

# **Hawaii Interagency Council for Transit-Oriented Development**

## **Minutes of Meeting**

**Tuesday, January 17, 2017**

**9:30 am**

**Leiopapa A Kamehameha (State Office Tower)**

**Conference Room 203**

**235 S. Beretania Street, Honolulu, Hawaii**

Members/ Designees Present:	Leo Asuncion, Office of Planning (OP), Co-chair Craig Hirai, Hawaii Housing Finance & Development Corporation (HHFDC), Co-chair Chris Kinimaka, Department of Accounting and General Services (DAGS) Heidi Meeker, Department of Education (DOE) Darrell Ing, Department of Hawaiian Home Lands (DHHL) Heidi Hansen Smith, Department of Health (DOH) Katie Mineo, Department of Human Services (DHS) Russell Tsuji, Department of Land and Natural Resources (DLNR) Charles Vitale, Stadium Authority Jesse Souki, Hawaii Community Development Authority (HCDA) Senator Breene Harimoto, State Senate Harrison Rue, City and County of Honolulu (City) Planning and Permitting Lyle Tabata, County of Kauai Public Works William Spence, County of Maui Planning Bennett Mark, County of Hawaii Planning Betty Lou Larson, Catholic Charities, Housing Advocate Representative Ryan Okahara, U.S. Housing and Urban Development, Honolulu Office (HUD)
Members/ Designees Excused:	Denise Iseri-Matsubara, Office of the Governor Senator Donovan Dela Cruz, State Senate Representative Henry Aquino, House of Representatives Cathy Ross, Department of Public Safety (PSD) David Rodriguez, Department of Transportation Hakim Ouansafi, Hawaii Public Housing Authority Carleton Ching, University of Hawaii (UH) Bill Brizee, Architects Hawaii Ltd., Developer Representative Business Community Representative (vacant)
Other Designees/ Alternates Present:	Scott Chan, Stadium Authority David DePonte, DAGS Michael Yee, County of Hawaii Deepak Neupane, HCDA
TOD Council Staff:	Rodney Funakoshi, OP Ruby Edwards, OP Jayna Oshiro, HHFDC
Guests:	Taylor Ellis, Oahu Metropolitan Planning Organization (OMPO) Rick Prahler, HHFDC

Ruffalyne Villanueva, Representative Aquino's office  
B. Kaanehe, DLNR  
Franz Kraitz, City Department of Planning and Permitting (DPP)  
Ray Young, DPP  
L. Oamilda, Council Member Fukunaga's office  
Kevin Wilcock, Architect  
Jeff Merz, AECOM

**I. Call to Order**

Leo Asuncion, Co-chair, called the meeting to order at 9:35 a.m.

**II. Introduction of Members**

Members and guests introduced themselves.

Co-chair Asuncion stated the co-chairs proposed to take up the action items first. Agenda items 5, 6, and 7 would be taken out of order and will follow agenda item 3 – Review and Approval of Minutes. There being no objections the proposal was accepted.

**III. Review and Approval of Minutes – December 6, 2016 Meeting**

Will Spence, County of Maui, requested that the minutes be amended to state that the County has adopted urban and small town growth boundaries as well as rural growth boundaries.

Page 7, second bullet is amended to read as follows:

- Maui is not as far along as Kauai. The County has adopted urban, small town, and rural growth boundaries as part of the Maui Island Plan's directed growth strategy. The plan includes their regional transportation systems. The Maui Metropolitan Planning Organization (MMPO) just formed to provide guidance and programming direction for County transportation planning and funding. While the MMPO could play a role in developing Maui's component, it will be concentrating on meeting federal organizational requirements in the coming year. More work will be needed to formulate the Maui portion of the State Strategic Plan.

It was moved by Charles Vitale and seconded by Spence, and unanimously approved to adopt the December 6, 2016 meeting minutes as amended above, subject to confirmation by Spence.

**The following three agenda items are taken out of order as noted under agenda item II above.**

**IV. TOD Strategic Plan Process**

a. Action Item: Council acceptance of Work Group December 6, 2016 report

Rodney Funakoshi, OP, stated that at the December 6, 2016 meeting, the Strategic Plan Work Group report was presented. The TOD Council is required to develop a strategic plan for TOD on State lands statewide. The Strategic Plan Work Group met and came up with an outline of the strategic plan process and a proposed schedule for the preparation of the strategic plan. The completion of the strategic plan is targeted for the end of the year.

Funakoshi reported that OP will be holding county-level workshops in February, March, and April on the Neighbor Islands to further define Transit Ready Development (TRD) areas and

needs—starting with Kauai, then Maui, and Big Island. TRD is the application of TOD and Smart Growth principles to areas that do not have transit.

Over the next six months, OP will be working on a more comprehensive inventory of State lands in TOD areas. OP will also be evaluating the development potential of these lands. In addition, OP will schedule presentations to provide educational training for the TOD Council particularly on financing and public private partnerships (P3).

It was moved by Betty Lou Larson and seconded by Chris Kinimaka, and unanimously approved to accept the Strategic Plan Work Group's November 1, 2016 report. The Work Group's report can be found at: <http://planning.hawaii.gov/lud/state-tod/hawaii-interagency-council-for-transit-oriented-development-meeting-materials/>

- b. Report on State Executive Strategy Session, January 13, 2017, Governor's meeting with State agencies  
Funakoshi reported that the State agencies met with the Governor on Friday, January 13, 2017. The intent of the Executive Strategy Session was to seek a unified approach among State agencies for transit-related development of State lands, particularly along the rail corridor.

Governor Ige provided opening remarks that included the significance of development on State lands especially for affordable housing. Funakoshi stated that the input from the State agencies will feed into the overall TOD strategic plan. State agency representatives discussed draft key principles for State CIP Investments in TOD and opportunities and barriers in formulating State strategy for investments, particularly along the rail corridor. A second meeting will be planned after the legislative session, sometime in May, and a report will be provided to the Council. Co-chair Asuncion thanked all State agencies for their participation.

#### **V. Report on FY17 OP TOD CIP Planning Funds**

Co-chair Asuncion reported that the Legislature appropriated \$500,000 in TOD Capital Improvement Project (CIP) funds for FY17 to be used for TOD projects on State lands on Oahu.

Each agency summarized how they plan to use the OP funds to support their current efforts.

- a. DLNR East Kapolei Strategic Master Development Plan  
Russell Tsuji, DLNR, reported that they are hoping to use the funding to supplement their existing master planning work with R.M. Towill. R.M. Towill has had to coordinate a lot of meetings with landowners, such as D.R. Horton and UH West Oahu for the DLNR project. DLNR has met with D.R. Horton regarding the land exchange and possible shared infrastructure. DLNR will be working with the UH West Oahu about the possibility of having water available to the DLNR site.

DLNR met with OP and R.M. Towill to clarify how the additional funds will be used. A revised scope of work and MOA is pending.

- b. Aloha Stadium redevelopment – Market and Economic Impact Studies and Draft Master Plan for a Sports and Entertainment Complex at Aloha Stadium  
Charles Vitale, Stadium Authority, reported that the Stadium is currently working with OP on the mechanism for funding. For the Market and Economic Impact Studies and Draft Master Plan, the Stadium plans to study what types of events for sporting, entertainment, and business,

such as concerts, fairs, swap meets, and open air conventions would be viable, in conjunction with the Hawaii Tourism Authority (HTA). The Stadium is also looking at ancillary type developments such as office, hotel, retail, and housing, and how they can coordinate that with State needs. State and City agencies including Department of Transportation (DOT), HHFDC, HPHA, HTA, Department of Defense, National Park Service, UH, and DOE will be consulted through interviews and questionnaires, as part of the data gathering for the market and economic report. A master plan will be developed based on these reports.

Vitale stated that the plan is to look at not only the Stadium site, but the Halawa area as a whole in conjunction with the public housing present and other land uses in the area.

Betty Lou Larson indicated that the Stadium plans should include affordable rental housing.

- c. Honolulu Community College (HCC) – TOD Site Master Planning  
Carleton Ching of UH System was unable to attend the meeting. Funakoshi reported that HCC will be using the funds to plan for campus development around the planned rail station on the Makai-Ewa corner of the HCC campus. HCC has a five-year old long range development plan that does not account for the rail transit station near their campus.

## **VI. FY2018 CIP Project Prioritization**

Co-chair Asuncion reported that one of the task of the TOD Council is to review all CIP requests to the Legislature for TOD related projects. OP received several CIP requests from State agencies.

- a. OP Report and Recommendations on CIP Projects Submitted  
Funakoshi reported that Act 130, SLH 2016, requires the TOD Council to review all CIP project requests to the Legislature for TOD projects on State lands within county-designated TOD zones.

Funakoshi stated that the Council previously approved criteria for prioritizing CIP projects as follows:

- 1) Site considerations: proximity to station or commercial center; development potential; site constraints, infrastructure capacity, and access to social services;
- 2) Agency/project readiness: site availability; status of project planning; financial resources; and serves mission & provides public benefits;
- 3) Other financial considerations: joint development; market readiness in area/development timing; and location in improvement or facility district;
- 4) Public benefit: mixed-use component; affordable/rental housing; intermodal connectivity and accessibility; sustainable development; and improvement of public realm; and
- 5) Catalytic impact: potential to seed priority State redevelopment/development objectives in neighborhood/region (degree of State control and interest); and alignment with the county plans.

In addition, three areas are considered to be high priority for pursuing State TOD: 1) Iwilei-Kapalama; 2) Halawa Stadium; and 3) East Kapolei.

Funakoshi reported that there were five (5) State agency requests for the upcoming legislative session for FY 2018 TOD CIP Project Requests. OP is recommending that all five projects be funded by the Legislature.

1. DAGS/Stadium Authority – Aloha Stadium Optimization \$1 million  
The Aloha Stadium is in a high priority area. It has high maintenance costs and the 100-acre site is underutilized. It will have a rail transit station. The site has a significant potential for major retail-entertainment-residential mixed use developments.
2. HHFDC – Alder Street Residential/Juvenile Service Center \$15 million  
HHFDC is proposing a residential and Juvenile Service Center on Alder Street. This is the first major mixed-use agency project, between HHFDC and the Judiciary. The \$15 million is for the Juvenile Service Center. The residential portion will include 180 affordable rental units funded by HHFDC. It will also include 243,000 square feet of office and shelter space for the Judiciary. Alder Street is within half mile of the planned Ala Moana transit station.

Co-chair Hirai stated that there will be two condominiums: 1) Judiciary; and 2) Residential funded with Low Income Housing Tax Credit (LIHTC). Funakoshi stated that this request was submitted to the 2016 Legislature, but was not funded.

Larson noted that homeless youth is a priority for HUD, so this project has been well-received.

3. DOE – Pohukaina School, Kakaako \$55 million  
DOE is proposing an elementary school in Kakaako. This will be DOE's first vertical school. It is part of the 690 Pohukaina project that will include private and HHFDC residential with approximately 600 affordable rental housing.

Co-chair Hirai stated that the \$55 million is for the elementary school only. The design has not been finalized yet. Responsibility for developing the housing portion of the project has been transferred from HCDA to HHFDC. There will be two phases that consist of three condominiums. The first phase will have approximately 400 mixed income rental housing. The second phase will consist of 1) elementary school; and 2) approximately 200 LIHTC rental housing.

4. DHHL Kauluokahai Community \$2 million  
DHHL's Kauluokahai Community project is in a high priority area, East Kapolei. It is near three transit stations (Hoopili, UH West Oahu, and East Kapolei) and will consist of a higher density, multi-family residential, and mixed use ground floor retail to subsidize the rental housing.

Ing stated that the project will be all rental units with some retail to support it. Ing explained that the biggest problem with rental units over time is that rents go up with maintenance costs, and most tenants are on a fixed income. DHHL is hoping that the retail portion will help subsidize the rental facility through the years. These will be short-term rentals: kupuna and transitional rentals for Hawaiian Home Lands beneficiaries.

5. OP State Transit-Oriented Development \$2 million  
Funakoshi reported that OP is requesting \$1 million for each of the next two years of the upcoming biennium for TOD planning. This is to initiate master planning and

infrastructure assessments for projects with significant potential for achieving TOD multi-use objectives.

Funakoshi stated that FY17 funds is limited to Oahu only. These additional funds will be available to projects statewide, including the Neighbor Islands.

Rue asked whether OP is considering having one master planning and engineering firm to be on call for State agencies that want to explore infrastructure without going through the procurement and contracting process. Funakoshi stated for this past FY17 allocation, OP is transferring the funds directly to the agencies to implement their projects, with OP assisting to coordinate efforts.

- b. Action Item: Council acceptance of OP's recommendation on FY2018 CIP projects  
Asuncion stated that the Council's acceptance of OP's recommendations on FY2018 CIP projects will be forwarded to the Governor and Legislature to use in their deliberation on CIP requests. Asuncion encouraged Council members to support the CIP requests going forward. Asuncion noted that the CIP requests are part of the executive budget approved by the Governor.

In response to a question regarding prioritization of the five projects, Asuncion stated the projects are not prioritized and all projects are recommended for funding. The CIP requests will be reviewed by the money and subject matter committees.

It was moved by Tabata and seconded by Tsuji, and unanimously carried to adopt OP's recommendations to the Legislature and Governor on funding of the CIP requests above.

## VII. Presentation

- a. Dwelling Unit Revolving Fund (DURF) – Hawaii Housing Finance and Development Corporation (HHFDC)  
Rick Prahler, HHFDC, provided background on the Dwelling Unit Revolving Fund (DURF) program.

DURF was established in 1970 and was funded by a \$125 million appropriation of the State Legislature. The focus was to acquire, develop, sell, and lease residential, commercial and industrial properties.

Prahler reported that from the 1990s to 2003, \$46 million was returned to the Legislature. Initially, the State acted as the master developer and the funds were used for development of homes. By the late 90's our development activities slowed down. However, in 2006, when HHFDC split from HPHA, the program was restarted with its focus primarily on interim construction costs.

Prahler explained that operating revenues come from parcels that pay lease rent, DURF loan fees, loan repayments, and shared appreciation equity for properties that are sold. There are administrative and maintenance expenses that also comes out of the fund.

Over the past years, the Legislature has funded DURF as follows:  
2007 – \$10 million

2009 – \$20 million  
2013 – \$14 million  
2016 – \$25 million (At this time, this has not been allotted and the funds are not in the account.)

Prahler reported that in the last 10 years, HHFDC has made approximately \$154 million in loans. The bulk is for interim construction loans for both rental and for sale housing. When a loan is approved, HHFDC needs to show the source of repayment. HHFDC has also done bridge loans primarily for rental properties. For example, a tax credit investor financed both the construction and purchase of the tax credits. When the project was completed, HHFDC funded it with DURF. When the project was fully rented out, HHFDC got paid when the tax credits came in.

HHFDC currently has \$81 million in loans outstanding. About \$72.5 million has been paid back in the last 10 years. DURF current cash balance is approximately \$89 million. However, approximately \$32 million is committed for loans that are in process. The available funds are approximately \$56 million. Prahler noted that there are a couple of loans that have been approved by the HHFDC Board but have not been funded yet.

Craig Hirai summarized the following legislation enacted in 2016:

- 1) Act 130, SLH 2016, sets up the TOD Council and provides OP oversight of State TOD lands, conceptual plan approvals, strategic plan, and CIP prioritization. HHFDC's role is coordination and implementation.
- 2) Act 131, SLH 2016, broadens HHFDC's ability to develop mixed-use developments such as Alder Street and 690 Pohukaina.
- 3) Act 132, SLH 2016, authorizes the use of DURF to provide loans and grants to finance regional State infrastructure improvements. HHFDC upon request by a county, may establish and operate a regional State infrastructure subaccount within DURF.

Hirai stated that each regional State infrastructure subaccount consists of the following sources of revenue:

- 1) Moneys received by HHFDC from counties for the repayment of the loan principal and interest from various fees from special improvement districts, improvement districts, tax increment financing districts, community facilities districts, and other areas where property value increases are captured over periods of time for the purposes of infrastructure financing.

Hirai explained that the revenues in the subaccounts can be used to make grants and loans to State agencies, and loans to counties and private developers, for the costs, of infrastructure improvements including regional sewer systems, water systems, drainage systems, roads, and telecommunications and broadband. It can only be used for capital improvement projects approved by the county council or mayor, or State agency, as applicable, with a view towards planned growth, rather than upkeep and maintenance.

Hirai provided a hypothetical example. If the State is going to do regional infrastructure in the Iwilei-Kapalama area and because public purpose properties such as Mayor Wright, Kaiulani Elementary School or Honolulu Community College, are not revenue generating, grants would be provided to these State agencies to fund the State's share of the infrastructure. To the extent that the State lands generate revenue, it would probably be a loan and be negotiated on a case-by-case basis. The terms will also be on a case-by-case basis and flexible, because each situation and timelines are likely to be different.

- 2) Other sources of revenues include appropriations from the legislature, federal grants and subsidies, private investments, and voluntary contributions.

Hirai further explained that the eligible costs include those for planning, design, feasibility studies, construction, and materials. No grant or loan shall be made for maintenance or repair costs unless construction would simultaneously increase the carrying capacity of the infrastructure facility; nor can it be used solely for mass transit or electrical utilities.

HHFDC may expend revenues in subaccounts to repay private investors for their investment. HHFDC may also accept improved land from the counties or private developers in repayment of their loans. HHFDC is required to adopt rules in accordance with chapter 91 for the purposes of Act 132. Hirai stated that HHFDC has developed draft rules that is available on HHFD's website: <http://dbedt.hawaii.gov/hhfdc/>. HHFDC will be holding a public hearing soon.

In response to a question raised on whether Tax Incremental Financing (TIFs) can be used, Hirai stated that TIF's are in the statute but no one is using it. Rue stated that the City has asked several legislators to request that the State Attorney General issue an opinion on TIFs. For the Iwilei-Kapalama area infrastructure master plan, Rue stated that the finance consultants are exploring TIFs, but he does not know what the recommendation will be.

### **VIII. Potential TOD Legislation**

Asuncion stated that the Twenty-Ninth Legislature begins on Wednesday, January 18, 2017. Asuncion asked whether there was any TOD legislation that might be introduced this legislative session. Both OP and HHFDC do not have any administration bills specific to TOD, except for the CIP requests that are part of the executive budget.

Asuncion reported that Senator Espero may be considering a \$2 billion bond to do some projects including Mayor Wright, paying for infrastructure, and some funding to DHHL. Governor Ige may propose legislation for transportation infrastructure and maintenance to ensure the highway fund has enough moneys to avoid an increase in taxes.

Asuncion stated that there are a number of ongoing items including the TOD Council that is in the process of coordinating the State's TOD planning; and the Affordable Rental Housing Special Action Team that is looking at how to reach a goal of 22,500 affordable rental units statewide ready to be occupied by 2026.

Larson reported that Partners in Care Coalition will be supporting the Governor's budget for affordable housing and homelessness.

Rue stated that the City is not proposing any TOD legislation. The City will be supportive of anything agencies are putting forward in their budget requests. However, Rue stated that the City opposes any measure calling for the State to take over development within the rail corridor.

Rue stated that the TOD Council is working and is making progress. All the State agencies are focusing on State lands, drawing support from the City in implementing and making progress on infrastructure. Rue further stated that what we need to do is give the State agencies the money for the planning that is requested for the implementation and engineering to make those projects happen.

Jesse Souki, HCDA, stated that in his opinion, it would not be good for State to assume jurisdiction over rail corridor. It should be a coordinated effort which is why the TOD Council was established. If there are specific State projects that the State feels that is right for implementing, HCDA is available to help manage the development. Souki expressed that he would like to see TOD get done for the benefit of the public. If the infrastructure for projects are needed, and if HCDA can play a role specifically in implementing and getting the infrastructure put in through CIP and partnerships, then that is something HCDA would consider doing.

Senator Harimoto stated he is considering submitting a bill to ask HCDA to do a feasibility study on putting development along rail corridor under HCDA jurisdiction. The bill would be taking over only the planning for the State, and not for the City. He is still working on this.

Senator Harimoto also stated that related to the 10% State administrative fee for the rail general excise tax surcharge, he is proposing another bill to reserve that money to put the required infrastructure in the State lands along the rail line to facilitate the development. He wants to tie in the 10% take directly with the rail line and housing. He may also have another bill to require affordable housing on State lands.

Asuncion stated that he will inform the TOD Council if any TOD legislation comes up. The TOD Council will also be provided updates at its meetings.

## **XI. Next Steps**

### **a. Future Agenda Topics**

Asuncion outlined future meeting topics as follows:

#### Tuesday, February 7, 2017

1. TOD Legislation
2. TOD Strategic Plan Update
3. Public-Private Partnership (speaker TBD)

Asuncion stated that P3 education has to include how it's integrated into the State's procurement process. He said that DBEDT's Broadband Initiative is procuring through a P3—it's involved a lot of meetings with the State Procurement Office (SPO), since SPO does not have a process in place for P3. The SPO should be invited to these presentations. Rue also suggested inviting the City's Purchasing Office too, as it follows the State procurement guidelines.

#### Tuesday, March 7, 2017

1. TOD Legislation
2. TOD Strategic Plan Update

b. Announcements

- 1) The next meeting is scheduled for Tuesday, February 7, 2017 at 9:30 a.m., location to be determined.
- 2) Rue announced that the City will be holding a community workshop on the Kapalama Canal Project on February 8, 2017 at 6:00 pm at Farrington High School Cafeteria.

**X. Adjournment**

There being no further business, the meeting was adjourned at 10:55 a.m.