

**STATE OF HAWAI‘I
HAWAI‘I COMMUNITY DEVELOPMENT AUTHORITY
KALAELOA MEETING**

Wednesday, October 4, 2023

MINUTES

I. CALL TO ORDER/ROLL CALL

The Hawai‘i Community Development Authority (“Authority” or “Board”), a body corporate and a public instrumentality of the State of Hawai‘i met virtually (utilizing the state-supported Zoom Meeting platform) and at the meeting site for a Regular meeting on October 4, 2023.

HCDA Chairperson, Chason Ishii, called the October 4, 2023, HCDA Kalaeloa Authority Regular meeting to order at 11:03 a.m.

Acknowledgement that the Meeting is Being Convened Virtually

Craig Nakamoto, Executive Director, reiterated the wording contained in the Meeting Agenda regarding the guidelines and directives provided by Section 92-3.7, Hawai‘i Revised Statutes (“HRS”), 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 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, Hawai‘i, 96813. He also noted HCDA also welcomes public comment and public participation via submission of written or oral testimony. Mr. Nakamoto 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 and excused were as follows:

Members Present:

Chason Ishii, Chairperson
Sterling Higa, Vice-Chairperson
Melissa Miranda-Johnson, B&F (Ex-Officio)
Mark Anderson, B&F (Ex Officio)
Mary Alice Evans, DBEDT (Ex-Officio)
David Rae

Members Excused:

Peter Apo, Secretary
Craig Hirai, Dept. of Planning and Permitting (Ex-Officio)

A quorum was present

Legal Counsel: Kelly Suzuka
Kevin Tongg

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

II. APPROVAL OF MINUTES
Regular Meeting Minutes of August 2, 2023

There were no comments or corrections from the Board members. The meeting minutes were approved as presented.

III. DECISION MAKING

Consider Authorizing the Executive Director to Execute a Ground Lease between the Hawaii Community Development Authority and the Kalaeloa Heritage and Legacy Foundation (KHLF) for the Kalaeloa Heritage Park, Located on Parcel No. 13073-D at 91-1940 Coral Sea Road, Kapolei, Hawaii, Tax Map Key No. (1) 9-1-013:069, for a Period of Five Years.

Ms. Lindsey Doi Leaverton, HCDA Asset Manager, presented the staff report included in the board packet. KHLF currently has a right-of-entry (ROE) for the Kalaeloa Heritage Park that expires on November 17, 2023. The current ROE includes eight milestones for KHLF to achieve prior to granting a long term lease. Ms. Doi-Leaverton mentioned that the final milestone was completed late last year, and KHLF and HCDA are now ready to execute a lease so KHLF can continue the stewardship, maintenance, and groundskeeping responsibilities for the Kalaeloa Heritage Park that would otherwise fall under the HCDA's responsibilities.

Member Rae joined the meeting at 11:07 am.

Vice Chair Higa asked, who is held liable for injuries that may occur in the park – KHLF or HCDA?

Ms. Doi Leaverton answered; all HCDA's leases include the standard state liability indemnification language to protect the state and HCDA. Under the proposed lease, and even under the current ROE, KHLF is required to carry its own insurance that would indemnify the State. For accidents and injuries, KHLF's insurance would kick in; however, HCDA could still be pulled into any litigation.

There were no other questions or comments from the Board.

Public Testimony

Chair Ishii called for public testimony.

Ms. Tara Rojas provided a virtual oral testimony. Due to audio issues, Rojas' testimony was indecipherable.

Mr. Dwight Victor, President of the Kalaeloa Heritage and Legacy Foundation (KHLF), commented that, throughout the process of drafting the stewardship agreement and addressing potential needs, he and everyone at KHLF appreciate the efforts put into this project from the HCDA staff and are in full support of the proposed lease.

There were no written testimonies, and no further oral testimonies received.

MOTION:

Chair Ishii asked for a motion for the Authority to Authorize the Executive Director to Execute a Ground Lease between the Hawaii Community Development Authority and the Kalaeloa Heritage and Legacy Foundation (KHLF) for the Kalaeloa Heritage Park, Located on Parcel No. 13073-D at 91-1940 Coral Sea Road, Kapolei, Hawaii, Tax Map Key No. (1) 9-1-013:069, for a Period of Five Years?

Motion was made by Vice Chair Higa. Member Evans seconded the motion.

Ms. Doi Leaverton conducted the roll call vote. Motion passed with 6 ayes, and 3 excused.

Consider Approving, Pursuant to the Findings of Fact, Conclusions of Law, and Decision and Order dated February 2, 2022 for Application No. KAL 21-005, Gentry Homes's ("Gentry") Reserved Housing Program, Including Reserved Housing Unit Pricing, and Gentry's Analysis and Assumptions Used in Determining Common Area Maintenance Fees and Reserves, for Increment 1 of Ka'ulu by Gentry, Located on Parcel TMKs (1) 9-1-013:197, 198, and 199 in the HCDA's Kalaeloa community development district [no postal address].

Ms. Doi Leaverton, HCDA Asset Manager, presented the staff report included the board packet. The Authority is being asked to approve:

- 1) Gentry's Reserve study;
- 2) the common area maintenance fees; and
- 3) the reserve housing pricing for Increment 1, consisting of 12 Reserve Housing units.

Ms. Doi Leaverton summarized the range of estimated monthly maintenance fees, the range of sales prices versus the range of appraised values for the variety of units, and the range of resulting shared equity this would generate for HCDA. Andrew Kamikawa and Deb Luning of Gentry Homes, Ltd., were acknowledged as available resources to answer any questions during this meeting.

Chair Ishii commented that other developments have greatly increased their property insurance costs due to the Lahaina wildfires disaster and the amount of risk, and asked if that same concern was taken into consideration in Gentry's analysis.

Mr. Andrew Kamikawa, VP and CFO at Gentry Homes, Ltd., answered that the budget was set prior to the Lahaina wildfires, but even before that, they were aware of the increasing property insurance pricing over the past year. The previously-existing increase in property insurance costs was taken into consideration when developing the budget, but no additional adjustments were made due to the Lahaina wildfires.

Chair Ishii suggested that Gentry may want to take that into consideration, because the consumer will see the difference between the actual maintenance fees compared to what was previously proposed, due to a doubling in property insurance costs.

Vice Chair Higa echoed Chair Ishii's comments regarding the insurance costs.

Chair Ishii also commented that the shared equity for these units is not very large, and he is concerned if the reserve housing properties do not sell because the market properties pricing is so similar. He asked what the plan of action is, prior to the start of sales for the second increment.

Mr. Kamikawa answered that Gentry aims to sell all units of the project over the span of about 2-3 years – an average of about 2-4 units per month – as opposed to selling all 200 units at once. Because of this, Gentry is hopeful that over time, they'll be able to use their marketing and increase incentives to sell all reserved housing units.

Chair Ishii reiterated that his concern is that only Reserved Housing units are left for sale, and those properties have a differentiation with the market properties of only about \$27,000-\$32,000, which is not as significant of a difference. This concerns him because the mission of HCDA is to see affordable housing continue to move forward in Hawaii.

Mr. Kamikawa agreed that this is a common goal for Gentry as well, noting that they primarily sell workforce housing, which are under similar AMI ranges but without the five-year restrictions.

Chair Ishii again reiterated his concern that, compared to the Reserved Housing units, other market units are only about \$30,000 more and do not have the five-year restriction, so there is not much incentive for these Reserved Housing units to sell.

Mr. Kamikawa answered by saying Gentry's goal is to increase the closing incentives, and though the current differential doesn't sound like much, any amount will help for people in these types of AMI ranges.

Executive Director Nakamoto asked Mr. Kamikawa to elaborate further on the incentives that Gentry will be offering.

Mr. Kamikawa explained that the primary incentive applicants may be interested in is the closing credit, which Gentry hopes to increase from the current \$12,000-\$14,000 amount. This incentive could be used to lower an applicant's interest costs, closing costs, or HOA fees. Mr. Kamikawa also explained that Gentry will require a low minimum deposit to make it easier for applicants to qualify and look further into the project. Gentry will also continue to work with Hawaii Home Ownership Center and HHOC Housing and Land Trust to offer financial literacy and coaching for interested applicants.

Member Evans commented that when she was sitting on the Hawaii Housing Finance and Development Corporation ("HHFDC") Board a few years ago, the developer at one of the Villages of Kapolei came before their board and asked that the affordable housing restrictions be lifted from the last remaining units because buyers were opting to buy the market units rather than the affordable units. She recalls that HHFDC ultimately decided to approve their request, so she agrees that Chair Ishii's concern is warranted.

There were no other questions or comments from the Board.

Public Testimony

Chair Ishii called for public testimony.

Ms. Tara Rojas signed up to provide virtual oral testimony, commenting on various topics. First, she mentioned the quick turnover of the HCDA Executive Director position lately, and assumed that it may be because of their support of Aloha Aina and protecting the environment. Second, she mentioned that Hunt Corporation is contaminating the soil and desecrating land that is not theirs but rather, is owned by the allodial lineal descendants. Third, she commented that the costs of these affordable housing units are beyond reach for the average local household despite the earlier-mentioned incentives, and it is further out of reach due to the rising maintenance fees. Lastly, she wanted to reiterate a previous testimony regarding sewer and water concerns in the area, as this development will bring additional residents. She asked that there be an awareness and consideration of these possible issues/disasters before they occur.

There were no further oral testimonies, and no written testimonies received.

MOTION:

Chair Ishii called for a motion for the Authority to Approve, Pursuant to the Findings of Fact, Conclusions of Law, and Decision and Order dated February 2, 2022 for Application No. KAL 21-005, Gentry Homes's ("Gentry") Reserved Housing Program, Including Reserved Housing Unit Pricing, and Gentry's Analysis and Assumptions Used in Determining Common Area Maintenance Fees and Reserves, for Increment 1 of Ka'ulu by Gentry, Located on Parcel TMKs (1) 9-1-013:197, 198, and 199 in the HCDA's Kalaeloa community development district [no postal address]?

Motion was made by Member Rae. Member Evans seconded the motion.

Ms. Doi Leaverton conducted the roll call vote. Motion passed with 6 ayes, and 3 excused.

IV. 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 referred to the Executive Director's report provided in the board packet and noted that he is available for any questions board members may have.

There were no questions or comments from Board members.

Public Testimony

Chair Ishii called for public testimony. There were no inquiries to provide oral testimony, and no written testimonies were received.

V. ADJOURNMENT

Chair Ishii thanked those who joined today's meeting on Zoom and adjourned the meeting at 11:47 a.m.

Peter Apo, Secretary

Date Approved by the Board