

Hawaii Interagency Council for Transit-Oriented Development

Minutes of Meeting

Tuesday, October 3, 2017

9:30 am

Hawaii Community Development Authority

Community Room, 1st Floor

547 Queen Street, Honolulu, Hawaii

Members/ Designees Present:	<p>Craig Hirai, Hawaii Housing Finance & Development Corporation (HHFDC), Co-chair Rodney Funakoshi, Office of Planning, Co-chair Denise Iseri-Matsubara, Office of the Governor Chris Kinimaka, Department of Accounting and General Services (DAGS) Heidi Meeker, Department of Education (DOE) Darrell Ing, Department of Hawaiian Home Lands (DHHL) Lola Irvin, Department of Health (DOH) Katie Mineo, Department of Human Services (DHS) Russell Tsuji, Department of Land and Natural Resources (DLNR) Robert Miyasaki, Department of Transportation (DOT) Deepak Neupane, Hawaii Community Development Authority (HCDA) Charles Vitale, Stadium Authority Carleton Ching, University of Hawaii (UH) Harrison Rue, City and County of Honolulu (City) Planning and Permitting Kanani Fu, County of Kauai Housing Pam Eaton, County of Maui Planning Bennett Mark, County of Hawaii Planning Betty Lou Larson, Catholic Charities, Housing Advocate Representative Ryan Okahara, U.S. Housing & Urban Development, Honolulu Office (HUD) (Ex-officio) Tyler Tsubota, Department of the Navy (Ex-officio)</p>
Members/ Designees Excused:	<p>Leo Asuncion, Office of Planning (OP), Co-chair Senator Donovan Dela Cruz, State Senate Representative Henry Aquino, House of Representatives Cathy Ross, Department of Public Safety (PSD) Hakim Ouansafi, Hawaii Public Housing Authority (HPHA) Bill Brizee, Architects Hawaii Ltd., Developer Representative Business Community Representative (vacant)</p>
Other Designees/ Alternates Present:	<p>David DePonte, DAGS Scott Chan, Stadium Authority Heidi Hansen-Smith, DOH Danielle Schaeffner, DOH Lyle Tabata, County of Kauai Public Works Nancy Pisticchio, County of Hawaii Mayor's Office</p>
TOD Council Staff:	<p>Ruby Edwards, OP Jayna Oshiro, HHFDC Dawn Apuna, Deputy Attorney General</p>

Guests: Debra Mendes, OP
Jane Tam, OP
Jeff Merz, AECOM
Wayne Fujita, City and County of Honolulu, Treasury
Renee Espiau, City and County of Honolulu, Department of Planning and Permitting (DPP)
Franz Kraintz, DPP
Cate Picardo, DPP
Shannon Alivado, General Contractors Association of Hawaii (GCA)
Dave Arakawa, Land Use Research Foundation (LURF)
Ryan Kobayashi, Hawaii Laborers Union

I. Call to Order

Craig Hirai, Co-chair, called the meeting to order at 9:40 a.m.

II. Introduction of Members

Members and guests introduced themselves.

III. Review and Adoption of Minutes of September 5, 2017 Meeting

Chris Kinimaka, DAGS, stated on page 13, fourth paragraph under Comments and Feedback received, the first two sentences should read, “Kinimaka reported DAGS is considering drafting legislation based on Jamieson’s Kosovo model, and DAGS’ consultants would need to adapt it to Hawaii. DAGS would be pulling in key stakeholders to ensure it makes sense.”

It was moved by Denise Iseri-Matsubara and seconded by Robert Miyasaki, and unanimously carried to adopt the September 5, 2017 meeting minutes as amended above.

IV. Infrastructure Funding/Implementation

a. Presentation on Iwilei-Kapalama infrastructure master plan and district finance options by City and County of Honolulu

Renee Espiau, City and County of Honolulu, Department of Planning and Permitting (DPP), provided an overview of the draft Iwilei/Kapalama TOD Infrastructure Strategy.

TOD Infrastructure projects

Wastewater is the biggest constraint in TOD corridor. The following are estimates on infrastructure investments in TOD corridor:

- 1) Wastewater - \$830 million
- 2) Water - \$211 million
- 3) Station access and complete streets - \$140 million
- 4) Recreational and cultural facilities - \$35 million
- 5) Stormwater drainage - \$22 million

TOD Housing Potential

The combined housing potential for Kalihi and Iwilei/Downtown is approximately 16,800. However, the infrastructure is not sufficient to support that many units. The development potential in the Iwilei/Kapalama area is high due to a lot of underutilization land. The major landowners include several State of Hawaii agencies, Kamehameha Schools, Castle and Cooke, and Weinburg Foundation.

Iwilei/Kapalama TOD Infrastructure Strategy

Espiau explained the TOD infrastructure strategy is based on the vision in the Kalihi and Downtown TOD plans. Public facilities and infrastructure plan to accommodate growth consistent with the TOD plans. The City worked with the community to re-envision the Iwilei/Kapalama as an urban mixed-use neighborhood with mid- to high-rise development. For illustrative purposes, a map showing a 40 plus year build out for the Iwilei/Kapalama area was provided.

Espiau provided charts reflecting existing and projected residential and commercial development estimates for 2017 to 2057.

1. Residential Development Estimates

There are approximately 3,000 units within the district, mostly low-rise apartments and single-family homes that will not change significantly. The projected development grows to about 14,000 units by 2057.

2. Commercial Development Estimates

There is close to 7 million square feet of commercial in this area. It is anticipated to go down slightly. Some businesses will transition to retail from commercial and industrial.

Development Phasing

Espiau explained the development was then broken up into phasing:

- Phase 1 (0-10 years) – The focus is on developers' input and development in areas in proximity to rail stations.
- Phase 2 (11-25 years) – From there, it was broken up based on 30% of development, unless there were adjustments based on the developer input. Subdistricts 5 and 6 are low density districts.
- Phase 3 (26-40+ years) – Remainder of development.

Harrison Rue, DPP, stated for Mayor Wright, the original number of units proposed was 1,200 units. However, HPHA is now considering about 2,500 units. Kamehameha Schools is also updating their master plan and they are may add more density as well. Rue reiterated the City cannot assess the infrastructure needs particularly sewer unless they know how many units are expected by what year.

Espiau stated one of the goals is to try to accommodate much of the baseline development as possible because it takes time to deliver infrastructure.

Proposed Street Network

The City held charrettes to plan out the proposed street network. The area has no street grid. The proposed street network will support circulation and access for pedestrians, cyclists, and vehicles. It will increase intersection density and spread out traffic. It will also improve connectivity to transit and enhance redevelopment potential for some of the blocks. Further, it will expand the utility network so all pipes do not need to be upsized.

Espiau stated the cost of building the proposed street network is approximately \$80+ million. If paying for land acquisition, it could cost upwards to a \$100 million. The City is trying to figure out ways to do it such as providing additional height and density in exchange for some land for the new connections.

Street Network Priority Projects

1. Proposed New Streets

Kaaahi Street extension is a priority to access the rail station from Iwilei Road. The connection between Alakawa Street and Iwilei Road is another priority.

2. Complete Streets Projects

- Iwilei Road bicycle lanes is in construction.
- North King Street corridor is in planning and design. Included will be protected bike lanes.
- Kokea and Kohou Streets are part of the Kapalama Canal project. The City has done the complete streets, share streets designs and the cost estimate is \$5.7 million.
- Liliha/Dillingham/King intersection and Vineyard Boulevard are State jurisdiction. The community has identified these areas as major barriers to walking, biking, station access in the neighborhood.

Sewer System – Existing Flows

Existing sewer infrastructure connects to two pump stations: Awa Street and Hart Street. The existing flows continue to Sand Island Wastewater Treatment Plant. Wastewater treatment and transmission capacity are already constrained in certain areas and are potential hindrance to development.

Sewer System Projects

CIP projects include:

1. Second sewer digester at the Sand Island Wastewater Treatment Plant was completed.
2. Two major regional projects that will benefit the neighborhood:
 - First phase is Awa Street Wastewater Pump Station. To build a relief line down Waiakamilo Road which will free up the flow to Awa Street and redirect it to Hart Street. The estimated cost is \$120 million. This will free up capacity for Mayor Wright to have at least a phase or two as well as Kamehameha Schools.
 - Second phase is upgrading the pump station itself which is still in planning and design. The estimate capital cost is between \$20-\$100 million depending on the final design. This should take care of the regional capacity for the whole area.
3. Hart Street Wastewater Pump Station Third Phase is in planning/design. The cost is estimated at \$20 million.
4. Upsize King Street main (Liliha to College Walk) - Mayor Wright identified the need for upsizing the King Street main. The cost is unknown at this time.
5. New Alakawa Street main - Alakawa Street has drainage but no sewer line. Espiau explained the more that can be added to the network, the less pressure that will be to upsize some of the existing lines. It will also be cheaper to add sewer, water, drainage while building the new streets in the area.

The sewer infrastructure in new streets is estimated at \$3.7 million.

Espiau explained that the sewer system will not be plug and play. Big projects will have to size their own laterals appropriately to hook up to the City's system. Every project is going to be responsible for building their own lateral connection to the mains.

Water System

Water availability is not yet a development constraint, but water transmission for certain flows is a concern. The estimated total water requirement for all development including commercial and residential is 6.22 million gallons per day. The Board of Water Supply has already identified over \$100 million in CIP projects needed for this area and others.

Additional water system upgrades were identified in existing streets including Hart Street, Kalani Street, Dillingham Boulevard, and Waiakamilo Road at an estimated cost of \$10.3 million. Water improvements in new streets is estimated at \$2.5 million.

Electrical System

Espiau stated the electrical system is not sufficient to accommodate all development. The issue is undergrounding the utilities. TOD being a special district requires undergrounding all utilities under a certain size. The estimated capital cost to underground infrastructure and an electrical system in new streets is \$70 million. Mayor Wright needs to upsize their electrical connections to the substations.

HECO also needs new/upgraded substation(s). The cost is to be determined. In addition, new 46 KV overhead lines are needed for the neighborhood at an estimated capital cost between \$13 - \$45 million. There are several alternatives such as putting the lines in the guideway. However, the City needs to meet with HART on this possibility. Nimitz Highway is the most expensive alternative. The City is still in the alternatives stage in identifying the needs and continuing to have conversation with relevant parties.

Drainage System – Existing Flows

Espiau explained most of the existing flows are discharged into Kapalama canal. There are huge flooding issues in the area today due to the insufficiency of Iwilei storm drainage system. The problem has exacerbated and sea level rise is anticipated in the neighborhood.

To address this, the City has an Iwilei Drainage Improvements Study ongoing, to look at ways to fix the current flooding problem in Iwilei. The City has done a design for new drainage in the new street connections. There is a need to build a new drainage line on Alakawa Street to pull the flow away from Dillingham Boulevard. Further, there is also a need for a new Topography Master Plan to address sea level rise and flooding.

Recreational/Parks

There is a need for 55 acres of additional park space. Community-based facilities are recommended at a ratio of two acres per 1,000 resident population. Park dedication with all developments may provide 25 acres. There is also a need to identify property for the new Iwilei Community Park. One idea is the Weston lot located behind Lowes. However, the lot is extremely contaminated but it would not be the first contaminated lot to be turned into a park.

The Kapalama canal project is anticipated to be a valuable recreational resource in the neighborhood for walking, biking, and fishing. The following is a break out of the phasing:

- Phase 1 - The cost estimate is \$30 million to dredge the entire canal assuming that the canal is too contaminated to dump into the ocean. It includes dewatering and taking the contents to the Waimanalo Gulch landfill, then stabilizing the banks.

- Phase 2 – Involves doing the recreational trail between King Street and Dillingham Boulevard.

The following phase involves doing the community street possibly in coordination with Kamehameha Schools.

Espiau stated the City is asking for CIP funding for the next 4-5 years for the two phases above. Rue explained that along the Honolulu Community College (HCC) side, the City is just doing the park and leaving the road as is for now.

Schools

Espiau stated that approximately 1,482 additional students are expected from the development according to the student generation rates provided by DOE and the anticipated number of new units at full build out.

Implementation

Espiau provided estimated costs and funding sources for TOD infrastructure improvements and upgrades, including parks. The projects that are programmed are: Awa Street (Phase 1 and 2) and water system upgrades.

Financing: Forty-Year Revenue Potential of CFD and TIF Scenarios

Espiau also provided a high-level summary of scenarios for Community Facilities District (CFD) and Tax Incremental Financing (TIF) and revenue potential for both exclusion or inclusion of State lands.

Espiau stated that the final report may be completed in the next couple of months.

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

Discussion on the City's presentation

Carleton Ching, UH System, stated the basic premise for allocation would be nexus to fair share per property. The landowner should know what's in it for them. Espiau stated yes and they are trying to divide it up into different districts. For example, the properties around the Kapalama canal will have a higher benefit and use than other properties that are farther away.

Espiau explained that most of the State property other than HCC tends to be on the Iwilei side. The City at some point will be looking at development estimates for the Iwilei side and may try to divide up the benefits based on the total amount of developments.

Russell Tsuji asked whether the City is going to do the up zoning and increasing of taxes similar to what was done in Kalihi where a lot of property owners opted out. Espiau stated no. She explained almost everything that was rezoned is already zoned for commercial so the rate should not go up. However, the value may go up all the time and so the property taxes may go up.

Nancy Pisicchio, County of Hawaii, asked approximately how many acres does the area encompass. Espiau stated about 400-500 acres. However, at least a third of it may be carved out when doing CFDs, smaller number of landowners may be willing to contribute.

Pisicchio also asked whether the City had a published master plan? Rue said the TOD plan is the master plan for development.

In response to a question, Espiau stated there are no plans to move the Sand Island Wastewater Treatment Plant inland.

Rodney Funakoshi, Co-chair, commended the City for providing the details on the infrastructure issues. He asked whether there is any kind of major impediments to the plans? Espiau stated not too many huge impediments to development.

Espiau also stated to help visualize development in the area, a project should be completed, for example, the Kapalama canal. Some of the intersections and streets around Mayor Wright could also be projects that can be completed.

Rue stated the City needs to work with DOT on Liliha Street near Mayor Wright since DOT has control.

Miyasaki stated that this area is right up against the major State harbor. The surrounding areas tend to support those activities and if we push them out, where do they go? He agreed that more discussions are needed for the area. Rue explained the TOD plan stops at Nimitz. The industrial area on the Makai area near Nimitz is not included in the TOD plan. Espiau stated DOT Harbors participated actively in the neighborhood plans.

Espiau also stated apart from roadway capacity, the need for shade and trees could help.

Pisicchio asked whether the City considered doing the redevelopment under a redevelopment authority type of program. Rue stated that the City considered a redevelopment authority but does not think that it is needed for this area. A lot of work can be done with agreements with the State on their properties, however the financing is the biggest issue.

b. TOD Financing Toolkit – Strategic Plan Recommendations

Funakoshi stated the Strategic Plan will have a section on TOD financing tools. Funakoshi summarized the handout, *TOD Financing Toolkit*, as follows:

There are three categories of TOD financing tools: debt, equity, and value capture.

1. Debt

Debt financing includes general obligation bonds, revenue bonds, and private activity bonds. General obligation bonds are used for CIP projects. Revenue bonds are based on anticipated revenues from tenants and lessees (e.g., airports and harbor projects). Private activity bonds are tax-exempt and backed by government for private business facilities that have a public benefit such as rental housing, school, and utilities. These are subject to a volume cap limited to about \$300 million per year in the State.

There are two bond programs in Hawaii targeting affordable housing and infrastructure administered by HHFDC:

- Dwelling Unit Revolving Fund (DURF) – DURF funds may be used for the acquisition of real property, development of residential, commercial and industrial properties, and interim and permanent loans to developers.

- Hawaii Regional Infrastructure Financing – This program was enabled through Act 132, SLH 2016. Regional infrastructure subaccounts may now be established in each county to provide grants and loans to State agencies, or loans to county or private developers for improvements that increase the capacity of regional infrastructure systems such as sewer, water, drainage, roads and telecommunications. HHFDC is currently working with the Kauai County Housing Agency to help finance regional infrastructure improvements for Lima Ola, a 75-acre parcel master planned for 550 affordable and workforce housing units in Eleele, Kauai.

2. Equity

Equity tools allows private entities to invest private funds or take an equity interest in the project in expectation of a return. Three major equity tools used to finance TOD projects include public-private partnerships, joint development, and for affordable housing, the Low-Income Housing Tax Credit.

- Public-Private Partnerships (P3) – P3 is a contractual agreement between a public agency and private sector entity to deliver a service or facility for the benefit of the general public. The standard model is Design-Build-Finance-Operate-Maintain. In Hawaii, P3 has been successfully used for the Army and Navy family housing redevelopment projects on Oahu.
- Joint Development/Development Agreement – The public agency and private developer may agree to share project costs and revenue.
- Low-Income Housing Tax Credit (LIHTC) – LIHTC is a major financing tool administered by HHFDC that provides equity funding for the development of low-income rental housing.

3. Value Capture

Value Capture refers to a set of strategies whereby the value generated by public investments are recovered by the public sector. Public infrastructure investments have the potential to positively impact nearby property values and associated development potential. Two value capture strategies which are well-used on the Mainland but not in Hawaii deserve consideration in financing TOD and infrastructure projects:

- 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. A CFD has been established on Kauai for Kukuiula resort-residential development.
- Tax Increment Financing (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.

Funakoshi stated the concerns for TIF is 1) the State constitutional doesn't allow for TIF bonds; 2) counties expressed concern regarding the diversion of future revenues that could restrict the county's ability to pay for basic services such as police, fire and parks; and 3) it affects their bond rating.

Proposed Recommendations

Funakoshi explained the proposed recommendations are general. It includes supporting legislation and funding to establish a P3 office to advise and assist agencies on potential State projects. Also, the need to clarify how P3 procurement comports or does not with the State's procurement code. Funakoshi also stated further work is needed to support the use of TIF and CFDs in Hawaii.

Ching asked whether the legislation is for State or City. Funakoshi stated if it's a constitutionality issue such as the need to have a constitutional amendment put on the ballot, it's for the State Legislature. It would be a City Council action to approve TIFs and CFDs.

Funakoshi reiterated that CFDs are already allowed. Rue stated that the City does not see any issue with CFD.

Funakoshi stated the issue for TIF is the bonding and whether it is constitutional or not. The Attorney General has opined that it requires a constitutional amendment.

Charlie Vitale, Stadium Authority, referred to the handout, *TOD Financing Toolkit*, and asked under DURF, how can DURF funds be used to develop commercial and industrial. Hirai stated it depends what it is. If it's part of the overall development, there has to be a housing component.

V. TOD Strategic Plan Update

a. Key Principles - Revised

Ruby Edwards, OP, stated at the TOD Council's September 5, 2017 meeting, key principles for State Investment in TOD were discussed. However, principle 7, which addressed equitable development did not meet DOH's needs. DOH and DHS worked with OP and came up with the following revised principle to address the issue of equity.

Revised principle:

7. Engage in equitable development that promotes and supports community well-being and active and healthy lifestyles.

Equitable development includes:

- consultation with the community
- connection to employment, encourage economic development
- access to multi-generational public amenities
- safe, environmentally enriched walkways
- maintenance or increase in local affordable and low income housing
- prevention of displacement of community residents and businesses
- improved environmental quality
- promotion of community connectedness
- full access regardless of age or physical condition/disability
- understanding of the local context
- the equitable distribution of negative impacts of transportation

Edwards explained the above principle was drafted to be able to address not only greenfields development in East Kapolei, but also infill redevelopment where you have existing neighborhoods such as Waipahu, Kalihi, Iwilei, and Kapalama areas and Neighbor Island

initiatives. It is not just about displacement that is created by a rail or rail station, but also more about how you build communities that provide basic necessities within a walkable environment that is served by public transport, which could also be a major bus route.

Heidi Hansen-Smith, DOH, asked that a bullet point be included to have something around access to healthy foods because it's an important factor for health.

Edwards stated OP will be sure to incorporate this in the narrative portion of the strategic plan.

b. State TOD Projects – Revised

Funakoshi stated the handout, *Strategic Plan TOD Projects*, is an updated TOD projects list that includes the counties' projects. Over the next couple weeks, OP will be sending out revised fact sheets and draft narratives for agencies' review and comment. The goal is to have a draft strategic plan distributed before the end of October for the members to review prior to the November meeting.

Deepak Neupane, HCDA, stated the Artspace Lofts project should be changed from "pre-construction" to "construction."

Follow-up P3 meeting with AIAI

Funakoshi stated the Association for the Improvement of American Infrastructure (AIAI) who co-sponsored the Hawaii P3 Workshop in June will be back, October 9-11, 2017. A follow-up meeting will be scheduled for another Q&A session.

Follow-up on Neighbor Island Transit-Ready Development

Funakoshi stated before the end of the year, two subcommittee meetings (West Hawaii and Kauai) may be scheduled.

Discussion on HPHA School Street project

Heidi Meeker, DOE, asked whether HPHA's School Street project is in or not in TOD. Hirai stated by definition, he thinks it is in. However, Rue stated that it is not in the City's TOD plan but the City Council passed a resolution that allows them to use the interim plan development transit permit process if they choose to use that permit process.

Hirai stated his recollection of the statute says half mile from a transit center or county designated zone. We need to review the statute.

VI. Next Steps

a. Future Agenda Topics

Co-chair Hirai outlined future meeting topics as follows:

Tuesday, November 7, 2017

1. TOD Strategic Plan Review and Approval
2. FY2018 OP TOD CIP Plans
3. FY2019 CIP Requests in TOD Areas

Hirai stated the FY2019 CIP requests should be for projects that are ready to go and it could be for planning and construction. Funakoshi stated it should not be for repair and maintenance types of projects.

Ching asked if it could be design money for the Farrington Highway improvement that would benefit both UH West Oahu and DLNR. Hirai stated the City is supposed to be working on the EIS for Farrington Highway. Funakoshi stated this discussion could be addressed within the UH West-Oahu subcommittee.

Tuesday, December 5, 2017

1. TOD Strategic Plan Review and Approval
2. Draft Annual Report to Legislature

b. Announcements

The next meeting is scheduled for Tuesday, November 7, 2017 at 9:30 am at the Hawaii Community Development Authority, Community Room, 1st Floor, Honolulu, Hawaii.

X. Adjournment

There being no further business, the meeting was adjourned at 11:21 am.