

Hawaii Interagency Council for Transit-Oriented Development

Meeting Minutes

Wednesday, September 19, 2018

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
Chris Kinimaka, Department of Accounting and General Services (DAGS)
Kenneth Masden, Department of Education (DOE)
Darrell Ing, Department of Hawaiian Home Lands (DHHL)
Danielle Schaeffner, Department of Health (DOH)
Malia Taum-Deenik, Department of Human Services (DHS)
Ian Hirokawa, Department of Land and Natural Resources (DLNR)
Robert Miyasaki, Department of Transportation (DOT)
Deepak Neupane, Hawaii Community Development Authority (HCDA)
Ben Park, Hawaii Public Housing Authority (HPHA)
Charles Vitale, Stadium Authority (SA)
Carleton Ching, University of Hawaii (UH)
Harrison Rue, Department of Planning and Permitting, City & County of Honolulu (DPP)
Bennett Mark, County of Hawaii, Planning Department
Pam Eaton, County of Maui, Planning Department
Cyd Miyashiro, American Savings Bank, Business Community Representative
Jillian Okamoto, Catholic Charities, Housing Advocate

Members/
Designees
Excused:

Sara Lin, Office of the Governor
Cathy Ross, Department of Public Safety (PSD)
Representative Henry Aquino, House of Representatives
Senator Lorraine Inouye, State Senate
Lyle Tabata, County of Kauai, Department of Public Works
Bill Brizee, AHL, Developer Representative
Ryan Okahara, U.S. Housing & Urban Development, Honolulu Office (HUD) (Ex-officio)

TOD Council
Staff:

Rodney Funakoshi, OP
Ruby Edwards, OP

Others
Present:

David DePonte, DAGS
Kevin Auger, HPHA
Carson Schultz, HCDA
Bonnie Arakawa, UH West Oahu
Blue Kaanehe, DLNR
Wayne Takara, Department of Public Safety (PSD)
Terry Visperas, PSD
Kika Bukoski, Office of Hawaiian Affairs
Jane Tam, OP

Cathi Ho Schar, UH
Franz Kraintz, DPP
Elizabeth Krueger, DPP
Tim Streitz, DPP
Grant Murakami, PBR Hawaii & Associates (PBR)
Nathalie Razo, PBR
Ann Bouslog, PBR
Gabrielle Lapinig, PBR
Stacy Armstrong, R.M. Towill Corporation
Andrea Roess, David Taussig & Associates (DTA)
Kuda Wekwete, DTA
Cole Roberts, ARUP
Jie Miao, CRTKL
Mike Garris, Belt Collins Hawaii
John Kirkpatrick, Belt Collins Hawaii
Jeff Merz, AECOM
Nat Kinney, Hawaii Construction Alliance
Chris Delaunay, Pacific Resources Partnership

I. Call to Order

Leo Asuncion, Co-chair, called the meeting to order at 9:37 a.m.

Members and guests introduced themselves.

II. Review and Approval of Minutes of August 14, 2018 Meeting

Upon motion by Harrison Rue, seconded by Robert Miyasaki, the August 14, 2018 meeting minutes were approved as circulated.

III. TOD Educational Presentations

• **TOD Special District Design Guidelines,**

Liz Krueger, Chief, Zoning Regulations and Permitting Branch, City and County of Honolulu Department of Planning and Permitting

Harrison Rue, City DPP, prefaced Liz Krueger's presentation by explaining the aim was to prepare guidelines that broadly set out the elements the City seeks from development projects in the TOD Special District to deliver on TOD goals, such as walkability. He added that the City would like the State to have their developers incorporate guidance from the City TOD plans, TOD zoning, and design guidelines in their project planning and development.

Liz Krueger distributed copies of the City's *Transit-Oriented Development Special District Design Guidelines* issued in June 2018, which was prepared entirely in-house by DPP staff. The *Guidelines* document is designed for use as an online, digital document, and is available through the DPP webpage at honolulu.dpp.org. The *Guidelines* document includes sections on: District objectives and permitting; District guidelines for buildings, parking, and streetscapes/pedestrian environments; use of the zoning maps; and additional considerations for Planned Development-Transit permits.

Krueger said the challenge in developing the guidelines was coming up with a framework that (1) could define in technical terms those things that create the environment that allows the magic of TOD communities to happen, (2) is easily understood and applicable along the rail corridor, and (3) is integrated into existing code and permitting processes and still provides flexibility.

Krueger broadly summarized the permit types and the applicable permitting processes and timeframes for development in a TOD Special District or under an Interim Planned Development-Transit permit. One objective is to make it easier for permitting within the TOD Special District if a project meets the development standards of the TOD special district zoning and the new guidelines. Projects that would deviate from the code and guidelines or seek additional height or density would go through either a minor or major special permit process.

The *Guidelines* uses diagrams of standards for setbacks, façade treatment, streetscapes, etc. similar to form-based codes. Krueger summarized key ingredients of the *Design Guidelines*, including:

- Maximum setbacks for building placement that bring them closer to the street, with primary entrances on the street and parking to the side or rear of the lot. This is the first time the City has used maximum setbacks;
- Transparency of facades at street level, with 60% of the façade between 2.5 and 7 feet above the sidewalk open, and active ground floor uses or activity required;
- Access and primary entrances close to the street and street corners;
- Higher standards for pedestrian-oriented streetscapes on designated key streets that provide access to and from rail stations;
- Parking reduced or eliminated in the TOD Special District, with access and location of parking and loading giving design priority to pedestrians, bicycles, and transit riders;
- Structured parking and podiums, bike parking, and incorporation of design features for multi-modal access within larger projects and between blocks—all aimed at fostering an active mixed-use environment with active ground floor uses and an inviting pedestrian experience;
- Sidewalk design promoting wide sidewalks, safe grade changes to the street, and use of street trees and awnings to create shade along street frontage; and
- Provisions for non-conformities to address barriers to redevelopment and maintenance of properties.

Krueger noted that the City is also looking at revising other development standards to promote more pedestrian-friendly environments and encourage public gathering space, such as allowing more hardscaping of the required yard in the City landscaping requirements to increase usable public space.

Krueger said the reduced parking requirements are based on the assumption that over time demand for parking along the rail will decline. They anticipate initial pushback on this, particularly from tower development. They will be encouraging the development of parking demand management tools. Rue stated that the City is starting a parking strategy study to update its Land Use Ordinance. The study will explore alternative parking management and reduction strategies, including maximum caps and unbundling of parking requirements.

Krueger concluded her presentation by stating that they are happy to meet with individual property owners to discuss the guidelines and permit process for their properties.

Bennett Mark, Hawaii Planning Department, asked how the Guidelines were being implemented. Krueger explained that the guidelines are used in conjunction with the City's TOD Special District zoning standards in its adopted Land Use Ordinance (LUO), to illustrate and help users understand how the standards are applied.

Ruby Edwards, OP, asked where the key streets are identified so that State agencies can be aware of where these streets are as they move forward with planning and development. Krueger answered that the key streets are typically the main roads leading to stations, and they will be mapped in figures to be incorporated in the LUO as each TOD plan area's TOD Special District zoning map is adopted.

- **Presentation: Infrastructure financing options**

Overview of Financing Strategies, presentation by Andrea Roess, Managing Director, David Taussig & Associates, Newport Beach, California, and Kuda Wekwete, Senior Vice President, David Taussig & Associates.

Rodney Funakoshi, OP, introduced Andrea Roess, whose firm is on the PBR Hawaii consulting team for the State TOD Planning and Implementation Project. Roess brings years of experience and expertise in public financing strategies and public policy analysis, and implementation of special financing districts, including several in Hawaii.

Roess explained the aim of their presentation was to provide an overview of different financing mechanisms for infrastructure and illustrate through case studies how some of these mechanisms have been used. These are not presented as solutions, but as a way of looking at who is paying for infrastructure and the types of public and private improvements that are being financed using these mechanisms.

Roess provided an overview of the following mechanisms used to finance infrastructure development:

General obligation bonds (GO bonds)	Most common for infrastructure, interest rate is lower, backed by jurisdiction's taxing authority; may have limits to what they can fund, subject to bonding caps, other budget priorities; State may not always be available for local infrastructure
Revenue bonds	Municipal bonds that finance income-producing projects, secured/repaid through revenues from specific enterprise (water, sewer, etc.)
Community facilities districts (CFD)	District authorized to levy special taxes to fund public improvements or services, popular in California; Hawaii law modeled after California's; property owners within district vote to impose assessment on themselves to pay for infrastructure; only 1 CFD in Hawaii that has issued bonds

Improvement districts and special improvement districts	District authorized to levy assessments to fund public improvements (ID) or services (SID), similar to CFDs; typically have benefit requirements that may make them more difficult for financing regional infrastructure
Impact fees	Fee imposed on new development by public agency to mitigate the impacts of such development on public infrastructure; one-time fee paid at time of building permit or map for fair share of infrastructure; impact fee study allocates cost to landowners; funds come in as development occurs, so can't pay upfront for infrastructure; can use CFD/assessment district in conjunction with impact fees for developers to pay upfront share of infrastructure
Tax increment revenues	Property tax revenue that results from an increase in assessed value above the base year; common in other states; there is a question whether issuing bonds backed by tax increment revenues is allowable under Hawaii constitution; there are other mechanisms that can be created similar to TIF that use tax increment revenues to bond against or use as security for another type of bond, such as CFD bond
Additional sales or excise taxes	Tax revenue resulting from sales of good and services; spreads revenues across residents and visitors
Public private partnerships (P3)	Contractual agreement between a public and private entity to deliver a service or facility for the benefit of the general public; payments from revenues generated from project or use fees for infrastructure
Grants and loans	<ul style="list-style-type: none"> • Transportation Infrastructure Finance and Innovation Act (TIFIA) • State Dwelling Unit Revolving Fund (DURF) • State Revolving Fund/s • FTA Small Starts/New Starts Note that these are not always reliable sources, and recommends against basing plans on expectations of solely using this type of funding
Development agreements	Voluntary contract between a local jurisdiction and a developer, detailing the obligations of both parties and specifying the standards and conditions that will govern development of the property; not specifically financing, but way to achieve public benefits (connectivity, sustainability, etc.) through project development
Opportunity Zones	Federal tax incentive program enacted in 2017 that provides incentives for investors to re-invest unrealized capital gains into Opportunity Funds in exchange for temporary tax deferral and other benefits; Funds must be used for business or real property equity investments in designated low-income census tracts; brings in private capital to help offset cost of private development, which could include infrastructure costs related to project; several OZs designated along the Oahu rail corridor
Property Assessed Clean Energy (PACE)	Program that allows property owners to finance the up-front cost of certain energy efficiency, renewable energy, water conservation, and seismic retrofit improvements; paying back on cost over time through a voluntary assessment on property

New Market Tax Credits	Federal tax credit program that provides incentives to attract private investment in distressed communities for business and job creation
Low Income Housing Tax Credits	Federal and state subsidy that provides financing for low income housing by allowing investors to claim tax credits on their income tax returns; program is place in Hawaii; coupling affordable housing with TOD is a good opportunity
Other strategies	<ul style="list-style-type: none"> • Shared parking structures, with designated stalls for residential, commercial, public • Housing Trust Fund for affordable housing • Joint Development; on the P3 continuum; public lease to private development in exchange for putting in some of the public infrastructure

Roess said DTA had also been tracking Hawaii legislative proposals to establish TOD community development districts. Asuncion stated that those bills had died and had been opposed by the City.

Roess explained they're at the beginning of the process of identifying the types of financing mechanisms that might be considered here. It's likely that a number of financing tools will need to be used here for TOD.

Roess summarized project financing case studies that DTA compiled as being instructive for the State TOD Planning and Implementation Project. Parts will be applicable to Hawaii; some may not. *(Note: See the presentation slides for more information on the case studies; the presentation is posted at the TOD Council website.)*

CFD Case Studies. CFDs have a number of benefits: it is non-recourse to the public agency since bonds are secured by the value of the land within the district; it doesn't use other tax revenues; it allows infrastructure to be financed earlier in the development process; and generates jobs and revenues.

- County of Kauai CFD No. 2008-1, Kukuiula, Kauai. First CFD in Hawaii to sell bonds, in 2012. CFD formed in 2008, formation and bond issuance time and costs were a little high, but not unusual for first CFD. Project is master-planned resort residential community. Bond sales also provided funding for County-designated facilities in the area. Tax payments are paying off bond debt. Demonstrates that CFD is a viable financing tool in Hawaii.
- Los Angeles Streetcar and street network improvements serving major activity centers; formed in downtown LA with existing resident and business/voter support for CFD, with additional funding from sales tax measure and grant.
- Anaheim Platinum Triangle redevelopment to mixed-use community near stadium. Funding: CFDs, assessment districts, impact fees, and development agreements.
- City of Buena Park CFD/TIF for revitalization of shopping mall. Funding: CFD providing upfront financing, with sales tax and tax increment revenues paying debt service on CFD bonds.
- Takeaways from other California CFDs: Used heavily to finance public infrastructure improvements within CFDs for public and private development projects; one structured with reduced tax rates for affordable housing units.

Other Case Studies.

- Hudson Yards, New York City. Project included subway extension and new subway terminal, infrastructure for mixed-use redevelopment of rail yards. Funding through innovative workaround to tax increment financing: revenue bonds supported by use of tax equivalency payments (TEP) and payment-in-lieu-of-taxes (PILOT) based on anticipated higher land values from new residential and commercial development. Partnership between public and private entities to create in-lieu payment structure.
- Pearl District, Portland, Oregon. Extension of streetcar line to south waterfront and mixed-use development along streetcar line. Funding through a combination of local improvement district (LID), tax increment financing, and GO bonds. Participating entities included the City, Metro Regional Council, and state and federal governments. LID and state and local funds pay for streetcar network improvements; TIF pays for urban redevelopment. LID required majority support from property owners; assessed based on frontage, land use, and assessed value.
- Takeaways from other case studies: Use of multiple tools including TIF and assessment districts, sales tax, special assessments, state and local funding, and donations from corporations, institutions, and foundations. For M Station Apartments in Austin, Texas, location of affordable housing in TOD zone facilitated greater access to financing; project received fee waivers and expedited review as well as reduced setback and parking requirements through City's TOD program. Q Line in Detroit fully funded upfront and operated for first ten years by private non-profit.

Asuncion asked how the CFD, as a non-recourse tool, would affect its utility for areas with public landowners. Roess responded that generally, prohibitions against recourse for public landowners; however, if there's a leasehold interest, that has been used as security, and the leasehold interest was taxed or assessed.

Craig Hirai, Co-chair, expressed interest in the Hudson Yards project. He'd like DTA to look in more detail at the payment of fees in-lieu of taxes mechanisms for State properties.

Funakoshi asked whether public agencies form a CFD and whether State agencies can form a CFD. Roess explained that as defined in current law, this is a county process by which the county forms a CFD and bond sales are approved by the county, with a separate vote of landowners to assess themselves.

In response to a question whether PILOTs can be used in combination with a CFD, Roess answered affirmatively, noting the case studies show that it's not just one funding source but bringing together a variety of tools, with a lot of different agencies working together.

- **Presentation: City resilience and sustainability**

Avoiding Design That Will Fail? Climate Action and Resilient Communities, presentation by Cole Roberts, Associate Principal, ARUP Energy and Resources Sustainability Group, San Francisco, California.

Funakoshi introduced Cole Roberts from ARUP as part of the consulting team for the State TOD Planning and Implementation Project. Roberts will be advising the project on sustainable and resilient infrastructure design considerations for the TOD priority areas.

Roberts presented a big-picture framework for how to approach community design in the face of climate change and an uncertain future. The health of a community is really based on how well-connected a community is. Communities can respond to climate change in two ways: mitigate or adapt. He observed that early conversations and investments focused on mitigation. Over time, conversations and activity have grown around adaptation strategies.

Roberts put the need for early and effective action into context: that we will lose many of the things we value if greenhouse gas emissions continue to rise. Citing Jared Diamond's work, he framed success or failure to act and bend the current emissions trajectory as hinging on: recognition of the problem, choosing to act to solve or avoid the problem, then acting effectively in addressing the problem.

Part of his role in the project is to introduce design strategies for a climate positive community that are affordable, resilient, and promote health. ARUP's approach to effective action has six components—with the first being things that are the most cost-effective, and the sixth being less cost-effective:

1. **Density** - appropriate use of space, land, and building;
2. **Walkable** - the right amount of building, reducing movement to keep the community in close quarters;
3. **Efficient** - efficiency in transportation modes and buildings;
4. **On-site renewables**;
5. **Off-site renewables** - utility-scale, community-sourced; and
6. **Trees & Travel** - sequestration, vegetating ecosystems, and other such measures.

He explained why density is first as an action strategy. He cited a recent study for a city that concluded that just doubling the density of that jurisdiction had a 70% greater impact on reducing carbon per person than the application of the best available high-performing technologies.

In a similar way, Roberts explained that strategies need to also consider the optimal scale for different systems—for TOD areas, it might be good to look at whether certain systems are optimized at the block/campus/district scale vs. the building scale. Scaling systems across the entire development area has the potential to significantly reduce fuel and operating and maintenance costs in comparison to the cost of individual energy systems to individual building owners. The capital cost for district systems would go up for installation, but is offset by other savings. A district system could save money over the long-run if a financial structure can be set up to pay for something like this. This can figure into how affordability is discussed in Hawaii: that there are smarter ways to deliver systems when scale is considered.

Roberts observed that shifting thinking in this way is challenging because two-thirds of the time the action taken is what has been done before—in part because it's safe, easy, known, financeable (since the financial system knows how to pay for it). It's also important to understand and address the importance of risk and perceived harm in how businesses or the community make decisions. With TOD, there is the potential to set performance standards that are achievable, cost-effective, and affordable, not in terms of the first cost, but the total cost of development.

The essential challenge for adaptation to climate change and sea level rise is how to design communities to increase their resilience and resistance and improve their coping ability to manage vulnerability to the risks that are coming. This entails finding those practices that can be brought into a community that will either (1) increase resilience and the ability to recover, and/or (2) increase resistance and the ability to withstand events.

Roberts illustrated risk with an image of inundation zones with a 1-meter sea level rise in Honolulu's urban corridor. The value of assets at risk is estimated at \$43 billion. Risk presents a unique challenge for planners because it is probabilistic and cumulative. Risk accumulation is the domino effect of the lack of ability to respond to risk or hazard events, which can lead to economic and health system failures.

It is important to personalize risk so that communities are moved to act in response to local vulnerability. Successful action must be comprehensive and time-based. ARUP has developed the following framework of six components for successful adaptation. The first is the easiest and cheapest set of actions; the last takes more time and is costlier. The six components are:

1. **Build capacity**—mostly things that bring community together, emergency preparedness, and emergency response, including:
 - a. Design considerations include: creating public space that brings people together, providing design guidance that sets out common terms, data, and adaptation pathways for how resilience measures/investments can be implemented/integrated over the life of a building/project; using climate change scenarios to stress-test project and system designs; and
 - b. Recent Conservation Law Foundation publication suggests that failing to act in the face of climate change could result in legal liability—designing to code may not be sufficient protection for professionals.

Pam Eaton, Maui Planning Department, interjected that there's a need to incentivize code changes to increase the base flood elevation in current codes to enable resilient design to happen—it shouldn't take a Hurricane Katrina to make this happen. Rue reported that the City is looking at buildup strategies in the Iwilei-Kapalama area, and what might need to be included in the TOD zoning if they need to build up rather than retreat.

2. **Site appropriately**—which can include de-siting. If priority development areas are in areas at risk (as they are in the South Bay of the Bay Area and Honolulu), then this is policy to hold this ground and protect it. An example given of de-siting is the removal of a major roadway over Cheonggyecheon Stream through downtown Seoul, which resulted in creation of a linear parkway, better pedestrian connectivity, significant economic development, and a 6° F drop in temperature.
3. **Build in passive survivability**—including design features like water squares that provide public open space and serve as detention basins during flood events; horizontal levees that function like a vertical levee and can incorporate ecosystem improvements; green infrastructure such as landscaped berms to protect built-up waterfront areas (Big U waterfront park in Manhattan); flood-proofing buildings with ground floors and electrical systems elevated about extreme storm flood elevations; and elevating structures.
4. **Design active resilient systems**—such as installation of floodgates for building/system entrances; deployable flood curtains; temporary flood barriers for tunnels and entrances to underground facilities; tidal barriers like the Thames Barrier in London; City of San

Francisco's solar and energy storage retrofit of the City's 44 designated emergency shelters to provide emergency power.

5. **Allow for flexibility and retrofit**—codes and recommended best practices to relocate mechanical and electrical systems and dry floodproofing of walls to above design flood elevation, floodproof doors and windows to above design flood elevation, and reconfiguring utility piping; in inundation zones, design to allow water to push through ground floors and use of pop out windows.
6. **Manage retreat**—through active resettlement (buying people out) or passive resettlement, such as when people choose to relocate voluntarily after an event.

Asuncion commented on how policy discussions with the State Climate Commission, the Governor's office, and so forth, always come back to where to put the money, since there are so many competing needs. For example, in affordable housing, does the State finance the units, the infrastructure, or both? If it's both, then it will take a long time.

Rue remarked that the City is starting to get on board with proactive responses to climate change, but that for the charrettes to follow, he'd like Roberts to provide guidance on specific actions and how to articulate the cost savings or the value of spending money on the measures discussed in his presentation.

Roberts responded that good design is not a huge cost to add, but bad design costs a lot of money. We should be challenging designers and ourselves to come up with solutions that don't cost more money to increase resilience, mitigation, and other health benefits that can follow.

Eaton said the presentation was timely since Maui is in the process of updating their community plan land use designations. She asked whether it's possible to include a layer or map guidance (based on science, like the Honolulu inundation zone/sea level rise risk map, SOEST maps) to apply to plan land use designations to show areas to protect from future development—without getting into takings. The question: how do you codify the science into land use policy and regulation? This is an issue for buildings, existing infrastructure, and new infrastructure.

Asuncion noted that there are problems with picking a number to put into ordinance or law, particularly when there's a range for future sea level rise. Legislation discussed about six years ago for the adoption of a range for sea level rise that would leave it to developers to determine acceptable risk for their project, did not get support.

Rue mentioned that the City has new guidance from the City Climate Commission, and City agencies are in the process of looking at their CIP projects and the longevity of their facilities in the context of climate change. For the purpose of City TOD zoning, the question is determining if and where the City is going to invest and encourage additional height and density and provide the infrastructure to support this. If the City goes ahead with TOD zoning in areas that are at risk, then the City can require people to build up and be more resilient.

Edwards said it would help to bring best practices forward and illustrate how adoption of best practices will produce long term benefits for resiliency, especially if the upfront cost of incorporating best practices is marginal in comparison to the overall cost of the project or system. This is important to getting the financial and development community to be more willing to invest in or finance the additional upfront cost for more resilient, sustainable projects and infrastructure.

Roberts responded to this discussion by stating he thinks there is enough money around; the critical part is how the money gets structured. He encouraged efforts to get organized early on this, and that in Honolulu, we are far enough ahead of TOD area development. He cited a LEED cost premium study that concluded that the cost premium for LEED is just noise in the overall cost of project development because there are so many things that drive project costs. Just project delays and the cost of financing cost developers a huge amount of money. Good resilient design is probably not going to be the number one cost factor.

Cyd Miyashiro asked whether there are studies of the cost premium for incorporating sustainable, resilient design that offset sea level rise. Roberts replied no, but reiterated the value of making these investments using the example of San Francisco's solar and energy storage resiliency project. The City estimates that for the 50,000 people that can be sheltered, the cost of its investment is \$30/person/year; spread across the city, the cost is \$1.50/person/year.

IV. Announcements

No announcements were made.

IX. Adjournment

There being no further business, the meeting was adjourned at 12:05 p.m.

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