

Hawaii Interagency Council for Transit-Oriented Development

Minutes of Meeting

Tuesday, June 12, 2018

9:30 am

Hawaii Community Development Authority

Community Room, 1st Floor

547 Queen Street, Honolulu, Hawaii

Members/
Designees
Present:

Rodney Funakoshi, Office of Planning (OP), Co-Chair designee
Janice Takahashi, Hawaii Housing Finance & Development Corporation (HHFDC),
Co-Chair designee
Chris Kinimaka, Department of Accounting and General Services (DAGS)
Kenneth Masden, Department of Education (DOE)
Darrell Ing, Department of Hawaiian Home Lands (DHHL)
Katie Mineo, Department of Human Services (DHS)
Russell Tsuji, Department of Land and Natural Resources (DLNR)
Heidi Hansen Smith, Department of Health (DOH)
Robert Miyasaki, Department of Transportation (DOT)
Deepak Neupane, Hawaii Community Development Authority (HCDA)
Carleton Ching, University of Hawaii (UH)
Representative Nadine Nakamura, House of Representatives
Senator Lorraine Inouye, State Senate
Harrison Rue, City and County of Honolulu (City), Department of Planning and
Permitting (DPP)
Kanani Fu, County of Kauai, Housing Department
Pam Eaton, County of Maui, Planning Department
Bennett Mark, County of Hawaii, Planning Department
Cyd Miyashiro, American Savings Bank, Business Community Representative
Bill Brizee, Architects Hawaii Ltd., Developer Representative

Members/
Designees
Excused:

Mike McCartney, Chief of Staff, Office of the Governor
Cathy Ross, Department of Public Safety (PSD)
Charles Vitale, Stadium Authority
Hakim Ouansafi, Hawaii Public Housing Authority (HPHA)
Betty Lou Larson, Catholic Charities, Housing Advocate Representative
Ryan Okahara, U.S. Housing & Urban Development, Honolulu Office (HUD) (Ex-officio)

Other
Designees/
Alternates
Present:

Senator Breene Harimoto, State Senate
Ian Hirokawa, DLNR
Marc Takamori, County of Maui, Department of Transportation

TOD Council
Staff:

Ruby Edwards, OP
Briana Bernardino-Mun, OP
Jayna Oshiro, HHFDC

Guests:

Jane Tam, OP
Franz Kraitz, City DPP

Kenna Stormogipson, UC Berkeley
Nathalie Razo, PBR Hawaii
Ann Bouslog, PBR Hawaii
Grant Murakami, PBR Hawaii
Milton Arakawa, HHF Planners
Paul Brewbaker, TZ Economics
James Kwon, Hawaii Public Policy Advocates (HPPA)
Stacy Armstrong, R.M. Towill Corporation
Mike Garris, Belt Collins Hawaii
John Kirkpatrick, Belt Collins Hawaii

I. Call to Order

Rodney Funakoshi, Co-chair designee, called the meeting to order at 9:35 a.m.

II. Introduction of Members

Members and guests introduced themselves.

III. Review and Adoption of Minutes of May 8, 2018 Meeting

It was moved by Chris Kinimaka, and seconded by Russell Tsuji, and unanimously carried to adopt the May 8, 2018 meeting minutes.

IV. TOD Legislation

a. Update and discussion on TOD Legislation

Funakoshi summarized the Measure Tracking Report for the following bills which passed and were transmitted to the Governor:

SB 2237, SD2, HD1, CD1 – Relating to Public Schools

The bill requires the City and County of Honolulu to transfer to the DOE all property on which a public elementary or intermediate school is situated.

SB 2293, SD2, HD3, CD1 – Relating to Affordable Housing

Requires the HHFDC to institute proceedings to condemn the ground lease for the Front Street Apartments affordable housing project. Appropriates general funds for the appraisal and condemnation if the County of Maui provides matching funds. Appropriates rental housing revolving funds to HHFDC for the expedited construction of the Leialii affordable housing project.

HB 1900, HD1, SD2, CD1 – Relating to the State Budget

Funakoshi stated the budget includes CIP for several TOD projects.

HB 2748, HD2, SD2, CD1 – Relating to Housing

Directs HHFDC to study and report on housing for populations with access and functional needs. Extends exemption from general excise tax for development costs of affordable rental housing certified by HHFDC. Increases limits on costs eligible for exemption and clarifies eligibility to qualify for the exemption. Prohibits discrimination against tenants based solely on receipt of Section 8 housing assistance. Appropriates funds to the rental housing revolving fund and dwelling unit revolving fund in fiscal year 2017-2018.

The bill appropriates \$200 million to the Rental Housing Revolving Fund. Janice Takahashi, Co-chair, reported that the bill was signed by the Governor on June 8, 2018—Act 39, SLH 2018.

The following resolutions were adopted:

SCR 48, SD1 – Department of Hawaiian Home Lands; Housing for Native Hawaiians
Requesting the DHHL to provide multi-family, high-density development in TOD Zones and Tiny Homes for Native Hawaiians.

SR 22 – Hawaii Community Development Authority; Community Development Districts; Kakaako; East Kapolei; Heeia; Legislative Reference Bureau; Report
Requesting the Legislative Reference Bureau to conduct a study regarding designating, dissolving, or transferring certain community development districts under HCDA.

Funakoshi stated none of the bills above were identified for veto by the Governor.

V. State TOD Planning and Implementation Project

Funakoshi provided a brief project overview. In 2017, the Legislature appropriated \$1 million in TOD CIP for FY2018 to be used for TOD infrastructure and site master planning studies along the rail corridor. OP solicited Request for Proposals for a planning and engineering consultant to do preliminary site planning, infrastructure needs assessment, inter-agency consultation and coordination, and preparation of a State TOD Project Implementation Plan to support TOD project development in the three priority areas: East Kapolei, Halawa Stadium, and Iwilei-Kapalama.

PBR Hawaii was awarded the consultant contract for this project—Grant Murakami is the Principal-in-Charge of the project, Nathalie Razo is the Project Manager, and Ann Bouslog, is the Project Marketing Director.

Background on PBR Hawaii

PBR Hawaii (PBR) is based in Hawaii for over 45 years with capabilities including: site design, urban design, community planning, land management, TOD projects, and environmental assessments and impact statements. PBR has worked on various TOD projects including: 1) TOD educational outreach with the City, pamphlet flyers and informational presentations; 2) TOD planning and implementation with the City on Iwilei-Kapalama TOD Infrastructure Assessment, Waipahu Action Plan, Chinatown Action Plan Outreach and Wayfinding, and Housing Feasibility Studies; 3) DHHL TOD conceptual master plans for Kapalama and Moanalua Kai (Shafter Flats); 4) Mayor Wright Homes redevelopment with HPHA on master planning, community outreach and engagement, environmental requirements, and entitlements; and 5) University of Hawaii West Oahu Land Plan with TOD master planning, campus outreach and engagement, public/private partnerships and entitlements.

Nathalie Razo, PBR project manager, provided an overview of the current project. OP organized a Project Coordinating Committee made up of OP, HHFDC, DAGS, UH, and City DPP to work closely with PBR on the project.

Project Consultant Team

The project consultant team is multi-disciplinary with local and mainland knowledge including national experts:

R.M. Towill Corporation: a locally-owned engineering consulting firm which has worked on TOD projects including the rail transit connectivity for TOD-Waipahu Transit Center; strategic master plan development for East Kapolei Lands; Kapalama Canal Catalytic Project, and Iwilei-Dillingham Drainage Study. Their capabilities include infrastructure master planning, solid waste, drainage/flood control, highways/roadways, sustainable site design, and water resources.

David Taussig & Associates: a mainland consulting firm focusing on development financing and alternative delivery mechanisms. They will look at how financing mechanisms can interplay and interact with one another. They worked on the formation of the Community Facilities District (CFD) in Kukuiula, Kauai.

Fehr & Peers: transportation engineering and multi-modal system planning consultant. Their expertise includes land use and transportation, multimodal operations and stimulation, sustainable transportation, transit planning, travel behavior and forecasting, and visual communications. Local TOD projects: Ala Moana and Halawa TOD plans; Pearlridge TOD and Bus Transfer Facility, Oahu Pedestrian Master Plan, and Honolulu Complete Streets project.

Callison RTKL: World-wide consultant with expertise and focus on changing needs of cities, developing resilient communities, mixed-use communities, revitalizing downtown districts, TOD, and university campuses. TOD projects they worked on include: Aloha Stadium and Ala Moana Neighborhood TOD plans.

Ronald N.S. Ho and Associates: local firm providing electrical engineering consultation services. Their capabilities include: evaluation and design of on-site and off-site electrical utilities. TOD project experience includes: Iwilei-Kapalama TOD Master Plan, Mayor Wright Homes Re-development, and Kalaeloa TOD Redevelopment Master Plan.

Arup: international firm who will be the sustainability experts to provide analysis on alternatives that could be applied in Hawaii to make systems more sustainable and functional. Their expertise includes climate responsive engineering, virtual central plants, distributed renewable generation, low carbon communities, behavior change, and climate adaptation and resilience. Projects they worked on locally: Starwood Vacation Ownership, Punahou School Case Middle School, UH West Oahu Photovoltaic System, and Nohona Hale.

Project Goals and Deliverables

The end goal is to have an agreement on needed infrastructure improvements and the plan for delivering infrastructure to support State TOD. The desired deliverable is the State implementation and financial plan and strategy for infrastructure investments to support and facilitate State TOD projects along rail corridor. The focus will be the priority areas of East Kapolei, Halawa-Aloha Stadium, and Iwilei-Kapalama

The intermediate goal is to have a general agreement and vision for how State lands will be developed and contribute to TOD communities in priority areas to determine improvement requirements. The sub-goal is to develop support tools for TOD implementation including evaluation criteria, performance metrics, and public outreach strategy.

Project Approach

The project approach is to:

- Build on existing TOD plans, studies, and TOD project planning of State, City, and private entities.
- Undertake agency and stakeholder process to determine individual agency needs and concerns and area-wide needs and concerns.
- Work with the TOD Council Permitted Interaction Groups to assist in the process.
- Collaborate on problem-solving process to determine funding, financing, and implementation strategy.
- Integrate urban design, infrastructure, and circulation plans.
- Bring best practices and lessons learned from TOD experiences to address implementation requirements at corridor- or area-wide level; and collaboration between jurisdictions, agencies and budgets, and financing schemes.

Project Timeline

The following is the first phase timeline for the TOD Council's permitted interaction groups for the three priority areas:

- June 2018 to November 2018 – Work on tasks.
- December 2018 – Report back to the TOD Council with recommendations and permitted interaction groups are disbanded.
- January 2019 – TOD Council action to approve the recommendations and establish new permitted interaction groups to work on the next project phase.

The following is the timeline for the second phase of permitted interaction groups for the three priority areas:

- January 2019 to October 2019 – Work on tasks.
- November 2019 – Report back to the TOD Council with recommendations and permitted interaction groups are disbanded.
- December 2019 – TOD Council action to approve recommendations and establish new permitted interaction groups to work on new tasks.

The project tasks include orientation meetings and analysis of existing and planned developments, preparation of land use, circulation, and infrastructure alternatives, and development of preferred alternative, implementation strategy, and summary memo.

Project Process

The project includes the following parts:

- 1) Key inputs – values and vision of the agencies and players involved. Determine individual needs and goals, come to an agreement on the broader level, look at market conditions to see what TOD development can support, impacts on infrastructure needs, and existing site conditions.
- 2) Analysis – Through the iterative process, coming up with alternatives by looking at financing tools and strategies, infrastructure needs and associated costs, and priority area development options (modeling, renderings, and input and evaluation).
- 3) Outcomes – an actionable plan for infrastructure including priority projects, timing and costs; a funding plan that includes tools, target sources and strategies, enabling solutions, and timing; briefing materials and strategies that can be used to discuss the topics; and briefing agencies and decision makers.

Schedule and Next Steps

Razo explained that once the permitted interaction groups are established, PBR would like to schedule a kick-off briefing with the permitted interaction groups for the three priority areas. PBR will also be scheduling meetings with agencies and entities for input on existing conditions.

In August/September 2018, PBR is planning on doing a workshop. The format of the workshop will be determined based on the work of the permitted interaction groups. The mainland consultants will be doing an educational seminar and a charrette workshop.

Discussion

Representative Nakamura asked where in the process discusses who's going to implement the infrastructure? Razo stated it will be part of the iterative process, looking at financing tools and strategies, infrastructure needs and associated costs, and input and evaluation. PBR will be having ongoing meetings to see what people think. The financing tools and strategies will also influence who would be implementing it, how it will be implemented, and when it will be implemented. This is going to be an ongoing discussion throughout the process.

Harrison Rue, City DPP, stated it also includes building on the work that the City has already done in terms of TOD plans as well as infrastructure planning. Some of PBR's consultants have developed some of the City's infrastructure plans.

Representative Nakamura also asked what are the assumptions PBR's making going into this and should that be articulated upfront.

Rue stated one of the assumptions might be since the City does build most of the infrastructure, some of it will continue to be built by City and it might need to get accelerated in terms of budget cycle. The City has identified \$1.5 billion in infrastructure that's needed to support TOD which some of it is programmed. In some cases, it might be financial solutions. In other cases, the on-site infrastructure would largely be built by the developer. For example, Aloha Stadium everything on-site would be built by the developer. However, the developers can build something off-site to City's standards rather than wait for the City to get to that portion.

Representative Nakamura explained the concern moving forward, people should understand whether it is a HCDA model or is it City driven infrastructure improvements. It's a policy question. She wants to ensure that everyone is moving along in that direction.

Edwards stated it's going to be a hybrid. There will be no new mechanisms established for delivering infrastructure. It's going to be a strategic application and resources to facilitate what functional agency is responsible for a particular infrastructure system. It's figuring out how to get the agency to do improvements in a timely manner such as who gets the procurement, contracting done, and how we facilitate that. The jurisdictional responsibilities are not changing.

Funakoshi stated OP has established a Project Coordinating Committee that will be working closely with the consultants as well as guiding their efforts. It will probably be next year when we have a better idea of what the current issues are relative to infrastructure needs in these areas.

Bill Brizee asked if someone is going to look at Tax Increment Financing (TIF) and whether a change is needed to the State Constitution. Murakami stated their consultant, David Taussig & Associates, will be looking into TIF.

Ann Bouslog, PBR, stated that the scope of work is to look at all the various financing options. There are new developments with Opportunities Zones that are emerging. David Taussig & Associates will be combining and layering different tools.

Russell Tsuji, DLNR, asked if infrastructure is limited to servicing the project site. Rue stated yes. If a developer wants to build something and there is not a programmed ENV funded off-site facility that will serve that project. Or it's programmed and is planned on being built 10 years down the road and they need it now. Current rules allow them to put that in at a cost that is greater than what is needed to serve their own needs and then get partly reimbursed as other nearby development hooks up to that. That is an existing approach.

Tsuji commented that there's a lot of areas along the rail that lacks infrastructure. Rue stated in the State TOD Strategic Plan, the City of County of Honolulu section lists the roughly \$1.5 billion in infrastructure projects that are needed based on where people said they want to develop. The City intends to further identify projects to make the list more accurate.

Funakoshi explained that on a regional level, for the three priority areas, PBR will be more in depth to program what can be done. Rue said the hardest part is for the State agencies to firm up where they want to develop, when, and what the market says about that. Because everyone will not be able to develop all at one time.

Senator Inouye stated that although she is a Neighbor Islander and having been the former mayor, the TOD Council should not be concentrating too much on the Neighbor Islands for this project because the goal is for Oahu TOD. The goal with this legislation should be concentrating on Oahu TOD because when time for ask, next year, where are we going to be heading towards. When we're looking for ask on any project, policymakers all have different ideas. The concentration financially is on this one project. Senator Inouye also commented that Neighbor Islands have the ability to look for federal financing.

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

VI. Infrastructure Financing for TOD and Affordable Housing Presentation – Kenna Stormogipson, UC Berkeley

Kenna Stormogipson received her Master of Public Affairs degree from the University of California at Berkeley, School of Public Policy. Stormogipson approached OP late last year and asked whether she could do her master thesis on a topic that would be useful to OP's work.

Stormogipson provided an overview of her research on infrastructure financing for TOD.

Background

Hawaii's spending on infrastructure has decreased over time. Currently, it's about 2% compared to 4% in 1970. The real median home price is approximately \$536,000 adjusted for inflation and the supply has not kept up. Other major cities such as Los Angeles, San Francisco, Brooklyn and D.C. have the same problem. In D.C., their housing cost has gone up 250% (not adjusted for inflation) and their supply increased by only 10%.

Stormogipson explained that developers are expected to pay for infrastructure—roads, sewers, parks, and schools. The benefits are less taxpayer money, work can be done faster, and cost savings in

efficiency through construction managing process. The downside is when the supply is inelastic, the costs are passed onto consumers. This does not help keep housing costs low. Developers pay high interest (9-12%) on their debt. Developers need equity investors who are willing to invest their money knowing that they won't get paid back until everything is sold and all debts are paid. Stormogipson explained that the interest rate is calculated by taking what the equity investors may want 20% interest and combining it with the bank loan 5%. The blended interest rate is about 10%.

Private Financing

Stormogipson provided an example of public versus private financing. To do a \$10 million infrastructure project, over three years, with private money, \$3 million would be paid in interest. However, with public money, at 3% interest (current bond rate), it's a significant savings.

Also, with having developers pay for infrastructure, everyone may want to hold back. No one would want to go first. What you want is developers incentivized to go as oppose to incentivized to wait. Ultimately, if you ask developers to do too much of the infrastructure then what you get is less building and what gets built is more expensive.

Value capture

Stormogipson looked at types of public financing that can be done in Hawaii. Value capture means "capture" monetary benefit of increased property value from public investment through taxes. An example, a vacant field outside of Atlanta was cleaned up and turned into a mixed-use development. Tax money used to pay back bonds that was used for the clean-up. Capturing the value back. It could be property, sales, or income taxes, all that tax money can be used to pay back those bonds.

Stormogipson focused on three ways of using property taxes because property taxes are secured but people have done bonds based on sales tax and income taxes.

1) Community Facilities District

Community Facilities District (CFD) is a special taxing district to fund the acquisition or construction of public improvements including transit, roadway, water, wastewater, pedestrian, cultural and police and fire facilities. CFDs involve having a minimum base tax amount and adding an assessment tax on the property. The bonds can be issued at 4-6% which is higher than General Obligation (GO) bonds because it's riskier. For CFDs, the landowners must agree. If there is a protest by more than 55% of the owners of the land, they can stop it.

Rue stated that you can go ahead and act it but landowners can challenge it. Stormogipson stated that it needs more than 25% of people to act it. So 25% can say we want to do it, and then if you don't get 55% of people to protest it will go through. The extra tax must be low to stay competitive.

Hawaii has one successful CFD, Kukuiula on Kauai which was formed in 2008. In 2012, it took \$12 million in bonds and \$2.2 million in cost for the formation and issuance. The CFD was completed and the interest rate was 5.5%. The extra assessment was 0.32%. The benefits are Kauai County collects over half a million dollars a year in assessments that is paying off the bond. Kauai County negotiated and got 15% of net bonds funds, approximately \$1 million to spend on other projects. Bonds are paid by new homeowners, not by the county or developer.

Funakoshi commented that Kukuiula is a resort residential community so it's high end and presumably more affordable for the residents.

Paul Brewbaker commented that the new homeowner was going to pay for it anyway if the County stuck it on the developer in the first place. So this is the way to mobilize access to municipal bond finance, it lowers the cost.

The downside to CFDs include: new residents shoulder the burden; cost of bond issuance; and cost of formation. Hawaii has attempted CFDs on the Big Island and Oahu (Gentry-Waiawa) but none of the projects went through.

Stormogipson stated that the State of California does a lot of CFDs with an average cost of \$300k, and taking 4-6 months to form a CFD. It is important that expectations are clear upfront because developers are hesitant if expectations are unclear.

2) Tax Increment Financing (TIF)

TIF is a tool that captures growth in property tax revenues over time. Upon establishment of a TIF district, incremental tax revenues over a base year that would otherwise go to a county's general fund are made available to fund public improvements or pay debt service on bonds for public infrastructure.

Different cities have used TIF. The State of California has over 400 districts and their property tax money is split among schools, cities, counties, and special districts. In Chicago, there are 147 districts and their tax money is split over nine different ways. New York City (NYC) is similar to the City and County of Honolulu, 100% of the tax money goes to the city and they have one district.

In 2007, NYC used a pilot TIF for the Hudson Yards Subway extension. Since they hit their GO bond limit they needed a workaround. Their state laws were too restrictive. However, after meeting with their lawyers, they did not do a formal TIF but did it as a PILOT (payment in lieu of taxes) which is not actually tax money. They did developer agreements, and the developers agreed to pay these PILOTs to NYC. NYC would use the payments to pay bond. They got around the legal restrictions. This is something that Hawaii could think of doing within developer agreements so you don't run into all the legal obstacles. NYC financed \$3 billion for the subway extension. They rezoned everything and had a master plan. There is also \$20 billion of private building in the area where approximately 7,000 people are employed. The tax revenue from the commercial buildings is paying for 100% of the bond. After the bonds are paid off, all the money goes to NYC.

Tsuji asked whether NYC asked their attorney general whether it was legal to do. Stormogipson stated it was legal and they didn't have to change a single statute. Nothing had to happen legislatively, it was done through developer agreements.

Stormogipson explained that the Metropolitan Transportation Authority (MTA) is supposed to pay for transit in NYC. MTA, a state agency, did not have the project as a priority on their list so they weren't going to pay for it. However, NYC's former Mayor Bloomberg believed it would pay for itself and went ahead and funded it. It was a joint agreement. Today, MTA still runs the train and has control over the stations.

Brizee commented that he toured the Hudson yard two years ago, and was told that NYC could not legally do TIFs. The former mayor found a way around that. It looks like a TIF, it acts like

a TIF, but it's not called a TIF. Stormogipson stated you can do a lot of the same things with developer agreements.

Rue explained for one project, it doesn't matter as much if you don't get all the property taxes go towards construction of infrastructure. However, there are also regular City services such fire and police, so at least a portion is needed to cover City operations..

Stormogipson commented that NYC also gets a portion of the sales tax to pay for projects so it's not a problem if all the property taxes go to bonds because the sales tax will help, but that's not true for the counties here.

TIF Barriers and Concept

In Hawaii, the barriers of TIF is the counties receive 100% of property taxes and the State Constitution does not specifically name TIF. Bond lawyers said you can do the TIF but not the bonds. But the concept is still a great concept. And we could do it by having targeted GO bonds (State or County) for a specific area. Or Hawaii could do developer agreements similar to NYC.

Senator Inouye asked if this is similar to special revenue bonds? Stormogipson said yes.

Senator Inouye asked Paul Brewbaker whether the State has a cap on special revenue bonds? Brewbaker stated that caps are put in place to achieve other purposes. Funakoshi said private activity bonds are capped at \$300 million a year.

Brewbaker explained that the point is if you had a cap, presumably it would be grounded in the size of the economy so a reasonable legislative process could make adjustments if necessary. To Rue's point on City services, regular services wouldn't scale up at the same rate and so one of the things TIFs doing is creating longer live assets. Once they are paid off the park is still there. These types of questions are kind of interesting to think about what's the present value. Rue said he agrees but you couldn't really allocate all of the 30 years of tax money for another 10,000 units.

3) General Obligation Bonds

General Obligation (GO) Bonds interest rate is low. So you can do these kinds of models to figure out how much money we will be getting in property, sales, and income taxes. They already do this modeling for EIS reports.

In summary, if the goal is affordable housing, Hawaii has to move away from developers paying for infrastructure as the costs gets passed on. We need to look at combinations of things, and if there's not many landowners, CFD could be helpful, otherwise public funding can save a lot on financing costs. And try to get more housing sooner.

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

Discussion

Brewbaker had comments on the supply side of the financing. A municipal bond fund was created about 35 years ago at Hawaiian Trust Company. This has the largest shareholder mutual fund meeting in the country every year. The investors are mostly local elderly people who watch a slide show of a fire station that their money built. It's a whole marketing thing. It suggests that there is

tremendous opportunity to do that. He worked with the REIT people and they realized that their whole pitch is that you don't have to own the shopping mall, you can just own shares in the REIT.

Brewbaker stated there's an incentive bill in the House where mutual funds and municipal bonds could be treated as counting towards your liquidity in your capital stack. So this could create opportunities for the small investor to participate.

Edwards asked what is the name of the municipal bond fund and could this be used as a vehicle for opportunity zones. Brewbaker stated it's called the Hawaiian Tax-Free Trust (HULAX). There's only two dozen issuers of municipal instruments in Hawaii and that includes Queen's hospital. And their biggest problem is finding enough issuance to put this fund. They are so few issuers you know all States have dozens of school districts and what not. From a marketing standpoint, it sells itself. There's people out there, small investors who want to put their money to work, and it's with a simple pitch, you're investing in your community. Edwards commented that would be a good stakeholder to talk to for this project.

Stormogipson stated the question is how do we make it easier for developers. And one banking rule that just changed, my understanding is that if you have land, you can now use more of that land value towards this equity piece. Brewbaker said you can create structure basically that cancels out the risk and allows you to issue securities relatively safe. It reduces the equity portion and therefore the cost of capital.

Senator Inouye stated regarding the bond mechanism and financing, the goal is to do the infrastructure. By building the infrastructure, developers will come. Our concentration is to look at how we are going to finance the infrastructure. Stormogipson stated market analysis is also needed, so that you know where to invest first.

Bouslog commented with respect to this TOD infrastructure project, the end goal is to get the infrastructure in place to realize your TOD goals. But the reason we're talking about financing is it can be as what Harrison was saying, one of the reasons that makes one project more shovel ready and implementable ready and another one is going to take more time for one project. Bring different tools to it so we need to consider that but as we go through the difficult process of weighing the policy issues and the conflicting agency's missions and so on that's just another way of looking at these projects. Which ones can be implemented sooner. Which ones can we bring more tools to lessen the burden on the community and perhaps more affordable housing sooner. So we do want to start looking at the financing as we look at what's in the land, what's going to be developed what are the physical site conditions.

Funakoshi clarified that there is no report this year to the Legislature on this particular project. However, the TOD Council prepares an annual report to the Legislature. The recommendations of this project would be moreso for the 2020 legislative session.

Rue stated that the City is doing final edits to their Iwilei-Kapalama Infrastructure Assessment which the Legislature should receive in about a month. A preliminary finance strategy will be included for the area.

VII. TOD Permitted Interaction Groups

Funakoshi stated that at the last TOD Council meeting, the Council discussed establishing permitted interaction groups. The Council reviewed a list of proposed TOD Council permitted interaction groups, members, tasks, and timeline.

Funakoshi stated the maximum number of TOD Council members per group is 12 to stay under the quorum restriction. All members need to be appointed at the time the permitted interaction group is established. There is no limitation on the number of non-TOD Council members, stakeholders, surrounding landowners and they do not need to be named at this time.

Funakoshi explained that the handout includes tasks for phase 1 and 2 for each permitted interaction group. Once the permitted interaction group completes its first task, it reports back to the full Council and is disbanded. A new permitted interaction group is established to do the second phase of tasks.

Funakoshi asked whether other TOD Council members would like to be added to any of the permitted interaction groups. He noted that HCDA was added to all three Oahu permitted interaction groups. Deepak Neupane, HCDA, agreed and feels that HCDA has a lot of redevelopment and infrastructure experience.

Brizee commented that there are no developers on any of the permitted interaction groups. Funakoshi explained that developers can be invited to participate.

Brizee asked if he can be included on a permitted interaction group if his office did the master plan for Kamehameha Schools. Funakoshi explained that permitted interaction groups tasks are to take a more in-depth look at a particular issue and report back to the TOD Council for any action.

Brizee asked to be added to the Halawa-Stadium and Iwilei-Kapalama permitted interaction groups. Edwards asked whether the legislators would like to participate on the permitted interaction groups. If they are not on a permitted interaction group, they can't be involved in project discussions such as Mahelona State Hospital on Kauai.

Senator Inouye agreed to be included in the Neighbor Islands, West Hawaii, and East Hawaii permitted interaction groups. Representative Nakamura also agreed to be added to the Neighbor Islands and Kauai permitted interaction groups.

Pam Eaton, County of Maui, stated that the Neighbor Islands would like to get their needs and resources noticed and to have help with legislative support and asked whether they can have their own legislators attend the meetings. Funakoshi stated yes.

Eaton asked when does the CIP funding start for technical assistance and planning funds. Is it in the Fall so the Neighbor Islands can apply for that funding? How does that work? Funakoshi stated it can be anytime up to January 2019.

Edwards explained one of the tasks for the Neighbor Island Permitted Interaction Group is to research appropriations options for TOD project funding. She requested having staff from the budget committees to provide the permitted interaction group with the different mechanisms by which you could ask the legislature for funding.

Edwards asked Representative Nakamura and Senator Inouye if they could assist in finding a resource person to brief the permitted interaction group on some of those appropriations. Eaton asked that this be done early so the Neighbor Islands can establish a strategy and this time implement it.

Representative Nakamura asked whether the Council is going to use the same process in submitting TOD CIP projects. Funakoshi said yes, the agencies provide OP with their proposed TOD projects that are included in their respective executive budget. OP compiles a list of projects for the TOD Council's review and approval.

Senator Inouye stated the difference is if it goes into the Administration's budget, on some projects, and I think we're talking about major infrastructure roads, water, the administration will look at the funding. If it goes to the different agencies such as transportation, DOT will apply this but also to see if there's federal dollars to match. So you're matching for the State's side may not happen if it's not in the State projects or any of the projects and maybe on the bottom lists. So it kind of depends how you are going to apply it. If you're going to apply it to a regular legislative CIP then that's a different mechanism. It also depends how fast you want the development to occur.

Representative Nakamura stated it depends on the location of the project too. She suggested talking to the legislator in that area. She stated her point was whether you wanted to go directly and have that representative or senator put in their own CIP request. That's the other process.

Edwards stated there are Grants-in-Aids and there's the County budget as part of HSAC or from the County itself that comes into the budgetary legislative process, so you got five or six different vehicles, and we just need to know more about the vehicles and timeframes to know who to talk to because none of us are experts on the appropriations process. Because we cannot guarantee that the State's executive budget will have the money, it will probably have to come through another mechanism.

Funakoshi also clarified that multiple people from the same agencies are invited to attend the meetings. The tentative plan is to schedule meetings for the East Kapolei and Halawa-Stadium Permitted Interaction Groups in July and the West Hawaii Permitted Interaction Group in August.

Funakoshi stated that the TOD Council did not get enough money for fiscal year 2019 to pay for TOD Council members to travel to the Neighbor Islands for permitted interaction group meetings. Travel funds would need to come from the agencies' own internal budgets. The TOD Council does have \$15,000 to fund travel for the Neighbor Island members to attend the monthly TOD Council meetings.

After discussion, it was moved by Senator Inouye, seconded by Bill Brizee, and unanimously carried to terminate the Sub-committees that were previously established, and to create the following permitted interaction groups: 1) East Kapolei; 2) Halawa-Stadium; 3) Iwilei-Kapalama; 4) West Hawaii; 5) East Hawaii; 6) Maui; 7) Kauai; and 8) Neighbor Island. The detailed list of members, tasks, and timeline are included in the June 12, 2018 handout, with the addition of the following members: 1) Brizee added to the Halawa-Stadium and Iwilei-Kapalama permitted interaction groups; 2) Senator Inouye added to the Neighbor Island, West Hawaii, and East Hawaii permitted interaction groups; and 3) Representative Nakamura added to the Neighbor Island and Kauai permitted interaction groups.

TOD Council Permitted Interaction Group Work Plans (Proposed) can be found at:
<http://planning.hawaii.gov/lud/state-tod/hawaii-interagency-council-for-transit-oriented-development-meeting-materials/>

VIII. Next Steps

a. Future Agenda Topics

The following are the future agenda topics:

Tuesday, July 10, 2018

Funakoshi announced that there will be no TOD Council meeting in July. Instead TOD Permitted Interaction Group Meetings for Oahu will be planned.

Tuesday, August 14, 2018

1. TOD Strategic Plan Update
2. Update of TOD projects by agencies

b. Announcements

- The next meeting is Tuesday, August 14, 2018, at 9:30 am at Hawaii Community Development Authority, Community Room, 1st Floor, 547 Queen Street, Honolulu, Hawaii.
- Funakoshi announced that there is a notice of funding opportunities from the FTA for TOD planning. Rue stated that the City in partnership with HART will be applying for it. Funakoshi stated if it is okay with the TOD Council to generate a letter of support through the co-chairs. There were no objections.

IX. Adjournment

There being no further business, the meeting was adjourned at 11:25 a.m.