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

**Minutes of Meeting**

**Tuesday, December 6, 2016**
**9:30 a.m. – 11:30 a.m.**
**Hawaii Community Development Authority**
**Community Room, 1st Floor**
**547 Queen Street, Honolulu, Hawaii 96813**

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| Members Present: | Leo Asuncion, Office of Planning (OP), Co-chair<br>Janice Takahashi, Hawaii Housing Finance & Development Corporation (HHFDC) (Designee)<br>Denise Iseri-Matsubara, Office of the Governor (Designee)<br>Chris Kinimaka, Department of Accounting and General Services (DAGS) (Designee)<br>Darrell Ing, Department of Hawaiian Home Lands (DHHL) (Designee)<br>Danielle Schaeffner, Department of Health (DOH) (Designee)<br>Katie Mineo, Department of Human Services (DHS) (Designee)<br>Russell Tsuji, Department of Land and Natural Resources (DLNR) (Designee)<br>Cathy Ross, Department of Public Safety (PSD) (Designee)<br>Charles Vitale, Stadium Authority (Designee)<br>Jesse Souki, Hawaii Community Development Authority (HCDA)<br>Representative Henry Aquino, House of Representatives<br>Senator Breene Harimoto, State Senate (Alternate)<br>Ray Soon, City and County of Honolulu (City) (Designee)<br>Lyle Tabata, County of Kauai (Designee)<br>Pam Eaton, County of Maui (Designee)<br>Bennett Mark, County of Hawaii (Designee)<br>Betty Lou Larson, Catholic Charities, Housing Advocate Representative<br>Bill Brizee, Architects Hawaii Ltd., Developer Representative |
| Members Excused: | Craig Hirai, Hawaii Housing Finance & Development Corporation (HHFDC), Co-chair<br>Senator Donovan Dela Cruz, State Senate<br>Kathryn Matayoshi, Department of Education<br>Ford Fuchigami, Department of Transportation<br>Hakim Ouansafi, Hawaii Public Housing Authority<br>David Lassner, University of Hawaii<br>Ryan Okahara, U.S. Housing and Urban Development, Honolulu Office (HUD)<br>Business Community Representative (vacant) |
| Other Designees/ Alternates Present: | Scott Chan, Stadium Authority<br>David DePonte, DAGS<br>Harrison Rue, City and County of Honolulu<br>Kathy Sokugawa, City and County of Honolulu<br>Glenn Yee, Catholic Charities |
| TOD Council Staff: | Rodney Funakoshi, OP<br>Ruby Edwards, OP<br>Jayna Oshiro, HHFDC<br>Dawn Apuna, Deputy Attorney General |

Guests: Taylor Ellis, Oahu Metropolitan Planning Organization (OMPO)
Darren Ueki, Hawaii Housing Finance & Development Corporation
Cathi Ho Schar, University of Hawaii School of Architecture
Raytan Vares, Senator Galuteria's office
Bonnie Arakawa, University of Hawaii West Oahu
Dave Arakawa, Land Use Research Foundation of Hawaii
Kevin Wilcock, AIA
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 and were provided an updated list of all Hawaii Interagency Council for Transit-Oriented Development (TOD Council) members, designees, and alternates.

## III. Review and Approval of Minutes – November 1, 2016 Meeting

Co-chair Asuncion stated that Carleton Ching, UH designee, requested that the minutes be amended as follows:

1. Page 7, Honolulu Community College, last paragraph should be revised to read: "HCC also has a parcel that is Makai of Dillingham that is used for their automotive program. While the parcel may have revenue generating potential, any repurposing will have to be appropriate and fit with HCC higher education purposes."

Charles Vitale, Stadium Authority, also requested that the minutes be amended as follows:

2. Page 8, item vi, Stadium, first sentence should read: Charles Vitale of the Stadium Authority reported that the Board of Land and Natural Resources approved the release of both City and federal deed restrictions on the Stadium property.

It was moved by Senator Harimoto and seconded by Brizee, and unanimously carried to adopt the November 1, 2016 meeting minutes as amended above, subject to confirmation on item 2 above by DLNR. [Note: DLNR confirmed the amendment as stated in item 2 above.]

## IV. Presentations

The following presentations can be found at: http://planning.hawaii.gov/lud/state-tod/hawaii-interagency-council-for-transit-oriented-development-meeting-materials/.

a. TOD Projects in Bay Area – Kevin Wilcock, AIA

Kevin Wilcock is an architect, recently relocated from San Francisco, where his firm was involved in the design and development of several transit-oriented multi-family affordable and market-rate housing projects near transit stations.

The State of California passed Proposition 1C, establishing the Housing and Emergency Shelter Trust Fund, a bond measure to provide equity funding for TOD development. The fund was funded with $300 million. Over the last 7-8 years, $271 million has been awarded and 27 projects developed across the State. The equity leveraged private and federal money for projects near rail stations.

The Bay Area Rapid Transit (BART) found that residents living near rail stations are five times more likely to commute by transit as compared to the average resident in the same city not living near transit.

Wilcock provided comparisons between the average housing and transportation costs spent by households in Kapolei, Hawaii and San Francisco, California. Kapolei households spend 20% of their income on transportation and average 2.02 cars. San Francisco households spend 11% of their income on transportation and average 1.15 cars. This information was obtained from the Center for Neighborhood Technology's Housing and Transportation (H+T) Affordability Index website at http://htaindex.cnt.org/. The website is a good resource for other information, metrics, and databases.

Wilcock provided examples of four types of TOD projects with different types of parking (wrapped, tucked under, podium, and mechanized). All projects include open space and retail to activate the street edge.

1) Station Center located in Union City, is an affordable housing rental project with 157 units, 204 parking spaces (1.3 per unit) with a wrapped parking garage. The project was designed and the land for the station parking was obtained before the BART station was built. There is a multi-modal station with BART and buses, and a future AMTRAK station. The project is a mix of housing types: townhouses, affordable housing, and market-rate housing. At the rear, housing wraps a multi-level garage, shielding it from view. Residents are able to park on the same level as their unit. The retail is designed for very small spaces that makes it affordable. The project includes common rooms and a play area.

2) La Valentina located in Sacramento, is an affordable rental family housing project with 63 units and 68 parking spaces (1.08 per unit) with tucked-under and surface parking. The project was built next to a light rail station. There are three stories over one level of retail. Market rate housing was later developed in the area, which stimulated development around that transit station. Tucked parking is built behind the building to allow retail uses to activate the street edge.

3) Armstrong Place and Armstrong Senior Affordable Housing located in San Francisco's Bayview district, is a combination of affordable senior housing and for-sale units for first-time home buyers. The project has 240 units on 3.14 acres, with 155 parking spaces (.65 spaces per unit). The project is along light rail, which was under construction at the time the project was designed and financed.

   The following financial tools were used for the project:
   - Low Income Housing Tax Credits
   - State Transit Oriented Development Funds (Proposition 1C)
   - 60% of the units are HUD 202
   - Long term loan from SF Redevelopment Agency (SFRA)
   - Land cost from SFRA

The rents ranged from $0 - $635 a month for seniors, at an income level of 50% of Area Median Income (AMI), which is about $86,000 for two people in San Francisco. The City also set aside 20 units for the formerly homeless, which are fully occupied.

The Armstrong Place Affordable-Ownership Townhouses for first-time home buyers consist of mixed types of units and income levels of 60%, 80%, and 100% of the AMI. Down payment assistance was provided. The units were priced from $166,000 to $350,000 for 2, 3, or 4 bedrooms. Home buyers are not allowed to sell the units and gain equity. However, if money is spent to do upgrades it can be recaptured if the unit is sold. The project has ground-floor podium-style parking. The stacked townhouses and courtyards are above the podium.

Design and construction were financed by SFRA Funds and a conventional construction loan from Bank of America.

4) <u>Potrero 1010</u>, located in San Francisco, is a market-rate rental housing project with 453 units and 307 parking spaces (0.65 per unit) with mechanized parking. The project contains housing, retail, and production, distribution, and repair (PDR). PDRs refer to a wide range of activities that traditionally occur in industrially zoned areas. PDR includes arts activities, performance spaces, furniture wholesaling, and design activities. PDR space for artist studios, bike repair shops, and the like are located across the street from other existing PDR uses.

   The project's parking garages, are located in the inside of the building that are lined with active uses. The parking garages uses a self-service, mechanized parking system that required no digging into the ground. This type of parking garage is feasible when land is limited and air heights are available. Wilcock stated that the mechanized parking system cost was approximately $17,000 a space compared to $20,000 for a standard garage space. The system used is Klaus Multiparking Parking Systems, which are made in Germany.

   Wilcock also stated that car share and bike parking is integrated into development going on in San Francisco. Bike rooms were built inside the buildings for bike storage, with a bike repair station.

Wilcock stated that all affordable projects used low income housing tax credits, Section 8, and local money from the City to offset the costs. According to Wilcock, San Francisco's zoning does not require developers to build any parking; and by making retail spaces small with the option to expand, helps keep the rents low, which makes it successful.

b. <u>Housing Financing Tools – Hawaii Housing Finance and Development Corporation (HHFDC)</u>
Darren Ueki of HHFDC provided an overview of the Low Income Housing Tax Credit (LIHTC) program.

The LIHTC program, created by the Tax Reform Act of 1986, is a financing tool for private developers and non-profit entities to construct or rehabilitate affordable rental units. Federal and state tax credits may be used to obtain a dollar-for-dollar reduction in income tax liability for 10 years. The tax credit may be sold to a qualified investor in exchange for an equity investment in the project. HHFDC is designated as the agency responsible for the administration of both Federal and State LIHTC Programs for the State of Hawaii.

How does the LIHTC work?
The developer comes up with a project and applies for the tax credits through HHFDC's consolidated application process. Once awarded the tax credits, the developer completes the project, certifies development costs, and rents project to low-income tenants.

Equity capital for development costs
Ueki explained that because the developer is renting to residents with a fixed income, the amount of revenue that is generated from the project is limited. Therefore, the LIHTC creates equity by allowing an investor of the LIHTC to buy the credit from the developer, with the money that is raised by the sale of the credit that goes directly into the cost of the project itself, as equity.

When HHFDC awards the tax credits under the LIHTC program, the developer needs to keep the project affordable for those earning 60% AMI for a minimum of 30 years. The project owner goes through compliance monitoring, and a land use regulatory agreement is attached to the project. In the event that the owner does not meet the terms of the length of the program, there is a tax recapture provision of all past and future LIHTC. Ueki stated that to his knowledge this has not happened in Hawaii.

How much in LIHTC does Hawaii receive?
There is 9% LIHTC (competitive/volume cap) that are allocated to each state based on population. For 2016, Hawaii received approximately $3.4 million ($2.35 LIHTC rate per capita) that is reviewed annually. The 4% LIHTC (non-competitive/non-volume cap) is allocated based on the use of private activity tax-exempt bonds. The State has a bond cap of approximately $296 million. However, the State has not come close to utilizing the full amount. Hawaii also has a State LIHTC, which is 50% of the amount of the Federal LIHTC program.

How are LIHTC awarded?
LIHTC are awarded using what is known as the "Qualified Allocation Plan" (QAP).
The QAP is a point-based scoring system that takes into account mandated requirements of the IRS and priorities of the State. It also conveys to applicants other program requirements.

Developers apply for LIHTC through HHFDC's Consolidated Application. The application allows applicants to apply for various other financing programs with one application. HHFDC has two Consolidated Application funding rounds per year:

- Round 1 (typically in the 1st quarter of the calendar year) offers 9% LIHTC along with other financing programs.
- Round 2 (typically at the end of the 2nd quarter of the calendar year) offers other financing programs such as the 4% LIHTC and Rental Housing Revolving Fund (RHRF).
- In 2016, 4% LIHTC became available year round for those projects not needing RHRF.

Applications are reviewed and scored by HHFDC's Finance and Development staff, using the QAP. Recommendations for awarding LIHTC and other financing resources are presented to the HHFDC Board for approval.

Ueki provided the following examples of financing structures for 9% and 4% LIHTC projects:

- 9% LIHTC project: 20% conventional loan (First Hawaiian Bank or Bank of Hawaii)
  20% - 25% equity gap (government programs)
  55% - 60% LIHTC equity

- 4% LIHTC project: 20% - 25% Hula Mae Multi-Family (HMMF) Bond
  35% - 40% equity gap (government programs)
  40% LIHTC equity

The 2016 income and rent guidelines for 60% to 140% AMI for all islands was provided. Ueki also provided an example of the funding sources for a LIHTC project, Halekauwila Place developed by Stanford Carr: LIHTC equity, HMMF Bond, Permanent Loan (Taxable Ginnie Mae – Government National Mortgage Association (GNMA)), HCDA funds, and deferred costs (developer's fee). Other LIHTC projects HHFDC assisted near the rail line include: Hale Mohalu II (332 units) near the Pearl City Station, and Kooloaula (308 units) near the East Kapolei Station.

Soon asked what the City and County of Honolulu (City) can do to enhance the program. Ueki has heard from developers that they are frustrated by the length of time it takes to process permits by the Department of Planning and Permitting. If the City can continue to improve its process, it will help. Also, if funds can be used for housing that the City has whether it be from entitlement fees that are paid to create affordable housing funds for some of the counties or the moneys from the federal government; and whether a determination can be made to use the funds to go towards the development of affordable housing. There are many uses for these funds and some of them are not only for housing related.

In response to questions, Ueki stated that HHFDC does not market the tax credits for the investor. The developer seeks that out themselves. If done properly, a LIHTC project can provide a steady income stream from management fees collected over the life of a project. Also, there are no mixed income LIHTC projects. Ueki stated that the Kapolei Lofts and 7000 Hawaii Kai Drive project in Hawaii Kai are the only nonsubsidized market rental projects that he is aware of.

**V. TOD Strategic Plan Process – Work Group Report**

Rodney Funakoshi of OP explained that, pursuant to Act 130, SLH 2016, the TOD Council is responsible for reporting on progress in implementing a State TOD Strategic Plan. The State TOD Strategic Plan must address:

- TOD projects on State lands in each county
- Coordination with counties
- Inventory of State, county, and private development projects lacking infrastructure
- Priorities for TOD projects
- Financing and priorities for public infrastructure
- Promotion of public-private-partnerships

Funakoshi reported that the Work Group on the strategic plan process held one meeting in November. The TOD Council's focus is on State lands, including those on the Neighbor Islands.

TOD will take a different form on the Neighbor Islands given their suburban and rural densities. Harrison Rue offered consideration of the concept of Transit-Ready Development (TRD), which is similar in principle to TOD. The TRD concept was favorably received by the Neighbor Island county representatives and the Work Group. TRD involves community design to support transit in more suburban or rural setting, creating sufficient density and walkability with a plan that considers the location and right-of-way for potential transit.

Neighbor Island County representatives discussed how their county could move forward in developing their section of the State Strategic Plan.

- Kauai County can build off the work they are doing with their Special Planning Areas (SPAs), form-based codes, and other smart growth initiatives, including work being undertaken in the Lihue Town Core. The Kauai General Plan update is also underway. The Kauai representative expressed interest in State TOD funding for some of their community planning initiatives.

- 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.

- Hawaii County's Kona Community Development Plan has designated TOD areas with form based codes. The plan needs to be revisited as TOD nodes are far apart, lack roads and infrastructure, and are costly to implement. The bus transit system needs to be developed to make TOD work. Hawaii County will also need assistance in organizing a process for the Hawaii County portion of the State Strategic Plan.

Each county expressed interest in State assistance in TRD planning and funding.

The following is a summary of the Work Group recommendations for the Strategic Plan Process:
1. Hold county-level workshops to define TRD areas and needs;
2. Inventory State lands in TOD areas for development potential. OP is working on development of an inventory of State lands. Agencies will be contacted to help provide additional information needed to determine potential;
3. Address affordable housing: tie-in TOD planning with the Special Action Team for affordable rental housing and Housing Plan;
4. Develop a vision component that integrates and provides direction for TOD with respect to housing, social, health, disaster planning and resilience, sea level rise; and
5. Conduct education and training on public-private-partnerships (PPP) and infrastructure financing.

The following is the proposed schedule of tasks discussed with the Work Group for the delivery of the Strategic Plan to the Legislature by December 2017:

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| 1. | State agency consultations | December 2016 – February 2017 |
| 2. | Inventory and mapping | December 2016 – March 2017 |
| 3. | Neighbor Island workshops | January – April 2017 |
| 4. | Develop financing strategies | February – April 2017 |
| 5. | Community meetings | May – June 2017 |
| 6. | TOD Council prioritization | June – July 2017 |
| 7. | Draft Strategic Plan | August 2017 |
| 8. | Final Plan | September 2017 |

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/

## VI. OP Status Report on FY17 OP TOD CIP Planning Funds

Funakoshi reported that the Legislature appropriated $500,000 in TOD CIP for FY17 to be used for TOD planning on State lands on Oahu.

Funakoshi reported that OP identified the following three projects for FY17 TOD CIP planning funds. OP is negotiating with the agencies on the specifics for each project prior to the transfer of funds to the recipient agencies:

1. East Kapolei Master Plan, DLNR, $200,000, to supplement their master planning efforts for four parcels in East Kapolei;
2. Aloha Stadium redevelopment, Stadium Authority/DAGS, $200,000, to undertake market development studies and a draft master plan for a sports and entertainment complex at the Stadium; and
3. Master planning for UH-HCC to explore TOD opportunities, $100,000.

## VII. Draft Annual Report to the Legislature

Co-chair Asuncion stated the draft annual report was sent to the TOD Council members. He asked the members to review the draft report and provide any comments and revisions by Friday, December 9, 2016. The Annual Report needs to be submitted to the DBEDT director by December 15th and to the Legislature by December 29th (20 days before the 2017 session).

It was moved by Vitale and seconded by Soon, and unanimously carried to accept the draft annual report, subject to any revisions submitted by members.

## VIII. Next Steps

a. Future Agenda Topics

Co-chair Asuncion outlined future meeting topics as follows:

Tuesday, January 10, 2017

1. FY2018 CIP Project Prioritization
   Co-Chair Asuncion reminded the agencies to provide their CIP requests to OP so that OP can make its recommendations for TOD Council review at the next meeting.
2. TOD Legislation
3. TOD Strategic Plan Update
4. TOD Strategic Plan Process – Work Group Report
5. Public-Private-Partnership for TOD – Presentation (speaker TBD)
6. Dwelling Unit Revolving Fund (DURF) Presentation – HHFDC

Tuesday, February 7, 2017

1. TOD Legislation
2. TOD Strategic Plan Update
3. Public-private-partnerships for TOD (speaker TBD)

b. Announcements

1) The next meeting is scheduled for Tuesday, January 10, 2017 at 9:30 a.m., location to be determined.
2) Cathi Ho Schar of UH School of Architecture handed out a survey for members to complete to help plan a built environment symposium to be held in April 2017 at the State Capitol. The purpose of the symposium is to integrate students, faculty, industry professionals, consultants, community, and government to deal with the key issues that are faced as designers of the environment.

## IX. Adjournment

There being no further business, the meeting was adjourned at 11:27 a.m.