to the motion?

MEMBER BASSETT: I'll second.

CHAIR WHALEN: Beau Bassett seconds.

Okay. We're in discussion first, or does anyone wish to discuss the motion? It's a pretty simple motion to adopt or not.

MEMBER JOHNSTON: I guess it's a question. I want to explain my vote, but I don't think we're there yet. So I just want to make sure I have this straight. We can vote yes or no --

CHAIR WHALEN: Uh-huh.

MEMBER JOHNSTON: -- correct? Or we could express reservations?

CHAIR WHALEN: Uh-huh.

MEMBER JOHNSTON: Is there a kanalua where we're allowed to pass and come back to us?

CHAIR WHALEN: I haven't heard of kanalua in so long.

MEMBER JOHNSTON: I'm old, John. They

used to allow it. I don't know if the rules allow it, but that's all right. Forget that. But I can vote expressing reservations?

CHAIR WHALEN: Yeah, sure.

So we have a motion to -- on the floor to approve -- and it's been seconded -- to approve the proposed revised rules. Shall we take a roll call vote then? Okay.

MR. NEUPANE: Members, the motion to adopt the proposed Kaka'ako reserved housing rules has been made and seconded. On the motion, Member Scott?

MEMBER SCOTT: Yes.

MR. NEUPANE: Member Bassett?

MEMBER BASSETT: Yes.

MR. NEUPANE: Member Johnston?

MEMBER JOHNSTON: This is a very weak yes with reservations. I still have concerns about the 140 percent. I think it's too high. I still have concerns about the 30 years. I think it's too long. However, I do not want to prolong the pain of us not having any rules or keeping people in limbo. So I appreciate all the work and certainly the deliberations by all our fellow board members. Thank you.

MR. NEUPANE: Member Oh?

MEMBER OH: No.

MR. NEUPANE: Member Rodriguez?

MEMBER RODRIGUEZ: No.

MR. NEUPANE: Member Fang?

MEMBER FANG: I'm going to echo Laurel's sentiments. I have a weak yes. Also, you know, I've been very -- really moved actually by all the testimony we've gotten in the last two rounds of hearings from folks who oppose the rules based on the 140 percent or even 120 percent average AMI being still too high. I think we still have work to do in that area. I think we've got to get more creative to create a situation that really reaches deeper into affordability, but still allows some buildability. And -- but I echo Laurel's point that I feel like we have to put a stake down and know that we're going to continue this discussion because we've made some improvements here. We still have more to do. So by no means is this conversation over. So I'm going to vote yes. Sorry for the --

MR. NEUPANE: Member Waterhouse?

VICE CHAIR WATERHOUSE: I'm going to say yes, but I have similar concerns as what a couple members have said. And one of the testifiers today, she also testified last time is -- and with her background, it really makes me consider, you know, maybe we should go a little bit deeper rather than maxing out at 140 percent. You know, should we go a little bit deeper than that? But, you know, on the other hand too, I understand the developers still have to make a profit. So anyhow, yes.

MR. NEUPANE: Member Okuhama?

MEMBER OKUHAMA: So if we -- we are voting and if it passes, then we're adopting this? Is that basically what it is now? Because the reservations and stuff really doesn't matter?

MEMBER JOHNSTON: No.

MEMBER OKUHAMA: I mean, I was on a task force and this isn't paid for. We spent a lot of time with this, but I'm still not quite comfortable with the end result and having a task force now after the fact when we should have had the task force maybe before we started this process. It's kind of a little bit ass-backwards. So I think rather than be uncomfortable, I'll say no.

MR. NEUPANE: Member -- Chair Whalen?

CHAIR WHALEN: I'm voting yes. I realize the work is not done. There are other things that we need to be looking at, but I think we do need to start moving forward. We've spent years on this and, you know, it's not perfect, but I don't see the value in just sort of keeping status quo.

MR. NEUPANE: The motion passes with six yes votes and three against.

CHAIR WHALEN: Okay. So on behalf of the HCDA Authority members and staff, I'd like to thank the staff for all the work they've done and all the task force has done to get to this point and all the people who have testified. So the hearing now stands adjourned. The time is now 4:00 o'clock p.m.

(Hearing adjourned at 4:00 p.m.)

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 23rd day of September 2017 in Honolulu, Hawaii.

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LAURA SAVO, RPR, CSR NO. 347