

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

Wednesday, March 7, 2018

**KAKAAKO BUSINESS**

**I. CALL TO ORDER/ROLL CALL**

A regular business meeting of the Kakaako 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 Chair Whalen at 10:00 AM, March 7, 2018 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. Beau Bassett
  2. Mary Pat Waterhouse
  3. Wei Fang
  4. Phillip Hasha
  5. Jason Okuhama
  6. William Oh
  7. Mark Anderson (B&F Ex-officio)
  8. Roy Catalani (DOT Ex-officio)
  9. Kathy Sokugawa (DPP non-voting)
  10. John Whalen

**Others Present:** Garrett Kamemoto, Interim Executive Director  
Aedward Los Banos, Administrative Services Officer  
Deepak Neupane, Kakaako Planning and Development Director  
Tessa Malama, Kalaeloa Planning and Development Director  
Lindsey Doi, Asset Manager  
Francine Murray, HCDA Program Specialist  
Tommilyn Soares, Secretary  
Lori Sunakoda, Deputy Attorney General  
Max Levins, Deputy Attorney General

## II. APPROVAL OF MINUTES

Chair Whalen made a correction to the time the General Meeting was recessed and the start of the Kakaako meeting to 10:00 am (draft minutes noted 10:30am). The meeting minutes for February 7, 2018 were approved with the correction.

## III. ACTION ITEMS

Chair Whalen noted that the first four action items are related and proposed the following process:

1. Staff present the reports for each item;
2. Provide an opportunity for the lessee and the project developer to make a statement;
3. Take board questions and comments;
4. Public Testimony;
5. Executive Session; and
6. Board vote on each item.

### **Shall the Authority Authorize the Interim Executive Director to Enter into a Development Agreement with SCD KM I LLC, a Wholly Owned Affiliate of Stanford Carr Development LLC, for Development of the Entrepreneur's Sandbox Project?**

*The Authority anticipates convening an executive meeting pursuant to HRS § 92-5 (a)(4), to consult with the Board's attorneys on questions and issues pertaining to the Board's powers duties, privileges, immunities and liabilities relating to the above item*

Mr. Deepak Neupane referred to the report provided in the board packet and noted that the project site is located in Kakaako Makai, known as Lot C and all that requirements by the U.S. Economic Development Administration (EDA) and City have been met to begin construction. U.S. EDA requires construction start no later than May 2018 and that the grant funds be used by September 2019. The total project is estimated at \$7.28 million dollars and Stanford Carr Development has agreed to cover any shortfalls to the project.

### **Shall the Authority Authorize the Interim Executive Director to Enter into a Development Agreement with SCD KM II LLC, a Wholly Owned Affiliate of Stanford Carr Development LLC, for Development of the Innovation Hale Project?**

*The Authority anticipates convening an executive meeting pursuant to HRS § 92-5 (a)(4), to consult with the Board's attorneys on questions and issues pertaining to the Board's powers duties, privileges, immunities and liabilities relating to the above item*

Mr. Neupane referred to the report provided in the board packet and pointed out the chronology list of the board's past discussions and actions. Mr. Neupane mentioned that Stanford Carr Development will have two years to complete its due diligence from the date the development agreement is executed, then SCD will have three years to break

ground. The development agreement will be terminated if the project does not break ground within five years from the execution of the development agreement.

**Shall the Authority Authorize the Interim Executive Director to Execute Amendment No. 1 to the Memorandum of Understanding Between Hawaii Technology Development Corporation and Hawaii Community Development Authority for the Entrepreneur’s Sandbox Project?**

*The Authority anticipates convening an executive meeting pursuant to HRS § 92-5 (a)(4), to consult with the Board’s attorneys on questions and issues pertaining to the Board’s powers duties, privileges, immunities and liabilities relating to the above item*

Mr. Neupane explained that the updated Memorandum of Understanding between HTDC and HCDA now includes language regarding the reimbursement process for project. He added that HCDA will manage the project and the reimbursement from the EDA grant to the project developer will be conducted by HTDC. HTDC will manage the CIP funds appropriated to the agency for the project as well as processing all reimbursement funds from the US EDA grant to SCD.

**Shall the Authority Authorize the Interim Executive Director to Enter into a 65-Year Lease with the Hawaii Technology Development Corporation for the Entrepreneur’s Sandbox Project?**

*The Authority anticipates convening an executive meeting pursuant to HRS § 92-5 (a)(4), to consult with the Board’s attorneys on questions and issues pertaining to the Board’s powers duties, privileges, immunities and liabilities relating to the above item*

Mr. Neupane referred to the report provided in the board packet and explained HCDA will own the Entrepreneur’s Sandbox building and will lease it to HTDC for 65-years. There is a provision that HTDC will pay HCDA a percentage rent equal to 50% of any net receipts for any for-profit activities, annually.

**Discussion and Public Testimony**

Chair Whalen asked if Len Higashi, HTDC and Stanford Car, Stanford Carr Development would like to make a statement.

Mr. Stanford Carr stated that in partnership with HTDC and HCDA he is committed to seeing this project completed and mentioned there is a \$1.3 – \$1.4-million-dollar funding gap; however, he is willing to fund the financing gap because US EDA requires the project begin before the summer of 2018 and completion by next summer (2019) or the EDA grant will be in jeopardy. Nordic PCL will be the contractor to begin the project. Mr. Carr also noted for the board that the US EDA needed to review and approve the context of the development agreement which resulted in a delay in coming to the HCDA board for approval.

Mr. Higashi of HTDC expressed appreciation to HCDA and developer Stanford Carr for stepping in to assist with the project. HTDC is excited to get the project started. Mr. Higashi mentioned that US EDA has expressed all reimbursements for the project will need to be processed and completed by 2019.

Member Fang asked if there are any public hearings that are required for either project.

Mr. Neupane responded that the Sandbox is an HCDA project and board approval is not required. He added that the Innovation Hale is a private development that require a development permit with two public hearings.

Member Waterhouse asked what type of rent does HTDC foresee?

Mr. Higashi responded that projections would be based on HTDC's current incubator rate of \$1.50; however, HTDC's mission is to catalyze innovation and provide opportunities and any funds generated will be rolled back into funding programs for technology innovation and entrepreneurship. The Sandbox is not a profiting lease; however, because of the joint partnership the lease includes a provision to pay HCDA if HTDC does profit. There were no further comments or questions and no public testimony.

Member Okuhama motioned for the board to enter executive session.

Member Hasha seconded.

Chair Whalen conducted a voice vote. All unanimously approved entering executive session at 10:28 AM

Deputy Attorney General's Lori Sunakoda and Max Levins, and HCDA staff Garrett Kamemoto, Deepak Neupane and Tommilyn Soares joined the board in executive session.

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Pursuant to Section 92-5 (a) (2), Hawaii Revised Statutes, the Authority convened in Executive Session at 10:28 AM  
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Chair Whalen reconvened the meeting at 11:49 AM.

Chair Whalen explained that the board will go through each of the four items that were discussed in executive session and conduct a vote.

**NOTE: Motion and votes are recorded on the next page**

**Motion - Action Item #2: Development Agreement for the Entrepreneur’s Sandbox**

Member Okuhama motioned for the board to authorize the Interim Executive Director to enter into a development agreement with SCD KM I LLC, a wholly owned affiliate of Stanford Carr Development LLC, for development of the Entrepreneur’s Sandbox project, subject to the Attorney General’s review and any non-substantial edits, contingent on HCDA staff providing written verification in acceptance from EDA in the change of the private participant from Fisher Hawaii to Stanford Carr Development.

Member Oh seconded.

Mr. Neupane conducted the roll call vote. Motion passed with 7 yes votes and 2 excused.

**Motion - Action Item #3: Development Agreement for the Innovation Hale Project**

Member Fang motioned for the board to authorize the Interim Executive Director to enter into a development agreement with SCD KM II LLC a wholly owned affiliate of Stanford Carr Development LLC, for development of the Innovation Hale Project, subject to the Attorney General’s review and any non-substantial edits.

Member Hasha seconded.

Mr. Neupane conducted the roll call vote. Motion passed with 8 yes votes and 1 excused.

**Motion - Action Item #4: Amendment No. 1 to the MOU between HCDA & HTDC**

Member Hasha motioned for the board to authorize the Interim Executive Director to execute Amendment No. 1 to the memorandum of understanding between Hawaii Technology Development Corporation and Hawaii Community Development Authority for the Entrepreneur’s Sandbox project, subject to the Attorney General’s review and any non-substantial edits.

Member Fang seconded.

Mr. Neupane conducted the roll call vote. Motion passed with 8 yes votes and 1 excused.

**Motion – Action Item #5: 65-Year Lease to HTDC for the Sandbox Project**

Member Oh motioned for the board to authorize the Interim Executive Director to Enter into a 65-Year Lease with the Hawaii Technology Development Corporation for the Entrepreneur’s Sandbox Project, subject to the Attorney General’s review and any non-substantial edits.

Member Okuhama seconded.

Mr. Neupane conducted the roll call vote. Motion passed with 8 yes votes and 1 excused.

**Shall the Authority Hold Public Hearings Pursuant to Hawaii Revised Statutes § 206E-5.6 on amendments to Hawaii Administrative Rules, Chapter 15-219 on amendments to Hawaii Administrative Rules, Chapter 15-218, Kakaako Reserved Housing Rules?**

Mr. Deepak Neupane directed members to the staff report in the board packet and noted that HCDA transmitted the amended Kakaako Reserved Housing Rules to the Governor for approval on September 15, 2017 and on January 29, 2018 HCDA received a letter from the Governor indicating that he will not be signing the amended rules. The Governor expressed concerns regarding the 30-year buyback provision in the proposed Kakaako Reserved Housing Rules and suggested that he would be open to a 10-year buyback versus the 30-year buyback. The Governor's letter also supported creating a mechanism to stabilize re-sale prices including an equity sharing program for workforce housing. Pursuant to the Governor's recommendation, HCDA staff would like to proceed with additional public hearings within the next few months. Mr. Neupane explained that he will be contacting the Small Business Regulatory Review Board (SBRRB) for their review and after that, schedule public hearings. He reminded the board that the requirement for a public hearing notice is 30 days.

Chair Whalen noted that the Governor's reason for a 10-year buyback term is to be consistent with the Hawaii Housing and Finance Development Corporation's statute.

**Public Testimony**

Sharon Moriwaki, Kakaako resident asked the staff to confirm the public hearing requirement for amending administrative rules and whether HCDA will need to conduct two hearings versus one that is stated in Hawaii Administrative Rules, Chapter 91, because the community would like these rules expedited.

Mr. Neupane noted that according to Chapter 206-E the requirement states that HCDA is required to hold two public hearings if there are amendments to a community plan and/or rules.

Member Fang asked if there are other parameters the board should consider regarding the timeline on amending the rules?

Attorney General Ms. Lori Sunakoda stated that she is not aware of any statutory limitations regarding the timeline, however the board can decide on how to move forward.

Member Waterhouse asked when the notice is published does the draft rule amendment need to be attached?

Mr. Deepak Neupane responded and stated that it is a requirement under Chapter 91 that the rules be attached to the public hearing notice.

Deputy Attorney General Ms. Lori Sunakoda added, a narrative that includes language clarifying the rule changes/amendments is also required to be attached with the rules. She also noted that public testimony is required to be included in the record on all revisions.

Member Hasha stated he was not part of the board at the time the previous hearings were held and the board's decision and is uncomfortable with making a decision on the matter.

Ms. Sunakoda replied that the rules will be revised and Member Hasha will have an opportunity to participate in the upcoming hearings and decision.

Member Bassett and HCDA staff discussed the buyback price (see "Table 2" page 4 of 5 of the staff report) and asked staff to get feedback from the Governor on changing the buyback price to the original rule.

Mr. Neupane asked Member Bassett to confirm if the following language is what he is suggesting the Governor provide feedback on:

"The buyback price shall be lesser of the Fair market value of the reserved housing unit or workforce housing unit less the Authority's equity share of the unit, OR the reserved housing unit or workforce housing unit buyback price be calculated based on the price of the Average Median Income at the time of the buyback?"

Chair Whalen and Member Bassett concurred and supports.

Member Catalani asked, procedurally what stage are the reserved housing rules for the Governor to adopt at?

Chair Whalen responded that when the board decides on the rule amendments, he suggests the Governor be made aware of what the revisions are before the public hearing process. After the public hearing process, those final amendments will be sent to the Governor for approval and signature.

Member Oh asked Mr. Neupane to confirm if it is necessary to have the board make a consensus on the amendments and submit a final draft for public hearing or does the board leave the two components (discussed by board members today) up for discussion during the public hearings process?

Mr. Neupane responded that it could be a board policy and noted that staff can prepare a draft for the board and if the board agrees to move forward with a public hearing and there are substantive changes that are brought up in the public hearings, there will be additional public hearings that will be required based on those changes.

Member Bassett asked if staff can check with the Governor on whether the buyback issue would be a concern.

There were no further questions or comments.

**Motion – Action Item #6: Public Hearings for Reserved Housing Rules**

Member Waterhouse motioned for the board to hold public hearings pursuant to Hawaii Revised Statutes (HRS) § 206E-5.6 and Hawaii Administrative Rules (HAR), Chapter 15-219 on amendments to Hawaii Administrative Rules, Chapter 15-218, Kakaako Reserved Housing Rules, subject to HCDA staff addressing the comments and concerns made by board members.

Member Oh seconded.

Mr. Neupane conducted the roll call vote. Motion passed with 8 yes votes and 1 excused.

**Shall the Authority Waive its Option to Buy Back Symphony Honolulu Reserved Housing Unit 2112?**

*The Authority anticipates convening an executive meeting pursuant to HRS § 92-5 (a)(4), to consult with the Board’s attorneys on questions and issues pertaining to the Board’s powers duties, privileges, immunities and liabilities relating to the above item.*

Ms. Lindsey Doi presented the report provided in the board packet and noted this request only applies to Symphony Honolulu Unit 2112 and highlighted this is an unusual request being presented to the board based on the board’s previous decision to buyback all units that request to sell a reserved housing unit within the buyback period.

Chair Whalen asked if there were any questions by board members or public testimony.

There were no questions and no public testimony

Member Waterhouse motioned for the board to enter executive session

Member Okuhama seconded.

Chair Whalen conducted a voice vote, all members unanimously approved.

Deputy Attorney General’s Lori Sunakoda and Max Levins, HCDA staff Garrett Kamemoto, Lindsey Doi Leaverton and Tommilyn Soares joined the board in executive session.

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Pursuant to Section 92-5 (a) (2), Hawaii Revised Statutes, the Authority convened in Executive Session at 1:10 PM

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Board Members met in an executive meeting from 1:10 PM – 1:50 PM.

Chair Whalen reconvened the meeting at 1:50PM



**Motion – Action Item #7: Waive Buy-Back Option for Symphony Honolulu Unit 2112**

Member Bassett motioned for the board to amend the action item to an information and discussion item relating to Symphony Honolulu Unit 2112.

Member Okuhama seconded.

Ms. Doi conducted the roll call vote. Motion passed with 7 yes votes and 2 excused.

**Shall the Authority Authorize the Interim Executive Director to Dissolve the Na Lei Hulu Limited Partnership and Disburse Proceeds Relating to the Sale of the Na Lei Hulu Kupuna?**

Ms. Doi presented the report provided in the board packet and noted that this item is to dissolve the Na Lei Hulu Kupuna Limited Partnership as the final step of the sale to Mark Development. There will be a formal dissolution agreement that will be signed by HCDA and partner – Bank of Hawaii.

Chair Whalen noted he was surprised that HCDA was still involved as the sale was conducted before the current board came on.

Member Okuhama asked what the status regarding the senior rentals are and if HCDA knows what will happen in the future for the senior's affordable rentals?

Mr. Kamemoto replied that Mark Development and HHFDC met with the Governor's office and the intent is to continue those Seniors being currently subsidized and any new tenants will be charged according to AMI as appropriate.

No were no further comments or questions and no public testimony.

**Motion – Action Item #8: Dissolve Na Lei Hulu Partnership**

Member Waterhouse motioned for the board to authorize the Interim Executive Director to dissolve the Na Lei Hulu Limited partnership and disburse proceeds relating to the sale of the Na Lei Hulu Kupuna.

Member Oh seconded.

Ms. Doi conducted the roll call vote. The motion passed with 7 yes votes and 2 excused.

**Shall the Authority Authorize the Executive Director to Execute a Contract for Janitorial Services for the Hawaii Community Development Authority American Brewery Building with Federal Maintenance Hawaii, Inc. for an Initial Three-Year Term, Plus Two (2) One-Year Options to Extend, and Expend Up to \$310,797.00 from the Hawaii Community Development Authority Revolving Fund, Leasing and Management Subaccount?**

Ms. Doi presented the staff report provided in the board packet and noted Federal Maintenance Hawaii, Inc provided the lowest bid.

Member Hasha asked if Federal Maintenance Hawaii, Inc was a local or national company?

Ms. Doi replied that they are a National Corporation, however the contract services will be conducted with the local team.

There were no further discussion and no public testimony.

**Motion: Action Item #9: Janitorial Contract for the American Brewery Building**

Member Fang motioned for the board to authorize the Executive Director to execute a contract for janitorial services for the HCDA American Brewery Building with Federal Maintenance Hawaii, Inc. for an initial three-year term, plus two (2) one-year options to extend and expend up to \$310,797.00 from the Hawaii Community Development Authority Revolving Fund, Leasing and Management Subaccount.

Member Okuhama seconded.

Ms. Doi conducted the roll call vote. Motion passed with 6 yes votes, 1 abstention and 2 excused.

**IV. INTERIM EXECUTIVE DIRECTOR REPORT**

Monthly and Status report on the following:

- a. Approved permit applications that did not require HRS § 206E-5.6 public hearings.
- b. Mauka Area Rule Amendments

Mr. Kamemoto referred to the report provided in the board packet and noted that the Mauka Area Rule Amendments will be brought forward in the future for board discussion.

There were no comments or questions and no public testimony.

**V. ADJOURNMENT**

Chairperson Whalen adjourned the regular meeting at 2:30 p.m.

Approved and Submitted by,

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John P. Whalen, Chairperson

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Date Approved by HCDA Board