

SUMMARY - MEETING NO. 326
HAWAII COMMUNITY DEVELOPMENT AUTHORITY
State of Hawaii

AMENDED

February 6, 2008 – 9:00 a.m.

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

ATTENDANCE

Members Present: Barbara Annis (for Russ Saito, DAGS); C. Scott Bradley; Amanda Chang; Joseph Dwight, IV; Michael Formby (for Barry Fukunaga, DOT); Paul Kimura; Jonathan Lai; Kay Mukaigawa; Dexter Okada; and Robert Piper (for Georgina Kawamura, B&F).

Kalaeloa Members: Linda Chinn (for Micah Kane, DHHL); Henry Eng (DPP); Stanton Enomoto; and Evelyn Souza.

Members Absent: Grady Chun; Christopher Kobayashi; Theodore Liu (DBEDT); and Maeda Timson (Kalaeloa Member).

Others Present: Anthony Ching; Sandra Ching (Deputy AG); Matthew Akamu; Pearlyn Fukuba; Chong Gu; Arnold Imaoka; Richard Kuitunen; Cal Machida; Tesha Malama; Deepak Neupane; Teney Takahashi; 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 February 6, 2008, by Chairperson Lai at 9:02 a.m. with the following roll call:

Chairperson Lai	Present
Member Annis	Present
Member Bradley	Present, arrived at 9:07 a.m.
Member Chang	Present
Member Dwight	Present
Member Formby	Present

Member Kimura	Present
Member Mukaigawa	Present
Member Okada	Present
Member Piper	Present
Member Chinn	Present, left at 10:20 a.m.
Member Eng	Present, left at 10:20 a.m.
Member Enomoto	Present, arrived at 9:25 a.m., left at 10:20 a.m.
Member Souza	Present, left at 10:20 a.m.

MATERIALS DISTRIBUTED

1. Agenda for February 6, 2008 Meeting;
2. Summary Minutes of Authority Meeting of January 9, 2008;
3. Summary of Public Hearing of January 9, 2008;
4. Report of the Executive Director;
5. Information: Kalaeloa Status Report and Navy Report;
6. Information Item: Discussion of Ground Lease Negotiation Considerations for Below Market Ground Leases;
7. Action Item: Amendments to the Planned Development Permit (PD 2-84) for Phase 4 of the 404 Piikoi Project including Joint Development and Modifications (M 1-07) for 1226 Waimanu;
8. Information: Executive Summary of Proposed Modification for Reserved Housing Site for 404 Piikoi Planned Development Permit (distributed at the meeting);
9. Information: Hawaii Public Housing Authority Report (distributed at the meeting); and
10. Information: Report of the Executive Director PowerPoint Presentation (distributed at the meeting).

Chairperson Lai introduced Sandra Ching, Deputy Attorney General, serving as the authority's legal counsel for this meeting.

II. APPROVAL OF MINUTES

1. Minutes of the Regular Meeting of January 9, 2008

Chairperson Lai asked whether there were any corrections to the minutes of the January 9, 2008 meeting. There were none offered by the Members. For voting purposes, Chairperson Lai stated that only Kakaako Members could vote on this item. It was moved by Member Annis and seconded by Member

Mukaigawa to approve the minutes as written. By a show of hands, the motion passed 9 to 0 with 1 excused (Member Bradley) and excluding the Kalaeloa Members.

2. Summary of the Public Hearing of January 9, 2008

Chairperson Lai asked whether there were any corrections to the summary of the Public Hearing of January 9, 2008 meeting. There were none offered by the Members. For voting purposes, Chairperson Lai stated that only Kakaako Members could vote on this item. It was moved by Member Annis and seconded by Member Mukaigawa to approve the summary as written. By a show of hands, the motion passed 9 to 0 with 1 excused (Member Bradley) and excluding the Kalaeloa Members.

Chairperson Lai informed the Kalaeloa Members that General Growth Properties (GGP) would be providing a briefing on their Ward Master Plan and requested their patience. Chairperson Lai then revealed that as his law firm is providing legal counsel to GGP, he was declaring a conflict of interest and would be recusing himself in this matter. The chair's gavel was turned over to Vice Chairperson Paul Kimura, who then presided over the proceeding.

III. INFORMATIONAL BRIEFING BY GENERAL GROWTH PROPERTIES ON WARD MASTER PLAN

Vice Chairperson Kimura introduced Tom D'Alesandro and Jan Yokota from General Growth Properties who would brief the Authority on their master planning process for their Kakaako properties. However, prior to the presentation, Vice Chairperson Kimura asked whether there was anyone from the audience who wished to provide public testimony on the agenda item. There was no response noted.

Mr. D'Alesandro started his presentation by explaining that the Ward area envisioned in the GGP master plan would produce a new kind of neighborhood and bring new life and opportunity to the heart of Honolulu.

General Growth Properties has had experience in designing large scale master planned communities in Columbia, Maryland; Woodlands, Texas; Summerland, Nevada; and Richland, Texas. The basic principles to developing master planned communities that would be relevant to the Ward neighborhood are:

1. It is shaped by a long-term vision that gradually unfolds over time;
2. Complete communities are places where people live, work and play; and

3. A conscious effort is made to balance the natural and built environments. The resulting communities become known both for their serenity and their vitality.

The Ward location has the potential to pull together the collection of parks and activities that are currently not very well integrated and create a comprehensive holistic sense of place. To create properties that have individual characteristics, the following things need to be done:

1. Create a vision for long-term redevelopment;
2. Diversify housing – creating homes for as many as 4,000 families in the future with 20 percent reserved housing;
3. Mixed-use with employment opportunities growing from the current 300 businesses to over 400 businesses;
4. Create public spaces;
5. Streetscapes;
6. Community participation; and
7. Sustainability – demonstration of smart growth.

GGP's vision for Auahi Street will be transformed to celebrate the pedestrian. It will be a public place where people can enjoy spending time walking or people watching. The redefinition of Auahi Street is critical to redefining the Ward neighborhood. It is an opportunity to become a well defined promenade such as Third Street Promenade in Santa Monica; Pearl Street in Boulder, Colorado; and Michigan Avenue in Chicago. Streets around the world that function as distinct places were celebratory of streetscape of vitality with residential, retail and entertainment. A tremendous amount of attention will be given to the role of landscape, street and sidewalk and less to the buildings.

GGP will create a Central Plaza which will be the heart of the Ward neighborhood. The Plaza will be a little over three acres in size. It will connect the area north of Auahi Street to the Basin and reinforce the Mauka and Makai views. This piece would be constructed in their first phase.

In addition to the Central Plaza, GGP plans call for two other plazas – Diamond Head and Ewa Plazas to be developed. These plazas are more intimate in scale and allow for a variety of activities. For example, while a jazz band might perform in the Central Plaza, a string quartet might alternately perform in the Ewa Plaza.

Three corridors will be created on Ward Avenue, Central Plaza and Kamakee Street to preserve and enhance the Mauka to Makai view corridors.

Sustainability and growing smarter in the Ward neighborhood means:

1. More housing and jobs per acre;
2. Consuming less land per person;
3. Reducing energy consumption;
4. Reducing automobile dependency;
5. Positive health impacts;
6. Smaller carbon footprint;
7. Reducing water consumption; and
8. Lower infrastructure costs.

The Ward neighborhood supports HCDA's Mauka Area Plan by creating:

1. Vibrant urban village;
2. Great public spaces; and
3. Enhanced transportation connections.

The Ward neighborhood will bring new life and opportunity to the heart of Honolulu. The plan has been and will continue to be refined with input from the community.

Ms. Yokota added that a website will invite comments from the public. The website is www.wardneighborhood.com. Area residents are also being invited to an Open House on March 11, 2008.

Vice Chairperson Kimura asked Members whether there were any questions.

Member Piper asked Ms. Yokota which community groups they would be meeting with.

Ms. Yokota replied that GGP wanted to present their plans to HCDA first. They would then be meeting with the Ala Moana/Kakaako Neighborhood board as well as residents and boards of the various condos in the area, and any other group that is interested.

Member Piper asked what the development timeline would be.

Mr. D'Alesandro responded that they are creating a long-term vision for the entire neighborhood and would like to begin work on the first phase (i.e., the Central Plaza) in three years.

Ms. Yokota added that in terms of the master plan, they are hoping to submit it to the Authority in a couple of months and at that time provide a more detailed presentation.

Mr. D'Alesandro explained that today's presentation was intended to provide the Authority with more of the broad strategy and organizing principles, but that their formal master plan application would provide greater detail.

Member Okada commented that the concept of mixed use was presented as residential and commercial, whereas, HCDA was formed to define mixed use as residential, commercial and industrial. He noted that in the Mauka area there are a lot of industrial businesses and asked Mr. D'Alesandro how those activities would fit into their plan.

Mr. D'Alesandro responded that it is a 20-year plan and that some of the existing uses would find a new neighborhood while other businesses might remain. In any case, light industrial uses are seen to be compatible with the plan.

Member Bradley commented that Ala Moana Boulevard acts as a barrier and asked how it would be made easier for the residents to integrate the waterfront park and the Makai area with the Ward project. He also wanted to know whether GGP had coordinated their planning with Kamehameha Schools.

Mr. D'Alesandro responded that they have had discussions with Kamehameha Schools, but it remains an open-ended conversation. With regards to connecting Mauka with Makai, GGP is looking at a series of gateways that will reinforce landscaping for pedestrian use. They would like to make Ala Moana more of a balance between pedestrian and vehicles. But the reality is that it will always be vehicle dominant. However, GGP is looking at special pavers to create a more attractive crossing so that the drivers would slow down.

Member Bradley thought that GGP's vision of an urban village was exciting in incorporating smart growth; however, he did not hear about any vision for incorporating Hawaiian culture or architectural characteristics. He asked whether there was a vision for incorporating the Hawaiian culture.

Mr. D'Alesandro stated that it was an oversight that it was not included in his presentation, but they have given it a lot of thought. GGP has had meetings with a number of people on the cultural aspects of the place and what would be the appropriate artistic expressions. They thought about a series of public spaces that has not been resolved yet; but one of the ideas was to celebrate all the islands with some type of artistic dimension. They have given this serious thought and have already received input from several people.

Ms. Yokota added that Ala Moana and Ward are different properties. Ward is considered a gathering place and they will build upon that.

Mr. D'Alesandro noted that Kakaako was a neighborhood and to some degree they see the Ward neighborhood as a restoration of the area by reintroducing people to live in the area.

Member Okada commented that GGP plans to start the development in three years in the area Mauka of the Farmer's Market and asked whether there was a determination in the transit route.

Ms. Yokota responded that a transit station will be located on Queen Street and that their design would work well with the transit.

Mr. D'Alesandro explained that one of the key elements in underwriting a transit system is to know where the trips originate. They originate in homes and with the concentration of thousands of homes near the transit station, there would be ridership for the system which would help to underwrite the finances.

Vice Chairperson Kimura thought that it was great that GGP had a lot of knowledge and history in creating master planned developments. However, he wondered whether in past developments there was a plan for industrial uses because it is necessary to the community and should be part of the master plan.

Mr. D'Alesandro responded that the plan for industrial uses would unfold over time. There is also no guarantee that the businesses that are there today will continue to be there in the future.

Vice Chairperson Kimura reiterated that his question was how would existing industrial uses be integrated in other master planned communities.

Mr. D'Alesandro stated that in looking at high-density development of 3.5 FAR, there is some tension between the density that is proposed and industrial use. Industrial use is often a single-story structure.

Vice Chairperson Kimura asked how the other master planned communities solved the industrial use businesses, and asked whether they moved to an industrial park.

Mr. D'Alesandro stated that some businesses would do better in a higher density mixed-use area than others; it depends on the business. In some places like Woodland or Columbia, they have industrial parks. It would be a case-by-case determination as to which businesses would be able to survive in a high density mixed-use setting.

There being no further discussion, Vice Chairperson Kimura called for a recess at 9:45 a.m. to allow the presenters to depart and to allow Chairperson Lai to rejoin the

meeting. Vice Chairperson Kimura also announced that the GGP would be meeting with the media in the small conference room.

Chairperson Lai reconvened the meeting at 9:55 a.m. He noted that Members Bradley and Enomoto were in attendance.

IV. REPORT OF THE EXECUTIVE DIRECTOR

Anthony Ching noted that the full Executive Director's report was enclosed in the packet distributed to the Authority Members.

Mr. Ching thanked the Members for the opportunity to work as the Executive Director and looked forward to the challenges ahead.

Mr. Ching stated that he would not reiterate the written materials that are in the Members packets. Included in the Executive Director's Report are various sections covering planning, asset management, infrastructure improvements, development, communication/community relations and legislation.

Under the legislative section, there is a description of the various proposals that are being considered. Mr. Ching's practice will be to e-mail Members a copy of HCDA's testimony.

Included in the Kalaeloa Status Report will be the Kalaeloa community group reports and reports from the Navy and the Hawaii Public Housing Authority as to their activities in Kalaeloa.

Mr. Ching explained that the staff had not been privy to the Office of Hawaiian Affairs (OHA) proposed trust settlement agreement negotiations. He is personally hopeful that a fair and just settlement can be reached so that the State can move on. Included in the proposed settlement agreement specific to the Authority's concerns are the fast lands from Fisherman's Wharf to John Dominis Restaurant and the piano shaped lot which is immediately interior of those fast lands. The effective date of the agreement is July 1, 2008. The proposed OHA headquarters site is not included in the agreement; therefore, Mr. Ching expects that there will be continuing discussions with OHA with respect to the disposition of that site.

The lands would still be subject to Authority rules and regulations. However, OHA has indicated that they would not be taking on the requirement of an open market or cultural market place in the Kakaako Makai area. Mr. Ching believes that this does not preclude them from volunteering to develop such an activity, but noted that this development cannot be forced on them.

Representatives from OHA have indicated their willingness to brief the Authority of their intentions at a future meeting if desired. Mr. Ching expects that staff would work with OHA appropriately during any transition should the proposed agreement be ratified by the Legislature. He has been asked to make appearances at briefings before the Legislature and will provide factual information as to the current revenues or disposition of the land in area and intends to offer his personal observation.

A. Kalaeloa Update

With respect to the lease of lands in Kalaeloa, on January 18, 2008, the Navy issued a press release indicating their intention to convey 499 acres of land at Kalaeloa to Ford Island Properties (FIP).

In return, FIP was expected to give up leasehold interest on 40 acres at Ford Island and 4.9 acres at Iroquois Point and contribute \$16.6 million towards improvements at Ford Island. Staff expects to continue to be in close discussions with FIP specifically, Dev Braganza their project manager. Mr. Braganza has indicated that they are very receptive in discussing with the Authority how their project would conform to HCDA's master plan and how they would work with staff towards the development of their proposed properties at Kalaeloa. The Navy representatives were in attendance to answer questions, but since the work is still in progress there are not many details that can be offered.

B. Six-Month Action Plan

Mr. Ching explained that during his interview, Chairperson Lai indicated that it would be nice to have a six-month action plan so that the Members can judge the progress (or not) of the Executive Director.

1. Review Agency Processes

Mr. Ching will review the agency processes and examine how the information flows to the Authority. He has already met with most of the Members to get their opinions on what is considered to be important.

Items that come to staff for information or interest will be disseminated to Members without editing or censure. Mr. Ching will also be taking direct steps to enhance information between and amongst the Authority and the community as well as the Legislature.

When application materials come to HCDA for a development plan amendment, Members will receive information on that item at that

point so that the Members will be informed from the start of that particular project. Thirty days after the receipt of an item, staff would respond back to the applicant and indicate whether any materials are missing. A copy of that report will be disseminated to the Authority Members to keep them apprised of how the application is being processed. There will then be opportunities for a formal informational briefing, public hearing and then the action to be taken.

At the action meeting, Mr. Ching intends to provide the Authority, in addition to project specific criteria, information as to how the application is consistent from a regional point of view.

2. Participate Effectively in Legislative Process

With respect to the Legislative Session, Mr. Ching has already tried to meet and orient area legislators and the leadership as to who he is and his personality. He is interested in being able to engage in dialogue and being sensitive to the issues. Mr. Ching is not guaranteeing to all that he meets with that HCDA will do everything they want, but intends to respond back with clarity as to what the issues are and how he intends to move forward.

In terms of testimony to the Legislature, Mr. Ching hopes to be factual, logical and concise in order to communicate the things he believes to be important. He will track and monitor and coordinate activities amongst agencies. Mr. Ching will circulate HCDA's testimony to the members as it is completed. He also encouraged the Members to provide feedback if there are any concerns about any particular item.

3. Continue Kakaako and Kalaeloa Planning and Rule Process

Currently in Kakaako, an Environmental Impact Statement (EIS) is ongoing for the rules updates. Mr. Ching expects that when Chapter 343 is triggered that specific Environmental Assessment (EA) or EIS will be conducted as appropriate and required.

The Kakaako Mauka Area Plan is part of the update and planning so staff wants to ensure that the plan and rules are consistent in implementing the agency direction.

With respect to Kalaeloa, since the Navy will be conveying those lands via a lease, Mr. Ching believes that staff needs to continue its grassroots organizing activities and work intensely with the people

from FIP in order to communicate HCDA's strategic objectives to ensure that the vision of Kalaeloa comes to fruition. HCDA needs to initiate rule making and establish necessary zoning and land use controls.

4. Priority Projects

a. Coordinate with Community, Federal, State and County Agencies and Hunt/FIP.

b. Explore Possibility of Federal Project

Mr. Ching would like to explore potential federal projects that might be appropriate for Kalaeloa, which might contribute to the growth and development of Kalaeloa. Recently, there have been State policy initiatives promoting sustainability and renewable energy. Given federal and state interest in ensuring a sustainable future, there might be an opportunity to secure funds for an energy demonstration project. He would look for a grant-in-aid or total federal project instead of a shared or matching type of situation.

c. Review Assessment Methodologies

Mr. Ching expects to review the assessment methodologies for both Kakaako and Kalaeloa. He will keep an open mind and get as much understanding and clarity before moving forward.

d. Understand and Define Urban Park

In Kakaako, it would be difficult to gather a large parcel of land for active green space given the density and limited opportunities to consolidate holdings in the area. Therefore, there needs to be an understanding of the types of neighborhood and community parks that would work in Kakaako and Kalaeloa. The same type of park would not necessarily work for both districts.

In Kakaako, a cash-in-lieu payment from a developer might be the option if they cannot offer open space or establish a park. HCDA needs to be creative and efficient in maximizing what is available.

e. Identify Public Benefit vs. Improvement Project

Mr. Ching intends to identify public benefit projects instead of improvement projects. There are different ways to utilize HCDA's energy and capabilities in order to advance the purpose of this agency.

Chairperson Lai asked whether Members had any questions.

Member Okada asked if the OHA settlement is ratified would the land become OHA land, or would it still be considered State land.

Mr. Ching responded that the settlement agreement clearly conveys the title to the lands to OHA. Whether once it is in OHA's hands would it be considered "public lands" or "state lands," he could not answer that question.

Member Okada questioned whether the law that was passed in 2006 regarding no sale of public lands and no residential units Makai of Ala Moana would apply to those lands.

Mr. Ching stated that there is still a lot of on-going discussion on the proposed agreement and there might be some additional clarity that is provided by the Legislature.

Member Okada wanted to know how it would affect the Kakaako Makai Community Planning Advisory Council.

Mr. Ching replied that he would let the Legislature clarify that as appropriate.

Chairperson Lai stated that it might be a good idea to have OHA make a presentation to the Authority.

Mr. Ching replied that they have indicated their willingness to appear before the Authority and that he would pass on the Authority's request for a briefing.

Chairperson Lai asked whether there were further questions.

Member Bradley asked whether Kewalo Basin was included in the six-month action plan or was it anticipated that it would be transferred to the Department of Land and Natural Resources (DLNR).

Mr. Ching responded that Kewalo Basin was one the outstanding legislative issues. There is a proposal to transfer the submerged lands to DLNR and HCDA has yet to

provide testimony on that as a hearing has not been scheduled. He has had discussions with DLNR regarding the possibilities, but the OHA settlement might have had a dampening effect on DLNR's analysis in terms of revenue potentials for management and build out of Kewalo. It is not a highlight item, but it will come up as necessary.

There being no further discussion, Chairperson Lai called for a recess at 10:20 a.m. to allow the Kalaeloa Members (Chinn, Eng, Enomoto, and Souza) to depart, as the remaining agenda items were Kakaako-related.

Chairperson Lai reconvened the meeting at 10:22 a.m.

Michelle Matson from the audience stated that she was a member of the CPAC Steering Committee and encouraged comments on the OHA situation. She also questioned how OHA would interact with CPAC. Ms. Matson asked the Members whether they had any questions on the January CPAC report submitted in the Members' packets at the last meeting. There were none.

V. ITEM FOR INFORMATION

C. Discussion of Ground Lease Negotiation Considerations for Below Market Ground Leases

Chairperson Lai noted that the subcommittee of the Authority and HCDA staff met on the subject matter and that HCDA Asset Manager Richard Kuitunen would report on the work to date. Chairperson Lai also noted that the presentation was intended to update the Authority on the subject matter and that no formal action would be taken at this time.

Chairperson Lai asked whether there was anyone from the audience who wished to provide public testimony on the agenda item prior to Mr. Kuitunen presenting his report. There was no response from the audience.

Mr. Kuitunen reported that the issue was first discussed in Executive Session at the September 5, 2007 meeting. The Chair formed a subcommittee comprised of Member Bradley, Deepak Neupane and Richard Kuitunen. The Subcommittee was asked to review the issues on the ground leases for below market rents particularly non-profits and other state agencies and report back. During the Executive Session, Members noted several items, which were subsequently identified as guiding principles.

Authority Guiding Principles

1. All ground lease tenants would pay Waterfront Common Area Maintenance (CAM) costs and become members of the association;
2. Non-Profits as a general rule would receive a consideration of below market rents for their purpose;
3. Avoid unfair competition with private landowners created by below market rents with the ground lessees;
4. Don't want to dissuade ground lessee from considering sublease that may be beneficial for public policy or HCDA plans;
5. Must consider if sublease tenant meets HCDA area plans; and
6. Must consider if sublease meets public purpose requirement.

In considering these principles, the Subcommittee planned to be flexible in addressing the different types of ground leases, and uses, competing relevance over time and also the knowledge of the ground lessee and the impact of any subleases. The Subcommittee established the following objectives.

Subcommittee Objectives

1. Keep it simple;
2. Keep it understandable;
3. Support Authority guiding principles;
4. Don't let costs of consent exceed any economic value to be received; and
5. Have a rational basis for rental adjustments attributable to subleases.

The Subcommittee met with John A. Burns School of Medicine (JABSOM) personnel and reviewed the Subcommittee's findings with them. Overall JABSOM was in agreement and expressed optimism in moving forward on this issue.

The Subcommittee Consensus:

1. Ground Lease Considered on case-by-case basis subject to Authority approval as to terms and conditions;
2. Conforming non-profits should receive relief from market rents;
3. All ground leases pay Waterfront Common Area Maintenance (CAM)
4. Subleases:
 - a. Tenants with no public benefit pay market subrents;
 - b. For all antennae subleases, since it is not related to the agency purpose or the non-profit purpose, HCDA would receive 50 percent of the gross rent;
 - c. Subleases with gross annual rent greater than \$20,000 annually must be approved by Authority on a case-by-case basis to determine rental adjustment;

- d. Subleases with gross annual rent of \$20,000 or less, with public purpose, the rental share to HCDA would be 35 percent; and
- e. Subleases with gross annual rent of \$20,000 or less, with no public purpose, the rental share to HCDA would be 50 percent.

Chairperson Lai asked whether members of the subcommittee wished to add any comments before taking any questions. There were none.

Member Kimura asked what the justification was for giving below market subleases to non-profits.

Mr. Kuitunen explained that during discussions in Executive Session, Members felt that non-profits that serve a public purpose and fit within the plan should be given relief in the rents that they paid.

Member Bradley added that there wasn't any debate on the merits of that at all, but was taken as a given on how the Members felt.

Member Kimura asked that whether the non-profit entity subleases would make a profit.

Mr. Kuitunen responded in the affirmative.

Member Dwight asked how many leases are currently in place.

Mr. Kuitunen responded that in the Makai area, there is the Children's Discovery Center as a non-profit lease, JABSOM as a State agency lease and on the table for negotiations are the Cancer Research Center of Hawaii and OHA site.

There being no further questions, Chairperson announced the next Item for Action.

VI. ITEM FOR ACTION – DISCUSSION/DECISION-MAKING

- 3. Amendments to the Planned Development Permit (PD 2-84) for Phase 4 of the 404 Piikoi Project including Joint Development and Modifications (M 1-07) for 1226 Waimanu

Chairperson Lai explained that at the December 2007 meeting, there was an informational briefing from Daniel Nishikawa of Woodbridge/K2 on their proposed project. In January 2008, a public hearing was conducted on the proposed amendments and modifications to the 1226 Waimanu project.

Chairperson Lai explained that the procedure would be to first solicit any public testimony, hear the staff's report, hear from the developer (if appropriate), and then deliberate on the proposed amendments. He asked whether Members had any questions on the procedures. There were none.

Chairperson Lai asked whether there was anyone from the audience who wished to make a statement on the matter.

Jack Hamada (a concerned citizen in the audience) stated that he would like to ask some questions after the presentation.

Chairperson Lai stated that public testimony was taken at the last meeting.

Mr. Hamada said that he wasn't testifying, but wanted some questions answered.

Chairperson Lai asked Mr. Ching to proceed in presenting the staff's report and recommendations.

Mr. Ching summarized the Action Item distributed to the Authority. He explained that this matter was previously discussed at an informational briefing and Public Hearing and action is being requested on the Public Hearing item.

The request was for a joint development and amendments and modifications for the 404 Piikoi Planned Development Permit. The Phase 4 market tower is located on the 404 Piikoi site and the reserved housing site is at 1226 Waimanu Street.

The existing block on the Planned Development consists of the Hawaiki, Nauru, and Koolani Towers. As part of that development, 1133 Waimanu was created to fulfill the reserved housing requirements for those towers. The project started in 1992. The market and the reserved residential housing components were roughly 80 to 20 percent in proportion.

The Phase 4 of the 404 Piikoi project consists of a 38-story residential tower on top of the 5-story podium containing commercial space and five levels of parking and a recreational deck. There will be approximately 277 fee simple market units, 118 one-bedrooms, 110 two-bedrooms, 45 three-bedroom and 4 penthouse units.

The requested joint development would allow for the development of the adjacent 1226 Waimanu Street as the reserved housing project. This would give the developer greater flexibility in site planning and use of the land. It

also would produce a payment of \$2 million in exchange for supplemental floor area for the Phase 4 tower.

The 1226 Waimanu reserved housing project features 32 one-bedroom and 32 two-bedroom units, a ground level storefront, 65 parking spaces, and one loading stall.

The requested modifications that are associated with the reserved housing project relates to the front yards and view corridors. The developer is requesting a front-yard reduction from 15 feet to 8 feet; encroachment of the 5-story structure into the Piikoi view corridor; and reduction of front-yard on Kona Street from 15 feet to 5 feet.

The joint development and requested modifications produces a superior project; would not adversely affect adjacent development or uses; and is consistent with the Mauka Area Plan.

According to the Mauka Area Plan, the land use plan identifies this parcel as being mixed-use commercial. In Kakaako there are only three zones. All three zones are mixed-use zones. The project site is designated as commercial so the notion of having commercial mixed-use in that particular area would make this project consistent with HCDA's plan requirements.

The 404 Piikoi site is characterized as a large parcel, but just across the street the general character of the region of the reserved housing site is that of smaller, low-rise holdings. The designation of the reserved housing site (1226 Waimanu) density Floor Area Ratio (FAR) is 1.5 with a height of 45 feet. The reserved housing site would end up with a height of approximately 50 feet, which includes the machine rooms and the elevator housing at the top of the building.

Both project sites are located across the street from the Ala Moana Shopping Center and are deemed to be consistent with HCDA's recreational plan. Based on the transit plan, Kona Street is envisioned to be part of the transit alignment with a station likely to be located at the Ala Moana Shopping Center. A low-rise building would be preferable to a high-rise where there might be a distraction of a rail line running outside of the window. This is again consistent with the HCDA Mauka Plan.

There are 65 parking stalls planned for the 1226 Waimanu site and access to the site would be on Kona Street. The 64 unit site is low-rise and consistent with the character of the surrounding area.

The 404 Piikoi market tower site is part of a complex of high-rise development; thus, is compatible with respect to height and density to its surroundings.

Mr. Ching stated that the staff's recommendation was to approve:

1. The joint development of the Phase 4 and 1226 Waimanu projects;
2. The modifications of the rules relating to front yard and view corridors for 1226 Waimanu;
3. The payment of \$2 million to HCDA in exchange for 57,414 square feet of supplemental floor area for Phase 4 Tower on 404 Piikoi;
4. The "unit adjustment fee" formula and proposed average unit prices for the 64 units reserved housing;
5. The satisfaction of the public facilities dedication requirement by a cash payment of \$384,588 to HCDA prior to the issuance of the initial Certificate of Occupancy for 1226 Waimanu; and
6. Other recommendations included in the staff report.

Mr. Ching concluded that from a project basis the application is worthy of the Authority's consideration for approval.

Chairperson Lai asked whether Members had any questions.

Member Okada asked whether granting the new view corridor modification would be grandfathered in the record.

Mr. Ching explained that the request before the Authority was previously described in the Public Hearing and it is only a small variation on the Piikoi side where the building would impact views Ewa of the view plane. The requested view corridor modification is specific to this project.

Member Okada asked whether anyone else could come in and block the view corridor in that area.

Mr. Ching stated that the project materials are very specific to the particular site and proposed development and configuration. It would not create a precedent for other projects to rely on.

Member Kimura commented that there are 32 one-bedroom and 32 two-bedroom units, and 65 parking spaces which comes out to one parking space per unit.

Mr. Ching responded that the computation is based on the expectation that one stall would be available for each unit, which meets the minimum

requirements. Also the project is located near transit opportunities. From an economic standpoint, Mr. Ching was not sure that the project could support any more parking both from a density basis and in terms of cost of the development.

Member Bradley asked how the \$2 million payment for the 57,414 square feet was arrived at and the rationale.

Mr. Ching deferred to project staff, Matthew Akamu, who was intimately involved in the details to answer.

Mr. Akamu explained that for the sale of the supplemental floor area, there was a 20-year history of various projects that needed assistance. The supplemental floor area comes from lands HCDA has acquired over the years, primarily through the Improvement District road widening projects. The lands acquired have been acquired through highest and best use valuation. The lands have been used by HCDA for flexibility purposes in other projects that would benefit from it. In the past, floor area was transferred in a similar fashion to Na Le Hulu Kupuna, Keola Lai, and Kauhale Kakaako projects.

As far as the \$2 million figure, there is no real appraisal associated with the price. The money was intended to supplement the construction cost of the Queen Street Mauka and Makai Parks along the Queen Street Extension. It would help HCDA to construct the park and the park would be in close proximity to the project and the developer benefits from the extra floor area. The \$2 million for the 57,414 square feet of floor area is equivalent to about \$120 per square feet.

Member Bradley clarified that it is not an arbitrary increase to the FAR, but that HCDA has acquired lands that have FAR and density attributable to those lands.

Mr. Akamu responded in the affirmative. The 57,414 square feet comes from a specific property. Part of the Queen Street Extension right-of-way that was built two years ago was acquired from Victoria Ward through a previous land exchange. That roadway was acquired for approximately \$750,000 at the fair market value and would be dedicated to the City. Before the roadway is dedicated to the City, it would be appropriate to use whatever resources from that property as a way of recouping HCDA's resources previously expended.

Mr. Ching added that HCDA's rules allow for this benefit to offset previous costs that had been incurred. The \$2 million would be critical in completing the parks in that particular area so there is a distinct benefit to the community.

Member Dwight asked how the \$2 million figure was derived.

Mr. Akamu responded that the Queen Street Parks were initially budgeted for \$2 million to be completed in 2002-2003 and for various reasons the construction of the park was delayed and has not been built yet. The parks would probably not be built until 2011, which is a 10-year delay from the original budget. Therefore, Mr. Akamu thought that an additional \$2 million would be a reasonable price to complete the project.

Daniel Nishikawa of K2 Investors stated that their initial offer was less than that. HCDA staff asked whether they might be interested in the available floor area. Mr. Nishikawa went back to his partners and they presented a lower figure to HCDA. The staff then came back to K2 Investors with the \$2 million figure. Mr. Nishikawa stated that it was part of the negotiations and was mutually agreed upon. They worked with staff through out the whole process.

Member Dwight asked what the additional floor area would be used for.

Mr. Nishikawa explained that the original tower would be the same height as the other towers. But due to lack of floor area, the ceiling would probably be 11 or 12 feet high. With the additional floor area, they would be able to maintain a 9-foot ceiling within the original envelope with no adverse affect to the tower shape or size. They would be able to add additional floors with 9-foot ceilings.

Member Dwight asked how many additional units would be produced.

Mr. Nishikawa replied that the corresponding units would also build additional reserved housing units. They calculated 75 percent of the 57,000 square feet would equal approximately 30 units.

Member Chang asked whether the increase in the market units were already factored into the computation of reserved housing units.

Mr. Nishikawa responded in the affirmative and stated that since the discussion of floor area was discussed early in the negotiations, they were able to calculate it in.

Scott MacKinnon (K2 Investors counsel) commented that without the supplemental floor area, there would be fewer reserved housing units. Thus, the additional floor area provided an additional benefit of increasing the number of reserved housing units to be built to keep that 20 percent margin.

Member Kimura asked how much it was per square foot.

Mr. Akamu responded that the equivalency of land at 3.5 FAR for \$2 million equates to about \$126 per square foot. However, there is no land just the air right equivalency.

Member Mukaigawa asked that with the additional 57,000 square feet at 75 percent usable would that be 30 large units.

Mr. Nishikawa replied that it would be an average of 1,100 to 1,200 square feet. Some of the penthouse units are 3,000 square feet.

Member Mukaigawa asked how much is the square footage of the units.

Mr. Akamu replied that it is about 500 square feet to 600 square feet for the one-bedrooms, and 700 square feet for two-bedrooms.

Member Bradley stated that he was in favor of the modifications and because there would be a public benefit in providing the additional units. However, he was concerned that the valuation was somewhat arbitrary. He did not know whether it was high or low.

Mr. Akamu explained the sequence of events that transpired between the developer and staff in order to provide the reserved housing. The developer initially requested that a cash-in-lieu fee be paid instead of providing the reserved housing units. The cash-in-lieu fee is an option under the rules and would have been approximately \$2 - \$3 million. However, HCDA staff indicated that they would not support the payment of a cash-in-lieu fee instead of reserved housing being provided.

The developer then stated that they would look for another site with existing apartments and convert the 40 – 50 existing apartment units into reserved housing. Again, HCDA's staff response was that this was not appropriate because it would not be increasing the supply of housing, but just moving people from one place to another. Thus, staff stated that new housing should be built. The developer looked around and secured a site at 1226 Waimanu to build the reserved housing.

There was acknowledgement that this was costing the developer more and more because the cash-in-lieu would have been very simple \$2 - \$3 million, but that would not have fulfilled HCDA's mission. However, by asking for construction of reserved housing, this added more cost to the developer. The \$2 million agreement for the extra floor area is an averaging of land costs.

The developer paid \$10 million for the 32,000 square foot lot to build the low-rise reserved housing units.

At the same time, the joint development of the 1226 Waimanu lot with 3.5 FAR entitlements is not totally used by the 64 reserved housing units. Instead only half of the available floor area is going to be used. This allows the developer to transfer approximately 50,000 square feet from the reserved housing site to the market site. In addition, HCDA is allowing the developer to purchase an addition 57,414 square feet for \$2 million.

Parking on the 1226 Waimanu site also posed a problem. Construction of the minimum 65 parking stalls (one stall per unit) on one level requires a Mauka Plan modification because the parking lot design wouldn't fit unless the front-yards were reduced. HCDA staff had also insisted that the Mauka Area plan did not support the development of a stand alone apartment complex, so commercial space was added to the project. That pushed the parking to the side. This combination of design objectives and housing objectives was brought together into one package which is before the Authority.

Member Mukaigawa commented that it seemed that it would be more a luxury type of building and asked what would be the price of the units.

Mr. Nishikawa stated that their price point ranges from \$500,000 on up on the market units. The lower floors will have the one-bedrooms with a price point that is more affordable. Units above the view corridors would increase in price level and size. The 404 Piikoi market tower was planned as a luxury product given the design of the adjacent and existing towers.

Member Okada commented that it sounded like the \$2 million came about because the park was going to cost about \$2 million.

Mr. Akamu replied that the original budget for the park was \$2 million and \$200,000 was reduced from it to design it. There was a balance of \$1.8 million and then the park wouldn't be constructed for another eight or ten years so it wouldn't be enough to construct the park.

Member Okada asked whether the developer could have built the park quicker.

Mr. Akamu responded that there are other physical impediments.

Member Okada asked whether it was Mauka or Makai of the Queen Street Extension.

Mr. Akamu replied that it was on both sides of the Queen Street Extension. Part of the park is currently being used as a construction yard so there is uncertainty as to when the park could be built out. To require that the developer stage the construction of the park separately from the main construction project was considered to be unfair. HCDA staff had previously concluded that it would be easier if the developer assisted in funding the park project.

Member Piper stated that he would be voting affirmatively on the recommendation by staff. After numerous briefings and the Public Hearing, he was convinced that HCDA extracted everything possible from the developer and it is now time to let them move on with their project. He asked staff whether the rules allow for flexibility in averaging out all the events that occurred especially in regards with coming up with the \$2 million figure.

Mr. Akamu replied that there was flexibility in a sense that there were past precedents. There were previous situations in other housing projects that HCDA used their resources to help out the projects.

Mr. Ching added that while he did not anticipate many instances when such a formula should be applied in respect to purchasing supplemental floor area, he would seek to memorialize the process into the proposed rule making. Mr. Ching agreed with Member Piper's assessment that staff has done as much as possible in the negotiations in terms of efficiency, but he understands and supports that the rules should be more specific to cover such negotiations in the future so that it might not be considered arbitrary.

Member Dwight asked about the timing for the payment.

Mr. Akamu replied that normally the money would be secured by a bond or some kind of surety prior to the sign off on the building permit. Prior to the certificate of occupancy, the surety is redeemed as HCDA receives the payment.

Member Mukaigawa asked about the timing of the project.

Mr. Nishikawa stated that they wanted to start this year. After HCDA's approval, they still need to work out some details with their lenders and then they can launch into presales. Their objective is to start construction this year.

Mr. Akamu added that usually the reserved housing units are proportional to the market housing as far as the mix of one-, two- and three-bedroom units. However, due to the size of the reserved housing project, the developer is only able to provide one and two-bedroom units. Staff is offering the developer

some flexibility to mix the unit types and there is a possibility that the developer may add more three-bedroom units in the market tower if the market dictates it. Thus, if the developer increases the three-bedroom units in the market tower, they would pay HCDA \$75,000 per unit for what should be built. This was also presented to the Authority as an Information Item earlier.

Mr. Nishikawa stated that they are actually providing more than 20 percent of reserved housing. They are providing roughly four additional reserved housing units.

Member Mukaigawa's expressed her concern that it would discourage the developer from building more three-bedroom units which is something that HCDA would want.

Mr. Akamu replied that HCDA would like to have three-bedroom reserved housing units unfortunately the reserved housing site is already designed and the construction is not flexible. Therefore, the flexibility is in the market tower depending on the buyer's market so that it wouldn't trigger a ripple effect on the other requirements.

Member Chang agreed with Member Mukaigawa and asked why the developer should pay for something that HCDA wants.

Mr. MacKinnon answered that since there aren't any three-bedroom reserved housing units in the reserved housing, they worked it out proportionately. Due to the size and floor area of the building, there were a finite number of units that could be built. If three-bedroom units were in the mix, it would reduce the total number of unit count in the building. The idea was that if the market dictated that there should be more three-bedroom units in the market tower and they don't plan to increase the reserved housing units, it would throw the proportionality out of whack. Therefore, they would have to pay the fee for potentially changing and adding more three-bedrooms

Mr. Nishikawa stated that the current mix works in proportionality and they have made adjustments and they are not interested in paying any more fees. Their goal would be to try hard to make it work proportionally as currently planned. However, if there is a change, at least they would be protected by paying the fee.

Member Mukaigawa understands, but stated that there is a need for three-bedroom units so if a fee was imposed on the developer it would discourage them from building it. Also any developer who gets imposed a fee does not really pay the fee; they would just increase the fee to the public by \$75,000. So her concern was that in the end the fee would hurt the public.

Mr. Akamu stated that the proportionality idea is not a rule. The rules don't say that it has to be the exact same proportion of market units in the reserved units. However, staff uses it as a general guideline. It is not a rule violation, although staff would like to see a closer mix, but that was the best that could be done.

Member Mukaigawa understood why it was being done; she just questioned the amount of money.

Mr. MacKinnon stated that the other factor is because there is a relation to the total number of units in the 20 percent and the proportionality that it is in the increased number of units. If it reduces the total number of units, no adjustment fee may be payable because the end result may be that the developer would still be providing more reserved housing units than required. The likelihood that they would pay a fee is purely speculation.

Member Mukaigawa stated that she did not want to discourage the developer from building three-bedroom units that could house people with families because there are not a lot of three-bedroom units in the area.

Mr. MacKinnon commented that the market patterns would tell them what to build and if the price justifies it, they will build it.

Mr. Nishikawa thought that the market was saying there was a need for three-bedroom units.

Member Mukaigawa stated that there aren't enough units in town for people with children.

Mr. Nishikawa stated that he heard that one of the projects is changing to include more three-bedroom units. But he thought their strategy and approach would work.

Chairperson Lai asked Mr. Hamada to make his remarks. He cautioned him that he would leave it to the developer and staff whether they would answer his questions.

Mr. Hamada asked the developer whether he had any solution for the additional traffic problem.

Mr. Nishikawa responded that they are in support of a transit system.

Mr. Hamada replied that he was not talking about the transit system, but wanted to know how they would handle the problem of traffic within their development.

Mr. Akamu explained that the traffic pattern of the road system is basically a City system. However, Ala Moana is a State highway. In the initial reviews for 1226 Waimanu, the developer had to go through a project eligibility review. The City is asked to evaluate the infrastructure requirements for water, sewer, drainage and traffic. The proposed design for 1226 Waimanu was reviewed by the City and comments on traffic congestion and traffic circulation was raised by the City as far as what the developer needs to do to build their driveways and other roadway signage. The main tower of 404 Piikoi went through the project eligibility review in 1984. The plan has been revised over the years, but in theory each phase that was built had to go through the City and meet the City's requirements for improvements relative to the traffic flow for that project.

Mr. Hamada asked how they would fix the problem with the additional cars.

Mr. Akamu stated that he could address it later.

Mr. Hamada said that he wanted it on public record that if the project goes through and HCDA approves it, he is going to be disappointed because they haven't studied the traffic problem due to the additional cars on the road. If HCDA approves the 404 Piikoi Phase 4 project, he would get an investigation involving HCDA together with DPP. He handed Chairperson Lai a complaint that he filed with the City on another matter.

Chairperson Lai stated that he would circulate it to the Members.

Chairperson Lai entertained a motion to approve the amendment to the Planned Development Permit (PD 2-84) for Phase 4 of the 404 Piikoi Project including Joint Development and Modifications (M 1-07) for 1226 Waimanu. Member Bradley moved to approve staff's recommendation. Member Mukaigawa seconded the motion. Chairperson Lai asked Members whether they had any questions, comments or discussion.

Member Okada commented that at the Ala Moana/Kakaako Neighborhood there have been complaints being brought by new residents about the noise in the area, particularly from the Ward Entertainment Complex. He asked whether the noise factor is taken into consideration in the design and materials or whether they inform the buyers that they are moving into a mixed-use area.

Mr. MacKinnon responded it is a combination of the two. There is a disclosure that it is a mixed-use area. The material and glass do a much better job of softening the noises, but people do have to understand that there will be noises.

There being no further comments, Chairperson Lai stated that Executive Director Ching would conduct a roll call vote.

Ayes: Members Bradley, Mukaigawa, Annis, Chang, Dwight, Piper, Okada, Kimura, Formby and Lai

Nays: None

The motion passed with 10 ayes, 3 absent and excluding Kalaeloa Members.

VII. ADJOURNMENT

There being no further business, it was moved by Member Dwight and seconded by Member Mukaigawa to adjourn the meeting at 11:39 a.m. By a show of hands, the motion passed 10 to 0, excluding Kalaeloa Members.

Respectfully submitted,

/s/

Amanda Chang
Secretary