

STATE OF HAWAII
HAWAII COMMUNITY DEVELOPMENT AUTHORITY
GENERAL BUSINESS MEETING

Wednesday, January 6, 2021

MINUTES

I. CALL TO ORDER/ROLL CALL

The Hawaii Community Development Authority (“Authority” or “Board”), a body corporate and a public instrumentality of the State of Hawaii met virtually (utilizing the state-supported Zoom Meeting platform) for a regular meeting on January 06, 2021.

Board Chairperson, John Whalen, called the meeting to order at 10:06 a.m. Those present and excused were as follows:

Members Present:

John Whalen, Chairperson
Amy Luersen, Vice Chairperson
Craig Hirai, B&F (Ex-Officio)
Phillip Hasha
Kevin Sakoda
Jason Okuhama
Chason Ishii
Daneil Ikaika Ito
David Rodriguez, DOT (Ex-Officio)
Wei Fang
Jo-Ann Leong

Members Excused:

Shirley Swinney, Secretary
Maeda Timson
Mitchell Tynanes
Donna Camvel
Dept, of Planning and Permitting (City & County)
Dept. of Hawaiian Homelands

Legal Counsel:

Kelly Suzuka, Deputy Attorney General

Staff Present:

Garet Sasaki, Administrative Services Officer
Lindsey Doi Leaverton, Asset Manager
Francine Murray, HCDA Program Specialist
Tommilyn Soares, HCDA Secretary

A quorum was present.

Acknowledgement that the Meeting is Being Convened Virtually

Chair Whalen reiterated the wording contained in the Meeting Agenda regarding the state's response to the COVID-19 pandemic, the state's efforts to slow the community spread of the virus and Governor David Y. Ige's issuance of Supplementary Emergency Proclamations which suspended Chapter 92 of the Hawaii Revised Statutes to the extent necessary to enable public boards and commissions to conduct business without holding meetings open to the public.

With regard to the foregoing, Chair Whalen reiterated wording contained in the Meeting Agenda noting that HCDA welcomes public attendance via the Zoom link, HCDA's Facebook and YouTube Page contained in the meeting agenda, HCDA also welcomes public comment and public participation via submission of written and or verbal testimony (consistent with the social distancing guidelines and Emergency Proclamation directives in effect).

Chair Whalen stated that individuals from the public who have requested to provide testimony are on standby and will be permitted to speak during the public testimony session of the specific agenda item.

II. APPROVAL OF MINUTES

1. Regular Meeting Minutes of February 5, 2020
2. Regular Meeting Minutes of May 6, 2020
3. Special Meeting Minutes of May 27, 2020
4. Special Meeting Minutes of July 15, 2020
5. Special Meeting Minutes of August 26, 2020
6. Special Meeting Minutes of September 16, 2020
7. Special Meeting Minutes of December 9, 2020

All meeting minutes were approved as presented.

III. INFORMATION & DISCUSSION

9. Presentation of the Audited Financial Statements for the Fiscal Year Ended, June 30, 2020.

N&K CPAs, Inc., contracted through the State of Hawaii - Office of the Auditor, audited the financial statements of the Hawaii Community Development Authority ("HCDA") for the fiscal year ended June 30, 2019. Mr. Chad Funasaki, Audit Principal, and Ms. JoAnn Nakamura, Senior Manager, representatives of N&K CPAs, Inc. shared their presentation via Zoom. Mr. Funasaki highlighted the results and stated the following summary: that it was a clean audit, and that there were no material weaknesses and no significant deficiencies identified.

There was no public testimony and no further comments or questions.

IV. ACTION ITEMS

10. Shall the Authority Adopt the Recommendations of the Permitted Interaction Group Re: Objectives, Policies, and Initiatives for the HCDA Executive Director, including Forming the Permitted Interaction Group for Financial Metrics?

Chair Whalen noted that the board is scheduled to vote on the recommendations that were presented by the Permitted Interaction Group during the December 09, 2020 General meeting.

Garet Sasaki, Administrative Services Officer, was present to answer questions and provide information to the board members, as well as take the roll call on a vote if permitted, in the Executive Director's absence.

Member Luersen stated that Member Sakoda had previously raised good comments around the financial implications of the matter. In addition, recommended that a separate Permitted Interaction Group be set up to work with the Executive Director on the financial metrics of the matter.

Chair Whalen asked if there had been any public testimony in regard to the aforementioned recommendations, to which Mr. Sasaki replied that there had not been any public testimony.

Chair Whalen asked if there would be a motion to adopt the recommendations for the Permitted Interaction Group for the goals, objectives, policies, and initiatives for the HCDA Executive Director.

Member Luersen moved.

Mr. Sasaki added that the full recommendation includes the formation of a separate Permitted Interaction Group to develop the strategic vision and the financial management plan.

Chair Whalen clarified that this action item is to include forming the Permitted Interaction Group. Ms. Suzuka advised to amend the action item to clarify the specification of the group formation.

MOTION

Member Luersen motioned to adopt the recommendations for the Permitted Interaction Group for the goals, objectives, policies, and initiatives for the HCDA Executive Director, including forming the Permitted Interaction Group for strategic vision and financial management planning.

Member Okuhama seconded the motion.

Mr. Sasaki conducted the roll call vote. Motion passed with 11 votes and 4 excused.

Chair Whalen asks Member Sakoda to be part of the permitted interaction group. Member Sakoda agreed.

Chair Whalen asked for other board members to join the group. Member Leong agreed to be part of the permitted interaction group.

Member Sakoda clarified with Chair Whalen that this permitted interaction group would serve HCDA as a whole, therefore should ideally include board members from the different development districts.

Member Leong clarified with Chair Whalen that the group should have four members, preferably. Chair Whalen agreed.

Member Fang suggested that Member Swinney be part of the permitted interaction group on account of her experience on a previous financial taskforce. Chair Whalen agreed and tentatively named Shirley Swinney to take part in the group, on condition of her acceptance. Chair Whalen tentatively appointed himself to participate in the group.

Chair Whalen confirmed the following members will serve on the Permitted Interaction Group:
Member Sakoda
Member Leong
Member Swinney (tentatively) upon acceptance
Chair Whalen

11. Shall the Authority Authorize the Executive Director to Request a Release of \$10 million in General Obligation Bond Funds from the Governor for Planning, Design, and Project Management Work for the Stadium Development District as Authorized by Act 268, SLH 2019, Section 6 and as amended by Act 4, SLH 2020, Section 5?

Member Hirai wished to recuse himself from this Action Item on a recommendation from the Deputy Attorney General for B&F. Ms. Suzuka advised Member Hirai to mute himself, to remove his web camera, and to refrain from participating in the vote on this action item. Chair Whalen gave permission to Member Hirai to recuse himself.

Curt Otagura, Comptroller, and Chris Kinimaka, Public Works Administrator, from DAGS were present in the meeting.

Chairperson Whalen inquired for clarification on what HCDA's role is in the Stadium Development District and questioned the possible fiduciary responsibility that would come with the money from the Governor's office, especially considering the current state of the agency in terms of finances, staffing, and current responsibilities and workload.

Mr. Otagura first explained the purpose and history of the development in the Stadium Development District. He noted that the original thought behind involving HCDA was the agency's expertise on diverse development in areas.

Ms. Kinimaka began by explaining HCDA's previous involvement with this project and what the relationship between the agencies would involve and require moving forward. She stated

that the purpose of this specific action item, the release of \$10 million, would be to continue their work during the current time between now and the stage of procurement.

Member Leong asked Ms. Kinimaka if the MOA, Memorandum of Agreement, has an agreement to hire staff for HCDA to meet the requirements of DAGS.

Ms. Kinimaka stated that the MOA does not stipulate or identify any type of action on HCDA's part to hire staff, but staff costs are typically included in their budgets and they would be open to covering those types of costs that HCDA may face.

Chair Whalen stated that he would like to have a discussion on the aforementioned matter due to the existing understaffing at HCDA. In addition, Chair Whalen stated that the MOA and statutes are vague, which leaves the board members questioning the degree to which HCDA will be involved and needed.

Member Fang asked if there is a prescribed amount of time that the proposed agreement to work together would last for. Ms. Kinimaka stated that the MOA did have a set time period of three years, or 1,095 calendar days from the date of execution which was October 14, 2020. She also stated that the time frame is subject to amendment or modification as needed.

Member Fang asked Ms. Kinimaka what her office foresees coming down the line in the upcoming legislative seasons in terms of what will be asked of HCDA. Ms. Kinimaka stated that their anticipation is that the district authority would be transferred to the Stadium Authority, thus causing HCDA's role to diminish greatly. The formal remaining role of HCDA would be only in the continuation of the MOA until the \$10 million is fully expended.

Mr. Otagura stated that in previous conversations with the previous interim Executive Director, the Interim ED had expressed similar staffing concerns as those of the board, and that those concerns were taken into consideration when speaking with the legislature.

Member Luersen stated that she shares concerns in regard to the staff capacity at HCDA. She stated that although she is in full support of the stadium development, she would feel much more comfortable going forward if it can be made very clear that HCDA will have financial support for staffing in order to address the required workload.

Chair Whalen asked if DAGS or the Stadium Authority is envisioning hiring staff or if they are delegating the responsibility to an outside consultant, similarly to what occurred in the initial planning phases.

Ms. Kinimaka stated that there has been a robust consultant team composed of experts from the various sectors involved in the development that have been working on the project thus far. She then stated that the formation of their dynamic team occurred because of the importance of due diligence and an understanding that this project and development is of importance and a high profile, therefore they plan to work closely with the ED to ensure that a huge burden is not placed solely on the staff at HCDA. In addition, she stated that they agree with the request to amend the MOA to provide necessary support to the HCDA staff.

Member Sakoda stated that he would like to get a sense of the scale of how the \$10 million fits into the overall budget. He asked if they have a sense of how much money has been spent since the start of the processes in 2017.

Ms. Kinimaka stated that Act 49 in 2017 appropriated \$10 million specifically for the planning of the Stadium Development District and looking at building a new stadium. She then said that that amount has been funding the bulk of their efforts since it started to be put to use in 2018 until present day, and it has covered a multitude of different functions.

Member Sakoda would like to clarify exactly how much has been expended since 2018. Ms. Kinimaka stated that they have expended about 80 percent of that funding. Member Sakoda asked if the expenses will be increasing as the project moves into the next stage of development. Ms. Kinimaka stated that their teams have developed a master plan that includes the finances through to the end of the project, or what she referred to as “financial closing.” Member Sakoda asked what percent of the monies that have already expended has gone to outside consultants versus been used to pay their staff. Ms. Kinimaka stated that the DAGS staff is not paid through this money and are instead paid through the DAGS operating budget and the stadium staff is self-supported through their own special fund. Member Sakoda stated he would like to know how much manpower and resources are needed for this project. Ms. Kinimaka stated that it has been quite time consuming for many members of their team. Mr. Otagura stated that everyone working on the project, across agencies, has found success through collaboration and disbursement of the workload. Member Sakoda asked to clarify if most of the money has been spent on outside consultants and resources. Mr. Otagura stated that great effort was put into completing different types of surveys to ensure that this project will be able to generate profit once completed.

Member Fang asked what would happen if the board had to decide that HCDA can no longer take on the responsibilities that come with this action. Ms. Kinimaka and Mr. Otagura stated that their procurement efforts and the project would essentially come to a halt. In addition, Mr. Otagura asked the board to put trust in DAGS as a sister state agency to work collaboratively with HCDA and gave his assurance that DAGS will not overtax the staff at HCDA.

Mr. Otagura provided a closing statement, thanked the board for their consideration, and asked for their support moving forward.

Member Leong asked for assurances from Mr. Otagura and Ms. Kinimaka that they are open to hiring someone if need be for HCDA to be able to help. Mr. Otagura provided his commitment to this.

Member Sakoda raised concerns about the description of the uses of the funds in the proposal, stating that it seems generic, for example, the lack of a timeline, etc. Member Sakoda asked where the \$10 million will take the project in a timeline looking forward. Ms. Kinimaka stated that the \$10 million is written in their master plan to take them to the aforementioned goal of “financial close.” Ms. Kinimaka explained that this concept of financial close would mark the

start of the funding from the private sector, and that this financial close is anticipated to happen by the first quarter of next year.

Member Sakoda asked what point the \$10 million would take them to. Ms. Kinimaka stated that it would take them to a point of where RFQs and RFPs have been issued, have selected winning developers, entered into agreements, entered the financial close, and the start of the formal design and construction process.

Member Sakoda stated that he is confused because he believed the RFQ process already occurred. Ms. Kinimaka stated that the RFQ process that has occurred was for the stadium development, which is separate from the real estate development on the surrounding land, which has yet to happen.

Member Sakoda asked if the \$10 million will take the project to a point where a contractor is selected. Ms. Kinimaka stated that yes, the financial close means that one developer has been selected for the stadium and another development team for the real estate.

Mr. Otagura acknowledged Member Sakoda's concerns with the timeline and understands his stance on wanting to get things going in terms of making this project and development come to fruition.

Member Sakoda asked Chair Whalen where more information can be found on the matter because board members do not have much existing information at their disposal. Chair Whalen answered that the legislature will play a large role moving forward in amending the existing statute and that may help to clarify some things. In addition, Chair Whalen acknowledged that there may be an amendment to the MOA to provide support to HCDA.

Member Luersen stated that she emphasizes the importance of recognizing the extra costs and burden that will fall upon HCDA and that it should be acknowledged and addressed in the MOA.

Chair Whalen asked for public testimony, to which Mr. Sasaki replied that there are no members of the public who would like to offer testimony.

Chair Whalen and Member Luersen worked to reword the Action Item to include an amendment to the MOA that would state financial support for HCDA.

Member Leong suggested a concise rewording of the motion that included the new contingency.

Member Sakoda stated that based on the conversation, he would like to clarify how funding will be brought back to HCDA considering the fact that their previous funding was not used within their own agency, but rather on outside consultants and resources. He also stated that he feels that he, as a board member, is put in a difficult position in terms of the right thing to do in the context of his fiduciary duty.

Chair Whalen asked Mr. Sasaki if there had been any previous thought in regard to the staff costs that HCDA would incur. Mr. Sasaki stated that no detailed analysis had been performed, but that the disbursement of the monies would be spread out, and that prior each disbursement, the board would be consulted to give their approval.

Member Leong expressed concerns in terms of the cost of preparing a presentation for the board for every disbursement. Mr. Sasaki stated that the task would be doable. Chair Whalen suggested that with each incremental disbursement, there could be an accounting of the staff time that was involved in that specific disbursement. Mr. Sasaki agreed.

Member Sakoda stated that he would rather have DAGS take the responsibility of having to justify the usage of the money than that responsibility falling onto HCDA.

Member Ishii stated that he is facing a similar fiduciary challenge to that of Member Sakoda, based on the lack of details available on the appropriation of the money. He also stated that a concern he has would be if something were to go wrong with the funds, it would fall on to HCDA. He proposed a rewording that would put less burden on HCDA in terms of exactly how the funding would be used.

Chair Whalen stated that there may not be enough support to go through with a motion.

Member Ishii asked Ms. Kinimaka if she has any suggestions or recommendations to change the wording in order to move forward. Ms. Kinimaka stated that if the motion was approved, they would be encumbering \$9.5 million directly into the consultant contracts that have already been negotiated with DAGS, giving the board the ability to see the scopes, milestones, and expected payments of those contracts, which in turn allows the board to turn to DAGS to question how the money was used and to see the details within their contracts with their consultants.

Mr. Sasaki clarified that the Action Item in this meeting is only to authorize the ED to request the release of the money, rather than to release it.

Member Ishii suggested to Chair Whalen that some form of wording should be added to clarify that DAGS will take on the responsibility of the usage of the funds and that HCDA is only responsible to administer the payment requests, with the goal of separating the responsibilities.

Member Leong suggested keeping her proposed motion and adding an additional sentence to capture what Member Ishii would like to include. Member Ishii restated that he would like it to be made clear that HCDA will strictly be functioning as an administrative duty and all oversight and due diligence will be the responsibility of DAGS.

Member Ishii then asked Ms. Suzuka if she would be able to assist in providing a legal opinion on how the statement should be. Ms. Suzuka stated that she likes the idea of amending the MOA in order to work with the language to add the details regarding who will be responsible for what. As far as the motion, she advised that adding Member Leong's proposed contingency would be helpful, but possibly no other detailed additions in order to stay within the scope of the original motion.

Member Ishii asked Ms. Suzuka if a Letter of Understanding could be added in addition to the MOA. Ms. Suzuka stated that there can be a separate document to clarify the issues that have been covered in this meeting, if DAGS will agree to it. Ms. Kinimaka agreed.

There was no public testimony and no further comments or questions.

MOTION

Member Luersen motioned to authorize the Executive Director to request a release of \$10 million in general obligation bond funds from the Governor for planning, design, and project management work for the Stadium Development District as authorized by Act 268, SLH 2019, Section 6 and as amended by Act 4, SLH 2020, Section 5, contingent on an amendment of the MOA to clarify HCDA's and DAGS' respective roles and responsibilities.

Member Leong seconded the motion.

Mr. Sasaki conducted the roll call vote. Motion passed with 10 votes, 1 abstain, and 4 excused.

V. REPORT OF THE EXECUTIVE DIRECTOR

Mr. Sasaki stated to stand on the written report as it is presented.

There were no comments or questions.

Public Testimony

Chair Whalen called for public testimony. There was no public testimony.

VI. ADJOURNMENT

There being no further comment or questions on the Report of the Executive Director, Chair Whalen thanked those who have joined today's meeting on Zoom or HCDA's Facebook or YouTube and adjourned the meeting at 12:10p.m.

John Whalen, Chairperson

Date