

SUMMARY - WORKSHOP
HAWAII COMMUNITY DEVELOPMENT AUTHORITY

State of Hawaii

May 25, 2007 – 9:00 a.m.

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

ATTENDANCE

Members Present: Mark Anderson (for Theodore Liu, DBEDT); Amanda Chang; Grady Chun; Michael Goshi; Scott Kami (for Georgina Kawamura, B&F); Jonathan Lai; and Russ Saito (DAGS).

Members Absent: Scott Bradley; Barry Fukunaga (DOT); Paul Kimura; and Kay Mukaigawa.

Others Present: Daniel Dinell; Matthew Akamu; Deepak Neupane; Teney Takahashi; Susan Tamura; and Jill Sugihara (also, see Meeting Attendance Record).

I. ROLL CALL

The workshop of the Hawaii Community Development Authority (HCDA) was called to order on May 25, 2007, by Chairperson Michael Goshi at 9:02 a.m. with the following roll call:

Chairperson Goshi	Present
Member Anderson	Present
Member Chang	Present
Member Chun	Present
Member Kami	Present
Member Lai	Present
Member Saito	Present

MATERIALS DISTRIBUTED

1. Agenda for May 25, 2007 Workshop;
2. Revisions to the Mauka Area Plan and Rules: Executive Summary and Working Draft; and
3. Information Item: Housing Subcommittee Report.

II. INTRODUCTION

Chairperson Goshi stated that the purpose of the Workshop was to familiarize the Authority with the working draft of the Mauka Area Plan. There have been several updates over the past years and now it is at the point where the major elements of the Plan have come together. The focus will be on the overall framework as well as the reserved housing component. No decision-making will take place. The Workshop is for the purpose of providing information and generating discussion only. While general public input will be solicited before adjournment, the major focus is on discussion amongst the Authority members.

Susan Tamura, HCDA staff planner, outlined the Workshop agenda whereby HCDA's consultant PlanPacific would be presenting a working draft of the Mauka Area Plan followed by a presentation on the reserved housing program.

III. ELEMENTS OF THE WORKING DRAFT MAUKA AREA PLAN

Susan Tamura provided the background of the subject matter and introduced John Whalen of PlanPacific Inc.

Ms. Tamura explained that the amendment process was initiated in April 2003, when the Authority conducted a Workshop to discuss the Mauka Area. At that Workshop, the Authority determined that a comprehensive review of the Mauka Area Plan and Rules was warranted. PlanPacific was retained in early 2005 as project consultants.

In late 2005, PlanPacific had completed a review of the existing Mauka Area Plan and developed a document called "Issues and Opportunities in Revising the Kakaako Mauka Area Plan." The report findings were presented to the Authority in October 2005; followed by a series of government, stakeholder and public meetings. HCDA received numerous comments through the public input process. In addition, staff had also convened an Advisory Committee made up of landowners, stakeholders, and area residents, representatives from the City's Departments of Planning and Permitting and Transportation Services, as well as professionals from the architecture and planning

disciplines. A focus group was also formed comprised of landowners within the Central Kakaako area. These two groups provided invaluable input into the Mauka Area planning process.

Taking into account the public and stakeholder comments, PlanPacific proceeded with the development of a Concept Plan for the Mauka Area. The Concept Plan was completed and presented to the Authority in October 2006. Again, an extensive public outreach program was initiated to solicit public comments on the Concept Plan.

Upon review and incorporation of comments on the Concept Plan, staff along with PlanPacific developed a working draft Mauka Area Plan, which will be presented. Ms. Tamura noted that the working draft is not, by any means, “a final or pre-final Plan.” The draft will be circulated for public review and comment through the Supplemental Environmental Impact Statement (SEIS) process, pursuant to Chapter 343, Hawaii Revised Statutes (HRS).

The SEIS process will test the proposals and assess alternatives and options. The SEIS will also include a transportation study, infrastructure master plan and urban design analysis. Following the SEIS process, the draft Plan and rules will go through the State’s Administrative Rule making process pursuant to Chapter 91, HRS. Staff anticipates that revisions and adjustments will be made to the working draft through the SEIS and Administrative Rules amendment process.

A. Presentation by John Whalen of PlanPacific Inc.

Mr. Whalen’s PowerPoint presentation is attached as Exhibit A.

Upon the conclusion of the presentation, Chairperson Goshi extended the Authority’s appreciation to the advisory committee and focus group participants as well as the general public for providing suggestions and comments. He reminded the audience that questions or comments would be taken prior to the end of the Workshop. He then asked whether the Members had any questions or comments.

Member Chang asked how the proposed Plan is incorporated with the City’s transit plan.

Mr. Whalen replied that the transit system was going to take place primarily within the public right-of-way. There is very little the Authority can do if it disagrees with the transit line. Portions of the alignment cross into private properties and the City would be responsible to make whatever land acquisitions are necessary. There is an opportunity to create an integrated

transit station with a private development near Ward Avenue and Queen Street because that location is a General Growth property. There is also a possibility to integrate a station with an adjoining property at the South Street station location where on one side the landowner is Kamehameha Schools and the other side is a property owned by Servco Pacific. The main point is if the City wants a successful transit system it should integrate a street system that supports pedestrian use and currently that is not available in Kakaako or throughout most of the City. Thus, major improvements need to be made to sidewalks and crosswalks to make them safer and more attractive.

Member Saito asked relative to the pedestrian traffic how that would integrate with Honolulu Police Department as it relates to security. He noted that there would be a lot of people on the sidewalks because of the transit stations.

Mr. Whalen replied that more pedestrians on the streets create safer streets. Mr. Whalen recalled when he first lived in New York City; Central Park was a dangerous place. However, the Parks Director opened up Central Park and held events there, which brought people into the Park at night and created a safer environment. This creates the idea of “eyes on the street” - the more people there are, the safer everybody will be.

Member Saito commented that would be true during the day when there are a many things happening. However, criminal activities occur when the streets are isolated and there are times, even though the streets may be pedestrian-friendly, when there isn't going to be a lot of pedestrians.

Mr. Whalen stated that the situation would be worse without an improved sidewalk environment and adequate lighting. Design of the lighting system could improve the streets at night. For example, placing lamps at lower heights illuminates the sidewalk better. Currently, Kakaako streets are isolated, but with all the people living in the area, eventually the streets will be more active. For example, now people go to Chinatown on Friday and Saturday nights; the monthly first Friday event is particularly popular. People respond to other people being there and it is a lot safer.

Member Anderson commented that staff and PlanPacific have come up with a very good and exciting Plan. He will collect his thoughts and send in his comments in writing, but he wanted to make a few comments. There have been conversations with people that are trying to protect agricultural land and they want an urban growth boundary. The solution that is commonly suggested is to increase density in the urban core and to convince people that single family homes are not the only homes to live in. Under the revision of the Plan, Member Anderson asked, for instance, whether there was a goal of

100,000 people in Kakaako, whether that number is attainable and from an island perspective whether enough living units are going to be created.

Mr. Whalen replied that the Plan increases the potential in the area and encourages greater range of housing types – low-rise as well as tower housing. Unfortunately, much of the tower housing has been targeted at high-end luxury prices. The new housing project on the Pohukaina School site that is a result of a State request for proposals incorporates low-rise townhomes and a more modest height tower. That is a good start in his opinion.

Member Anderson commented that earlier he was advocating for consideration of a higher density than 3.5 floor area ratio (FAR). He was hoping that for certain neighborhoods it might make sense, but it seems that is on hold for now.

Mr. Whalen replied that sometimes trade-offs can be made. For example, density can be increased by reducing parking, which consumes 35 to 40 percent of the building volume. A good example of that is an elderly housing project on Beretania Street, which has a FAR of 6.5, but the building doesn't look bulky because there is very little parking. One of the features of transit is to be able to reduce parking ratios, which creates more possibility for living space rather than parking.

Member Anderson stated that the Department of Business, Economic Development and Tourism is involved in energy for tomorrow and energy efficiency. He would like HCDA to include strong language in the Plan on energy efficiency and sustainability to use Kakaako as a model. Member Anderson said that he would forward some suggested language to be considered. He also suggested that the Makai Area be considered as a neighborhood too so that the Mauka and Makai areas could be in sync.

Chairperson Goshi stated that the latter idea was good; however, it was a matter of timing to include both Mauka and Makai in the same Plan.

Member Anderson commented that previous discussions of the Housing Subcommittee included offering density bonuses to developers who were willing to offer items that HCDA wanted to encourage, for example, affordable housing, design elements or open space. He asked whether the Plan precluded that moving forward.

Mr. Whalen responded that many of the developers want to go higher in building height so they can obtain higher value. The way that the building diagram is structured is to focus on the ground level first. To obtain higher

floors, the developer would have to provide more open space or arcade space. There is also the possibility of transferring floor area from one property to another and it may be a factor near the transit stations. Another trade-off is for lower FAR in place to preserve view planes.

Member Saito stated that he applauded the attempts to reduce parking; however, it might end up in a situation like Downtown and the Capitol District where there is no parking and it creates more problems. He recalled a whole neighborhood of planned development in Vancouver where the parking was less than the allocated amount; it was beautiful, but people hated it. Member Saito didn't want to see HCDA lock in on something without flexibility. He asked about putting local bus service on certain streets. He was concerned that although there is pedestrian traffic, there would still be an issue of moving people on the streets.

Mr. Whalen reminded everyone that the curb-to-curb width of streets is not changing. Buses will still be traveling through Kakaako regardless of the transit. One of the things proposed is centralized parking. Central Kakaako is a good candidate for that approach so that every lot owner doesn't have to provide parking on its lot. There needs to be some kind of parking management approach because it is chaotic and not functional. Businesses make do, but over the long-term it has not been good.

Member Saito asked whether there was a site map of the Kakaako district to create space for those types of facilities to develop.

Mr. Whalen replied that there are two locations for public parking lots and garages in Central Kakaako.

Member Kami commented that the Plan sounds very interesting. He had several questions -- who would be responsible for the medians and sidewalks; would it be done as developments are completed; done only on those with properties fronting those streets; would it be done by the Authority; would the owners be assessed; and who would fund it all.

Mr. Whalen replied that figuring out the financing wasn't part of their contract. He suggested a combination of funding for improvement districts. Private development could provide all the sidewalks and frontage, but, for instance, to require a single developer to pay for improvements for the entire length of Ward Avenue would not be reasonable. Two approaches would have to be combined. Project development cost for areas within the property line and then an improvement district, which could be general State appropriations.

Member Kami asked whether the work could be done in phases, one street at a time. He also asked whether some of these streets were owned by the City.

Mr. Whalen replied that it varied. Some of the streets are City owned; some are privately owned or a combination of the two; and some are constructed by the Authority and not yet dedicated to, or accepted by, the City.

Member Kami liked the concept of the trees, but recalled that the City had issues with the maintenance of the trees.

Mr. Whalen replied that there is a concept of the right tree goes to the right place. Trees can co-exist with curbs, gutters and sidewalks, but there will be problems if a tree with an aggressive root system and spreading canopy is constrained into the right-of-way. Mr. Whalen stated that professionals know the proper tree placement.

Chairperson Goshi commented that currently the Mauka Area Plan is in the starting point; there will be revisions. Base zone is 1.5 FAR and planned development is 3.5 FAR. Boston has 6.0 FAR with 65 foot height limits. Some things may work, but a lot of it has to deal with timing. For example, placing medians in right now when those lanes are needed might not work, but over the decades it would probably be worth it. Some of the actual physical changes will take some time.

Mr. Whalen responded that some of the more ambitious proposals like changing the streets from one-way to two-way will face skepticism from traffic engineers. However, thinking is changing in the transportation engineering profession. PlanPacific used as their guidebook a manual that was prepared by the Institute for Transportation and Engineers, which is a professional organization of transportation planning. There has been disagreement within the profession, but they decided they would commit to this. The urban street system was put in years ago and requires high density in urban neighborhood. People are not relying on cars as much as in the suburbs.

Chairperson Goshi commented that there have been questions raised about sustainable energy and environmental issues, but unless the price of gasoline hits \$10 a gallon people won't change. HCDA has the vision to create more pedestrian access and this will provide more flexibility in the future. Eventually we will get there, but the timing and details will take years of work.

Member Chun commented that the working draft Plan mentions the potential for traffic to increase significantly in 2025 and that there would be less reliance of major thoroughfares. Ala Moana Boulevard/Nimitz Highway is considered a major thoroughfare traveling from Sand Island to Waikiki so there is a high density of traffic going along that one corridor. It was also mentioned to create pedestrian-friendly crossings on certain intersections along Ala Moana Boulevard. Member Chun asked how that would affect the traffic.

Robin Foster of PlanPacific replied that there would be no lane reduction. The old street Plan consisted of a couplet using Halekauwila and Queen Streets. These one-way streets of traffic would disrupt the pedestrian-friendly environment. The key philosophical point is not to widen streets only to address the two hours a day when there is congestion. Every major urban center has traffic problems. More people need to be convinced to take public transportation.

Chairperson Goshi commented that people in Hawaii have a love relationship with their cars, the psychology is still car based, but at some point it needs to change to public transit. Transit will start in Kapolei and by the time it gets to downtown the public sentiment might change.

Member Saito also expressed his concern about Ala Moana Boulevard being a major thoroughfare with taxis, buses, trucks, and rental cars. People are encouraged to drive from Waikiki to the Arizona Memorial up to the North Shore. If the boulevard is made pedestrian-friendly to the extent that it would slow down heavy free flowing traffic, that would be a concern. Member Saito asked for the details on the pedestrian-friendly crossing and whether it would include underground or overhead pedestrian walkways.

Ms. Tamura replied that the next phase is the testing phase, which is why the transportation study is part of the SEIS process. Those items are proposals right now and it will be tested in the next phase. Staff met with the State Department of Transportation (DOT) and they have expressed concerns as well so staff is working with them.

Member Anderson stated that there are no easy trade-offs. The features that make traffic flow best will make Kakaako less pedestrian-friendly. The features to get people out of their cars and walk to work are going to have impact on traffic.

Member Saito commented that when he has a meeting or conference to attend in Waikiki he has no choice; he must travel through that corridor.

Chairperson Goshi mentioned that in Chicago, your luggage can be checked in at a kiosk in downtown and it goes all the way to its destination. This is currently a working draft Plan, so HCDA will need to work with the community.

Member Anderson asked how the public would provide its comments on the Plan.

Ms. Tamura stated that she would discuss that at the end of the presentation and there would be a formal public meeting.

Mr. Dinell stated that Ms. Tamura would present the summary of next steps before the Workshop adjourns.

Chairperson Goshi commented that while the 3.5 FAR was the density in the working draft Plan, he would be open to a higher number and urged it be studied as part of the SEIS process.

IV. HOUSING SUBCOMMITTEE REPORT

Teney Takahashi explained that the reserved housing provisions are embodied in the current Mauka Area Plan and Rules, specifically in subchapter 4, in exchange for density and height bonuses for planned development, and the entirety of subchapter 7, which describes the reserved housing program implementation. Therefore, reserved housing is deserving of attention in the review of the Mauka Area Plan and Rules.

In August 2005, a four-member Housing Subcommittee was formed to review HCDA's current reserved housing rules and make recommendations to the Authority on changes to the existing reserved housing rules. The subcommittee identified several areas of concern.

In June 2006, a focus group of 25 design and development professionals and community leaders also identified issues and provided recommendations. Their work product was provided in the Members' packets. In February 2007, with input from the Hawaii Housing Finance Development Corporation (HHFDC), HCDA contracted with Belt Collins Hawaii Ltd. to research housing rules of other jurisdictions, interview stakeholders, and develop and test alternatives, and rewrite the rules as appropriate.

Mr. Takahashi explained that the purpose of the reserved housing Workshop is to provide report on the work of the subcommittee and discuss several alternative

approaches based on the research that has been completed to date. More importantly, staff would like to learn Members' preference so staff can shape alternatives for evaluation within the Mauka Area Plan SEIS process. These same alternatives will be presented at the public meeting on June 19, 2007, to solicit community input.

After receiving feedback from the Authority and the community, staff will prepare a draft reserved housing chapter that will be included in the draft Mauka Area Plan. Authority approval to evaluate the draft reserved housing plan together with the Mauka Area Plan will be requested at the July Authority meeting. Staff is requesting general direction from the Authority, not to make any final or specific decisions at this time.

Mr. Takahashi referred to the handout of Chapter 206E, HRS, excerpts pertaining to reserved housing. The references clearly establish the requirements for a reserved housing program, namely:

- 206E-101, HRS, defines reserved housing as the low- or moderate-income range,
- 206E-33(8), HRS, allows such housing to be required as a condition of redevelopment of residential uses together with the community facilities necessary for those residences,
- 206E-4(18), HRS, provides guidelines for offsite reserved housing, including a hierarchy for prioritization.

Some overarching points for consideration are:

- HCDA's primary mission is redevelopment of the Kakaako Community District and this suggests compromise is necessary in establishing reserved housing programs, as these tend to discourage development.
- HCDA policy calls for development by developers and not HCDA. Therefore, can only be developed together with market housing.
- "Inclusionary" housing is a practical result of this policy because it is the most expedient way to produce housing units.
- That the target of gap group or workforce housing due to a need to avoid obvious quality differences from the market housing.

Mr. Takahashi introduced John Kirkpatrick of Belt Collins Hawaii, Ltd., who gave a briefing on his research and findings.

Mr. Kirkpatrick explained that the Housing Subcommittee was tasked to simplify the reserved housing rules so that everyone involved would have a clear understanding of what reserved housing is and how it should be produced. Belt Collins reviewed HCDA's rules and also reviewed rules from other jurisdictions. They found that other jurisdictions have the same problem with housing programs, if not worst. Belt

Collins talked to Authority Members, staff, and developers and shared the problems they heard. The confusion is there are competing objectives that must be intentionally written in the rules.

Mr. Kirkpatrick stated that the objective of this portion of the Workshop was to ask the Members to reflect on reserved housing issues and clarify the objectives for the program. Mr. Kirkpatrick outlined two goals for the session: 1) to establish the basic objectives; and 2) to explore ways to write the rules in the manner the Authority wants them to be implemented.

Currently, the reserved housing rules are being implemented as an inclusionary housing policy. If a developer is doing a planned development involving residential, 20 percent of the units will be for reserved housing. The units will be vertically and horizontally integrated and they would contain the mix of product types proportioned to the market housing. There are other ways to do it. For example, Nauru, Hawaiki and Koolani Towers were built separately, but satisfied its reserved housing requirements through building 1133 Waimanu and thus, the reserved housing units are not in the same building/facility. It is workforce housing that is inclusionary only in the sense that it is within Kakaako, it is not inclusionary in the project that comprises the overall developments. Mr. Kirkpatrick asked for the Members thoughts if a developer were to come in and ask whether HCDA prefers to have 50 units within the planned development project or 75 units outside of Kakaako.

Member Anderson responded that the affordable housing issue is complex. Even though the rules are in place, sometimes decisions must be made on a case-by-case basis. When there was no construction activity, HCDA waived the affordable housing requirements for three years. Currently, there is increasing pressure to make more units affordable. Member Anderson thought that there should be some flexibility in the rules that account for prevailing economic conditions; however, regardless of whether there is construction activity or not, there still needs to be some discussion with the developer not just on affordable housing, but on design elements as well. There needs to be a public process for public input. Member Anderson felt that there would be no set of rules that would be perfect.

Chairperson Goshi asked whether Members had any other thoughts.

Member Lai tended to agree with Member Anderson, but if he were to answer that question right now, he would prefer more units.

Member Chang was thinking more about the big picture about providing more housing and density in the Kakaako area so that it would alleviate traffic island wide and at the same time provide affordable housing. She had in mind to provide affordable rental units. In answer to Mr. Kirkpatrick's question, Member Chang

preferred to have more units. Instead of 50 units in the building, she would rather have 75 units nearby in Kakaako or perhaps even 200 units in Waianae.

Mr. Kirkpatrick responded that what he heard on the inclusionary issue gave him some direction.

Member Saito asked Mr. Kirkpatrick what he understood about Member's preferences about the inclusionary issue.

Mr. Kirkpatrick replied that what he heard was a mixture of two things. First, Member Anderson summarized why there needs to be transparency, but also to be open to case-by-case decision-making on the virtues of the project. Second, he heard a concern with getting more housing built for Hawaii residents in the Kakaako district, but to be open to producing more units outside the district.

Member Saito asked what the definition of the affordable unit is because affordable purchase is not necessarily the problem. He asked what other provisions would be made not to just offer affordable units to be purchased, but rentals also.

Mr. Kirkpatrick stated that his understanding of reserved housing as it is currently defined covers the range of 80 percent of median income to 140 percent. Up to 100 percent would be rental, over 100 percent would presumably be for sale and depending on economic conditions, different developers could propose different combinations.

Historically, HCDA has relied on two separate mechanisms. One is the partnership with HHFDC to build low- or moderate-income housing. In working with developers, the reserved housing rules have tried to stimulate and create development housing for workforce group. Mr. Kirkpatrick asked whether the Authority was happy with that or whether they wanted reserved housing for a larger income range or had other objectives.

Member Saito stated that he was wearing two hats because he is also heavily involved in the homeless problem. The homeless issue is a big problem. If people who cannot pay their rent were put on the streets, it would be an even larger problem. The problem with the homeless is that no matter where you place them, there needs to be affordable rental units. As long as there is flexibility and it provides a benefit that is what Member Saito would like to see.

Mr. Kirkpatrick commented that as long as HCDA allowed for various types of offsite units, there would be opportunities to respond to whatever the priority is.

Mr. Kirkpatrick wanted to discuss the equity issue. He explained alternative ways to look at appreciation in reserved housing units.

1. HCDA could require developers to build workforce housing and if the unit is sold on the open market, HCDA will keep a portion of the sale. That is the current version of the rules. This provision is a great way for HCDA to get some money and remain fair to the owner, while discouraging speculation.
2. The buyer of the workforce housing unit would be able to gain equity as a homeowner. The homeowner would keep all profit from a market sale. This is how this family might accumulate wealth.
3. Split the difference in the equity, and there are lots of alternative ways to do so.
4. Equity is created when the reserved housing unit moves on the open market. If the units remain price controlled and is kept as price controlled reserved housing units, there is no share of equity to be taken. Units that enter the market, as workforce housing would be resold at workforce housing prices.

In three out of the four ways, equity appreciates and the question is who gets the equity. In the fourth way, there is little equity or subsidy and this should keep housing affordable. The question then becomes how to go about doing this. If it is case-by-case, it makes it difficult for developers because they need to know what kind of product they are going to be selling on the market.

If HCDA receives the equity, the money could be used for housing programs to help build more affordable units in partnership with HHFDC. On the other hand, if the equity goes to the homeowner, they can move out, for example, to single family homes.

Mr. Kirkpatrick asked the Members what their thoughts were on how to keep the housing affordable.

Member Saito felt that we should follow the need for housing. If the need is still strong then housing should be kept affordable. However, if economy changes and there isn't a need for so many affordable units anymore then it pushes the market in another direction. From his perspective, he is confident that there will always be a need for affordable housing. As such, he believes that there should always be a stock of units that are affordable even when the homeowners sufficiently improve economically and buy market priced-homes.

Member Anderson commented that everyone is assuming that the government is the only one that creates affordable housing, but the private sector does too. Everyone also assumes that there will always be equity created. Currently, the market is very hot, but there might not always be equity appreciation. Member Anderson thought that there should be a disincentive to flipping the property and if there is equity it should go to HCDA to discourage the practice of flipping.

Mr. Kirkpatrick stated that flipping can't be discouraged without shared equity. There could be no equity for the first five years if all increases in value goes to HCDA. There could be shared equity or a graduated scale of shared equity or all the equity could be given to the buyer. Flipping could also be addressed by a simple rule without going into any complicated formula. Flipping usually occurs within the first five years. The question is whether HCDA should take a piece assuming there will be appreciation on every unit that is sold under reserved housing.

Chairperson Goshi thought that the question really comes down to subsidy and he believes that there should be no subsidy. If the HHFDC were to just build very small units then those units would remain affordable. There would be no unfair windfall because there will be little appreciation. Chairperson Goshi thought that the requirements to buy the units should be deregulated so there is no subsidy.

Member Chun questioned that if HCDA received some type of equity from the property, what would HCDA do with the money. For him, that is a key question whether HCDA should take the equity sharing or not depends on what HCDA would do with the money.

Mr. Kirkpatrick replied that one option would be to explicitly write in the rules that all equity sharing goes into a trust fund and that money can't go back to the general fund.

Mr. Dinell stated that there was such a trust fund.

Member Kami questioned if there was no equity sharing, would the buyer still be willing to sell the unit 10 years down the line. If the unit will not generate equity and there is no financial benefit in selling the unit, the unit may not be turned over. His feeling was that there should be some kind of sharing to provide some incentive for the buyer to move out and make that unit available to some one else.

Member Lai commented that Chairperson Goshi's approach of having no subsidy was outside of the box thinking. People would have accumulated wealth through other means and then they would be able to move to another unit. Member Lai would like to add his concern about flipping to make sure that people don't get a windfall

because he has heard stories of people entering an affordable housing lottery and holding the property a few years and then selling it. That is not helping the problem.

Chairperson Goshi added that through home ownership people get a tax write off so they are saving and gaining individual wealth through the tax system.

Mr. Kirkpatrick explained the matrix of the rules from being explicit and consistent and making the objective clear to implicit, very fuzzy based on case-by-case decisions. In Los Angeles, the Council works on a case-by-case basis. On Oahu, there is a unilateral agreement with the City and County of Honolulu. Every City department has their say and each department head adds something, then it goes to the planning commission, then the City Council, then to the Mayor and the unilateral agreement gets longer and longer. HCDA's great advantage is that it doesn't do that and that is one of HCDA's selling points for developers. HCDA is a little on the implicit side because the rules are complicated and some of the inclusionary things are not fully explained in the Mauka Area Rules.

Mr. Kirkpatrick referred to a matrix of choices to help describe HCDA "style" in rule making. The styles of other jurisdictions portrayed on the matrix helped to compare the relative explicit (tight) or implicit (loose) nature of the various jurisdictions he had researched.

"Trimming the tree" or simplifying the rules by cutting down to make things straight forward and more objective. For example, the rules state that the developer must provide 20 percent of units for reserved housing. The questions that follow include: should it be the same size as the other units; and should it be the same mix.

Mr. Kirkpatrick suggested changing from 20 percent of units to 20 percent of residential floor area. HCDA can then decide on the mix of those reserved housing units or being permissive and letting the developer decide the kind of units that will work in their project. On the strong regulatory side, the Authority can specify that 20 percent of units will be two-bedroom units with granite counter tops or whatever the Authority feels is needed.

Members have also expressed interest in incentives. The problem with incentives is what are the incentives and what are they worth. The best incentives would allow the developer to have a lot of leeway, but for incentives to be effective, the developer needs a clear understanding.

"Menu" incentives are used by the County of Hawaii on its affordable housing program. The developer must build affordable housing and they have to give 20 percent worth of credits. There is a credit value for many different items on a menu. For example, units built within the project earn one credit whereas units built down

the street earn less credit. The problem with this is the more incentives given; the more different values must be assigned just like a menu. This could get extremely long and complicated. The nice part is it gives the developers flexibility; the difficult part is that you have to have a price on each menu item so it gets complicated. In some ways it is an attractive thing, but politically it is difficult because it needs to be written down in the rules and a short time later the rules may need to be amended. There needs to be a full scale credit system, which also allows you to transfer credits.

Minimal rules calls for setting a rule and requiring the developer to meet the rule anyway he can. For example, if the developer needs to provide 50 units, the developer would decide what kind of units would be provided and where.

Mr. Kirkpatrick asked the Members if they preferred to be as flexible as possible based on case-by-case or just set the rules right and walk away. The rules could be spelled out in great detail or kept simple and written in such a way that the developer has as much flexibility as possible.

Simplifying the rules, that would move more toward being explicit; the rules would be detailed and straightforward. This would also mean less case-by-case decisions and better understanding. There could also be written a clause to waive the rules. But that would mean the rules don't get much respect. Mr. Kirkpatrick asked the Members whether they were comfortable at being more explicit, state the rule and stick with it or stay more toward the middle or more implicit, working on case-by-case.

Chairperson Goshi asked Members for their thoughts.

Member Saito's feeling was to go toward explicit. But it was not clear to where a menu system was in the quadrant.

Mr. Kirkpatrick responded that menu incentives are very explicit. It has many details so it is not permissive.

Member Chang thought she didn't want too many regulations. She felt that it would create a burden on the consumer at the end, because more responsibility would be placed on the developer and in the end the consumer would have to pay for it. At the same time, she didn't want to be too implicit and work on a case-by-case. Member Chang wants to avoid either detailed regulations or too much case-by-case.

Member Lai commented that he didn't want to be detailed about it, but would move more toward explicit.

Chairperson Goshi stated that it should be a two-way discussion not just the developer suggesting what can be done.

Member Anderson commented that the developer would know the average cost of creating an additional unit. There may be a case when the developer requests for another floor so that he could build more units. Only the developer would know the price information and HCDA as a regulatory agency can't get that information, the developer won't tell HCDA. His idea of incentives is if the developer would come to HCDA and say that he could build more units if given more density.

Mr. Kirkpatrick described the point that Member Anderson was making, calls for the developer to come in and talk to HCDA. In San Diego, they tried to write density bonuses that way, but some economists say that it doesn't work. The way that San Diego tried to follow was to say if a workforce housing floor is provided, then a luxury housing floor could be added at the top of the building. The case being argued was that another floor on top doesn't give the developer much more if there are higher construction prices for building on the upper floors. However, if the developer can make it work, that's a different situation. The rules should be written that if the developer can make something good happen, then it should be reflected in the rules.

Chairperson Goshi commented that he has seen it work before.

Mr. Kirkpatrick stated that the Authority wants to be explicit, but still remain flexible for alternatives.

Member Chun stated that it sounded like everyone was moving toward the upper right hand quadrant. He asked whether there were any negatives in moving in that direction.

Mr. Kirkpatrick replied from his perspective he didn't see anything negative. But others might think differently. Personally, he liked having a few creative proposals from developers because it would give more diversity.

Member Saito commented that being in that quadrant that it is permissive would allow HCDA some flexibility as well.

Mr. Kirkpatrick commented that on the inclusionary issue it was very clear that the Members want more units built, but that there was not one clear final answer on equity question. He heard some sympathy for letting people develop wealth and use that to move to market units.

Member Chang commented that everyone agreed there should be no flipping. She felt that direction is needed on the equity question. If some of the equity goes to HCDA

that means it is achieving its goal for the future to use that money to build an affordable rental and that will support that direction. If the objective is to encourage the gap group to purchase then the focus should move to affordable housing for purchase or rent. So that is the kind of direction that is needed.

Mr. Kirkpatrick commented that there appears to be a desire to use shared equity monies to build affordable housing. It is clear that the Authority wants to enable partnership with developers.

Member Saito commented that he didn't necessarily want to create a menu, but thought that it could be similar to the Leadership in Energy and Environmental Design (LEED) program. He stated that it was helpful to have the credits in writing. Adding a certain green feature would qualify for LEED credits, and eventually to LEED certification. It doesn't dictate exactly what the developer needs to do, but gives direction to design the project so the developer would have an idea of the number of credits before coming to the Authority.

Mr. Kirkpatrick asked whether it would be guidelines rather than rules.

Member Saito stated that it would be helpful either way to avoid the developer having to present the whole proposal to the Authority and expect the Authority to have to figure it out.

Mr. Kirkpatrick replied that Belt Collins, together with HCDA staff, could draft a credit structure to be used as guidelines that might be considered by the Authority, but not incorporated into the rules.

Chairperson Goshi commented that the main point is equity being tied to subsidy. If there is no subsidy, there is no shared equity. The second thing, focus on where the Authority wants to be because the land cost is high. A developer with three-bedroom units can provide more housing for people versus one with one-bedroom units. He suggested using a two-bedroom unit as a standard.

Member Chang added units could be based on floor area.

Chairperson Goshi commented that the problem with 20 percent of floor area is the cost. Currently, people are purchasing two-bedroom units at market rate of \$300,000 to \$480,000. He asked for confirmation that 20 percent of units and 20 percent of the floor area would end up with the same units.

Mr. Kirkpatrick replied in the negative; 20 percent of the units could end up with very small units and thus, significantly less than 20 percent of the floor area.

Chairperson Goshi stated that 20 percent of the floor area has to be affordable from the total building area, so technically it is the same number and mix of units.

Member Chang stated that she didn't quite understand.

Chairperson Goshi stated there are two approaches. He is in favor of 20 percent of the units.

Member Chang asked whether the units were being defined as two-bedroom units.

Chairperson Goshi stated that there were two issues, 20 percent of the units and 20 percent of floor area. He did not want to go with 20 percent of the floor area unless it produced the same results as 20 percent of the units.

Member Saito thought he heard that 20 percent of the units would be lesser units than the ones sold at market. The question is what is the intent; whether to make the same kind of units, floor area or at a lower rate or cost. The intent is not to make the units lower quality just because they are affordable. This should be debated more.

Mr. Kirkpatrick stated that since the time was short he requested that Ms. Tamura present the conclusion.

V. CONCLUSION

Ms. Tamura concluded the presentation by stating the next steps of the project.

- A public meeting would be held on June 19, 2007, from 5:00 PM to 7:30 PM at the Kakaako Room of the Ward Warehouse. The working draft of the Mauka Area Plan will be presented to the public in an open house format, to be followed by a presentation on the reserved housing program.
- At the July Authority meeting, staff will be requesting approval to contract to initiate the SEIS process.
- The SEIS scoping meeting is tentatively scheduled for late July, but is dependant upon completion of the State contracting process with the SEIS consultant. The SEIS will take approximately one year to complete due to the public input process, followed by the Administrative Rule amendment process.

Member Saito questioned the contracting process.

Ms. Tamura stated that the contract was for the SEIS consultant.

Member Saito asked whether there was a problem with procurement.

Ms. Tamura replied that the process would take some time so it is being scheduled at the end of July.

Member Saito asked whether the selection would be scheduled at the end of July.

Ms. Tamura replied in the negative, that consultant selection is already in process.

Mr. Neupane clarified that the process has already been started, but it would take some time going through the Department of Accounting and General Services (DAGS). The Governor has already approved.

Ms. Tamura stated that the going up and down the chain in the contracting process might take a while. But staff is hoping to get the contract back by the end of July; if not, the start will be pushed back.

Chairperson Goshi asked whether anyone from the audience wished to make a comment.

Nancy Hedlund, Ala Moana/Kakaako Neighborhood Board member, questioned how to foster sufficient diversity in housing. By making allowances for high-rise towers, it is putting in a lot of high-end luxury housing and it is changing the nature of the Kakaako neighborhood. Ms. Hedlund suggested a need to look at whether the principles being created include enough diversity for the neighborhood. That is really important to the people who have lived in this neighborhood and care about it. They don't want to see it become a high-end place with high-end shops. Additionally, she noted that sustainability as principle is really important.

Dexter Okada stated that he was part of the advisory committee/focus group. It didn't sit right with him that the draft Mauka Area Plan mentions that there is a problem with Central Kakaako, and it is condemning Central Kakaako. The proposed Plan talks about pedestrian-friendly in an area where the businesses are service or industrial businesses and the businesses don't want pedestrians because of their trucks and containers. TOD is also counter to this area because it encourages higher density. All these things mentioned may provide solutions to other areas, but it is creating more problems for the existing small businesses. Mr. Okada wants to emphasize the importance of the service industry. For example, at Piers 1 and 2, there were ideas of developing the area, but there was recognition that harbor space was needed. People don't realize what goes into a retail store. Under the top layer, the service people are on the bottom layer helping to support the top. Without the service people, a lot of

things won't work. Mr. Okada has a food company and without the food products, it won't get delivered to the residents. He just wanted to emphasize how important the service industry is, but everybody keeps ignoring them. His company can move to Kapolei, but costs will rise. Some businesses that have moved to Kapolei, try to find storage here and there so they don't have to go back and forth to Kapolei because of the cost of gas and employee time. Kalihi is essentially the same as Central Kakaako, many small properties, with lots of light industrial and service businesses. If there is a solution for Kakaako it could also be carried out in Kalihi. Mr. Okada emphasized that although the small businesses are unseen, they are important.

Member Saito asked Mr. Okada what he would envision that would satisfy his requirements as opposed to what was described. Pedestrian walkways would be something that is not wanted. Member Saito asked whether he preferred something with vehicular access and also asked his opinion on the height limitation.

Mr. Okada commented that from ID-11, people got the idea that the businesses did not want the improvements, but they do want improvements.

Member Chang asked Mr. Okada what kind of improvements he wanted to see.

Mr. Okada stated that he doesn't want to keep the area all light industrial and take away someone's opportunity to sell and moving out of the area. He suggested creating solutions that give people choices.

Chairperson Goshi commented that change comes as a result of neighbors, not because of government. Neighbors start to change and all HCDA is trying to do is provide flexibility. The rules are pointing towards diversity, low-rise and a variety of choices; it is creating opportunity.

Bob Oda, Kamehameha Schools, applauded the efforts of the planning group. From a large landowner perspective, what they do in the district would impact the area. Kamehameha Schools intends to do the right thing in Kakaako as an organization and for the future responsibility to the State because it is their obligation. The Mauka Plan and Rules revision is probably a long time in coming. Mr. Oda stated that he understands the philosophy in urban planning and creating an urban village, but some of the proposed models directly related to building types or profiles need to be tested economically from a developer's stand point prior to being recommended for adoption. The concept might look good on paper, but if it isn't buildable due to the economics, then it is not going to happen. From Kamehameha Schools' perspective they want to do things, but getting developers to come to Kakaako is difficult because the public's perception about development is very volatile. Mr. Oda stated that he didn't disagree with the approach the planning group was taking on keeping building profiles and preserving the Mauka views, but there also needs to be some economics

put into these building types knowing the land costs, development risks, and construction costs. It would make no sense if it is not viable economically. It has to have enough flexibility to build incentives otherwise it is not doable.

Mr. Oda also commented that in terms of the timeframe – the public hearing in June through July for public opinion review and in July seeking approval to get funding for SEIS. He questioned whether one month was adequate time for people to respond. He wasn't trying to delay the project, but he didn't want people to say that they didn't have adequate time to respond if there was only one month to comment before initiating the SEIS process.

Mr. Oda's comment relative to the housing rules was that he agreed with simplifying the rules. He stated the menu selection gives the developer some options, but there might be questions on the credit value. People are going to criticize the credit value no matter what HCDA comes up with. There is no perfect solution for that. There is definitely a need to find a way to put more units in urban Honolulu, and the Big Island has a proposal worthy of consideration. It does, however, require a lot of diligence and a lot of maintenance. It would need to be constantly reviewed because people might say that it hasn't been changed in five years and it needs to be adjusted.

Mr. Oda wanted to know how TOD would fit with HCDA's development rules. TOD supports higher density, more building, more massing in the central corridor of Kakaako; Mr. Oda asked might Kakaako then become a concrete urban village. At some point the Mauka rules have to be flexible to accommodate the TOD; there will be pressure from a transit authority to allow for higher density along that corridor to make transit work. If there is enough ridership, only then will transit pay for itself.

Mr. Oda sympathized with Mr. Okada, the small business owner. He predicted that certain types of use in Kakaako would no longer be able to co-exist in the urban core because it is not compatible to the urban village. It is unfortunate, but it is just the fact of life. Some of the small businesses provide necessary services, they should somehow be protected. Unfortunately, with all the developments going into creating this urban village there are going to be certain types of uses that will no longer be compatible no matter how much you try to save them. People are not going to live next to a packing house; that is a cruel reality of any urban center. They don't want to hear the trucks backing up early in the morning.

Ms. Tamura clarified that the June meeting was not the Public Hearing for the Plan and that funding has already been secured for the SEIS. The working draft Plan will trigger the SEIS process, which will be the public review process.

Chairperson Goshi commented that the process was going to take a year or two.

Mr. Dinell added that the Public Hearing comes after the SEIS is completed.

VI. ADJOURNMENT

There being no further business, Chairperson Goshi asked for a motion to adjourn the meeting. Member Chun motioned for adjournment, Member Anderson seconded the motion. The motion was carried 7 to 0. The workshop was adjourned at 11:33 a.m.

Respectfully submitted,

/s/

Jonathan Lai
Secretary