

**STATE OF HAWAI‘I
HAWAI‘I COMMUNITY DEVELOPMENT AUTHORITY
AT-LARGE BOARD MEETING**

**Wednesday, January 8, 2025
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 (“State”) met in person at the HCDA’s physical meeting site, American Brewery Building, 547 Queen Street, 2nd Floor Boardroom and provided an option to attend virtually (utilizing the State-supported Zoom Meeting platform) for a Regular meeting on January 8, 2025.

Chairperson Sterling Higa called the January 8, 2025, HCDA At-Large Authority Regular meeting to order at 9:00 a.m.

Acknowledgment 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, 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 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, 2nd Floor Boardroom, Honolulu, Hawai‘i 96813. The HCDA welcomes public comment and public participation via submission of written 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. Mr. Nakamoto also noted the time limits for public testimony.

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

Members Present:

Sterling Higa, Chairperson
Chason Ishii, Vice Chairperson
Miki‘ala Lidstone, Secretary
Mark Anderson, B&F (Ex Officio)
Mary Alice Evans, DBEDT (Ex Officio)
Melissa Miranda-Johnson, DOT (Ex Officio)
Tim Streitz, City & County of Honolulu DPP (Ex Officio)
David Yamashita, Maui County DP (Ex Officio)
Russell Tsuji, BLNR (Ex Officio)
JoAnn Leong, Heeia
Michael China, Kakaako
Kevin Sakoda, Kakaako

Trey Gordner, Kalaeloa
Debbie Cabebe, Pulehunui
Glenn Yamasaki, Pulehunui

Members Excused: Punihei Lipe, Heeia
Kalaeloa Member, VACANT

A quorum was present.

Legal Counsel: Kelly Suzuka, Deputy Attorney General
Kevin Tongg, Deputy Attorney General

Staff Present: Craig Nakamoto, HCDA Executive Director
Garet Sasaki, HCDA Chief Financial Officer
Lindsey Doi, HCDA Asset Manager
Francine Murray, HCDA Community Outreach Officer
Deepak Neupane, HCDA Program Specialist V
Ryan Tam, HCDA Director of Planning & Development
Armaine Tomacder, HCDA Board Secretary

II. APPROVAL OF MINUTES
Regular Meeting Minutes of December 4, 2024

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

III. FOR INFORMATION & DISCUSSION
Informational Presentation and Update by the HCDA Staff on Proposed Initiatives for Developing Additional Affordable Housing Projects Within the Kakaako Community Development District.

Mr. Deepak Neupane, Program Specialist V, presented the staff report provided in the board packet. He summarized the timeline of actions taken by the HCDA since the adoption of recommendations made on July 11, 2018 by the permitted interaction group established for the subject purposes. These actions include:

- allowing the owner of a reserved housing unit to pay all or part of the Authority's share of equity at any time,
- providing zoning incentives to developers for providing additional reserved housing units,
- establishing a leasehold program to facilitate the creation of low-cost leasehold residential condominium units for sale to Hawaii residents on non-ceded, state-owned lands near public transit stations and to sell the leasehold interest for lease terms of 99 years
- innovative methods to develop more affordable housing in the Kakaako CDD

- planning, design, and site acquisition for supportive housing in Kakaako CDD, including the purchase of Block P-3 (610 Ward Avenue and 873 Kapiolani Boulevard)
- enter into a Purchase and Sale Agreement for the property at 586 South Street, granted that the preliminary due diligence was satisfactory (ongoing)

Member Sakoda asked if HCDA has a standard approach to managing or delegating the administrative burden and costs required for affordable housing.

Mr. Nakamoto answered that the administrative approach for each project was tailored to the situation and the time of execution. However, the preferable approach would be more passive, in which HCDA uses its land bank balance to acquire land, then provide a ground lease and charge rental fees to a developer that would develop, operate, and manage the property.

Mr. Sakoda asked if the Kaka‘ako board must always approve buybacks of reserved housing units, as it seems like a tedious process.

Mr. Neupane affirmed that the Kaka‘ako board must approve those decisions, as it involves the expenditure of HCDA funds.

Member Leong asked for clarification on the share of equity requirements if the owner refinances or pays off their mortgage.

Mr. Neupane answered that the share of equity will remain as a requirement in any situation. The current Rules allow the share of equity to be paid back at any time during the owner’s ownership, or at the time of the sale of the reserved housing unit. If an owner would like to sell the unit or pay their share of equity within their regulated term, they must additionally receive approval from the HCDA Executive Director.

Member Leong suggested that this requirement be re-assessed to account for inflation, as the owner’s share of equity is not currently subject to interest rates. Mr. Neupane responded that the 2018 Kakaako Reserved Housing Rules takes inflation into consideration for HCDA’s shared equity.

Member Streit noted the potential challenges presented for developing the 99-Year Leasehold Condominium project, and suggested that the lessons learned and hindsight recommendations should be documented as a reference for similar projects in the future. He also suggested that developing a public parking garage in Kaka‘ako, should be considered as it can provide necessary parking for affordable housing projects so that each individual project does not have to provide its own parking and also helps lower the cost of development.

Mr. Neupane answered that the land parcels in HCDA's land inventory may not be suitable in size or location to exclusively develop a public parking structure. Since HCDA's land ownership is limited, it is most appropriate that it be used to develop housing with parking included in the project.

There were no further comments or questions from the board members.

Presentation of the Audited Financial Statements for the Fiscal Year Ended, June 30, 2024, by the Auditor, KKDLY, LLC.

Mr. Gareth Sasaki, Chief Financial Officer, summarized the annual audit procedures and introduced Mr. Guy Nishihira and Mr. Ralph Kanetoku, KKDLY, LLC, independent auditors with respect to HCDA, to present the audit findings.

Mr. Nishihira and Mr. Kanetoku summarized the scope and conduct of their audit as of and for the year ended June 30, 2024. They explained the Independent Auditors' Report on the HCDA's financial statements and required supplementary information, the Independent Auditor's Report on internal control over financial reporting and on compliance, and the Required Communications Letter; all three documents were provided to the HCDA staff and board members. KKDLY, LLC's audit found no material weaknesses in internal controls over financial reporting, and no instances of non-compliance with laws and regulations that would have a direct material effect on HCDA's financial statements. They noted that no transactions indicated a lack of authoritative guidance, all significant transactions were recognized in the financial statements in the proper period, and no significant difficulties in dealing with Management during the audit.

Chair Higa asked for reason for the account balance's significant increase.

Mr. Sasaki answered that they are funds for the Pulehunui, UH West Oahu, and Iwilei-Kapalama projects. Once released to the developers, the balance will return to its normal levels and the release of funds will be recorded as expenses.

Member Yamasaki asked for clarification on the development credits.

Mr. Neupane answered that in general, the development credits were collected from a development project that was planned but not executed, and remains on record in the event that the developer has an applicable project in the future.

Member Gordner asked for clarification on the current year-to-date expenses of the personal services and repair and maintenance, and the implications for the remaining months of the fiscal year.

Mr. Sasaki answered that there are timing issues with the personal services expense, which is why it may seem significantly high in relation to the annual budget. The repair and maintenance budget is an average per month, therefore the actual expenses may vary month-to-month. He stated that the reports are organized by fiscal year, not calendar year.

Chair Higa requested a more detailed projection of the repair and maintenance in the next board meeting.

There were no further comments or questions from the board members.

Public Testimony

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

IV. REPORT OF THE EXECUTIVE DIRECTOR

Monthly Report and Other Status Reports

a. Monthly Financial Highlights for November 2024

Mr. Craig Nakamoto, Executive Director, referred to the report provided in the board packet, and stated that Mr. Garet Sasaki, Chief Financial Officer, is available for questions.

There were no questions or comments by the Board.

Public Testimony

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

V. ADJOURNMENT

Chair Higa thanked those who joined the meeting on Zoom and then adjourned the meeting at 10:03 a.m.

Miki'ala Lidstone, Secretary

Date Board Approved