

Minutes of a Regular Meeting
of the Members of the
Hawaii Community Development Authority
State of Hawaii

Wednesday, June 7, 2017

GENERAL BUSINESS

I. CALL TO ORDER/ROLL CALL

A regular business meeting of the Members of the Hawaii Community Development Authority (“Authority” or “HCDA”), a body corporate and a public instrumentality of the State of Hawaii, was called to order by John Whalen, Chair of the Authority, at 9:06 a.m., June 7, 2017, at Authority’s principal offices at 547 Queen Street in Honolulu, Hawaii, 96813, pursuant to Article IV, Section 1 of the Authority’s Bylaws.

Members Present:

1. John Whalen
2. Steven Scott
3. Beau Bassett
4. Wei Fang
5. Mike Golojuch, Sr.
6. Amy Luersen
7. Jason Okuhama
8. Shirley Swinney
9. Mary Pat Waterhouse
10. William Oh
11. Jade Butay
12. Donna Camvel
13. Derek Kimura (non-voting)

Members Absent:

Laurel Johnston
Kathy Sokugawa, DPP (non-voting)

Others Present:

Jesse Souki, Executive Director
Aedward Los Banos, Administrative Services Officer
Mike Wong, Deputy Attorney General
Lori Sunakoda, Deputy Attorney General
Garett Kamemoto, Compliance and Communications Officer
Francine Murray, Communications and Community Assistant
Lindsey Doi, Asset Manager
Deepak Neupane, Kakaako Planning Director
Ku’ulei Moses, Secretary

II. APPROVAL OF MINUTES

1. General Meeting of April 5, 2017

Member Luersen noted that the minutes do not show her as present or absent on either of the minutes. Member Luersen stated that she was not present for this meeting.

2. General Meeting of May 3, 2017

Member Luersen pointed out that in the opening paragraph, the minutes state that the meeting was called to order on April 5, 2017 but it should be May 3, 2017.

Member Luersen also noted she was present for this meeting; the minutes show her as neither absent nor present.

The minutes were approved with the corrections noted.

III. ACTION ITEMS

3. Whether the Authority should designate additional Authority Members to serve on the Authority's Financial Position Task Force; and if yes, which Authority Members should be designated?

Chair Whalen indicated that the Board appointed the Task Force at its May 3, 2017 meeting, with Member Waterhouse as Chair. Other members include Members Swinney, Golojuch, and Fang.

Chair Whalen explained that this is a task force of the full Board and advised that one more Board member could be added. He asked if anyone else would like to volunteer to be on the Task Force. Member Okuhama volunteered. Chair Whalen appointed Member Okuhama as a member to the Task Force.

Chair Whalen commented, this is an interesting assignment because in addition to considering HCDA's existing sources of revenue, it also explores new sources of revenue.

Member Scott mentioned that he attended the OHA meeting at the KUPU Net Shed. OHA stated it started off making \$2 million a year, and is now generating up to \$4 million a year on its Makai parcels. OHA expects to earn up to \$15 million a year. Member Scott commented, that based on OHA's expectations, the HCDA should have expectations to generate more income with its property.

MOTION:

Chair Whalen asked for a motion to add Member Jason Okuhama to join the Task Force. Member Swinney moved the motion and Member Golojuch seconded the motion. Chair Whalen conducted a voice vote, all unanimously approved.

IV. AUTHORITY MATTERS

4. Information and Discussion: Authority Financial Position Task Force Update.

Member Waterhouse provided a verbal update for the board. She first described the work and findings of the previous Budget Task Force, which focused on budget and capital submittals and prioritized them. The previous Budget Task Force found that based on current revenue and expenses, the current revolving fund could not be sustained beyond 5 years.

The Financial Position Task Force met and reviewed an updated 5-year projection, which was adversely impacted by the addition of funding for 19 staff positions from fiscal year 2019. These positions were historically funded by the legislature, not HCDA's revolving fund. Member Waterhouse compared the impact to the statutory definition of a revolving fund, which should be self-sustaining. Member Waterhouse concluded that funding the 19 positions using special funds was not feasible.

Member Waterhouse listed four goals that were identified by the Task Force. The first goal is to better define HCDA's mission as far as its development districts. The second goal is to decide on a funding approach for the 19 HCDA positions, that must be absorbed by the revolving fund in fiscal year 2019. The third goal is to evaluate the opportunities for the enhancement of revenues. The fourth goal is to identify measures to contain HCDA liabilities and expenses.

Emphasis was placed on the first goal, to provide the Task Force a basis on which to evaluate the HCDA's financial position and make appropriate recommendations for enhancing revenues and cost containment.

For its third goal, the Task Force would seek to hire a real estate consultant to evaluate the performance of the HCDA's assets and identify opportunities for the enhancement of revenues.

Chair Whalen commented that there is one outstanding issue, which is the Halekauwila Place project loan repayment. Chair Whalen asked if it was true that the legislature had instructed HCDA not to use those funds for housing assistance. ED Souki explained that HCDA will deposit the loan repayment into the subaccounts they were paid from. The legislature did not specify "not housing;" however, they did indicate that the HCDA should spend down its special funds.

Member Waterhouse added that the term is for 50 years with an interest rate of 1%.

Mr. Aedward Los Banos explained that loan payment is based on 50% of project cash flows and is not a consistent specified amount.

There was no public testimony on this item.

5. Information and Discussion: Authority Litigation Task Force Status Update Relating to:

- a. *Close Construction, Inc. v. Hawaii Community Development Authority, et al.*, Civil No. 14-1-0599-02 (GWBC).
- b. *DTRIC Insurance Company v. Hawaii Community Development Authority v. Mitsunaga & Associates, Inc., et al.*, Civil No. 14-1-1585-07 (GWBC).

The Authority anticipates convening an executive meeting pursuant to HRS § 92-5 (a) (4), for the purpose of consulting with the Authority's legal counsel on questions and issues relating to the Authority's powers, duties, privileges, immunities, and liabilities relating to the above items.

Chair Whalen explained that the Board will enter into executive session. Attorney General Lori Sunakoda will be give an update and anticipates being in executive session for 20 minutes.

There was no public testimony on this item.

Chair Whalen asked for a motion for the Board to convene in executive session pursuant to HRS § 92-5 (a) (4), for the purpose of consulting with the Authority's legal counsel on questions and issues relating to the Authority's powers, duties, privileges, immunities, and liabilities relating to the above items. Member Swinney moved the motion and Member Butay seconded the motion.

Member Camvel arrived at 9:37 A.M.

9:37AM EXECUTIVE SESSION
10:12 AM RECONVENE

V. REPORT OF THE EXECUTIVE DIRECTOR

6. 2017 Legislative Update.

Mr. Garrett Kamemoto stated at its last meeting there was a question on whether the NERR received funding. The answer is yes, the NERR received \$240,000 for 2.6 positions. Mr. Kamemoto added that HCDA did submit comments and recommendations on several bills, and were consistent with the testimony submitted.

ED Souki added that House Concurrent Resolution 25, which urges HCDA to not impact the Ehime Maru Memorial at Kakaako Waterfront Park. ED Souki made it clear that the Ehime Maru Memorial would not be moved under current park plans.

Member Butay asked if HCDA the appropriation for the energy corridor at Kalaeloa. Mr. Kamemoto confirmed yes, it received \$3 million dollars.

There were no other questions and no public testimony.

VI. ADJOURNMENT

Chair Whalen adjourned the meeting at 10:17 a.m.

Respectfully submitted,

/s/

John Whalen,
Chair

DRAFT