1984-85 ANNUAL REPORT

HAWAII COMMUNITY DEVELOPMENT AUTHORITY

Table of Contents

Letter to the Governor

Hawaii Community Development Authority
State of Hawaii

George R. Ariyoshi
Governor

Kenneth K. Takenaka
Chairman

Rex D. Johnson
Executive Director

677 Ala Moana Boulevard, Suite 1001 Honolulu, Hawaii 96813
(808) 548-7180

The Honorable George R. Ariyoshi
Governor
State of Hawaii

Dear Governor Ariyoshi:

It is my pleasure to present to you this annual report of the Hawaii Community Development Authority's Fiscal Year 1984-85.

The past fiscal year was a challenging and exciting one for the Authority and its staff. Several major multi-use development projects were approved by the Authority after they were carefully reviewed for conformance to the Kakaako Plan. In all cases, the Authority worked closely with developers to ensure that the project would be economically feasible, and at the same time beneficial to the people of Hawaii. These projects, when constructed, will provide more housing for people of various income groups, more commercial and industrial work space and more community facilities. Additionally, these projects, we hope, will spur and encourage further development of the District.

The Authority also spent the past fiscal year fine tuning its improvement district program and completing engineering design work to initiate the first phase of infrastructure improvements in Kakaako. These improvements will also encourage development of properties in Kakaako, and bring the District up to a safer and more functional condition.

The following report summarizes the aforementioned and other related HCDA activities. It has, indeed, been an eventful, fruitful year facilitated in great part by the support and cooperation of the State administration, lawmakers, and Kakaako's landowners, businesses and residents. The past year, we hope, will stand as a prelude to the successful completion of one of the most important redevelopment projects in our State.

Respectfully,

Kenneth K. Takenaka
Chairman

THE HAWAII COMMUNITY DEVELOPMENT AUTHORITY AND KAKAAKO:

A Brief Overview

Photograph by Ric Noyle

The Hawaii Community Development Authority, otherwise known as **HCDA,** is a State agency established by the Legislature in 1976. Although **HCDA** is a government agency, it is established as a public corporation, similar to the Hawaii Housing Authority or the Stadium Authority. The Authority consists of eleven members who represent government, private industry and the general public. These non-paid members form the agency's board of directors.

When the State Legislature established the Authority, it gave the agency statewide responsibilities to revitalize certain kinds of communities in Hawaii; communities which the Legislature considered to be run-down, underutilized and in danger of becoming further deteriorated.

Kakaako was determined to be one of these and it was selected as the Authority's first development district. Strategically bounded by four major roadways — King Street, Piikoi Street, Ala Moana Boulevard and Punchbowl Street — the Kakaako Community Development District's 530 acres is wedged between the major urban centers of downtown Honolulu and the Ala Moana-Waikiki area.

An aerial view of the Kakaako District.

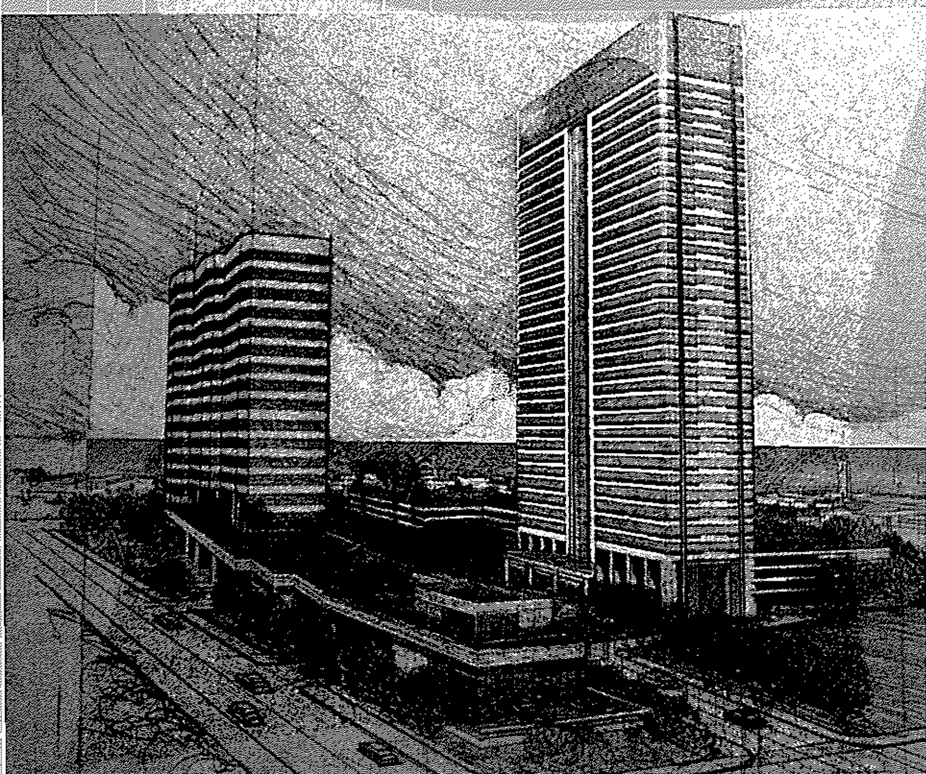
The Authority's first charge was to formulate a comprehensive plan to guide and regulate development of the Kakaako District. The Kakaako Community Development District Plan was completed in 1981 and its rules and regulations — which are amended with the test of time and experience — now serve as the basis for the processing of development permit requests.

The Authority's other role is as a catalyst for development. It works together with the private sector, as well as with other government agencies, to carry out the goals of the Plan. The main aim being the creation of a District where people will want to live, work and play; an attractive, new community providing the needed housing, work spaces, community facilities and amenities, while retaining what is good and valuable from the past. The HCDA is also tasked with the initiation of street and utility system improvements to make the District a safer, more liveable and functional community, one which will also be more conducive to development activities.

DEVELOPMENT ACTIVITIES:

Prelude to An Exciting Future

The emerging interest in developing properties in the Kakaako District was evident in the increasing number of development permits processed by the Hawaii Community Development Authority during the 1984-85 Fiscal Year. During this period, 157 permit applications were processed and approvals were given for minor and major building renovations and additions; construction of low-rise commercial/industrial buildings, and development of major multi-use ventures.



A rendering of the Pacific Park Plaza.

The **HCDA** staff worked closely with project applicants, developers, utility companies and other governmental agencies to ensure that projects conformed to all requirements of the Kakaako Plan, and to assure that the review process was accomplished in a timely, expeditious manner. The result was projects which contribute to the goals of the Kakaako Plan; developments which will give rise to housing, commercial and industrial spaces, parking facilities, and parks and landscaped open spaces for all.

What [illegible] approve[illegible]

The Authority initiated the 1984-85 Fiscal Year by giving final approval to the TMS Company's proposed **PACIFIC PARK PLAZA** development. This large-scale project envisions a commercial, residential, and industrial complex on approximately four acres located at the corner of Kapiolani Boulevard and Cooke Street, Residential and commercial activities will be housed separately in two high-rise structures. The project will provide over 600,000 square feet of floor area including 293 residential units (in the Royal Capitol Plaza tower), 52,000 square feet of industrial space, 257,000 square feet of office/commercial use and 980 parking spaces. A total of 114,000 square feet of open space will be provided at-grade and on top of platform decks.

The **QUEEN STREET-KAPIOLANI BOULEVARD MULTI-USE COMMUNITY** project, approved in November, 1984, would be located on 6.5 acres along South Street between Kapiolani Boulevard and Queen Street. ABIL/Business Investment, Ltd.'s plan calls for three high-rise towers to be built in phases over a 10-year period. The News Building, eligible for nomination to the National Register of Historic Places, will remain and be integrated within the new community. This project would provide 998,000 square feet of floor area including 806 residential units. At completion, the complex would also contain about 166,000 square feet of office/commercial area, 87,000 square feet of industrial space and 125,000 square feet of recreational and open space.

The **404 PIIKOI STREET** project, also given final approval in November, 1984, is being developed by the Nauru Phosphate Royalties Trust. It will result in a mix of residential, commercial and industrial uses on about 17 acres of land bounded by Ala Moana Boulevard, and Piikoi and Waimanu Streets. The 404 Piikoi Street project will be built in four phases over 13 years. As envisioned by the approved plans, the Diamond Head portion will consist of a 45-foot high platform containing retail and parking spaces. Three 38-story towers would be located on this platform. The Ewa site of the project will consist of another platform containing industrial space, parking and a residential tower, three 3-story townhouse buildings, and an office tower. Reserved housing units would be contained in these residential structures. The 404 Piikoi Street project would result in approximately 225,000 square feet of industrial area, 396,000 square feet of commercial space and 1,759 residential units.

Another Planned Development permit granted by the Authority during its FY 1984-85 was for the construction of an eight-story parking garage structure to be located adjacent to the State Judiciary Complex on the corner of South and Pohukaina Streets. Construction on this garage began in October, 1985 and when completed, it will contain 535 parking spaces for both public and employee use.

Why are these major Planned Development projects important to the Kakaako District and, in the greater sense, the entire State?

Planned Development and mixed-use projects generally serve two purposes. They allow the developer more design flexibility — greater densities and building heights in return for certain trade-offs to meet the general public goals. Before a Planned Development permit is approved, the development must provide the required minimum of floor area for industrial uses. Public benefits such as dedication for public facilities, open and recreation space, and provision of a specified amount of housing for moderate-income families must also be provided.

A model of the 404 Piikoi Street project.

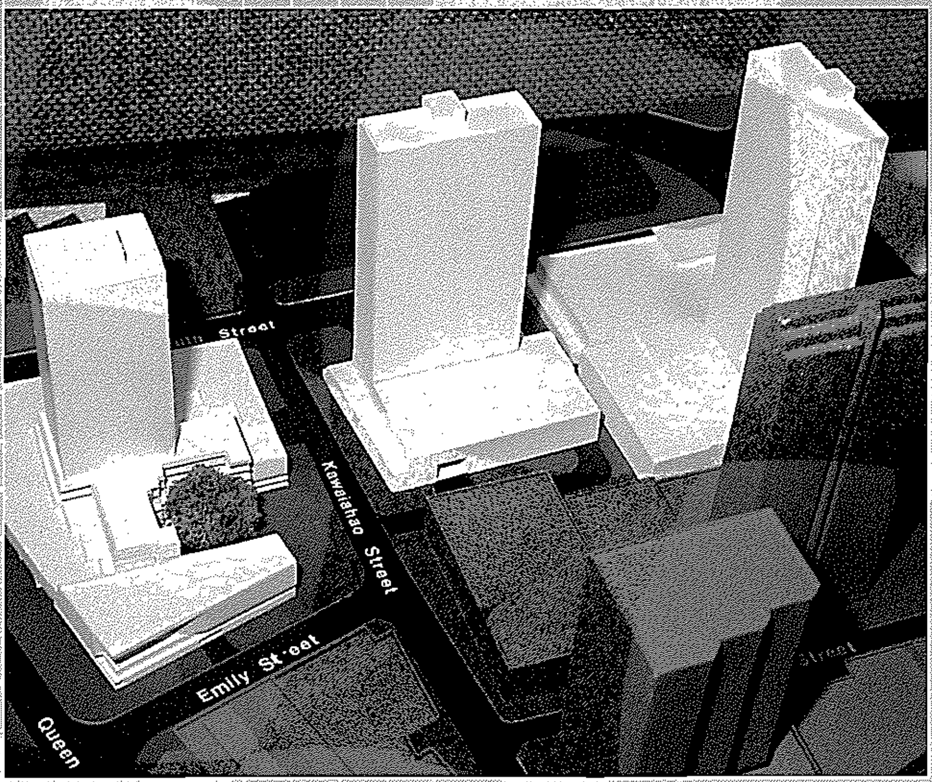
The **PACIFIC PARK PLAZA, 404 PIIKOI STREET** and **QUEEN-KAPIOLANI** projects — along with Bruce Stark's **ONE WATERFRONT PLAZA AND TOWER** development approved by the Authority in Fiscal Year 1983-84 — represent over **5.3** million square feet of new floor area. When these projects are constructed, this could mean **3,100** new residential units, **1.3** million square feet of commercial floor area and **400,000** square feet of industrial floor space.

DEVELOPMENT ACTIVITIES:

In total, they represent a market value of over a billion dollars.

Have smaller scale projects also been constructed in Kakaako?

Ideally, Kakaako could reach its greatest development potential if many of the smaller lots in the District are consolidated and then developed. The **HCDA** encourages such consolidations. However, for various reasons, many lot owners may find it feasible to develop a smaller mixed-use (MUZ) project on their parcel. During the Fiscal Year 1984-85, numerous MUZ projects were approved by the **HCDA** staff and several, described below, were constructed.



A model of the Queen St.-Kapiolani Blvd. Multi-Use Community development.

The **PAHALE BUILDING,** the first **HCDA**-approved new development to be built in Kakaako, is located at the corner of Halekauwila and South Streets. The Kepani Aina Development Corporation's two-story commercial office building contains about 2,500 square feet of building area and five covered parking stalls.

The **KAKAAKO BUSINESS CENTER,** completed in April of 1985, was developed by Kaili Inc. on land at Kawaiahao and Waimanu Streets. This two-story wood frame building complex contains approximately 23,840 square feet of commercial and industrial floor space.

The **KAGAWA INDUSTRIAL BUILDING** complex, completed in June of 1985, includes two separate one-story steel frame buildings located along the mauka side of Queen Street, between Cummins and Kamakee Streets. Developed by the Kepani Aina Development Corporation, this complex contains about 5,730 square feet of industrial floor area for warehouse use.

Since the Kakaako Plan went into effect, several projects in the District involved the renovation [illegible] of existing structures, such as the Kewalo Theatre on Cooke Street. Is this trend continuing?

Projects involving renovation work and the reuse of older Kakaako buildings also resulted in the construction of attractive, functional projects in the Kakaako District during Fiscal Year 1984-85. During this period, the Kakaako Plan was amended to allow developers to modify or enlarge an existing structure without having to meet open space and recreation space requirements, provided that the new construction not exceed 25 percent of the structure's floor area, 1.5 FAR and 45-foot height limits. Several renovation projects constructed in FY 1984-85 include the **COOKE STREET PROFESSIONAL CENTER** on Cooke and Halekauwila Streets and the **SHELLY-MAZDA** project on Kapiolani Boulevard. During the former, a second floor — about 7,800 square feet of new floor area — was added to an existing building, opening up the way for warehouse and office use. For the Shelly-Mazda project, an unattractive, relatively dilapidated building was transformed into a stylish, contemporary complex for the sales and servicing of automobiles.

The Cooke St. Professional Center.

The Kakaako Business Center.

The Kagawa Industrial Building.

HOUSING IN KAKAAKO:

To Help Meet the State's Residential Needs

Over the next 30 years, the Kakaako Plan envisions the construction of **19,000** new housing units in Kakaako. These units could accommodate an additional **50,000** residents. Thus far, the four major mixed use developments given **HCDA** approval promise over **3,100** new residential units. About **720** of these would be reserved for the moderate-income group.

Reserved housing refers to a required number of units that a

developer (of a residential project) must set aside to alleviate some of the housing needs of moderate-income families. The Authority requires that **20 percent** of the total number of residential units in a development be sold to households in the Hula Mae and "gap" groups. During Fiscal Year 1984-85, marketing began for the sale of the first block of "reserved housing" units required by the Kakaako Plan.

How many reserved housing units are being marketed?

Applications for fifty-nine (59) reserved housing units in Business Investment, Inc.'s **Royal Capitol Plaza** (part of the Pacific Park Plaza project) on Kapiolani Boulevard and Curtis Street were accepted by the developer in June, 1985. The 26 one-bedroom and 33 two-bedroom leasehold condominium apartments are being marketed on a first-come, first-served basis to families earning between $20,032 and $43,820 annually. One-bedroom units range in price from $62,400 to $92,200, while two-bedroom units were in the $92,200 to $119,700 price range. All units in the Royal Capitol Plaza will be situated between the 7th and 32nd floors of the proposed development. The apartments will include wall-to-wall carpeting, range/ovens, washer/dryers, refrigerators, and in the case of two-bedroom units, dishwashers. Construction on the Royal Capitol Plaza is slated to begin in the first quarter of 1986.

Who is eligible to purchase a reserved housing unit in Kakaako?

Applicants must meet allowable income range levels and asset limits. In the case of the Royal Capitol Plaza development, 12 one-bedroom units are available for sale to families earning between $20,032 and $25,040. Another 12 units are available to those earning between $25,041 to $30,048, while other units are available to households with income levels up to $43,820. Besides qualifying for a loan to finance the cost of the apartment, purchasers must also be U.S. citizens and Hawaii residents. They must agree to live in the units and not have owned or had interest in a principal residence during the past 3 years.

RELOCATION SERVICES: To Ease the Travails of Displacees

A continuing top **HCDA** priority is to insure that persons and businesses facing displacement from Kakaako because of future development receive relocation assistance. During the 1984-85 Fiscal Year, the **HCDA** relocation assistance office continued to provide advisory services, as well as referrals to available industrial and commercial spaces located in and outside of Kakaako. Each issue of the **HCDA** newsletter, Malama Kakaako, listed an inventory of available real estate selected to fill the needs of Kakaako displacees.

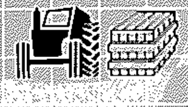
The **HCDA** relocation office also published and distributed two brochures — one describing **HCDA's** relocation assistance services, and another enumerating the rights of persons and businesses displaced by government projects.

In an effort to locate and secure sites which would serve as temporary and permanent relocation facilities, the **HCDA** office continued to work closely with the **Kakaako Relocation Corporation (KRC).** The **KRC** is a private nonprofit business relocation corporation comprised of members of the Kakaako Business Association and the Hawaii Economic Development Corporation.

[illegible] s of the **KRC's** [illegible] eign Trade Zone [illegible] mstrong from [illegible] e as temporary [illegible] ies?

The **KRC** has striven to market the Fort Armstrong facilities to Kakaako businesses facing displacement. However, because of a lack of tenant interest and commitment to secure the necessary front-end development cost for improvements to the facilities, it was not economically feasible to proceed with the project. Regardless, the **KRC** and the **HCDA** will continue to seek relocation space for Kakaako's displacees.

STREET AND UTILITY SYSTEMS IMPROVEMENTS:

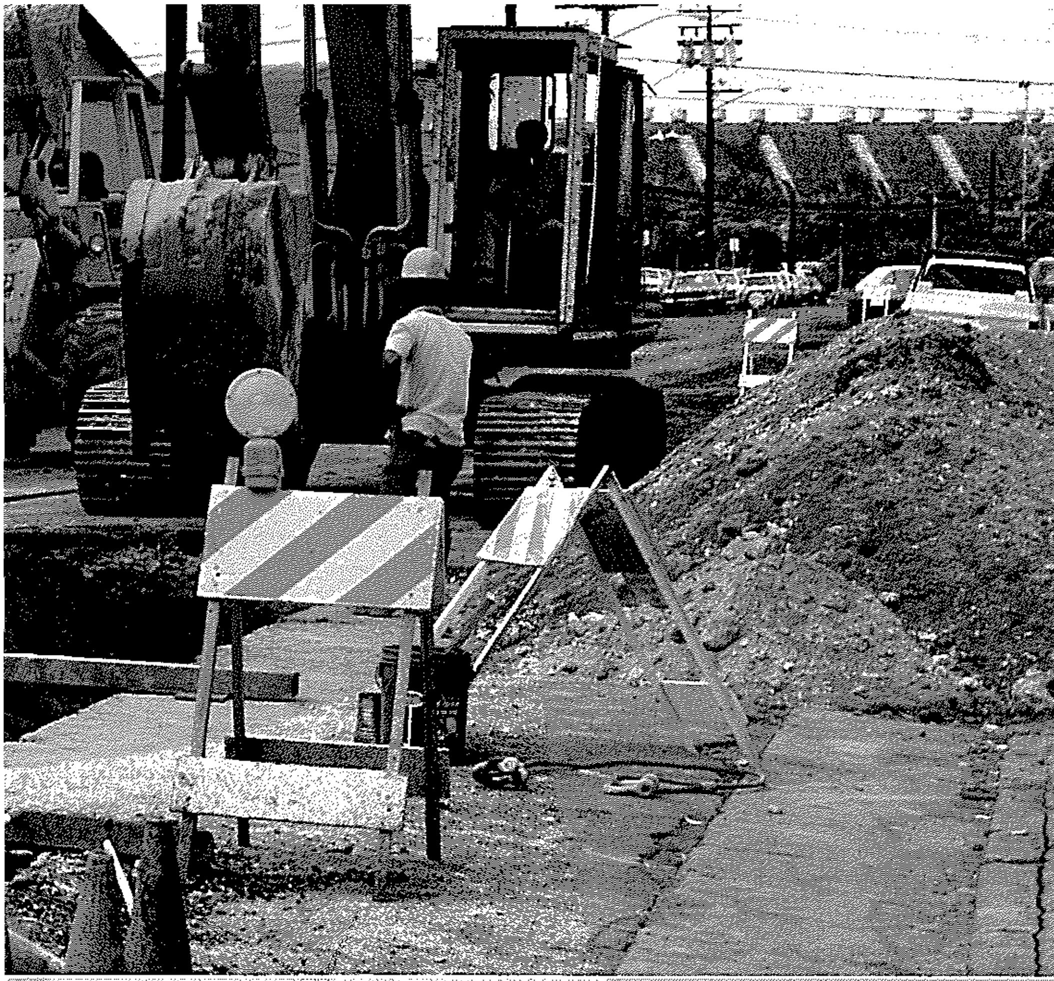


Paving the Way for A Better District

For many years Kakaako's aging roadways and utility systems have been a serious impediment to the District's development. Private landowners have found it difficult, and often costly, to develop their properties because of the inadequate streets and utility systems. The obsolete infrastructure network has also evoked an undesirable image of Kakaako from the public. Many portions of the District are notorious for its flooding and drainage problems, for its unimproved streets and parking hazards, and for its other decrepit utility systems.

The **HCDA's** 1984-85 Fiscal Year was a milestone year in that the wheels began to roll for the agency in making infrastructure improvements to a healthy chunk of the District's Ewa end. The **HCDA** and its engineering consultants completed detailed engineering design for the first increment — covering 135 acres — of improvements. Four construction package designs for the first 80 acres were completed and, at the close of the fiscal year, prepared to be let out for bidding. The Authority also completed enabling rules for its district-wide improvement program, and after conducting a public hearing, these rules were adopted.

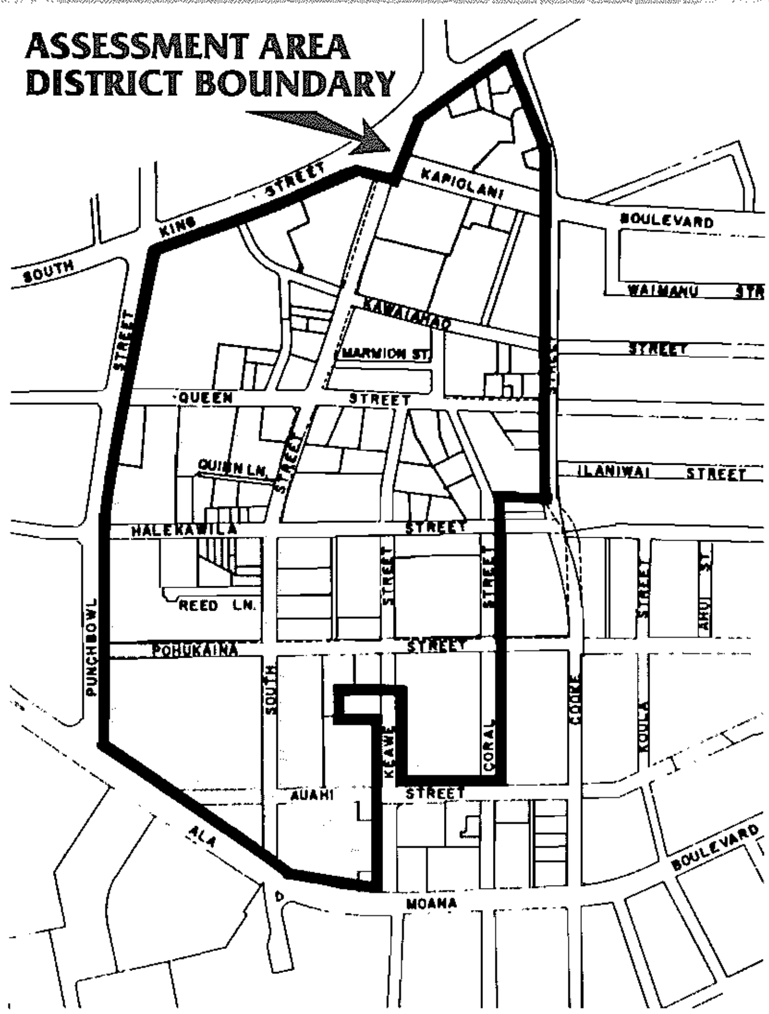
The 1985 State Legislature also moved the HCDA one step closer to starting infrastructure construction in March, 1986 by appropriating **$17 million** in Capital Improvement Project (CIP) funds for infrastructure improvements. This **$17 million** — along with **$10 million** in previous **HCDA** appropriations — cover the estimated government cost for the first phase of improvements.



The Authority has initiated an **Improvement District (ID) Program,** whereby government, benefiting property owners and the affected public utilities will share the cost for making infrastructure improvements. **ID** programs have been used in Hawaii counties and on the Mainland to finance public improvements.

How much will the ID Program

The total cost of Phase 1 is approximately **$35 million.** Under the **ID** Program, the **HCDA** will assess property owners for improvements to the extent they benefit from them. During FY 1984-85, the **HCDA** finalized its comprehensive cost allocation methods and property assessments.



STREET AND UTILITY SYSTEMS IMPROVEMENTS:

It was estimated that landowners would pay for about **23 percent,** about **$8 million,** of the total cost of Improvement District 1. State government would cover **70 percent** of the cost and public utilities would foot the remaining **7 percent.** The **HCDA** staff conducted 27 ID public information meetings to explain the ID Program to affected owners and lessees in the Improvement District 1 area. A preliminary assessment report was prepared and a public hearing was held.

Authority members plan for infrastructure improvements.

Much public support, and the need for improvements of roadways and utility systems, was voiced at this time.

Can the assessment amounts be paid in installments?

Under the ID Program, the final assessment amounts — which will be determined based on the lowest responsible construction bid prices — could be paid in lump sums or in installments over 20 years. Interest rates would be determined based upon the sale of bonds. The **HCDA** determined that, at a 20-year installment plan for payment of assessment amount at 12 percent interest — and assuming that all of the assessment amount are passed on to the tenant — the added rental for about 75 percent of the existing lease spaces would be 2 cents or less per square foot per month.

Finally, why is it important that the District's infrastructure be improved?

Improvements will stimulate development of the District. It will result in greater potential for maximum development of properties and increase property values. Equally as important, it will make the District a more desirable and attractive environment in which to live, work or visit.

FINANCING: Commitments To Attain Kakaako Goals

A conceptual model of the Kakaako District 30 years from today.

The redevelopment of Kakaako over the next 30 years will require substantial public improvements involving considerable costs. It will necessitate the commitment of millions of public and private dollars. As such, the mission of **HCDA** is to effectively coordinate and utilize the resources of both government (State, County and Federal) and the private sector.

During FY 1984-85, the **HCDA** developed a long-range financial plan for the Kakaako District. The plan outlines the estimated costs of redeveloping Kakaako, identifies financial resources and alternatives, and provides a cost versus benefit analysis. The financial plan was presented to the State administration and Legislature, and to the county administration and City Council.

FINANCING:

How much will it cost to redevelop the Kakaako Distric...

The total public improvement cost is estimated at approximately **$430 million.** Of this amount, about **$270 million** will be needed to improve the infrastructure throughout the District. It will cost another **$100 million** to develop public parking garages and approximately **$60 million** to provide parks, amenities and other community facilities.

...es be raised?

The **HCDA** has identified only **$230 million** worth of available resources. These include about **$90 million** in improvement district property assessments, **$80 million** from parking garage revenues, and **$60 million** in public facilities dedication fees (paid for by new development projects in Kakaako). To make up the needed **$200 million,** the HCDA will actively seek State CIP appropriations and funds which could be generated by the City and County through Tax Increment Financing. The **HCDA** is also pursuing funds and assistance from the Federal government.

...1985 State Legislature provide the HCDA with ... funding and authorization ... its redevelopment activities?

Besides the CIP appropriation of **$17 million** to undertake the first phase of infrastructure improvements, State lawmakers authorized the **HCDA** to issue up to **$15 million** in revenue bonds to finance the development of public parking garages within the District. The **HCDA** was also allowed to use special purpose revenue bonds (also known as industrial development bonds) to finance privately owned parking structures.

Significantly, the State Legislature also authorized the counties to implement a Tax Increment Financing program for redevelopment areas such as Kakaako.

How does Tax Increme... (TIF) work?

TIF is typically the cornerstone financing program of redevelopment agencies on the Mainland. It is used as the means of providing funds for public improvements. In concept, a TIF program starts with a commitment from government to provide public improvements for a redevelopment district. These improvements should encourage and support new project developments by the private sector, which in turn substantially increases the property taxes generated from the redevelopment district. The resulting increased tax revenues would be earmarked to pay for public improvement costs. The **HCDA** believes a TIF program can be developed that will be capable of generating considerable funds for public improvement costs without adversely impacting the County's ability to pay for its costs of services provided.

Hawaii Community Development Authority

STATEMENT OF EXPENDITURES

For the Fiscal Years Ending
June 30, 1985 and June 30, 1984

	FY 1984 - 1985			FY 1983 - 1984
	Operating Funds	Project Funds	Total Expenditures	Total Expenditures
Personal Services	$156,228.00	$ 380,943.34	$ 537,171.34	$ 467,189.80
Other Current Expenses	47,093.30	1,674,676.63	1,721,769.93	1,997,641.17
Equipment	1,063.45	4,735.51	5,798.96	4,512.28
TOTAL EXPENDITURES	[illegible]	[illegible]	$2,264,740.23	$2,469,343.25

Financial Information

Hawaii Community Development Authority

STATEMENT OF APPROPRIATIONS, EXPENDITURES, ENCUMBRANCES AND BALANCES

For Fiscal Year Ended June 30, 1985

	Prior Year Available Funds 7/1/84	Appropriations	Transfers	Expenditures	Encumbrances	UNEXPENDED BALANCES Allotments	Unallotted Appropriations	Revolving Fund	Lapsed
OPERATING FUNDS									
Act 301, SLH 1983	$ 7,060.00	——	——	——	$ 7,000.00	——	——	——	60.00
Act 285, SLH 1984	——	$ 216,945.00	——	$ 204,384.75	——	——	——	——	$12,560.25
PROJECT FUNDS — KAKAAKO COMMUNITY DEVELOPMENT DISTRICT									
Act 243, SLH 1978	1,860.00	——	——	——	1,860.00	——	——	——	——
Act 264, SLH 1982	2,938,282.40	——	——	1,570,880.68	1,367,178.11	——	——	——	223.61
Act 301, SLH 1983	5,500,000.00	——	——	489,474.80	138,720.00	10,525.20	$4,861,280.00	——	——
Act 285, SLH 1984	——	5,670,000.00	——	——	——	——	5,670,000.00	——	——
REVOLVING FUND	190,839.62	23,136.42[1]	5,000.00[2]	——	——	——	——	$ 208,976.04	——
[illegible]	$[illegible]38,042.02	$5,910,081.42	[illegible]00.00	$2,264,740.23	$1,514,758[illegible]	[illegible]	[illegible]80.00	$ 208,976.04	$12,843.86

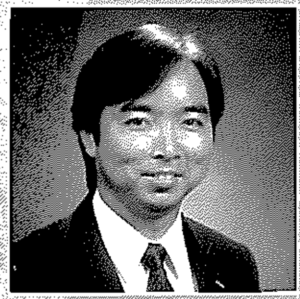
[1]Variance and dedication fees collected.

[2]Funds transferred to the Department of Accounting and General Services for audit services.

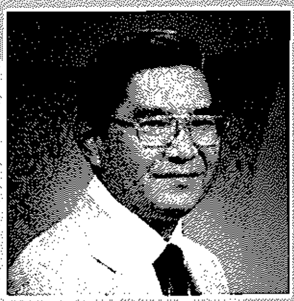
AUTHORITY MEMBERS (FY 1984-85)

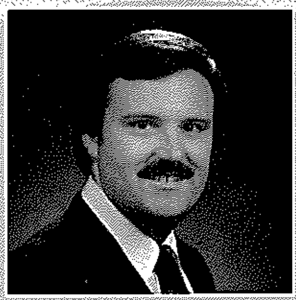

Takenaka

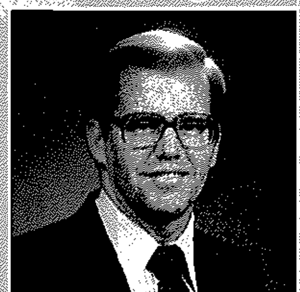

Brown


Fukunaga


Hee


Itagaki

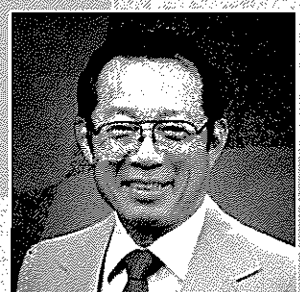

Keith


Towill

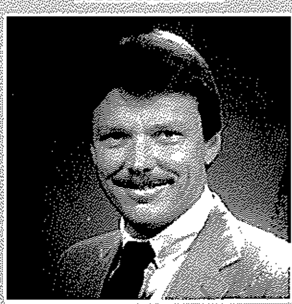

Lui-Kwan


Murakami


Nitta


Sunn


Wiegert


Johnson

HAWAII COMMUNITY DEVELOPMENT AUTHORITY MEMBERS
(July 1, 1984 - June 30, 1985)

Chairman (1985 - Present)
KENNETH K. TAKENAKA
Attorney

Chairman (1984 - 85)
KENNETH F. BROWN
Architect & Businessman

ERIC S. FUKUNAGA
Assistant Vice President,
Servco Pacific, Inc.

JENSEN S.L. HEE
Director, State Department
of Budget & Finance

THOMAS M. ITAGAKI
President, International
Savings & Loan Association

KENT M. KEITH
Director, State Department of
Planning & Economic Development

MURRAY E. TOWILL
Designee & Deputy Director, Department of
Planning and Economic Development

IVAN M. LUI-KWAN
Attorney, Carlsmith, Wichman,
Case, Mukai and Ichiki

HIDEO MURAKAMI
State Comptroller, Department of
Accounting & General Services

GEORGE NITTA
President, Nitta's Auto Repair

FRANKLIN Y.K. SUNN
Director, State Department of
Social Services & Housing

HELEN M. WIEGERT
Member, Hawaii Federation of
Business & Professional Women/USA

REX D. JOHNSON
Executive Director, Hawaii
Community Development Authority

State of Hawaii
HAWAII COMMUNITY DEVELOPMENT AUTHORITY
677 Ala Moana Blvd., Suite 1001
Honolulu, Hawaii 96813
Telephone: (808) 548-7180