

**STATE OF HAWAII
HAWAII COMMUNITY DEVELOPMENT AUTHORITY
KAKAAKO MEETING**

Wednesday, September 7, 2022

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 September 7, 2022.

Chairperson Chason Ishii called the September 7, 2022, HCDA Kakaako Authority Regular meeting to order at 10:30 a.m.

Acknowledgement that the Meeting is Being Convened Virtually

Chair Ishii reiterated the wording contained in the Meeting Agenda regarding the guidelines and directives provided by Section 92-3.7, Hawaii Revised Statutes to enable public boards and commissions to conduct business virtually with a meeting site open to the public.

About the foregoing, Chair Ishii reiterated wording contained in the Meeting Agenda noting that HCDA welcomes public attendance via the Zoom link provided and also at the meeting site, located at The American Brewery Building, 547 Queen Street, 2nd Floor Board room, Honolulu, Hawaii 96813. He noted that the meeting would be live streamed on HCDA’s YouTube Channel contained in the Meeting Agenda and that HCDA also welcomes public comment and public participation via submission of written and or verbal testimony. Vice Chair Ishii stated that individuals, if any, 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.

Chair Ishii conducted the roll call. Those present were as follows:

Members Present:

Peter Apo
Sterling Higa
Mike McCartney, DBEDT (Ex Officio)
David Rodriguez, DOT (Ex Officio)
Dane Wicker, City and County of Honolulu DPP (Ex Officio)
Kevin Sakoda
Chason Ishii, Chairperson

Members Excused:

Phillip Hasha
Craig Hirai, B&F (Ex Officio)

Legal Counsel:

Kelly Suzuka, Deputy Attorney General
Lori Sunakoda, Deputy Attorney General

Staff Present:

Craig Nakamoto, HCDA Executive Director
Garet Sasaki, HCDA Administrative Services Officer
Lindsey Doi, HCDA Asset Manager
Tommilyn Soares, HCDA Executive Secretary

A quorum was present.

II. APPROVAL OF MINUTES

Regular Meeting Minutes of August 3, 2022

Chair Ishii asked for comments or corrections. There were none. The meeting minutes were approved as presented.

III. DECISION MAKING

Consider Authorizing the Executive Director to Enter into a Purchase and Sale Agreement with Victoria Ward, Ltd. (VWL) or its Affiliate, Involving HCDA's Purchase from VWL of the following Mixed-Use Parcels Owned by VWL, Located at 956/958 Queen Street, Honolulu, Hawaii 96813, and Further Described by Tax Map Key No. (1) 2-3-003-022, and Located at 955/957 Kawaiahao Street, Honolulu, Hawaii 96813, and Further Described by TMK No. (1) 2-3:094, for the Purpose of HCDA's Proposed Development of an Affordable Housing, Mixed Use Project on the VWL Parcels, the Total Purchase Price Which Shall Not Exceed \$6,250,000.00 as follows:

- a. Cash not to exceed the total amount of \$1,000,000.00 and,**
- b. the transfer to Victoria Ward Limited, a total of 70,000 square feet of supplemental floor area from the Floor Area Bank (F.A.R.), with an agreed upon value of \$5,250,000.00, which VWL may transfer to development lots within its Masterplan,**

and upon other terms and conditions as follows:

- c. Recognition by HCDA that approximately 70,019 sq. ft. of industrial floor area that could have been built by VWL on the VWL Parcels shall be applied as a credit against VWL's master plan requirement to provide approximately 740,000 sq. ft. of industrial floor area in VWL's master plan area; and**
- d. Recognition by HCDA that VWL's obligation to maintain a minimum F.A.R. of 1.5 on VWL's Land Block 6, has been satisfied; and**
- e. Subject to due diligence satisfactory to the Executive Director, the execution of a purchase and sale agreement for the VWL Parcels by December 31, 2022, provided, however, that if the parties are making good faith progress in preparing an agreement, the deadline may be extended by mutual agreement; and**
- f. Other standard and customary representations, warranties, conditions,**

terms, and agreements consistent with similar purchase and sale transactions.

HCDA Executive Director, Mr. Craig Nakamoto, presented the staff report provided in the board packet.

Member Sakoda asked if there is precedence in using this method to finance purchase.

Mr. Nakamoto responded that the current Floor Area (FA) bank holds FA derived from remnant parcels of land owned by HCDA and has limited market for this type of FA, in the past it has proven to have value to certain large-scale developers in this manner. In the past, HCDA has sold FA from the FA Bank to the developers of the Symphony and 404 Piikoi Phase IV projects. He also added that HCDA is fortunate to work with Howard Hughes and Victoria Ward Limited in a way that utilizes the FA bank to develop affordable housing mixed use projects within the district.

Member Wicker asked to confirm the two parcels, one along Queen Street and one along Kawaiahao Street.

Mr. Nakamoto confirmed and added that both parcels are 10,000 square-feet.

Member Wicker then asked how this concept was brought forth to HCDA.

Mr. Nakamoto responded that during the previous Executive Director's time, HCDA staff approached Howard Hughes/Victoria Ward Limited with the innovative idea in searching for land within Kakaako to develop as an affordable housing, mixed-use project.

Member Wicker asked if HCDA plans to market the planned units as rental or fee simple.

Mr. Nakamoto stated that is still yet to be determined and added that LIHTC rental housing provides the longest duration for affordability.

Member Wicker asked, once HCDA acquires these parcels, is it the intent to develop a plan sooner or is that up for discussion?

Mr. Nakamoto noted that once the due diligence is completed and satisfactory and the purchase is closed, HCDA would then develop as soon as possible through a request for proposal procurement process.

Member Sakoda stated that area is prone to flooding and asked if that is part of the due diligence process.

Mr. Nakamoto confirmed that will be included in the due diligence process. He added that there is a storage project being planned/constructed in the area and HCDA will monitor the area as the storage project is completed, he also stated that the City & County of Honolulu also plans to make improvements to the area.

Member Sakoda asked regarding the agreed upon price; with the third party's estimated price, how does that price compare with the annual income of the unit, in terms of a cap rate.

Mr. Nakamoto responded that HCDA received an Appraisal of the property and the \$6,250,000.00 is at the mid-range of the estimated value of the property. Currently, the property includes four leases that is estimated at \$200,000 per year. He added that will also be included in the due diligence of the property and HCDA anticipates it will need to take responsibility in some of the maintenance. The notion is that with the \$300,000, HCDA may be able to recover the \$1,000,000.00 within three years.

Mr. Nakamoto noted that Victoria Ward Limited is present online if board members have any questions for them.

There were no further questions from board members.

Public Testimony

HCDA received two written testimonies in support.

Ms. Reina Miyamoto, Hawaii HomeOwnership Center provided verbal testimony in support.

There were no further inquiries to provide verbal testimony, and no other written testimonies were received.

Chair Ishii asked for a motion to enter an executive meeting.

There was no motion made for an executive meeting.

Chair Ishii asked for a motion.

MOTION

Member Sakoda motioned for the Authority to authorize the Executive Director to Executive Director to Enter into a Purchase and Sale Agreement with Victoria Ward, Ltd. (VWL) or its Affiliate, Involving HCDA's Purchase from VWL of the following Mixed-Use Parcels Owned by VWL, Located at 956/958 Queen Street, Honolulu, Hawaii 96813, and Further Described by Tax Map Key No. (1) 2-3-003-022, and Located at 955/957 Kawaiahao Street, Honolulu, Hawaii 96813, and Further Described by TMK No. (1) 2-3:094, for the Purpose of HCDA's Proposed Development of an Affordable Housing, Mixed Use Project on the VWL Parcels, the Total Purchase Price Which Shall Not Exceed \$6,250,000.00 as follows:

- a. Cash not to exceed the total amount of \$1,000,000.00 and,
- b. the transfer to Victoria Ward Limited, a total of 70,000 square feet of supplemental floor area from the Floor Area Bank, with an agreed upon value of \$5,250,000.00,

and upon other terms and conditions as follows:

- c. Recognition by HCDA that approximately 70,019 sq. ft. of industrial floor area that could have been built by VWL on the VWL Parcels shall be applied as a credit against VWL's master plan requirement to provide approximately 740,000 sq. ft. of industrial floor area in VWL's master plan area; and
- d. Recognition by HCDA that VWL's obligation to maintain a minimum F.A.R. of 1.5 on VWL's Land Block 6, has been satisfied; and
- e. Subject to due diligence satisfactory to the Executive Director, the execution of a purchase and sale agreement for the VWL Parcels by December 31, 2022, provided, however, that if the parties are making good faith progress in preparing an agreement, the deadline may be extended by mutual agreement; and
- f. Other standard and customary representations, warranties, conditions, terms, and agreements consistent with similar purchase and sale transactions and further authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this for action.

Member Wicker seconded the motion.

There was no discussion, by board members, on the motion.

Mr. Nakamoto conducted the roll call vote.

The motion passed with 7 yes votes, and 2 excused.

Consider Adopting the Findings of the Permitted Interaction Group and Accept the Recommendations of the Permitted Interaction Group Established at the November 3, 2021, HCDA Kakaako Board Meeting, Pursuant to Hawaii Revised Statutes 92-2.5(b), to Examine the Operations and Management of the Honuakaha Limited Partnership Relating to the Honuakaha Senior Rental Housing Project located at 545 Queen Street, Honolulu, Hawaii 96813 and Identified by Tax Map Key No. 2-1-031-021 Presented During the August 3, 2022 HCDA Kakaako Board Meeting.

Executive Director Nakamoto presented the report of the Permitted Interaction Group (P.I.G.). The Honuakaha Limited Partnership (LP) is a Partnership between First Hawaiian Bank and HCDA to develop 150 studio and 1-bedroom units for Senior Citizens at an income level of 60% AMI or below, referred to as the Honuakaha Senior Rental Housing Project (Project). The Project is located next to HCDA's American Brewery Building. Affordable rental housing is an essential part of HCDA's mission and function. In 2021, the financial condition and operations of the Project were brought to the board's attention. The Kakaako board then convened the P.I.G. to examine the operations and management of the LP related to the Project. Starting in November 2021, HCDA staff presented background information and financial reports to the P.I.G. and the findings of the P.I.G. recognized that monthly rent should have been increased over time, which has not happened, resulting in a deficit. The last rent increase occurred in 2013. Contributing to the deficit were increases in expenses including the installation of air

conditioning units in all units, which increased utility expenses, supply chain issues, and increases in construction expenses when units are vacated and renovated. In addition to increasing rents, when tenants move out, the LP should renovate the vacant units in a timely manner to prepare for new tenants.

The P.I.G. found that the project continues to have operating losses and found that a reserve study needs to be updated to evaluate the current condition and estimated costs of maintaining the units and the Project.

The following are the P.I.G. recommendations:

1. Existing and new tenants to receive a 5% rent increase, annually;
2. Rent for new tenants (upon turnover of a unit) will be increased higher than that of the existing tenants. As a starting point, \$960 will be charged for a studio, per month and \$1150 for a 1 bedroom. Both rates are below HUD rates and will also be increased by 5% annually;
3. HCDA to commission a reserve study bi-annually to ensure adequate funding; and
4. Performance metrics will be closely monitored by HCDA and presented to the board.

There were no further questions from board members.

Public Testimony

There were no inquiries to provide verbal testimony, and no written testimonies were received.

There was no motion to enter into executive session.

Chair Ishii asked for a motion.

MOTION

Member Apo motioned for the Authority to adopt the recommendations of the Permitted Interaction Group established at the November 3, 2021, HCDA Kakaako Board Meeting, Pursuant to Hawaii Revised Statutes 92-2.5(b), to Examine the Operations and Management of the Honuakaha Limited Partnership Relating to the Honuakaha Senior Rental Housing Project located at 545 Queen Street, Honolulu, Hawaii 96813 and Identified by Tax Map Key No. 2-1-031-021 Presented During the August 3, 2022 HCDA Kakaako Board Meeting.

Member McCartney seconded the motion.

There was no discussion, by board members, on the motion.

Mr. Nakamoto conducted the roll call vote.

The motion passed with 7 yes votes, and 2 excused.

Consider Dissolving the Permitted Interaction Group Established at the November 3, 2021, HCDA Kakaako Board Meeting, Pursuant to Hawaii Revised Statutes 92-2.5 (b), to Examine the Operations and Management of the Honuakaha Limited Partnership Relating to the Honuakaha Senior Housing Project located at 545 Queen Street, Honolulu, Hawaii 96813 and Identified by Tax Map Key No. 2-1-031-021.

Executive Director Nakamoto recommends the board dissolve the Permitted Interaction Group following the board's adoption of the P.I.G.'s recommendations in agenda item #3.

There were no further comments or questions by board members.

Public Testimony

There were no inquiries to provide verbal testimony, and no written testimonies were received.

MOTION

Member Higa motioned for the Authority to dissolve the Permitted Interaction Group Established at the November 3, 2021, HCDA Kakaako Board Meeting, Pursuant to Hawaii Revised Statutes 92-2.5 (b), to Examine the Operations and Management of the Honuakaha Limited Partnership Relating to the Honuakaha Senior Housing Project located at 545 Queen Street, Honolulu, Hawaii 96813 and Identified by Tax Map Key No. 2-1-031-021.

Member Sakoda seconded the motion.

There was no discussion, by board members, on the motion.

Mr. Nakamoto conducted the roll call vote.

The motion passed with 7 yes votes, and 2 excused.

Consider Authorizing an Additional Loan of Five Hundred Thousand Dollars (\$500,000.00) from the Hawaii Community Development Special Fund, Reserved Housing Subaccount, to the Honuakaha Limited Partnership, to Cover Continuing Operating Losses for the 12-month period July 2022 to June 2023 Relating to the Honuakaha Senior Rental Housing Project located at 545 Queen Street, Honolulu, Hawaii 96813, and Identified by Tax Map Key No. 2-1-031-021.

Mr. Garet Sasaki, HCDA Administrative Services Officer, presented the staff report provided in the board packet. He explained that HCDA staff anticipates a \$400,000 to \$460,000 deficit for the upcoming fiscal year and is therefore requesting a \$500,000.00 loan to cover operating losses due to increases in utilities, cost appliances and HCDA's portion of the maintenance fees for the Association.

Member Higa asked if HCDA staff anticipates further requests for loans and if so, will those loans be less than the \$500,000.00 requests or will the rate increases in rent offset the need for these loans?

Mr. Sasaki responded that there will be future requests due to the operating losses and will update the board with these requests per year.

There were no further comments or questions by board members.

Public Testimony

There were no inquiries to provide verbal testimony, and no written testimonies were received.

MOTION

Member Higa motioned for the Authority to Authorize the Executive Director to Make an Additional Loan of Five Hundred Thousand Dollars (\$500,000.00) from the Hawaii Community Development Special Fund, Reserved Housing Subaccount, to the Honuakaha Limited Partnership, to Cover Continuing Operating Losses for the 12-month period July 2022 to June 2023 Relating to the Honuakaha Senior Rental Housing Project located at 545 Queen Street, Honolulu, Hawaii 96813, and Identified by Tax Map Key No. 2-1-031-021.

Member Wicker seconded the motion.

There was no discussion, by board members, on the motion.

Mr. Nakamoto conducted the roll call vote.

The motion passed with 7 yes votes, and 2 excused.

Consider Authorizing the Executive Director to Expend General Obligation Bond Funds Appropriated to the HCDA in Act 248, Session Laws of Hawaii 2022 in an Amount Not to Exceed \$1,000,000.00 for Traffic Engineering Services, Construction of the Permanent Crosswalk and Safety Improvements, and a Traffic Assessment Study, Located on the Remnant Roadway Owned by HCDA, at the Intersection of Queen Street and Waimanu Street, Adjacent to Kolowalu Park and Identified by Tax Map Key No. 2-3-004-080.

Mr. Garet Sasaki, HCDA Administrative Services Officer, presented the staff report provided in the board packet. He provided background information for the board and noted that this project has already started. In July 2022, HCDA installed a crosswalk, striping, and a temporary pedestrian refuge island. During the 2022 Legislative session HCDA was appropriated \$1,000,000.00 to for a permanent design, crosswalk, and pedestrian island.

Member Sakoda commented generally people drive fast on that stretch of Queen Street and there is also discussion of a potential dog park in the area and asked staff to consider the overall plan for the area and not do these projects in piece meal and change anything the board already approved and implemented.

Mr. Sasaki acknowledged Member Sakoda's comment and noted that HCDA received a separate appropriation for the dog park and added that staff will incorporate all the projects for the area simultaneously.

Member Higa asked if staff has an idea on how much these services would typically cost.

Mr. Sasaki noted there will be a request for proposals that will be issued, and staff will have a better idea on those costs based on the responses to the solicitation.

There were no further comments or questions by board members.

Public Testimony

There were 4 written testimonies submitted in support and Ms. Karen Chung, Community Organizer for Ward Village provided verbal comments.

MOTION

Member Rodriguez motioned for the Authority to Authorize the Executive Director to Expend General Obligation Bond Funds Appropriated to the HCDA in Act 248, Session Laws of Hawaii 2022 in an Amount Not to Exceed \$1,000,000.00 for Traffic Engineering Services, Construction of the Permanent Crosswalk and Safety Improvements, and a Traffic Assessment Study, Located on the Remnant Roadway Owned by HCDA, at the Intersection of Queen Street and Waimanu Street, Adjacent to Kolowalu Park and Identified by Tax Map Key No. 2-3-004-080.

Member McCartney seconded the motion.

There was no discussion, by board members, on the motion.

Mr. Sasaki conducted the roll call vote.

The motion passed with 7 yes votes, and 2 excused.

V. REPORT OF THE EXECUTIVE DIRECTOR

Monthly Report and Other Status Report

Approved permit applications that did not require HRS 206E-5.6 public hearings.

Executive Director Nakamoto deferred to the written report provided in the board packet, and asked members if there were any questions on the report.

There were none.

Public Testimony

There were no inquiries to provide verbal testimony, and no written testimonies were received.

VI. ADJOURNMENT

Chair Ishii thanked those who joined the meeting on Zoom and then adjourned the meeting at 11:33` a.m.

Sterling Higa, Secretary

Date Board Approved