

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

## **Minutes of Meeting**

**Tuesday, August 14, 2018**

**9:30 am**

**Hawaii Community Development Authority**

**Community Room, 1<sup>st</sup> 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  
Sara Lin, Office of the Governor  
Chris Kinimaka, Department of Accounting and General Services (DAGS)  
Charles Vitale, Stadium Authority  
Darrell Ing, Department of Hawaiian Home Lands (DHHL)  
Ian Hirokawa, 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)  
Ben Park, Hawaii Public Housing Authority (HPHA)  
Carleton Ching, University of Hawaii (UH)  
Senator Lorraine Inouye, State Senate  
Bennett Mark, Planning Department, County of Hawaii  
Cyd Miyashiro, American Savings Bank, Business Community Representative  
Jillian Okamoto, Catholic Charities, Housing Advocate  
Ryan Okahara, U.S. Housing & Urban Development, Honolulu Office (HUD) (Ex-officio)

Members/  
Designees  
Excused:

Representative Henry Aquino, House of Representatives  
Cathy Ross, Department of Public Safety (PSD)  
Bill Brizee, AHL, Developer Representative  
Lyle Tabata, Department of Public Works, County of Kauai  
Pam Eaton, Planning Department, County of Maui  
Katie Mineo, Department of Human Services (DHS)  
Kenneth Masden, Department of Education (DOE)  
Harrison Rue, Department of Planning and Permitting, City & County of Honolulu (DPP)

Other  
Designees/  
Alternates  
Present:

David DePonte, DAGS

TOD Council  
Staff:

Ruby Edwards, OP  
Rodney Funakoshi, OP

Guests:

Franz Kraintz, City DPP  
Kenna Stormogipson, UC Berkeley

John Kirkpatrick, Belt Collins Hawaii  
Cheryl Palesh, Belt Collins Hawaii  
Rachel Beasley, Belt Collins Hawaii  
Mark Ritchie, DBEDT  
Blue Kaanehe, DLNR  
Mary Lou Kobayashi, OP  
Deb Mendes, OP  
Carson Schultz, HCDA  
Danielle Evangelista, State Senate  
Kenna Stormogipson, UH

**I. Call to Order**

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

**II. Introduction of Members**

Members and guests introduced themselves.

**III. Review and Adoption of Minutes of June 12, 2018 Meeting**

It was moved by Senator Inouye, seconded by Carleton Ching, and unanimously voted to adopt the June 12, 2018 meeting minutes.

**IV. Siting Emerging Growth Industries in TOD Areas** - Presentation by John Kirkpatrick, Belt Collins. Deb Mendes of OP introduced the project. OP was awarded a grant from the EDA to assist in the support of targeted emerging cluster industries on state lands along the rail. OP contracted Belt Collins, Hawaii (Belt) to describe, identify and map potential sites and project which support innovation industries on state lands near rail stations for incorporation into State TOD Plans; identify development phases and infrastructure and circulation needs for these innovation projects so that this information can be incorporated into State TOD Plans; document and describe the research identifying TOD-related "innovation districts" and "innovation hubs" outside Hawai'i and provide recommendations; and provide general recommendations to support innovation industries.

Belt conducted interviews with stakeholders (State landowners along the rail, agencies involved in economic development and other major landowners) and did a comparative research analysis of "innovation districts" in selected US cities.

Kirkpatrick discussed a few firm or "pipeline" innovation projects identified through the interviews with stakeholders: Kakaako Sandbox and eventual Innovation Hale; FTZ sites for Creative Industries and training; UH West Oahu (UHWO) Creative Media Center and new Film Studios proposed for UHWO lands; and Integrated Industrial Technology training at Leeward Community College.

Besides these, stakeholders noted projects that are very conceptual or in early planning phase. The Potential Hubs include Halawa (sports, entertainment); and Iwilei-Kapalama (manufacturing); the Opportunistic Development areas include Pearl Highlands: UH Agriculture site; Airport/JBPHH (energy, communications, military projects); and Incubators on lands for State redevelopment; and New school sites (Hoopili and Kakaako).

Comparative analysis of innovation districts: Cortex District in St. Louis, MO started with a set of memorandum agreements developed by the hospitals and universities allowing facilities, equipment,

and buildings that they have for research can be used for commercial purposes. So, not only do these institutions have access to great research but they also have immediate access to opportunities to commercialize the research. The City and State granted Cortex the right of eminent domain and tax abatement to encourage and grow innovation.

Denver, CO was a great example of collaboration between Panasonic, the City, the airport and the State. Panasonic obtained a series of contracts to provide the lighting and information system for the Interstate, transit and Denver International airport. This allowed Panasonic to gather information to do comprehensive transportation management and planning, provided immediate job stability and started them on a track to success.

In the example of Fremont, CA we learned how the city reached out to developers, simplified their permitting system and promoted the district brand.

Lessons learned from these mainland cases are: innovation districts need research, corporate, political support and clear vision/objectives; both long-term growth and agile response to opportunities demand leadership, collaboration and available capital. One thing that needs to be considered is Social Inclusion; to involve the communities in the discussions. How are the new developments affecting the people that are being displaced? Can they afford to live there?

Through the interviews and discussions, we heard how expensive it is to live and do business in Hawaii. The most common responses to why remain in Hawaii are: affinity for Hawaii; dependence on local resources not found elsewhere; or dependence on local staff training and/or contacts that a growing firm needs.

To support innovation industries in Hawaii both clustered and opportunistic growth need to be seized. General recommendations to encourage this include: involvement of private sector throughout; inclusion of economic development in TOD goals; sustainable development standards; energy (renewable energy and storage integrated into new development); close collaboration of research, training, commercial firms; having champions in community and Legislature -- including agreement among agencies to support common objective. Lastly, to have a successful innovation district, you need long-term collaborative effort.

#### Discussion

Senator Inouye inquired if there were other examples of P3 besides Denver. Kirkpatrick explained that areas like Fremont included P3 but more so other types of collaborative efforts. OP has determined that this study will not cover the complicated scope and nature of P3s which differ by situation.

Sara Lin inquired what scale or level capital support did Denver and St. Louis districts receive? Not just private but also government capital support? Kirkpatrick explained that the amount and ability to mobilize the capital were most vital to success.

Cyd Miyashiro inquired what were the timeframes and public involvement for these district examples? What were the lead times and what is a realistic expectation for Hawaii? Kirkpatrick noted that St. Louis, Fremont and probably Denver had limited budget, so the willingness of the leaders to invest, to partner and commit resources was key.

Miyashiro then asked about examples of what not to do. Kirkpatrick then explained the flaw of the Baltimore, MD example. West Baltimore development tried to do a three-square mile research innovation district without research activity. East Baltimore with John Hopkins wellness and Forrest City mixed uses is more likely to succeed.

Carleton Ching agreed that these are great examples of success on the Mainland, but it would be good to look at the scale of examples. It will be nice to see a comparison of Hawaii's success stories to the others.

Co-chair Asuncion noted that the Council needs to make the hard decisions on what needs to be the focus and priorities for the State. There is a lot to digest and piece together to provide recommendations for the entire State. Consider using some of these recommendations for transit corridors on the Neighbor Islands.

Kirkpatrick provided a final comment that agencies should also consider how economic development can be aligned when planning their own agency's mission.

- V. Opportunity Zones Potential in Hawaii** - Presentation by Mark Ritchie, Business Development & Support Division, DBEDT. The Opportunity Zone Program is a new tax tool designed to use federal tax incentives to direct investment capital to underserved low income areas called Opportunity Zones. Investors and corporations who have capital gains can receive special tax benefits if they roll that gain into an Opportunity Fund within 180 days. The primary advantages: defer the payment of the capital gains tax; reduce the tax owed by up to 15% after 7 years; and pay zero tax on gains earned from the opportunity fund after 10 years. If you put money in a good Opportunity Fund, you can make a good return with no capital gains tax.

It is hoped that this program will lead to neighborhood and business district revitalization as well as encourage entrepreneurship in the opportunity zones. Guidance from various government and private sector organizations suggest that the opportunity funds will be varied, from property developers to sectors or demographic specific business investors.

Hawaii was authorized to designate 25 census tracts as Opportunity Zones. Hawaii has 99 census tracts that meet the low-income eligibility requirement from which the State can designate not more than 25% as qualified Opportunity Zones according to the program.

In conclusion, this is a new economic development tool using the U.S. tax code to steer investment capital to distressed areas in the U.S. So far, the first opportunity funds established have been by property developers. More guidance on the funds is expected from the Treasury Department later this year, and the key success factor for Hawaii will be the opportunity funds themselves.

In response to a question from Ryan Okahara of why was Mayor Wright not included as an Opportunity Zone, Ritchie noted that Mayor Wright was only housing, they already have development agreements with a private entity for property development, and there needs to be investable assets, where you can have businesses, not just housing. DBEDT also needed to be careful not to reduce the cost of capital for developers, and tried to align Opportunity Zones with county plans.

Locations of Opportunity Zones include - Oahu: Kalaeloa, Kalihi-Sand Island, Waipahu, Aloha Stadium, Pearl Highlands, and Iwilei-Kapalama. Maui: Wailuku-Kahului. Hawaii Island: Hilo, Kona. Kauai: Poipu-Koloa, Hanalei

Responding to a question of whether Opportunity Zones can be used for affordable housing. Ritchey responded that affordable housing can be built by property developers in Opportunity Zones.

A question on whether census tracts that are designated as Opportunity Zones be changed was raised, and Ritchey noted that after 10 years (in 2026), the Opportunity Zones can be changed.

Given there are potentially trillions of dollars in capital gains nationwide, DBEDT will try to market the Opportunity Zones and funds, and is looking for speakers/experts to provide guidance on Opportunity Zones and opportunity funds.

## **VI. State TOD Planning and Implementation Project**

- a. Updated Project Work Plan: Rodney Funakoshi of OP presented the updated workplan for the State TOD Planning and Implementation Project being undertaken by PBR Hawaii. Phase 1 which extends through February 2019 will focus on determining preferred land use alternatives for the priority areas and identifying associated infrastructure requirements. Permitted Interaction Groups have been formed and charrettes will be held in late September to clarify land use plans. A report out to the TOD Council is scheduled for December 2018. Phase 2 beginning in March 2019 through the end of next year, will focus on the infrastructure investment and delivery strategy. Infrastructure financing has been moved up in the schedule to ensure early consideration of options.
- b. Educational Workshop on TOD and Financing: –The regular TOD Council meeting date has been moved back a week to Wednesday, September 19, 2018, at which time there will be educational presentations on TOD and financing options, opportunities and urban design featuring the Mainland subconsultants retained for the TOD implementation plan project.

## **VII. Next Steps**

### a. Future Agenda Topics

The following are the future agenda topics:

Wednesday, September 19, 2018 - Educational Workshop on TOD and Financing

September 20-21, 2018 - Halawa-Stadium, Iwilei-Kapalama, and East Kapolei Permitted Interaction Group Charrettes

Tuesday, October 9, 2018 - Neighbor Island TOD Project Status Update and Needs

## **IX. Adjournment**

There being no further business, the meeting was adjourned at 11:15 a.m.