

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

**Wednesday, December 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 December 7, 2022.

Chairperson Chason Ishii called the December 7, 2022, HCDA Kakaako Authority Regular meeting to order at 10:38 a.m.

**Acknowledgement that the Meeting is Being Convened Virtually**

Executive Director Craig Nakamoto 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, Mr. Nakamoto reiterated wording contained in the Meeting Agenda, noting that the HCDA welcomes public attendance via the Zoom link provided and also at the meeting site, located at The American Brewery Building, 547 Queen Street, 2<sup>nd</sup> Floor Board room, Honolulu, Hawaii 96813. He noted that the meeting would be live streamed on the HCDA’s YouTube Channel contained in the Meeting Agenda, and that the HCDA also welcomed public comment and public participation via submission of written and/or oral testimony. Mr. Nakamoto stated that individuals, if any, from the public who had requested to provide testimony were on standby and would 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, Vice Chairperson  
Sterling Higa  
David Rodriguez, DOT (Ex Officio)  
Kevin Sakoda  
Chason Ishii, Chairperson

**Members Excused:** Luis Salaveria, B&F (Ex Officio)  
Phillip Hasha  
Dane Wicker, City and County of Honolulu DPP (Ex Officio)  
Scott Glenn, DBEDT (Ex Officio)

**Legal Counsel:** Kelly Suzuka, Deputy Attorney General

**Staff Present:** Craig Nakamoto, HCDA Executive Director  
Garet Sasaki, HCDA Administrative Services Officer  
Ryan Tam, HCDA Planning and Development Director  
Lindsey Doi Leaverton, HCDA Asset Manager  
Francine Murray, HCDA Community Outreach Officer  
Tommilyn Soares, HCDA Executive Secretary

A quorum was present.

**II. APPROVAL OF MINUTES**  
**Regular Meeting Minutes of November 2, 2022**

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

**III. DECISION MAKING**

**Petition by the Executive Director to Request a Waiver or Suspension of Certain Provisions of Hawaii Administrative Rule § 15 22-186(c)(1) Regarding the Conditions on Transfer of Reserved Housing Units to allow Non-Governmental Agencies to Buyback Reserved Housing Units Pursuant to Hawaii Administrative Rule § 15-219-98, Which Provides for Waiver or Suspension of Administrative Rules.**

Mr. Garet Sasaki, Administrative Services Officer, provided a brief overview of the staff report. This decision-making item is a follow-up to information presented to the Kakaako board at its October 5, 2022, board meeting. This request is to facilitate and develop a proactive strategy to maintain more of the current reserved housing inventory in the Kakaako Community Development District, and to keep it affordable for a longer period of time.

Currently, Hawaii Administrative Rules (HAR) § 15-22-186(c)(1) limits the right to buyback a reserved housing unit to HCDA or a governmental agency approved by HCDA. HCDA does not have the financial or staff resources to buyback and resell individual reserved housing units on its own. HCDA relies on the Hawaii Housing and Finance Development Corporation (HHFDC) to buyback units through a Memorandum of Agreement. Upon buyback, the reserved housing unit then becomes part of HHFDC's affordable housing inventory that are governed by HHFDC's rules. HHFDC has bought back five reserved housing units and resold those units to income-restricted buyers under HHFDC's affordable housing program. Since 2018, HHFDC has declined to buy back any reserved housing units and according to the 2005 Mauka Area Rules, these waivers allow units to be rented or sold at market prices. HCDA requests a suspension or waiver of certain provisions of HAR 15-22-186 (c)(1) to enable HCDA staff to utilize the resources of a nongovernmental entity, such as a nonprofit housing

trust dedicated to the creation and preservation of affordable housing to avoid waiving HCDA's right to buyback reserved housing units.

The petition seeks a waiver or suspension of HAR 15-22-186(c)(1) to allow any agency approved by the Authority, to buyback reserved housing units during its regulated term. This waiver would allow nongovernmental entities vetted and approved by the HCDA Kakaako Authority, such as a qualified nonprofit housing trusts, to undertake responsibilities and obligations currently performed by HHFDC to ensure any reserved housing units remain affordable for the remainder of the regulated term or more.

Member Sakoda said, if HCDA and HHFDC waives the option to repurchase a unit, it seems like that shared equity can go on into perpetuity and the owner can then rent his unit out. He felt it seemed odd that something like that could happen.

ED Nakamoto responded that there are tools to maintain affordability which include shared equity (that can be used for future reserved housing projects) and to reserve the right to buyback a unit. If HCDA were to waive the buyback option and the owner decides to rent the unit, HCDA will still be entitled to the shared equity when the owner sells the unit.

Ms. Leaverton said that is correct and that it is not an ideal situation. HCDA's preference is to buyback the unit and keep it affordable, so that is the reason HCDA would like to expand the pool of its buyback agents beyond HHFDC and HCDA; to effectuate a buyback and keep the unit in an affordable housing program.

Member Higa asked for at timeline and how long would it take to procure and execute a contract.

ED Nakamoto responded that once staff develops the requirements for a qualified buyback agent, it should be fairly quick. However, it is uncertain how many qualified entities would be interested and respond to a solicitation. HCDA is looking for several entities in order to effectuate buybacks for these units. Once these entities are identified and respond, staff intends to return to the board with a list of these entities for approval.

Member Higa said he feels this is an urgent matter for the board and agency to get ahead of losing these units in terms of affordability.

ED Nakamoto acknowledged Member Higa's comment and noted that staff is also looking at other possibilities like governmental entities that might be able to act as a buyback agent.

Member Rodriguez asked if the solicitation would also be marketed to out of state nonprofits or organizations, or just to local entities and nonprofits.

ED Nakamoto responded, that is possible, however, these organizations will need to have a program to maintain these units as affordable under HCDA's criteria.

Mr. Sasaki added that any out of state entity that may be interested will need to be registered to do business in the state and in good standing, like any other procurement.

Member Apo stated his support of the item and agrees it is important to have an inventory of qualified entities to repurchase units to keep it affordable.

There were no further questions or comments by board members.

### **Public Testimony**

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

### **MOTION:**

Chair Ishii asked for a motion for the Authority to approve the Executive Director's Petition for Waiver or Suspension of Administrative Rules, Pursuant to Hawaii Administrative Rules § 15 219-98, Regarding the Conditions on Transfer of Reserved Housing Units under Hawaii Administrative Rules § 15-22-186(c)(1) for the limited purpose of allowing non-governmental entities to buyback HCDA's reserved housing units.

Member Higa motioned. Member Rodriguez seconded.

Chair Ishii asked if there was any discussion on the motion.

There was no discussion from board members.

Mr. Sasaki conducted the roll call vote. Motion passed with 5 ayes, and 4 excused.

## **IV. INFORMATION AND DISCUSSION**

**Presentation by the Hawaii Housing Finance and Development Corporation for the Proposed Development (a proposed Hawaii Revised Status § 201H-38, Affordable Housing Project) located at 690 Pohukaina Street, Honolulu, Hawaii, 96813, at Oahu TMK (1) 2-1-051: 041.**

Mr. Randy Chu, Development Section Chief, of the Hawaii Housing Finance and Development Corporation (HHFDC) provided an overview of the 690 Pohukaina Affordable Housing Project. He noted that the project is in the Mauka area of the Kakaako Community Development District and will occupy 94,423 square feet surrounded by Keawe, Pohukaina and Coral Streets. The Parcel is owned by the State of

Hawaii and allocated to HHFDC pursuant to Executive Order 4533, for educational and housing purposes.

A Request for Proposals (RFP) was posted in November 2021 soliciting proposals for a Master Plan for affordable housing and educational purposes, as well as the development of the affordable housing component for the project. There were five proposals received and the RFP selection committee decided that the proposal submitted by Highridge Costa Development served in the best interest of the State of Hawaii.

The 690 Pohukaina affordable housing project is scheduled to be built in two phases:

1. Phase 1 consists of a 29-story tower; located on the East Diamond Head side; 433 rental units for those individuals/families that make 80% - 120% of the Area Median Income (AMI); and 671 parking stalls.
2. Phase 2 consists of an 11-story tower; located on the West side of the parcel; 198 rental units for those earning 30% - 60% AMI; 219 parking stalls.

Both towers combined will have a total of 631 rental units and 890 parking stalls within a 9-story parking garage. The ground level includes 4,500 square feet of commercial space. He added that 28,000 square feet of the parcel, located on the east side of the property, is reserved for the Department of Education's (DOE) educational facility. At the corner of Keawe Street there will be 6,300 square feet of "corner plaza" for retail. Mr. Chu explained to the board the sources of financing that were received for this project. He noted that the developer is currently on schedule and the first phase of the project will start construction in February 2024.

Member Sakoda thanked Mr. Chu for the presentation. He noted the costs to construct a unit and asked about the cashflow going forward; Does the state run a negative on the entire project?

Mr. Chu responded and said that the lease rent the developer is paying for the property will be over a 75-year period. If everything goes according to plan and the occupancy is what the developer anticipates, the return will be several hundred million dollars over the 75 years. He added that currently it costs about \$500,000.00 to build a unit, which excludes the land acquisition cost. He also said that this is a big win for the State, and we are maximizing our assets and receiving some payback in return.

Member Sakoda mentioned that he has never seen detailed financials for an affordable housing project and was not sure where the compensation is coming from. He added that HCDA sees some in Kakaako from the Howard Hughes and Kamehameha Schools development, but wondered if there were more detailed numbers.

Mr. Chu said, recently the LITCH program has been very successful because it is a tax credit program which helped the developers make the numbers work out.

Chair Ishii asked Mr. Chu where this project fits in DOE's current plans. Mr. Chu

responded that the land was designated for affordable housing and educational purposes and that HHFDC realized the DOE was contemplating the use of the land. DOE anticipated making that parcel its first vertical school; however, their time schedule is not fully synced with HHFDC. There is an urgency to provide affordable housing so the current plan is to CPR the land and if that does not work out, HHFDC's hope is that DOE will adjust their plans and make the educational facility a priority.

Chair Ishii mentioned, that was his understanding, also that DOE put a hold on the vertical school.

Mr. Chu responded that unfortunately, HHFDC does not have any control as it is DOE's jurisdiction.

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.

### **Presentation by Hawaii Community Development Authority's Planning and Development Staff to Update the Board Regarding the Proposed Amendments to the Mauka Area Rules, HAR § 5-217.**

Mr. Ryan Tam, Planning and Development Director, provided the updates to the Proposed Amendments to the Mauka Area Rules, HAR § 5-217. He noted that the rules provide a framework for planning and development in the Kakaako Community Development district and regulates the types of land uses in the district. He added that these rules were last updated in 2011.

The Mauka Area Rule amendments reflect the collective community vision for the area. HCDA's team and its consultant engaged in community outreach and incorporated those concerns and ideas into the proposed rule amendments. Community comments and concerns ranged from more sidewalks, increase in parking stalls, a desire for more trees, streamlining the permitting process, incorporating public art, more public amenities, reserved housing, etc.

Member Higa noted his appreciation for the update and agrees with the incentive zoning. He asked what the reasoning was for the off-street parking stalls no longer being compact size. He asked what the rationale was.

ED Nakamoto stated he will look into the matter and get back to member Higa.

Member Sakoda asked if there are any discussions being had about building towers with no parking. He recalled his recent trip to Chicago where parking overnight costs

\$75. He also mentioned other countries like Hong Kong and Japan where cars are very expensive to own and wondered if Hawaii will ever get to that place.

ED Nakamoto responded that Kakaako does have one building with no parking, which is located on Cooke Street – Nohona Hale, he added that the buildings occupancy has been full. The decision to start building more towers with no parking will eventually be dictated by the market. The current consensus with the landowners, and developers is that parking is needed to market the unit; however, they recognize the concept and those discussions have started.

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.

**V. REPORT OF THE EXECUTIVE DIRECTOR**

**Monthly Report and Other Status Reports**

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

ED Nakamoto deferred to the written report provided in the board packet and asked members if they had any questions.

There were no comments or questions by board members.

**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 11:52 a.m.

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Sterling Higa, Secretary

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Date Board Approved