

Hawai'i Interagency Council for Transit-Oriented Development
Minutes of Meeting No. 43
Friday, June 18, 2021
9:30 am
Via Videoconference
Office of Planning
235 S. Beretania St. 6th Floor
Honolulu, Hawai'i 96813

Members/
Designees
Present: Mary Alice Evans, Office of Planning (OP), Co-Chair
Denise Iseri-Matsubara, Hawai'i Housing Finance & Development Corporation
(HHFDC), Co-Chair
Sara Lin, Office of the Governor
Chris Kinimaka, Department of Accounting and General Services (DAGS)
Roy Ikeda, Department of Education (DOE)
Darrell Ing, Department of Hawaiian Home Lands (DHHL)
Heidi Hansen Smith, Department of Health (DOH)
Malia Taum-Deenik, Department of Human Services (DHS)
Russell Tsuji, Department of Land and Natural Resources (DLNR)
David Rodriguez, Department of Transportation (DOT)
Deepak Neupane, Hawai'i Community Development Authority (HCDA)
Hakim Ouansafi, Hawai'i Public Housing Authority (HPHA)
John Fink, Stadium Authority (SA)
Michael Shibata, University of Hawai'i (UH)
David Tarnas, House of Representatives
Chris Lee, State Senate
Harrison Rue, City & County of Honolulu (City)
April Surprenant, County of Hawai'i (COH)
Jodi Higuchi Sayegusa, County of Kaua'i (COK)
Pam Eaton, County of Maui (COM)
Scott Kami, Bank of Hawai'i, Business Community Representative
Kevin Carney, EAH Housing, Housing Advocate
Laura Kodama, Castle and Cooke, Developer Representative

Members/
Designees
Excused: Max Otani, Department of Public Safety (PSD)
Ryan Okahara, U.S. Housing & Urban Development, Honolulu Office (HUD) (Ex-officio)

Other
Designees/
Alternates
Present: Dean Minakami, HHFDC
David DePonte, DAGS
Ian Hirokawa, DLNR
Natasha Soriano, COH Department of Planning
Celia Mahikoa, COK Transportation Agency
Marc Takamori, COM Department of Transportation
David Yamashita, COM Department of Parks and Recreation

TOD Council
Staff: Rodney Funakoshi, OP
Ruby Edwards, OP
Carl Miura, OP

Guests: Senator Stanley Chang, State Senate
Council Member Radiant Cordero, Honolulu City Council

Aaron Setogawa, OP
Abbey Seitz
Alisa Hanselmann, COH Housing Agency
Alison Kato, Department of Attorney General
Ann Bouslog, PBR Hawai'i
Arjuna Heim, Hawai'i Appleseed
Audrey Hidano, DAGS
Bill Brizee, AHL
Blue Kaanehe, DLNR
Brian Lee, Honolulu Planning Commission/ Hawai'i Laborers and Employers
Cooperation and Education Trust Fund (LECET)
Charles Long, Charles A. Long Properties
Daniel Nahoopii, SMS Research Hawai'i
Dave Freudenberger, Goodwin Consulting Group
David Arakawa, Land Use Research Foundation (LURF)
Derek Abe, Alta Planning + Design
Derek Wong, DLNR
Diana Lopera, Climate Ready Hawai'i VISTA COHORT
Farah Cabrera, Office of Hawaiian Affairs (OHA)
Franz Krintz, City Department of Planning and Permitting (DPP)
George Atta
Jacob Heberle, Hawai'i Appleseed
Jessica Sato
Kainoa Hottendorf
Katie Rooney, Ulupono Initiative
Kenna Stormogipson, Hawai'i Budget and Policy Center
Kiana Otsuka, O'ahu Metropolitan Planning Office
Laura Armstrong, Maui Metropolitan Planning Office
Lauren Yasaka, DLNR
Nancy McPherson, DHHL
Nathalie Razo, PBR Hawai'i
Nick McGreivy
Parker Kushima, Climate Ready Hawai'i VISTA COHORT
Randy Chu, HHFDC
Sery Bernhau, HHFDC
Steven Miao, Hawai'i Budget and Policy Center, AmeriCorp VISTA
Trixy Groaning, COH Mass Transit Agency
Veronica Rocha, Essential Leap
Williamson Chang, JD, UH-Mānoa William S. Richardson School of Law
Zendo Kern, COH Department of Planning
Zoe Sims, State Representative David Tarnas

1. **Call to Order**
Denise Iseri-Matsubara, Co-chair, called the meeting to order at 9:34 a.m.
2. **Introduction of Members**
Members and guests introduced themselves.
3. **Review and Approval of Minutes of April 16, 2021 Meeting**
The April 16, 2021 meeting minutes were approved as circulated.

4. ALOHA Homes Implementation Study, February 2021

**Hawai'i Appleseed Center for Law and Economic Justice/Hawai'i Budget & Policy Center
Presentation by Kenna Stormogipson, Policy and Data Analyst**

Remarks by Stanley Chang, State Senator

Mary Alice Evans explained that Act 167, SLH 2019 charged the Hawai'i Housing Finance and Development Corporation (HHFDC) with studying and formulating a plan to implement an "affordable, locally owned homes for all" (ALOHA) Homes program. The focus of the proposed program was intended to be low-cost, high-density leasehold homes for sale to Hawai'i residents on State lands within a half-mile of a public transit station. The study was undertaken by the Hawai'i Appleseed Center for Law & Economic Justice. Kenna Stormogipson, budget and policy analyst for the Hawai'i Budget and Policy Center, led the study.

Kenna Stormogipson, including herself, introduced the members of the study team:

- Abbey Seitz, Community Planner
- Steven Miao, Research Assistant, Hawai'i Budget and Policy Center
- Jacob Heberle, Summer Intern, Hawai'i Appleseed
- Charles Long, Developer
- Williamson Chang, JD, Legal Analyst, UH-Mānoa William S. Richardson School of Law
- Arjuna Heim, Fall Intern, Hawai'i Appleseed
- Dave Freudenberger, Public Finance Consultant, Goodwin Consulting Group
- Dennis Silva, Planner, Hawai'i Planning LLC
- Jessica Sato, Freelance Designer

The ALOHA Homes proposal was based on Singapore's Housing Model. The country has been very successful in providing homeownership with over 90 percent of its residents owning a home. Eighty percent is state-financed and -built. The government will provide subsidies if someone cannot afford to buy one due to their income. They emphasize homeownership using a 99-year lease rather than renting. They are able to provide adequate supply by utilizing cheap labor for construction.

There are two areas that will be very difficult to replicate in Hawai'i. One is the low construction costs. In Singapore, it costs between \$125 to \$150 per square foot to build. This is less than half the price experienced in the islands. The other is a strong central government. They do not have to engage its citizens in planning. As a result, they built over 15,000 homes in 2013 and over 30,000 units in 2017, with average per unit re-sale price remaining flat at about \$300,000.

The study team found two locations, Helsinki, Finland and Vienna, Austria, similar to Hawai'i that have been successful in providing affordable housing. Both have western-style citizen engagement, strong labor unions, and high construction costs. The cost per square foot is \$325 - \$400 in Helsinki and \$250 - \$300 in Vienna. In Finland, private market housing can be sold at any price. However, public housing, either rented or owned, is essentially restricted or controlled and stays affordable for the life of the building. All neighborhoods are a mix of 50 percent private and 50 percent public housing.

The key is maintaining affordability. Between 2008-2019, there were about 7,300 for-sale homes in Kāka'ako. Initially, 26 percent were affordable due to inclusionary zoning practices with 1,850 units priced below-market. However, affordable units now make up 9 percent (637) of existing housing stock, and it's going to be even lower at 3 percent by 2025. The bulk of for-sale affordable homes

were lost due to the expiration of the 5-year affordability period. It is very unlikely these units will be replaced.

One of the solutions to this is to restrict the re-sale price. The original ALOHA Homes bill had an equity share approach, which meant that the home would still sell at market rate. For example, HHFDC would receive 75 percent and the owner would receive 25 percent. Another approach is the Limited Equity Model similar to land trust models or DHHL practice. When a person sells the property, the individual does not get to sell it at market rate, but owner can still earn equity. The price can be restricted so that it stays in line with wages and goes up with inflation. For example, if a home is purchased in 2021 for \$400,000 and sold for \$750,000 in the Aloha Homes Equity Share Model, the owner gains \$87,500 and HHFDC earns \$262,500. However, in the Limited Equity Model, the sale price is restricted at \$500,000, so only the owner gets \$100,000. The next owner can purchase it at \$500,000. Although HHFDC would not receive any revenues, there would not be the loss of an affordable home.

Charlie Long said the report focused on for-sale affordable housing. No region in the country is doing a good job in this area. These units are available to 80-120 percent of Area Median Income (AMI). It is a real challenge to construct homes in this cost range. They looked at a lot of pro formas using low-income tax credits and saw that they produced a lot of units for rent at a tremendously high cost. Their recommendation on for-sale housing is to focus on the following measures:

- State Land Contribution – In many cases, Low-Income Housing Tax Credit (LIHTC) projects do not receive free land because the developer is charging for the parcel. Land generally adds \$100,000 - \$150,000 per unit. The State should make land available through long-term leases.
- Off-Site Infrastructure – The infrastructure cost for the affordable housing component can be zero or very low cost. The planning process needs to make sure it protects affordable housing from disproportionate allocation of infrastructure cost.
- Streamlined Entitlement – One way to reduce costs is to streamline the entitlements for affordable housing. It should be “by right” since many of the TOD zones are already envisioned for growth through an area’s planning process.
- Financing Access – Most of the affordable housing financing is done through LIHTC in Hawai'i and across the country. They found that the most straightforward and cost-effective means of financing affordable for-sale housing is to use taxable mortgage revenue bonds. Another option is to have a local bank provide the construction financing, and in exchange, they would be the first in line to do the mortgages.

By doing all of these, the construction cost can be reduced substantially and make the units affordable to moderate income range (80-120 AMI) individuals. No LIHTC and extra time will be required.

As part of the implementation process, Dave Freudenberger believes off-site infrastructure improvements need to be financed and handled separately. This will remove a huge cost burden for affordable housing. It can be done in several ways including continuing to have market rate housing pay its fair share or just eliminate any cost obligations. Other approaches include the use of community facilities districts (CFD) (most common and progressive), General Excise Tax (GET)/sales tax (less common, more regressive), and federal dollars. These would be on top of existing Real Property Tax (RPT). Another possibility is to use a portion of current RPT and apply towards improvements.

Steven Miao shared the results of a focus group held to find out how residents felt about different affordable housing issues:

- Owner-occupancy enforcement. People were against any high-tech solutions. They suggested having one person assigned to handle all the information to ensure compliance.
- Preferences and set-asides for target groups such as elderly and houseless. There appears to be greater support for set-asides than preferences.
- No income limits. All U.S. cities have income limits ranging from 80-150 percent AMI. Even Singapore has income limits. Their recommendation for the project is 140 percent AMI.
- Future Tenant Involvement. Abby Seitz said the focus group overwhelmingly support involvement in the planning, design, and management of the future project. In Helsinki and Vienna, they have very active tenant associations that participate in the management of these housing units. Locally, Pu'uohonua O Wai'anae is good example. The residents are very active in planning and design. These practices can be integrated into a future ALOHA Homes Project.
- Leasehold Housing. Focus group was very interested in this housing model. They saw it as a great best practice to incorporate because it provided stability, financial gain, and the ability for family members to inherit.
- State lands long-term lease controversy. Currently, leases are typically 65-years long. According to UH Law Professor Williamson Chang, there is a strong feeling among Native Hawaiians that ceded lands or "5B Lands" should not be given 99-year leases, especially with automatic extensions to existing leases. They concluded that more consultations need to be done with Native Hawaiian groups. Office of Hawaiian Affairs' position is 99-year lease on after-acquired lands or "5c Lands" are okay for housing. These are lands that were set-aside for the Department of Education, etc.

If ALOHA Homes were to be implemented, it would benefit middle-income individuals who cannot afford most market-priced homes. Arjuna Heim stated that the current demand in this group is about 5,000 households. It is a middle-step between renting and ownership because it builds wealth and provides stability. This is not an overall solution to the affordable housing crisis. However, it would be a good step forward. Unfortunately, individuals earning 80 percent and below are going to be left out of this program. Over half of the housing need is in this category.

Stormogipson recommended the following next steps:

- Stewardship support – This focuses on enforcement of occupancy and the resale of units. Many cities and counties employ a non-profit to provide this stewardship of homes.
- Use of mortgage revenue bonds – These are available, but have not been used for affordable housing in Hawai'i.
- Pilot Project – Identify suitable State land to do a feasibility study.

The focus groups demonstrated that there is demand for affordable leasehold ownership and would be interested in a ALOHA Homes Program. Although there would be a State contribution, it can be done without using general fund. Elements of the proposal have the potential to fulfill an important housing need.

Kevin Carney applauded the Study on the affordable housing "by right" issue and would like to see it applied broadly. Since the cost per unit for LIHTC projects are currently way above \$300,000 up to \$600,000, he asked how dense would these ALOHA Homes need to be. The industry is already taking full advantage of the 201H program by building on public land with a 65-year lease and receiving exemptions on fees (e.g. permits, water). Stormogipson said that the Study looked at mid-rise units. LIHTC is extremely complicated financing.

After reviewing proformas of LIHTC projects in Hawai'i, Long noticed that as much as 10 percent is allocated to developer fees. On his projects on the mainland, he gets only as high as 3 percent. LIHTC adds a lot of costs waiting for financing. With the "by right" (streamlined entitlements), immediately available taxable mortgage revenue bonds, allocation of infrastructure costs, and 65-year leases, costs could be reduced drastically. Another area that needs to be improved is management of projects. This is something that can be worked out using the pilot project. Carney emphasized that they spend a lot of time waiting and applying for various funding sources with different time frames. Infrastructure is a huge expense.

Scott Kami said direct participation from banks might be difficult, but not impossible. There are enough incentives in the financing programs to encourage participation. He likes the idea, but it would be hard to compete with the compressed interest rate environment whether the vehicle is a taxable or non-taxable mortgage revenue bonds for homeownership.

Laura Kodama also agrees that relieving developers of the off-site costs will make it much easier to build affordable homes. She was curious whether the State or City would take the lead. Castle and Cooke tried looking into CFDs, but it was very challenging to implement. Kukui'ula CFD is the only one in Hawai'i. Freudenberger said he is working on one on the Big Island. The county is very interested in getting the CFD done because part of the project involves workforce housing. To move this forward, several forces need to come together, especially the public sector. This is a tool used extensively in California. Long added that one of the biggest challenges with CFDs, is dealing with timing of components, because CFD special assessments are charged to the land. The timing issue would need to be overcome.

Kodama asked how the CFD impacts affordable units, because they would need to pay the assessment. Freudenberger said it is very flexible. The CFD can charge one group and another nothing. Harrison Rue said the City did detailed studies into CFDs and other tools to see how much money it could generate in the Iwilei area. However, the City was not able to impose a CFD on State lands, which owns a large portion of the parcels. This was the reason they asked the State to take the lead on the Iwilei-Kapālama infrastructure study. They determined that a CFD would produce a "chunk of money," but this depends on whether affordable housing would be included or not. Stormogipson added that they did an analysis of this. If the property tax rate was increased to .85 percent for housing and the affordable units were kept at the current tax rate of .35 percent, it would cover the infrastructure costs. The study group thought this was fair because Hawai'i still has one of the lowest property rates in the country. She noted that about 70 percent of purchases on Maui were investment properties.

In response to Brian Lee's question, Stormogipson explained that Catalyst in California has been able to lower their costs by using 100 percent municipal bonds. However, other parts of their model are different because they are buying already available property.

Senator Stanley Chang said he introduced the ALOHA Homes proposal during the 2021 Legislative Session. He pointed out areas where Senate Bill 1 is similar to the ALOHA Homes Implementation Study, including:

- Need for high-density construction,
- Use of State-owned lands near rail stations, under 99-year lease,
- An unsubsidized sale price of \$400,000. Current market price is \$569,000,

- Restrict buyer eligibility to Hawai'i residents and owner-occupants who own no other real property,
- No first-time homebuyer requirement.

He also noted the proposal would not need any new taxes and give priority to those who suffer the greatest impact. New development should not occur on agricultural or conservation land and where communities currently exist. Homes need to be built consistently to meet the demand of the people of Hawai'i.

With this amount of common ground, he believes they will have a robust plan if the bill is approved.

He emphasized that the severe housing shortage has existed for generations. Since the start of the pandemic, the price of homes has hit record highs on all islands. For instance, the median sale price on the island of Hawai'i increased 35.1 percent, Kaua'i climbed 45.6 percent, Maui rose 29.9 percent, and O'ahu went up 22.7 percent.

Senator Chang explained that during the pandemic, Hawai'i's had zero demand from vacation rentals, Airbnbs, and overseas investors. The median single home price on O'ahu reached \$985,000 even with the highest unemployment rate in the country. This underscores the need to focus on supply-side solutions. One of the predictable impacts of high housing costs is four straight years of population decline, which appears to be accelerating. Current home construction is like private school education: It is expensive and for the few. There needs to be a public school-like option for housing that is inexpensive and available to all with every generation in Hawai'i having the right to live here. He pointed out that Hawai'i produces about 11,000 high school graduates per year, but only 2,000 housing units are built each year. Housing production needs to be "quintupled" on a statewide basis to meet demand. This is the purpose of the ALOHA Homes proposal and what State and county government should be focused on.

Senator Chang announced that he is sponsoring two events that TOD Council members/guests are invited to:

- A free virtual conference on August 12, 2021, 1000 Homes Per Acre; Planning for Sustainable Housing Growth in Hawai'i. Register at senatorchang.com.
- A Virtual Housing Delegation to Singapore (August), Hong Kong (September), Vienna (October) and Houston (November), August – November 2021. Apply at bit.ly/housingdelegation.

4. Discussion on State and County Alignment on TOD Priorities—Projects and Funding

Iseri-Matsubara explained that this is a follow-up to a conversation with City DPP Director Dean Uchida. He wanted to look at leveraging State and county funds and enhancing the coordination between the two entities on investing in infrastructure as it relates to TOD and housing. She asked each county to provide where they are at in identifying TOD priorities as outlined in their current budget.

- City and County of Honolulu: Rue reiterated Uchida's desire to align and continue to work with HHFDC and OP staffs. The City has just under \$500 million budgeted in sewer work to support TOD. It is in the City's Environmental Services current and long-range CIP budget. Many of them will be supporting Stadium-Hālawa, Iwilei, and other areas. Uchida has been in contact with Senator Schatz's Office to get more funding so that the projects can be accelerated. City also has three projects on the list that are major transit centers and multi-modal hubs. These are

funded as planning and design in the City's current year budget. He will provide more concrete information once the City budget is signed by the Mayor.

- County of Maui: Pam Eaton reported that COM is finishing up the Ka'ahumanu Avenue Community Corridor in November. Marc Takamori explained that they are building the Central Maui Transit Hub using State and county funds. It should open in early 2022. The construction contract was \$4.2 million with \$2.5 million from the State.
- County of Hawai'i: April Surprenant said the County received an EDA grant to do a wastewater study in the Kea'au urban area and in Pāhoa. It is currently underway. Along with HPHA, they received TOD CIP Planning Funds in 2020, so they are moving forward with HPHA on the Lanakila Homes Multi-Modal Transportation Project Master Plan. This includes affordable housing expansion, multi-modal transportation, and Complete Streets. The County is also working on housing for seniors and veterans adjacent to the University of Hawai'i at Hilo Campus. They obtained some federal funds for the project. For the Village 9 Affordable Housing Project, they received \$4 million from HHFDC to work on emergency shelters and requested an additional \$5 million from the County Council. GET funds are being used for site selection of the Kona Transit Hub Project. COH applied for funds from DOT for implementation. The Pāhoa Transit Hub, County's Project, is entering into an EA process, which includes the site selection. This is being funded by County GET funds. The County also appropriated \$3 million for transit hub and spoke projects. Kona may be a candidate for a TOD CIP Planning Fund request.
- County of Kaua'i: Jodi Higuchi Sayegusa reported that the Po'ipū Safety and Mobility Project is at the top of the County's TOD infrastructure list. It is included in the STEP Program (Safe Transportation for Every Pedestrian). They are looking for more federal assistance. It would connect the Koa'e Workforce Housing project with the resort area. The Kawaihao Road Multimodal Improvements is another priority project to create a peanut-about and improved pedestrian connectivity near Samuel Mahelona Memorial Hospital. It is also on the STEP, federally funded, and in the State TOD Strategic Plan. The Pua Loke Affordable Housing Project is nearing completion. It is near the Kukui Grove commercial center. On the horizon, an affordable housing project is at the pre-planning stage at Puhi Park, which is across from the UH-Kaua'i Community College. Finally, the County is working on a master plan for the 400-acre Waimea Lands for affordable housing and other community needs.

Iseri-Matsubara requested that the four counties send information on their priority projects to Carl Miura. She is trying to match up what is in the county budgets to be better coordinated to leverage funding.

5. Status of TOD-Related Bills and CIP Budget Requests from the 2021 Legislative Session

Rodney Funakoshi summarized various measures and budget items that were passed and sent to the Governor for approval:

- SB 225 SD1 HD1 CD1 – Allows HHFDC to assess infrastructure costs from the projects that benefit from Dwelling Unit Revolving Fund infrastructure subaccount funding of infrastructure improvements. It also requires the TOD Council to review and make recommendations on applications for subaccount funds on infrastructure project related to TOD.
- SB 140 SD2 HD2 CD1 – Requires HCDA to develop a TOD zone improvement program that can deliver regional infrastructure for TOD statewide.
- SB 1402 SD2 HD1 CD1 - Requires the DOT to create motor vehicle, bicycle, and pedestrian highway and pathway networks.

- HB 1348 HD2 SD2 CD1 – Establishes the stadium development special fund. Clarifies the role of the SA and HCDA in the development of stadium lands. The bill also expands the powers and duties of SA.
- HB 200 HD1 SD1 CD1- The State budget bill has some notable appropriations:
 - OP - State TOD Planning Funds, FY2022 \$2,000,000 (BED144). Pursuant to a budget proviso in the bill, a minimum of \$300,000 of the funding needs to be used for an infrastructure financing study and pilot project in each of the four counties.
 - HHFDC – Dwelling Unit Revolving Fund (DURF) Infusion, Statewide, FY2023 \$20,000,000 (BED160).
 - HHFDC – Rental Housing Revolving Fund (RHRF) Infusion, Statewide, (BED160), to include:
 - FY2023 \$25,000,000,
 - FY2022 \$40,000,000, HPHA School Street Senior Affordable Housing, O‘ahu.
 - Also, other TOD-related CIP Project appropriations approved this session (not part of the TOD CIP items recommended to the Legislature for FY 2022).
 - COK – County of Kaua‘i (SUB501). Water improvements that benefits the Waialua-Kapa‘a area, including the Samuel Mahelona Memorial Hospital site.
 - DHHL - Department of Hawaiian Home Lands. FY2022 \$2,000,000. 250-unit multi-family residential rental complex in East Kapolei for their TOD project (Kauluokahai Increment II-A, Multi-Family/Commercial); FY2022/FY2023 \$5,132,000. East Kapolei TOD and Telcom Infrastructure.
- Possible TOD CIP Planning Fund Opportunity for FY22 (Pending Governor’s Approval)
Ruby Edwards explained that if approved by the Governor, there will be another set of funds for TOD master planning, infrastructure assessment, etc., for TOD-related projects. OP will be sending out the Call for Proposals to State and county agencies in several weeks. These details will be discussed in more detail at the July TOD Council meeting.

6. Upcoming Meetings and Agenda Items

A. July 16, 2021 – TOD-related bills and appropriations:

- i. FY22 TOD CIP Planning Funding Opportunity—Call for Proposals/Schedule
- ii. Updates on Implementation of TOD-related Bills – Edwards remarked that the TOD Council may be asked for input on various TOD-related bills, should they be enacted.

B. August 2021 – No Meeting

7. Announcements

8. Adjournment

There being no further business, the meeting was adjourned at 11:36 a.m.

Note: All meeting materials are posted at <http://planning.hawaii.gov/lud/state-tod/hawaii-interagency-council-for-transit-oriented-development-meeting-materials/>.