

SUMMARY - MEETING NO. 324
HAWAII COMMUNITY DEVELOPMENT AUTHORITY
State of Hawaii

December 5, 2007 – 9:00 a.m.

Hawaii Community Development Authority
677 Ala Moana Boulevard, Suite 1000, Conference Room
Honolulu, Hawaii 96813

ATTENDANCE

Members Present: C. Scott Bradley; Amanda Chang; Michael Formby (for Barry Fukunaga, DOT); Paul Kimura; Jonathan Lai; Theodore Liu (DBEDT); Dexter Okada; Robert Piper (for Georgina Kawamura, B&F); and Russ Saito (DAGS).

Kalaeloa Members: Henry Eng (DPP); Stanton Enomoto; and Maeda Timson.

Members Absent: Grady Chun; Joseph Dwight, IV; Christopher Kobayashi; Kay Mukaigawa; Micah Kane (DHHL – Kalaeloa Member) and Evelyn Souza – Kalaeloa Member.

Others Present: Teney Takahashi; Melvin Nishimoto (Deputy AG); Matthew Akamu; Arnold Imaoka; Richard Kuitunen; Cal Machida; Steve Miyamoto; and Jill Sugihara (also, see Meeting Attendance Record).

I. ROLL CALL

The meeting of the Hawaii Community Development Authority (HCDA) was called to order on December 5, 2007, by Chairperson Lai at 9:01 a.m. with the following roll call:

Chairperson Lai	Present
Member Bradley	Present
Member Chang	Present
Member Formby	Present
Member Kimura	Present
Member Liu	Present, left at 10:20 a.m.
Member Okada	Present
Member Piper	Present, left at 10:24 a.m.

Member Saito	Present
Member Eng	Present, left at 9:26 a.m.
Member Enomoto	Present, left at 9:26 a.m.
Member Timson	Present, left at 9:26 a.m.

MATERIALS DISTRIBUTED

1. Agenda for December 5, 2007 Meeting;
2. Summary Minutes of Authority Meeting of November 7, 2007
3. Summary of Public Hearing of November 7, 2007;
4. Report of the Interim Executive Director;
5. Kalaeloa Status Report;
6. Kalaeloa Navy Report;
7. Action Item: Recommend Approval to Authorize Executive Director to Enter into Extension of Office Lease with CEP Hawaii Investors LLC;
8. Action Item: Recommend Repeal of Subchapter 10 of Chapter 20, Title 15, Hawaii Administrative Rules, Relating to Kakaako Improvement District II; and
9. Information Item: Status Report on Phase IV of the 404 Piikoi Planned Development Project (PD 2-84)

II. APPROVAL OF MINUTES

1. Minutes of the Regular Meeting of November 7, 2007

Chairperson Lai asked whether there were any corrections to the minutes of the November 7, 2007 meeting. There were none. It was moved by Member Piper and seconded by Member Enomoto to approve the minutes as written. The motion passed 12 to 0.

2. Summary of Public Hearing of November 7, 2007

Chairperson Lai asked whether there were any corrections to the summary of Public Hearing of November 7, 2007. There were none. For voting purposes, Chairperson Lai stated that only Kakaako Members could vote on this item. It was moved by Member Piper and seconded by Member Bradley to approve the summary as written. The motion passed 9 to 0, excluding Kalaeloa Members.

III. REPORT OF THE INTERIM EXECUTIVE DIRECTOR

Teney Takahashi noted that the full Executive Director's report was enclosed in the packet distributed to the Authority Members, and highlighted and updated the following:

- Mr. Takahashi reported that the Attorney General prepared a motion and memorandum for judgment or for summary judgment in the alternative on the matter of stopping HCDA's attempt to assume management of Kewalo Basin. The motion is scheduled for December 28, 2007.
- In the efforts to develop centralized parking facilities for Makai Area projects, the parties have completed as much research as necessary to establish a definitive plan. Therefore, KUD International LLC and Townsend Capital and University of Hawaii intend to negotiate a memorandum of understanding that would require a joint commitment of funds to further define their project.
- HCDA's budget request for \$850,000 to complete safety related projects at Kalaeloa was included in the Governor's Supplemental Budget Request. In addition, staff is attempting to reallocate \$4.8 million in lapsing funds, together with \$6.2 million of HCDA's revolving funds to proceed with the improvement of Forrest Avenue, which was not included in the Governor's Supplemental Budget Request. Since the Punchbowl Extension of Ilalo Street has not yet materialized, staff plans to improve Forrest Avenue to provide additional capacity for anticipated development of the Office of Hawaiian Affairs (OHA) Office and Cultural Center, Cancer Research Center (CRC), Asia Pacific Research Center, and John A. Burns School of Medicine (JABSOM) Phase II, which may need service in the near future.
- HCDA's proposed legislation to allow buy-back and resale of reserved housing units was included in the Governor's Administration legislative package.
- Staff has begun to visit Legislators regarding issues for the upcoming session and will continue for another month.
- The January Authority meeting will be held on January 9, 2008, instead of January 3, which will allow more time to return from the holidays and the Sugar Bowl.

Chairperson Lai asked whether Members had any questions. There were none.

IV. ITEMS FOR INFORMATION

A. Kalaeloa Status Report

Due to the inclement weather Tesha Malama was not able to attend the meeting. However, her written report was distributed in the Members' packets.

B. Kalaeloa Navy Report

Due to the inclement weather there was no representative from the Navy. However, a written report was distributed in the Members' packets.

C. Hawaii Public Housing Authority Status Report

Due to the inclement weather there was no representative from the Hawaii Public Housing Authority.

Chairperson Lai asked Members whether there were any questions or comments. There were none.

V. EXECUTIVE SESSION

Chairperson Lai asked for a motion to enter into Executive Session to discuss the following item:

3. Discussion on the Selection of the New Executive Director pursuant to Section 92-5(a)(2), Hawaii Revised Statutes, to consider the hire of an employee where consideration of matters affecting privacy will be involved.

It was moved by Member Liu and seconded by Member Piper to enter into Executive Session. The motion carried 12 to 0.

Since the Executive Session would be held in the same room, Chairperson Lai asked the audience to vacate the room.

The Hawaii Community Development Authority entered into Executive Session at 9:06 a.m.

It was moved by Member Enomoto and seconded by Member Liu to reconvene the regular meeting. The motion was carried 12 to 0.

The meeting was reconvened at 9:24 a.m.

VI. ITEMS FOR ACTION – DISCUSSION AND/OR DECISION MAKING

4. Selection of the New Executive Director

This action was deferred from the November 7, 2007 meeting.

Member Liu made a motion for the Authority to appoint Mr. Anthony Ching to the position of Executive Director of the Hawaii Community Development Authority effective January 1, 2008. Mr. Ching is currently the Executive Officer of the Land Use Commission. He has a long history of public service and previously served as a Deputy Director with the Department of Health.

Member Timson seconded the motion.

Chairperson Lai asked whether there were any questions. There were none. Chairperson Lai took a vote on the motion to adopt Member Liu's recommendation. The motion was unanimously approved 12 to 0.

Chairperson Lai asked whether there were any other comments or motions.

Member Timson gave thanks to Teney Takahashi who has served as the Interim Executive Director. Members wanted to thank him for doing an excellent job. Mr. Takahashi stated to Members that he would support the new Executive Director. Member Timson remarked that it shows that teamwork works well at HCDA and gave Mr. Takahashi special recognition for that.

Chairperson Lai called for a recess at 9:26 a.m. to allow the Kalaeloa Members (Eng, Enomoto, and Timson) to depart, as the remaining agenda items were Kakaako-related.

Chairperson Lai reconvened the meeting at 9:27 a.m.

5. Recommend Approval to Authorize Executive Director to Enter into Extension of Office Lease with CEP Hawaii Investors LLC

Richard Kuitunen summarized the Action Item distributed to the Authority.

Mr. Kuitunen explained that HCDA has been at the current location since 1988. The proposed lease extension would be amendment number 11. Currently, the lease is on a gross basis of \$1.97 per square foot. The lease was extended last year and at that time, the landlord advised staff that any further extensions would have to be based on a triple net basis, which means that HCDA would pay base rent plus the Common Area Maintenance (CAM) costs. Staff has been negotiating with the landlord for about 10 months. Initially the price started at \$1.75 per square foot as the base rent. The final offer that is being proposed is \$1.60 per square foot, with the CAM currently at \$1.12 and that is subject to change based on the actual operating cost of the building.

During the last three years, staff has looked at alternatives for relocating the office to other state owned facilities, which have not been available. The Brewery building is currently vacant, but would have to be remediated due to the odor problem. If and when the office relocates, it is estimated to take approximately two years to plan the move. Therefore, staff is seeking a two-year extension to provide an opportunity to find a suitable State owned facility.

As an alternative, staff looked at non-state owned office spaces to lease. The rent could be cheaper; however, by the time the relocation costs are factored in it would be more economical to stay at the current location for the interim period.

Mr. Kuitunen stated that staff's recommendation is for the approval to authorize the Interim Executive Director or his successor to execute a two-year extension of the lease until December 31, 2009, for Suite 1001 in the 677 Ala Moana Building, at the lease rent of \$1.60 per square foot which is subject to a four percent increase in the second year. It was also noted that the current owner CEP Investment is in escrow so at the time of execution there may be a different owner. However, the leasing agent has advised staff that it is not a factor in negotiations for the lease.

Chairperson Lai asked for a motion to adopt staff's recommendation. Member Piper moved to approve staff's recommendation. Member Saito seconded the motion.

Chairperson Lai asked Members whether they had any questions.

Member Piper commented that the current monthly rent is \$13,900 and asked what would be the total rent under the proposed lease extension.

Mr. Kuitunen responded that the base rent is \$11,400 and another \$8,000 would be added for CAM bringing the total to about \$19,400 per month.

Member Piper asked whether that included parking.

Mr. Kuitunen replied that staff pays for parking individually which would be \$125 per month.

Member Chang asked what other potential buildings staff is looking at in terms of long-term other than the Brewery Building.

Mr. Kuitunen responded that staff has had discussions with Department of Accounting and General Services in the last few years about the AAFES building, but there are no vacancies. Should there be an opening that is larger than HCDA's requirements, there are two other state agencies that expressed interest in sharing the space. The Pohulani Senior Affordable project on Queen Street, which houses the Housing and Finance Development Corporation, has space there since the housing unit moved to School Street. However, the rent there is more than HCDA's current rent.

There being no further discussion, Chairperson reminded Members that there was a motion on the table and second to adopt staff's recommendation and called for a vote. The motion was unanimously approved 9 to 0, excluding the Kalaeloa Members.

6. Recommend Repeal of Subchapter 10 of Chapter 20, Title 15, Hawaii Administrative Rules, Relating to Kakaako Improvement District 11

Member Okada recused himself from this item.

Steve Miyamoto summarized the Action Item distributed to the Authority.

Mr. Miyamoto explained that Subchapter 10 is the rule that established the assessment area, the property assessments and assessment methodology for ID-11. The repeal of Subchapter 10 is being proposed because it is no longer necessary with the cancellation of the project.

A Public Hearing was conducted on November 7, 2007, to receive testimony on the proposed repeal. Two testimonies were given.

Taryn Wong on behalf of Hilton and Sakara Blackwell presented the first testimony. The Blackwells own property on the portion of Queen Street that would have been improved by ID-11. The Blackwells purchased the building at 1038 Queen Street in anticipation of the ID-11 improvements, which would have provided new sewer service to the building and new sidewalks for public safety. The Blackwells hoped that HCDA would continue to pursue ways to construct the improvements.

Staff concurs with the testimony that Queen Street should be improved. However, the current ID-11 contracts would be terminated with the cancellation of the project and funding would lapse. New funding would have to be provided by the Legislature if improvements are proposed in the future.

The second testimony was presented by Jack Hamada. Mr. Hamada wanted to know if the infrastructure on this portion of Queen Street supported the Koolani, Hokua and Ward Villages projects. In response, staff informed Mr. Hamada that existing infrastructure in Queen Street between Ward Avenue and Kamakee Street does not support these projects.

Since the construction of ID-11 has been cancelled, Subchapter 10 is no longer necessary. Therefore, staff recommended the repeal of Subchapter 10 of Chapter 20, Title 15, of the Hawaii Administrative Rules.

For discussion purposes, Chairperson Lai asked for a motion to adopt staff's recommendation. Member Bradley moved to approve staff's recommendation. Member Liu seconded the motion. Chairperson Lai asked Members whether they had any questions.

Member Liu asked Mr. Takahashi what would happen next for ID-11.

Mr. Takahashi commented that staff is attempting to reappropriate the lapsing ID-11 funds of \$4.8 million and use \$6 million of revolving funds to continue and pursue the restoration of realignment of Forrest Avenue. Forrest Avenue is essential in order to proceed with the developments of the CRC, JABSOM II, OHA, and the Asia Pacific Research Center so staff is trying to keep Forrest Avenue moving along.

Member Saito asked whether that would be submitted as part of DBEDT's budget request.

Mr. Takahashi responded in the affirmative.

Member Liu commented that it is a trade off for an existing CIP that would lapse.

Member Saito asked whether staff is trying to reappropriate the lapsing funds and obtain additional money.

Mr. Takahashi replied that the additional funds would come from HCDA's revolving funds.

Member Saito asked for clarification that the funds would lapse and then the funds would be reappropriated.

Member Liu replied in the affirmative. That it would be for the same amount. However, Member Liu wanted to know what would happen to the ID-11 project.

Mr. Takahashi commented that the project was cancelled after the cost escalated, but recently there has been more support for ID-11. ID-11 still remains an open issue. The people who opposed the project because of the assessments also agreed that the project was needed. Staff could keep it on the front burner or wait for an opportunity to resurrect it with the support of the neighboring landowners.

Member Kimura wanted to know whether it was possible to improve the street and asked whether HCDA could do the improvements.

Mr. Takahashi asked whether Member Kimura meant physically or financially.

Member Kimura replied both – physically and financially.

Mr. Takahashi responded in the affirmative, but was not sure of the amount of monies that were in the public facilities fund. He assumed that it would go through the regular process and obtain the Authority approval again.

Member Kimura stated that HCDA should get Grace Pacific to repave the road.

Mr. Takahashi responded that he didn't think that repaving the road was going to solve any problem. The cost is associated with the underground drainage and the land condemnations.

Member Kimura questioned whether just the road could be improved and repaved so that the water drains down the street and doesn't sit.

Mr. Miyamoto commented that there might be some consequence that the water might flood the properties more if the road is raised. Some type of drainage is needed.

Mr. Takahashi added that the underground drainage facilities are needed. He wondered whether staff should restart the entire process if there is support now.

Member Kimura remarked that he didn't think it would be a good idea to wait. The road should be repaved soon because there are a lot of potholes. The street is busier now that it goes straight to Ala Moana. He thought that it would be HCDA's responsibility to make sure that the street is safe.

Mr. Takahashi suggested that staff look at the issue and report back to the Authority because HCDA's 206E statute states that HCDA has to assess people and that may not be an option. That point would need to be addressed before moving on.

Member Kimura stated that before Mayor Harris left office, he repaved all of Queen Street except for that particular strip. He couldn't understand why that street couldn't be repaved.

Member Chang commented that the whole street needed improvement. The cost was what prohibited staff from moving forward with the project. She assumed there was no other way to get it done. Since it sounded like the project was necessary, the question was where the funding would come from and whether there was an alternative way to reduce the cost since the drainage requirement added tremendously to the cost.

Mr. Miyamoto responded that the project would still need to go out to bids, which then determines the cost.

Mr. Takahashi commented that he agreed that it was a safety issue. If the project cost is at 80 percent, you might as well go the 100 percent otherwise money would be wasted if the street would have to be redone at some future point. He suggested that staff raise all the issues and look at the issues carefully and respond to Member Kimura's question at a later date since there are too many moving parts to comment right now.

Member Saito commented that the study and cost was already done. He asked whether the surface of the street could be done without going through the whole process again and whether the road could be improved so that the storm

water was directed toward the road that has infrastructure, which would prevent flooding of the adjoining properties.

Chairperson Lai agreed that staff should report back at a later date.

Mr. Jack Hamada from the audience wanted to know whether or not the City and County Department of Planning and Permitting under the control of Mayor Hannemann and the City Council, authorized the cancellation of this particular improvement on Queen Street, between Ward and Kamakee Street.

Mr. Takahashi responded in the negative and stated that the Mayor and City Council doesn't have to authorize the cancellation.

There being no further comments, Chairperson Lai reminded Members there was a motion on the table and second to adopt staff's recommendation and called for a vote. The motion was unanimously approved 9 to 0, excluding Kalaeloa Members.

Member Saito questioned whether a motion was needed to have the staff look at the request and report back.

Chairperson Lai stated that a motion does not need to be made. Members can direct staff to report back.

Member Kimura stated that he just wanted the street paved and crowned so that the road is safe to drive on.

Chairperson Lai understood Member Kimura's request, but stated that it might not be that simple. It would be best for staff to analyze it and see whether there would be further problems.

Member Kimura commented that even though there would be flooding after the street is repaved, at least there would be a nice street.

Member Saito stated that he drove down Queen Street in the recent rain and agreed that something needs to be done.

Member Liu commented that the road was closed today due to the heavy rains.

Member Kimura stated that the street fronting Ray's Transmission does not get flooded and is the only nice area.

IV. ITEMS FOR INFORMATION - CONTINUATION

D. Status Report on Phase IV of the 404 Piikoi Planned Development Project (PD 2-84)

Matthew Akamu summarized the Information Item distributed to the Authority and introduced the presenters.

Mr. Akamu reported that K2 Investors LLC is finalizing the design of the last phase, which is referred to as "Phase IV," of the 404 Piikoi Planned Development Project, with the intention to begin construction by the end of calendar year 2008. In September 2007, the Developer presented preliminary design concepts to HCDA for discussion and feedback.

Mr. Akamu stated that the developer would brief Members on the status of Phase IV which included community input, design refinements and reserved housing issues relating to a second site to be jointly developed. The reserved housing presentation would include the proposed prices and a request to allow for an adjustment for a cash-in-lieu payment.

The developer would also describe proposed modifications for the reserved housing site to allow reductions of the front yards and encroachments into the view corridor along Piikoi Street. A Public Hearing for the proposed modifications is tentatively scheduled for January 9, 2008.

The Project Eligibility review for the Reserved Housing site has been completed. A Project Eligibility review for the Phase IV site was not conducted because it was done in 1984 in conjunction with the entire Project; however, the developer would be responsible for satisfying all requirements for historic preservation and infrastructure directly with the respective agencies.

Mr. Akamu introduced Daniel Nishikawa of K2 Investors ("K2") to present their proposal.

Daniel Nishikawa introduced Scott MacKinnon of McCorriston Miller Mukai and MacKinnon LLP, who has been with the project for a long time and is the project director. He highlighted some of the major changes since the last presentation in September.

1. Parking Ramp adjacent to Hawaiki Tower

Staff asked K2 to look at relocating the parking ramp adjacent to Hawaiki Tower. K2 met with all the neighboring buildings - Hawaiki AOA, Koolani AOA, Hokua and Nauru Tower as well as the

Kakaako Neighborhood Board and Kakaako Improvement Association. HCDA staff didn't want that driveway to be adjacent to Hawaiki. When K2 met with the Hawaiki AOA, the possibility of building an adjoining ramp was discussed and alternatives were studied. In the end, K2 agreed with staff and Hawaiki that a ramp adjacent to Hawaiki would probably be more problematic. K2 redesigned the exit ramp coming off the third floor to adjoin with the existing driveway at Pensacola Street. Thus, no additional driveways would be built on Waimanu Street. Since Koolani has already built the signalized intersection, Phase IV's exit ramp would adjoin that driveway and vehicles would safely exit on Waimanu.

2. Shape of the Building

The original design of the building was a bat wing shape. The design presented in September was more of a rectangular shape. Now it is a crescent shape. K2 has been working in collaboration with HCDA staff and one of the big concerns is to ensure that the Mauka elevation facing Pensacola and Waimanu is well presented. K2 agreed and has hired a new architect to come up with a new façade. None of the units face Mauka; all of the units would face Diamond Head. At the next meeting, K2 will be presenting actual models and full renderings.

3. Excess Parking

At the September meeting, one of the Authority Members inquired about excess parking. It looks like there will be some excess parking; however, it is sufficient for only K2's own market sales. There is one parking space for every bedroom. The question is whether to provide three parking spaces with the three bedroom units. At this point, there is no excess parking for allocation to the public. If there are any extra stalls, they would like to offer them to the residents in the tower.

4. Reserved Housing Project

K2 is proposing to have the reserved housing project built before the delivery of the Phase IV Tower. If everything goes as planned the delivery of the Phase IV Tower would be 2011. Construction of the Phase IV Tower would start first because construction of the reserved housing project would not take as long as the tower. The reserved housing site would probably be used for staging during the construction of the tower. The actual start of the reserved housing project would probably be a year after work on the Tower is started.

The pricing of the reserved housing units would therefore be based upon 2009 median income versus the current median income because the units wouldn't be delivered until 2011. Staff has set up a formula

where the median income, the interest rate, the projected insurance, projected property taxes, and projected AOA dues and an affordability index for the units and based upon 2007 Annual Median Income (AMI) with a 2 percent escalator in 2009 are inputted. By calculations it is estimated that the one-bedroom units would be priced around \$300,000 and the two-bedroom units would be priced around \$400,000 resulting in an affordability index of about 135 percent of AMI.

K2 would build 64 reserved units. Two hundred eighty two reserved units were built as part of 1133 Waimanu. With the additional 64 units that would bring the total to 346 reserved housing units for the 404 Piikoi development. Using those figures K2 could build a maximum of 295 market units in the Phase IV Tower. Since they are not going to be building 3-bedroom reserved units in the reserved housing project, staff is requiring a reduction of market units to adjust for the lack of 3-bedroom reserved units. Thus, there would be 277 units in the Phase IV Tower. Depending on the conversion factor, K2 is requesting that they pay a cash-in-lieu fee of \$77,000 per unit based upon calculations of the in-lieu fee. If the 3-bedroom market units in the Towers increase, K2 would like the flexibility of paying a cash-in-lieu fee for required units in excess of the 64 reserved units that would be built.

The Public Hearing would be held on January 9, 2008.

Chairperson Lai asked whether Members had any questions.

Member Kimura stated that he was the person who asked about the excess parking and asked why public parking could not be provided.

Mr. Nishikawa responded that they currently have one parking space per bedroom. Since Hokua sold their 3-bedroom units with 3 parking spaces, they would like to do the same. Given the constraints of space, they could have a limited amount of parking in the structure.

Gordon Wood stated that they are trying creative design with tandem parking, but they really have to squeeze.

Mr. Nishikawa added that they are squeezing to get one parking space per bedroom.

Member Liu supported Member Kimura's desire for public parking. He commented that Hokua set the point themselves when they sold the three

parking spaces with the 3-bedroom units. HCDA is striving to achieve the urban village vision of live, work, and play where commuting is not necessary.

Mr. Nishikawa stated that there is close to 10,000 square feet of commercial space for a restaurant on the first floor and more than four parking spaces per 1,000 square feet would be provided, which is actually more than is required.

Member Kimura commented that he wasn't thinking about the parking on the main tower, but on the affordable project site. He asked whether there was a way to make that feasible.

Mr. Nishikawa responded that with the transportation corridor being proposed for Kona Street, the City is proposing to take 10 feet off of Kona Street to widen the road. So they are maximizing their space and won't be able to fit more parking. He noted that K2 has closed escrow on the property. Mr. Nishikawa understands the concern of the neighborhood.

Member Kimura questioned how the units on the property would be affordable given that the property was so expensive.

Mr. Nishikawa stated that they would be losing money on the property. But the other choice would be to place the affordable units in the market towers like Keola Lai. They were trying to make the price point affordable as well as the monthly AOA dues. The current estimate from Hawaiiana Management for the AOA dues would be \$300.00 per month and for Keola Lai it would be twice that amount.

Mr. Takahashi stated that Member Kimura's point was that if the Authority were to grant modifications, for example on the height requirement, would it be possible to add another floor of parking on the affordable housing project site.

Member Kimura added that it would be beneficial to K2 and HCDA as well as to the public.

Mr. Nishikawa stated that the current design is four levels of residential on top of a concrete deck. The affordable residential units are currently being planned for metal studs. With metal stud construction, four floors are the highest it can be built. If an extra floor is built, then the building would have to be constructed with all concrete which would inflate the cost significantly. K2 is trying to keep their cost at a minimum to keep the prices affordable.

Member Chang expressed that since it is prime land, and the project is still in the beginning stage, whether there was any way to make the building bigger and taller. If there was any way the Authority could help to make it work, not just working within the current rules, but if there were any modifications that could be made to provide more affordable units as well as parking.

Mr. Nishikawa responded that they paid a lot of money for that particular parcel and they want to provide a good quality project at a level above 1133 Waimanu. Unfortunately, there is a big price differential between the construction cost of concrete versus steel studs. With steel stud construction, the walls can be prefabricated but there is a height limit. Once a certain height of the prefabricated metal stud framing is reached, concrete structure would have to be used, which is very cost prohibitive. He didn't think that HCDA could provide enough money to justify the differential between concrete construction and metal stud framing construction.

Member Chang asked what it would take.

Mr. Wood responded that the cost difference if a second deck of parking were to be added would be in the area of 25 – 30 percent of additional costs.

Mr. Nishikawa estimated it to be \$2 million to \$3 million.

Member Chang commented that it was such a shame to have only four floors of residential in such a prime location.

Mr. Nishikawa stated that he would have to verify it, but he thought that it would be in the 20 – 25 percent price differential in construction costs equating to about \$2 million or \$3 million.

Member Chang asked whether going higher and creating more units would make up the price difference.

Mr. Nishikawa stated that he understood the need and desire to produce more units, but they are providing the required number of units and it would not be a profitable venture for them.

Member Chang questioned whether there was a way that K2 could provide more, but not lose money.

Mr. Nishikawa stated that he would have to price the difference.

Mr. Wood added that they would take a closer look at that. But reminded that the more units on that site, the more money the developer loses.

Member Kimura asked whether market units could be sold on the affordable housing site.

Member Chang asked whether units could be added that were higher priced than the affordable units.

Mr. Nishikawa stated that they could put market units on the affordable site, but that wouldn't work for them. There is a higher profit in the Tower. He questioned unless they were given more floor area.

Member Chang replied that is what she meant, what could the Authority give K2 that would make the project workable, such as more density.

Mr. Nishikawa stated that would be a possibility, if they were given more density.

Member Chang asked what could be done for the whole community.

Mr. Akamu reminded Members that in the September presentation, staff mentioned that additional floor area would be sold to K2. About 57,000 square feet of floor area would be sold to the developer for \$2 million. The money would go toward the construction of the Makai Parks along Queen Street. The original budget for the Makai park was estimated at \$2 million in 2001, today the cost would be double. With that particular understanding HCDA can build the parks under a higher budget without additional costs to HCDA. The 57,000 square feet of floor area has enabled K2 to build an extra floor of reserved housing. At the same time, they are building another 40,000 square feet of market floor area on the main site (within the same envelope in that crescent shape tower). If the Authority wants to, it could sell more than 57,000 square feet in exchange for a greater quantity of reserved units. However, building extra floors would trigger other design requirements for the additional housing so there is a balance that goes with contribution of extra floor area. It may also affect the profitability of the market units on the main tower.

Member Liu commented that there would be a Public Hearing where they could have a proposal defined and come back to the Authority. He asked Mr. Nishikawa whether they explored with the Hawaii Housing and Finance Development Corporation (HHFDC) ways to bridge that delta for more density through Federal and State tax credit programs.

Mr. Nishikawa responded that he didn't think they would be eligible. But they did look into it.

Member Liu asked whether K2 did any affordable developments before.

Mr. Nishikawa responded in the affirmative that they have partnered with other people and would probably partner with someone again for this project.

Member Liu asked with whom they were going to partner with.

Mr. Nishikawa replied that they haven't selected any partner yet.

Member Liu asked about the possibility of HCDA getting the land and giving K2 the credits.

Mr. Nishikawa responded that was possible.

Member Liu stated that there were certain organizations that specialize in building affordable units.

Mr. Nishikawa commented that they would be motivated to actually build the units.

Member Liu stated that HCDA could get the land and K2 would get the credits. There wouldn't be a need to mess with the ratios and put out an RFP to provide a quality project with more affordable units.

Member Liu left the meeting at 10:20 a.m.

Mr. Nishikawa stated that they don't want it to impact their market tower and wanted to make sure that the current proforma is to recoup some of the money for purchasing the land. K2 would be willing to discuss the possibilities. The reason that they were limiting the height of the building was because of the cost differential. They would be open to any ideas so long as it would not adversely affect the current proforma on the tower site.

Mr. Akamu stated that through the Joint Development agreement for the reserved housing site and the Phase IV site, the developer is allocated about 50,000 square feet of floor area that could be built on the reserved housing site, but moved it to Phase IV Tower. If HCDA were to take it over, there would be a lot of recalculations and might affect their tower site.

Mr. Nishikawa stated that he wouldn't want to agree to that.

Mr. Akamu commented that there are aspects to that idea that need to be rebalanced.

Member Chang commented that it is still in the early stage and they can still be flexible.

Mr. Nishikawa stated that they would probably partner with another company to do the affordable site, which they are doing as a requisite for their tower.

Member Okada asked how many reserved housing units would be provided.

Mr. Nishikawa replied 32 1-bedrooms and 32 2-bedrooms.

Member Okada asked whether they were following the same principle for parking as the main tower.

Mr. Nishikawa responded in the negative. There is only one parking space per unit and one space for the commercial.

Member Piper left the meeting at 10:24 a.m.

VII. ADJOURNMENT

There being no further business, it was moved by Member Okada and seconded by Member Saito to adjourn the meeting at 10:25 a.m. The motion passed 7 to 0 with 2 excused (Members Liu and Piper), and excluding Kalaeloa Members.

Respectfully submitted,

/s/

Amanda Chang
Secretary