Hawaii Interagency Council for Transit-Oriented Development

Minutes of Meeting

Tuesday, April 4, 2017
9:30 am
Hawaii Community Development Authority
Community Room, 1st Floor
547 Queen Street, Honolulu, Hawaii

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

Harold Alejandro, PSD
Sarah Beamer, HPHA
Mark Forman, DHS
Wayne Yoshioka, Hawaii Public Radio
Ken Hira, Kosmont Companies
Jazmen Johnson, International Council of Shopping Centers (ICSC)
Franz Kraintz, City Department of Planning and Permitting (DPP)
Jeff Merz, AECOM

I. Call to Order

Leo Asuncion, Co-chair, called the meeting to order at 9:36 a.m.

II. Introduction of Members

Members and guests introduced themselves.

III. Review and Approval of Minutes – March 7, 2017 Meeting

It was moved by Deepak Neupane and seconded by Lyle Tabata, and unanimously carried to adopt the March 7, 2017 meeting minutes.

IV. Presentation

a. <u>Public-Private Partnership – Ken Hira, Kosmont Companies and Western Division P3 leader for the International Council of Shopping Centers (ICSC)</u>

Ken Hira, Executive Vice President for Kosmont Companies, provided an overview of demographics for Honolulu, retail trends, redevelopment tools in California, and case studies.

<u>Retail Trends</u>

- Big boxes have gotten smaller;
- Food places are the new anchor tenants. For the first time in history, U.S. restaurants sales have surpassed grocery sales.
- Mixed-use is about the right blend. The blending of uses includes combining medical, with retail, residential, and hospitalities, instead of silos.
- Millennials are defining consumer demographics. Millennials are driving the digital economy and experiential retail.
- Etail is the union of retail consumption and electronic commerce; omnichanneling is how retailers are providing consumers with all kinds of ways to consume.

Hira explained that time (busy lifestyles), technology (smartphones), and transition in demographics (baby boomers to younger generations) are what is driving change for consumers.

Hira stated there is a demand for communities where residents can live, work, and play in the same area. However, how the project is designed is critical to meeting this demand.

<u>California Redevelopment Tools</u>

The Community Redevelopment Act of 1945 allowed local governments to form separate Redevelopment Agencies (RDAs) in California. In 1952, Proposition 18 allowed for tax increment financing (TIF) to improve blighted areas. In 1978, Prop 13 was enacted that created a stable flow of property taxes in California. It capped the general-purpose property tax rate at 1% and growth of taxes at 2% annually.

In 2011, Governor Jerry Brown decided RDAs should be eliminated due to California's budget deficit. On February 1, 2012, the RDAs and all authority to transact business and exercise power were dissolved.

California tools for public-private projects
Cities have nine basic tools for public-private projects: 1) real estate and property; 2) special districts; 3) rebate of taxes/revenues; 4) land use/zoning; 5) Property Assessed Clean Energy Finance Program (PACE); 6) Community Revitalization Investment and Authority (CRIA); 7) Enhanced Infrastructure Financing Districts (EIFDs); 8) P3/Project Delivery Methods; and 9) grants from state and federal sources. EIFDs and CRIAs are the two new ways to leverage TIF for redevelopment.

EIFDs, enacted in 2015, enable tax increment financing for local/regional projects (purchase, construction, expansion, improvement, seismic retrofit, rehabilitation). The district lifespan is 45 years to collect and spend property tax increment. Bonds are issued up to 30 years. EIFDs are managed by a Public Financing Authority. No public vote is required to create a district. Parcels for EIFDs do not need to be contiguous. No school district increment is allowed. EIFDs do not increase property taxes. They use the incremental increase in property tax revenues from redevelopment.

CRIAs were enacted in 2016, restoring redevelopment authorities to address the development and redevelopment needs of disadvantaged communities. There is a 25% affordable housing requirement and a distressed test for communities with high unemployment and crime.

EIFDs and CRIAs can be used to fund public facilities and improvements for: industrial structures; affordable housing/mixed use; transit priority projects; wastewater/groundwater; light/high speed rail; civic infrastructure; parks and open space; childcare facilities; and brownfields remediation.

Hira observed that TOD provides opportunities to invest in the neighborhoods that surround transportation options. The result is the creation of economically revitalized communities. The role of the EIFD/Tax Increment District is that cities/counties/special districts are participating in the district to build infrastructure, such as transit lines/systems, construct stations, and develop the neighborhoods around the transit terminals. The district can fund physical improvements such as sidewalks, streets, bicycle lanes, and new parking structures. User fees from parking and revenue growth from rising property values, can be used to catalyze private investment.

Hira described the following case studies:

1) Old Town Newhall, Santa Clarita, California
The Old Town Newhall is currently undergoing revitalization. Old Town is geared toward a transit station. It is a retail/mixed use project. The City built a public library and made street improvements. Kosmont Companies wrote the RFP for mixed use development for this catalytic project, and negotiated the public-private partnership. What drove the project was the Laemmle Art House Theater, which supported retail and

residential uses. The City is building the public parking structure. There are no parking requirements for retail and for residential, it's 1 for 1.

2) City of La Verne, California
Kosmont Companies is currently working with the City on an EIFD. La Verne's EIFD goal is to: induce private development around a future Gold Line station. The proposed district is 388 acres adjacent to La Verne's Old Town Specific Plan area. The project is a public-private deal with mixed-use housing, potential hotel, retail, and event space, station area improvement, and improvements to commercial and industrial structures. The infrastructure being built around the future Gold Line transit station includes: parking, platforms, bicycle racks, and improved streetscapes at the station, pedestrian access, with new bike lanes, pedestrian sidewalks, and a footbridge. The project area's current assessed value is $63 million. The projected value creation is $484 million, which is the assessed value that can be tapped.

Co-chair Asuncion stated that Hawaii has an urban redevelopment act that was enacted in 1949 to address blight through urban renewal. In the past couple years, there have been efforts at the Legislature to update the law. Asuncion explained that since the law excludes the State, HCDA was created as a state entity with singular powers and authority. Asuncion noted that there are different redevelopment tools already available on the books. Some of the tools need to get updated if the counties want to take advantage of them. Chapter 53, HRS, provides broad redevelopment authority so it's a matter of knowing what tools are there and what needs to be updated. The State needs to figure out what mechanisms are available to the State through statute or through enactment of other mechanisms.

Asuncion further stated that the TOD Council's past presentations addressed tools however when you take a good look, the State actually has the tools. It's how you get it updated and really look for the one that gives you the broadest coverage as opposed to concentrating on one thing because once you do that you forget about the other things you can use in the chapter.

Deepak Neupane, HCDA, asked whether jurisdictions in California use excise tax for TIF programs. Hira stated that some have used site-specific tax revenue type transactions. In one instance, it was not a TIF district, but it was a specific revenue stream that came from a large retail center. In that case, it was structured so that above $1 million in revenue, the City got a share of sales tax revenue. The developer put up $50 million to improve this mall and got $18 million in return. This was done through a development agreement.

Asuncion clarified that because Hawaii does not have municipalities, it's sometimes difficult to relate these examples to Hawaii.

Rue stated that the City is trying to find a hybrid approach in the Iwilei-Kapalama study, working with the City and the State to come up with maybe TIF or a community facilities district (CFD) where the landowner agrees to a CFD assessment.

Bill Brizee asked whether those are the only financing tools that are used, and whether they are using 25% or more for affordable housing. Are there funding mechanisms that are being used to cover the developer's cost for doing the affordable housing? Hira stated that when redevelopment agencies were eliminated in California, the affordable housing funding also disappeared. Since there is still a need for affordable housing, they are challenged to figure out what tools to use, whether it's New Market Tax Credits or others. CRIAs are the tool to do affordable housing because they are taking 25% of the revenue stream and using it for affordable housing. Hira also described a tool that Kosmont developed for another California municipality, the Density Opportunity Reserve (DOR), which obtains community benefits from developers in exchange for additional density. Passive property owners don't get any density bonus for being designated for redevelopment. It's one way to get development incentivized.

Brizee asked whether there are other federal funds available for affordable housing as well. Hira stated that there are the Community Economic Development (CED) grants.

Pam Eaton, County of Maui, asked whether there will be future webinars on this topic? Hira stated that nothing is planned through ICSC, but they will take the inquiry under consideration.

Betty Lou Larson asked whether there is a process for facilitating P3 projects, or is it left up to each department to figure this all out. Asuncion stated that he is unaware of any effort to integrate the process and tools for development. It's a piece-meal effort, on a project-by-project basis based on what the developer is able to come up with.

Larson further asked whether a process is needed to have more collaboration rather than everyone work in separate silos. Rue reported that the City has a TOD subcabinet (all City departments) and a new affordable housing subcabinet that is coordinating the City's work. Brizee stated that there's no single formula: every project is different with different requirements and funding mechanisms for each project. You need to find what the desire of the community is, the intent of the project, and determine what are the best funding tools for the project. Brizee wasn't sure if there are developers who have this or can even share any of this.

Chris Kinimaka, DAGS, asked whether the examples of the communities that benefitted from P3 concepts who kick starts it in the community? Who's hiring you? Is it communities, counties, cities, or developers? Hira stated that it's both the public and private sector. However, more developers are asking how are they going to pay for all infrastructure? The majority of Kosmont's clients are cities, counties, and public agencies. The company assists them in seeking economic development strategies, financing strategies and districts, and creating districts which are more collaborative. They also work with developers.

Kinimaka stated DAGS is assisting DOH, PSD, and the Stadium Authority, which all have three big projects in the works. The big challenge for the Legislature is funding. For example, the Stadium will more than likely go ahead with a RFP, if it's approved, and have the developer come back and tell them how to achieve their mixed-use opportunities. What's a better way to get experts like yourselves engaged? Is that something that we as government should do or is that something that we just let capitalism take over and hire developers to find the best? Hira stated that Kosmont is frequently hired to write the RFPs and RFQs. Currently, they are in the middle of finding a developer for a TOD development. They went out to the marketplace to help a city figure out who's that match. They wrote the RFQ, and are now in the process of getting responses back and will assist them in selecting a developer and introduce them to some tools that can be utilized.

Lola Irvin, DOH, stated that they were looking for alternative procurement methods through existing statutes and administrative rules, and found that what they needed isn't there. DOH has money for the Bikeshare program, but encountered difficulty in structuring a public-private partnership with Bikeshare and the City to establish and operate the program.

Rue stated that the City follows the State procurement rules and there is a need to work together to make them a little more flexible.

Russell Tsuji, DLNR stated that although it's DLNR land for the Bikeshare that is in the downtown area, it's all set aside to other agencies. The agencies pursuant to the set aside, have authority to enter into an agreement for consent.

Irvin stated rather than having every agency figure it out, it would help to find a way to structure procurement and contracts terms and conditions to produce a master agreement that covers each parties' contribution to a project as a whole such as County and State bikeshare sites within the network, rather than individual sites.

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

V. TOD Strategic Plan Update

a. Big Island TRD Workshop tentatively scheduled for June 2017

Rodney Funakoshi reported that the Big Island Workshop is tentatively scheduled for late June 2017. The TOD Council's Strategic Plan Work Group members will be notified once the date is set. Funakoshi stated that he will be also working with the County of Maui to schedule their workshop.

Asuncion asked for the status on the strategic plan as outlined in the Strategic Plan Work Group Report dated November 1, 2016. Are we on track with Plan components, including the inventory of State lands in TOD areas, addressing affordable housing, having a vision component, and financing strategies?

Funakoshi stated that OP's plan is to meet separately with the State agencies to assemble what they are doing and what are their priorities for TOD. Relative to an overall vision for State agencies, OP is planning to hold another general meeting tentatively at the end of May with most State agencies to establish key principles for TOD.

Asuncion also asked for the status on the inventory database. Funakoshi stated that OP is still working on finalizing the database, which is currently in beta testing.

Asuncion stated that the schedule indicates that the final plan is to be completed by September 2017. Funakoshi stated that it won't be a final plan but hopes to have a draft plan. Asuncion further stated the schedule was also provided in the TOD Council's Report to the Legislature so the Legislature is expecting it in this timeframe. Asuncion explained that if it's going to be pushed to a December timeframe and the impetus for the strategic plan was to propose legislation it's too late for an administration bill. However, it might still be in time for the legislators to introduce the bill but it takes much more work to do than an administration bill. Asuncion expressed that we need to be cognizant of the time.

VI. TOD Legislation

a. Update and discussion on TOD Legislation

Co-chair Asuncion summarized the 2017 TOD Measures of Interest.

- SB1146, SD2, HD2 - Relating to School Impact Fees

  Exempts the following from school impact fee requirements: housing developments reserved for persons or families with incomes up to 80 percent of the area median income located in a county having a population greater than 500,000; State or federal public housing projects; State low-income housing projects; housing projects certified or approved for a general excise tax exemption under section 201H-36, Hawaii Revised Statutes (HRS); and government housing projects and projects processed pursuant to HRS sections 46-15.1 and 201H-38.

  Rue stated that the City submitted testimony supporting the recent changes to exempt some affordable housing. The City is recommending that the exemption be not only for 80% area median income (AMI), but also include for-sale units up to 120% AMI.

  Asuncion stated that OP submitted testimony, with increased exemption to 140% AMI. OP wanted the whole range of affordability to be covered. OP also recognizes that this is the way the DOE gets their funding to build schools.

- SB1148, SD2, HD2 – Relating to Community Development

  Requires the Hawaii Community Development Authority to develop a transit-oriented development zone improvement program to foster community development by strategically investing in public facilities. The TOD zones shall not be established in lands administered by the Hawaii Public Housing Authority and the Stadium Authority or any community development districts established under section 206E-5. Appropriates funds.

  Tsuji asked about the possibility of any of these bills passing and taking authority away from the TOD Council. HCDA may be doing everyone's planning. Asuncion explained that Senate Bill 1148, SD2, HD2, sets up TOD zones to work on infrastructure and not for vertical development. The bill now requires that HCDA develop TOD zones. HCDA has this mechanism for their community development improvement program. The TOD zones would be added to the community development district improvement programs, which would not be created by the HCDA board but by a new entity that is defined under HCDA. The members are listed in the bill with no vote by the City. The bill was passed unamended by House Finance and is going to conference committee.

  Neupane stated there is already existing improvement district provision in the HCDA authorizing statute. The bill expands this to TOD zones. Asuncion stated that if those TOD zones are akin to their infrastructure zones, then the State can adopt that and agree that this is where we are going to invest.

- SB1200, SD2 - Relating to Development

  Appropriates funds to the Department of Accounting and General Services to create a master plan and environmental impact statement for the construction of a new Aloha Stadium. Effective 4/2/2050.

- SB1306 - Relating to the Department of Business, Economic Development, and Tourism
  Establishes and funds a State Public-Private Partnership Coordinator position within the Department of Business, Economic Development, and Tourism to manage public-private partnerships entered into by the State and associated contracts, proposals, and negotiations, except public-private partnerships entered into by the Hawaii Public Housing Authority.

  Rue expressed his own concerns on this bill, stating that it is not a City position and the City is not testifying on this bill. He's talked with some consultants who have done public-private partnerships and they are doubtful that a single staffer, even if hired at a very experienced level, would have the ability to actually know the business of the different kinds of PPP, from housing to transportation to schools, etc.

  Asuncion stated that the bill was introduced by Senator Wakai, because of problems with projects like Irvin described. DBEDT is also still going through a public-private partnership, and there is no clear way to really do a P3 in procurement. The default for the State Procurement Office is to just fit it into the current process, which does not allow you to go into public-private partnerships. The State Procurement Office has been working on trying to figure this out for the past couple years.

  Asuncion stated that DBEDT was asked to propose the amount in the bill. The amount is $500,000 for staff, which includes a director or an administrator and the ability to hire staff.

  Rue commented that what is needed—and the City is trying to figure out how—to fund an on-call consultant to analyze the public-private partnership deals: have them on-call so you can go to them when you have a proposal, as opposed to waiting six months to get somebody on board.

The 2017 TOD Measures of Interest can be found at: http://planning.hawaii.gov/lud/state-tod/hawaii-interagency-council-for-transit-oriented-development-meeting-materials/.

VII. Next Steps

a. Future Agenda Topics
Future topics are outlined below.

Tuesday, May 2, 2017
1. TOD Legislation
2. TOD Strategic Plan Update
3. Public-Private Partnership (speaker TBD)

Tuesday, June 6, 2017 – P3 Workshop
The details of this workshop are being planned.

b. Announcements

1) The next meeting is scheduled for Tuesday, May 2, 2017 at 9:30 a.m., Hawaii Community Development Authority (HCDA) Community Room.

2) Vitale reminded everyone that April 14th is another free AIAI P3Direct based study webinar.

3) Vitale also announced that there will be an IMPLAN webinar. IMPLAN has a program that tells you how much tax and jobs are generated. IMPLAN has offered to do a webinar for members who are interested. Information will be provided to the members.

4) Franz Kraintz, City Department of Planning and Permitting asked why is the Stadium Authority exempt from TOD zone creation in SB1148, SD2, HD2.

   Co-chair Asuncion explained that the Stadium Authority and HPHA carved themselves out in their testimonies for different reasons. Asuncion stated his understanding is they have specific authority for decision making on their properties. However, the bill has since changed but the testimonies did not change. The current bill addresses infrastructure. Asuncion explained that under HD2, a TOD zone can’t be designated on the Stadium Authority property or HPHA property, which means they would not be able to use the tools that HCDA has in order to do the infrastructure. They might have to do it on their own or find a different way under their own authorities and that’s a separate matter.

   Kraintz noted that the City’s draft TOD plan that is pending now for that area estimates a substantial need for infrastructure improvements. Rue stated that if the bill passes the question will be, should we stop the City’s work on the Kapalama-Iwilei infrastructure master plan that is targeted for HPHA and DAGS (the pipes are going to serve DAGS property). That’s the kind of discussion we’re going to have.

   Hirai stated that whatever the result is, the State is going to have to work with the City as the City controls the water and sewer. However, the question is whether the Stadium Authority has to do it on their own or through this TOD zone.

   Hirai stated in terms of Kapalama-Iwilei, HCDA has to determine whether that’s a TOD zone for them or not.

   Neupane stated right now HCDA has the ability to do infrastructure development within community development districts. It broadens the language, so if there is a need for infrastructure improvement outside the district it gives HCDA the means to do that. It doesn’t give entitlement powers to HCDA. Outside the community development districts, HCDA can designate a TOD zone where they can use the infrastructure development ability.

   Hirai asked whether HCDA has the authority to assess properties for improvements. Neupane stated that HCDA has done that for projects in Kakaako. It’s an assessment, not a tax. Typically, the assessment has turned out to be 30% of construction costs, and the remaining is financed through CIP.

X. Adjournment

There being no further business, the meeting was adjourned at 11:06 a.m.