

Hawaii Interagency Council for Transit-Oriented Development

Minutes of Meeting

Tuesday, February 12, 2019

9:30 am

Hawaii Community Development Authority

Community Room, 1st Floor

547 Queen Street, Honolulu, Hawaii

Members/
Designees
Present: Rodney Funakoshi, Office of Planning (OP), Co-chair designee
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)
Kenneth Masden, Department of Education (DOE)
Darrell Ing, Department of Hawaiian Home Lands (DHHL)
Katherine Korenaga, Department of Human Services (DHS)
Ian Hirokawa, Department of Land and Natural Resources (DLNR)
Robert Miyasaki, Department of Transportation (DOT)
Garrett Kamemoto, Hawaii Community Development Authority (HCDA)
Charles Vitale, Stadium Authority (SA)
Erika Lacro, University of Hawaii (UH)
Harrison Rue, City & County of Honolulu (C&C)
Bennett Mark, County of Hawaii, Planning Department
Lyle Tabata, County of Kauai, Department of Public Works
Cyd Miyashiro, American Savings Bank, Business Community Representative
Jillian Okamoto, Housing Advocate
Bill Brizee, AHL, Developer Representative

Members/
Designees
Excused: Bruce Anderson, Department of Health (DOH)
Nolan Espinda, Department of Public Safety (PSD)
Hakim Ouansafi, Hawaii Public Housing Authority (HPHA)
Representative Henry Aquino, State House of Representatives
Senator Lorraine Inouye, State Senate
Mike Victorino, County of Maui
Ryan Okahara, U.S. Housing & Urban Development, Honolulu Office (Ex-officio)

Other
Designees/
Alternates
Present: David DePonte, DAGS
Russell Tsuji, DLNR
Nancy Pisicchio, County of Hawaii
Jodi Higuchi Sayegusa, County of Kauai

TOD Council
Staff: Ruby Edwards, OP
Aaron Setogawa, OP

Others
Present: Nikki Kunioka Volz, Office of Representative Nakamura
Franz Kraitz, CITY, Department of Planning and Permitting
Blue Kaanehe, DLNR
Deepak Neupane, HHFDC

Nathalie Razo, PBR
Ann Bouslog, PBR

I. Call to Order

Rodney Funakoshi called the meeting to order at 9:35 a.m.

II. Introduction of Members

Members and others introduced themselves.

Funakoshi noted the materials in members' meeting packet:

- Draft January 8, 2019 meeting minutes
- Neighbor Island Permitted Interaction Group, June 2018, Summary Report and Recommendations
- Legislative Measure Tracking Report on TOD Bills
- Delegation of Certain Legislative Matters to TOD Council Co-chairs
- TOD Council 2019 Meeting Schedule
- February 1, 2019 transmittal to the Legislature of the TOD Council Co-chairs letters of support for TOD CIP Requests FY 2020 and DAGS Operating Funds Request for P3 Program Office and Personnel
- Presentation slides, Special Action Team on Affordable Rental Housing, Ten-Year Plan, November 16, 2018.

III. Review and Approval of Minutes of January 8, 2019 Meeting

Upon motion by Lyle Tabata, with second by Robert Miyasaki, the January 8, 2019 meeting minutes as circulated were approved.

IV. Delegation of Legislative Matters to TOD Council Co-chairs

Funakoshi said this agenda item would be taken up out of order at the request of Co-chair Craig Hirai, who needed to leave for another meeting. Funakoshi said the delegation of authority to TOD Co-chairs on TOD legislative matters was approved for last year's legislative session. This is necessary because the Council cannot meet to discuss or approve testimony on bills in a timely manner during the session.

Funakoshi said the Sunshine Law allows the TOD Council to delegate to the Co-chairs the authority to submit legislative testimony on the Council's behalf in accordance with previously adopted positions and policy directives. Last year, the Council approved the following position and guidance that appears in the document, "Delegation of Certain Legislative Matters to TOD Council Co-chairs":

1. Support TOD Council actions in approving the strategic plan and any updates, the annual report, and the annual CIP report.
2. Supporting testimony on administration bills related to TOD and the duties and administration of the TOD Council.
3. Support measures that give the TOD Council additional resources or powers, provided it does not replace or adversely impact Executive Budget priorities.
4. Measures that propose to revise existing TOD Council programs: oppose requirements that negatively impact financial feasibility or the program itself, and support revisions that give greater flexibility to meet the TOD Council's mission.

5. Oppose measures that would reduce TOD Council resources or powers.
6. Measures that relate to TOD: Co-chairs would not provide positions on individual bills but provide information only.

The recommendation is to: adopt the positions and general policy directives contained in the handout; delegate to the Co-chairs and their authorized staff the authority to track legislative measures and provide testimony in accordance with these positions and policy directives; and authorize the Co-chairs to undertake all tasks necessary to effectuate the purposes of this delegation. Funakoshi reiterated that this had been done last year, and the Council thought it should be revisited in case there are any different thoughts on the matter this year.

Charles Vitale stated agencies have their own boards, and he assumes that this measure does not prohibit the boards from taking a different or even opposite position from the Council. Funakoshi said the authority is limited to items the Council has an official position on, such as the strategic plan or CIP recommendations, and he sees no problem with individual agencies acting in their own interests.

Action: Upon motion to approve the recommendation by Chris Kinimaka, with second by Bill Brizee, the delegation of TOD Council legislative matters to Council Co-chairs was approved. Funakoshi asked Council members if the issue should be revisited next year or remain a standing policy. Vitale suggested this be revisited next year and there was Council agreement to do so.

V. Update on Neighbor Islands Permitted Interaction Group (NI PIG) Legislative Briefing

Ruby Edwards noted that the NI PIG report to the Council is in members' meeting packet. The report summarizes activities related to the NI PIG's duties. The report will be discussed at the March 12, 2019 TOD Council meeting, and recommendations to reconstitute the PIG will be acted on at that time.

Edwards provided an overview of the report, and with assistance from Neighbor Island representatives, did a quick run-through of a presentation made to legislators on January 15, 2019. The NI PIG was formed in June 2018, and one of its primary tasks was to advance their Neighbor Island TOD funding requests for the 2019 legislative session. Pam Eaton got the support of the Maui legislative delegation, and with their help, scheduled a Neighbor Islands TOD briefing on January 15, 2019. The presentation opened with an overview of the State perspective on TOD, including enabling legislation, information on the TOD Council, the State TOD Strategic Plan, and how the Council is promoting Neighbor Island TOD.

At the briefing, Eaton described what TOD is on the Neighbor Islands and its benefits. Eaton then spoke about specific Maui projects, including the relocation of the Maui Transit Hub and its connections to housing and the surrounding community, the larger context of Kahului 2070, the revitalization of Wailuku with the civic complex, courthouse expansion, and Wells Park redevelopment, and finally, opportunities for the transit corridor between Wailuku and Kahului. Eaton informed legislators that Maui County is requesting \$500,000 this legislative session for the Wailuku-Kahului transit corridor feasibility study/master plan.

Bennett Mark recapped the two Hawaii County TOD projects in the Puna District that the County is seeking appropriations for: the Keaau Waste Water Facility for which the County is seeking \$500,000 for planning; and the Keaau Village Transit Hub that the County is seeking \$200,000 for planning.

Lyle Tabata recapped his presentation on Kauai County's TOD projects. The County is not requesting any funding for TOD projects this session. The County recently completed its new General Plan, and the projects are tied to the Plan. The projects are also consistent with the TOD Council's goal for the Neighbor Islands to identify housing opportunities along bus routes. The projects Tabata discussed at the legislative briefing were: Mahelona Hospital, Pua Loke Housing, Koae Workforce Housing, the old Lihue police station site, and Lima Ola Workforce Housing. The Kauai County Council has accepted a State Dwelling Unit Revolving Fund (DURF) loan for infrastructure for the Lima Ola Workforce Housing project, and Phase 1 will provide 150 units. With State assistance, the County hopes to use the former Police Station/DOH site in the center of Lihue for mixed-use development with affordable housing. The project site is in the center of TIGER project improvements for Lihue Town core, which will be completed in a year and a half. Kinimaka added that the concept was introduced to DAGS' new Comptroller, and he's supportive of the project. Tabata said Derek Kawakami, the new Kauai Mayor is also excited about the project. The County is looking for any opportunity to provide affordable housing, especially in the Lihue town core. The Mayor wants to go vertical, which is good because the infrastructure is there and County revenue sources can be maximized.

Edwards reported those attending the briefing included twelve legislators, legislative staff, and several county decision makers. Legislators had the following questions and comments:

- Can revenues from the county GET surcharge be used for TOD in addition to transportation?
- How were the Neighbor Island TOD projects prioritized given overall needs of the county?
- Why are the individual counties coming to the Legislature for TOD project funding?
- Is the TOD Council funded and does it have funds for this?

Four bills have been introduced by legislators requesting funding for the Maui and Hawaii TOD projects endorsed by the TOD Council for FY 2020:

- SB 1299, CIP funds for plans for the Keaau Waste Water Facility; DOH as expending agency;
- SB 1300, CIP funds for plans for the Keaau Transit Hub; DOT as expending agency;
- HB 1457, general funds for preparation of the Wailuku-Kahului Transit Corridor Master Plan; OP as expending agency; and
- SB 1471, CIP for planning for the Wailuku-Kahului Transit Corridor Master Plan; County of Maui as expending agency.

Funakoshi added the briefing was well attended despite short notice at a very busy time, and the Neighbor Islands representatives gave a good presentation. The Lima Ola project is the first use of DURF funds for infrastructure in the state, so it portends well for other projects to make use of DURF not only for housing, but for infrastructure. The \$16 million TIGER grant for Lihue Town Core has received national recognition. Hawaii County is getting some volcano disaster recovery funds, and both Hawaii and Kauai Counties have adopted county GET surcharges, one-quarter percent and one-half percent approved respectively, and Maui is still pending. Maui has ambitious and well-conceived plans for TOD in the Wailuku-Kahului transit corridor.

The written NI PIG report will be discussed at the next TOD Council meeting in March, and recommendations to re-form the NI PIG will be acted on then.

VI. TOD Legislation – Bills Introduced for the 2019 Session

Funakoshi directed Council members' attention to the TOD bills measure tracking report in their meeting packet. First Lateral is Friday, February 15, 2019, meaning bills must be in their final committee to remain alive this session.

Tabata asked if there are appropriations to keep the TOD Council going. Funakoshi replied there are Neighbor Island travel funds, and OP has a proposed operating budget for a TOD Council Coordinator and a TOD Program Manager. OP has been using its Land Use Division staff, but these are not dedicated positions for TOD. TOD is a major work effort that requires staffing, minutes, travel arrangements, meeting coordination, etc., for the Council as well as for the Permitted Interaction Groups (PIGs). In response to a question from Sara Lin, Funakoshi said the issue of additional funding for the manager position is still pending, and OP has provided supporting information to the Legislature. Funakoshi summarized TOD-related bills currently before the Legislature:

- HB 328 establishes TOD infrastructure improvement zones supported by DURF loans. This bill was not heard and is dead. Companion bill SB 1389 is still alive.
- HB 859 requires HHFDC to develop a plan for a net-zero, self-sustaining community development in the East Kapolei TOD region. The bill has yet to be scheduled for hearing so is likely to die.
- HB 889 establishes a Public-Private Partnership (P3) Office and a State P3 Office coordinator position in DAGS. The bill is scheduled for hearing today and OP submitted written testimony in support. Kinimaka said DAGS is neutral on the bill and did not submit testimony. Funakoshi said the TOD Strategic Plan and DAGS have supported a P3 office, since there's been some debate on whether Hawaii can do a P3 under existing procurement law. The State Attorney General has testified that Hawaii can: it is not explicitly authorized, but probably can be done. Individual agencies have done projects, such as housing projects through a design, build, finance, operate, and maintain process through master developer agreements. However, P3 has not been used for large-scale, mixed-use projects. Ansaldo's HART contract was a P3 because it was contracted to design, build, operate, and maintain the rail cars. In general, P3 procurement is not widely used in Hawaii, but on a national scale, P3 is a highly touted way to deliver projects on-time and on-budget. The TOD Council submitted a letter to the Legislature supporting operating funds for a P3 office in DAGS as part of DAGS' Executive Budget request. So, there are two paths to establishing a P3 office in DAGS: the legislative measure and DAGS' operating budget request.

Lin asked how many staff is being requested in this bill, and how many staff in the DAGS' budget. Kinimaka said DAGS is requesting three positions. Harrison Rue asked if the office would be structured as a clearinghouse that individual agencies would have to go through or as support staff to help the agencies implement a P3 project. Funakoshi stated he assumes since it would be a small office, it would offer help and advice in acquiring experts needed for projects, but not actually run the P3 project. Rue remarked that it appears the program would be for counsel rather than a gateway. Funakoshi agreed.

- HB 1212 establishes TOD Community Districts within the HCDA along Kakaako TOD stations. This bill was not heard and is dead.
- HB 1457 appropriates funds to OP for the Wailuku-Kahului Transit Corridor Master Plan, which was one of the TOD Council CIP recommendations to the Legislature. It would provide \$500,000 for FY 2020 and another \$500,000 for FY 2021. Funakoshi said OP testimony states the money should go directly to Maui County rather than being passed through OP. The bill passed with amendments.
- SB 1471 also requests funds for the Wailuku-Kahului Transit Corridor. Funakoshi said OP prefers this bill since it is a direct appropriation of \$500,000 to Maui County.
- HB 1479 restricts sales of residential condominiums developed with State funding in TOD areas to only owner-occupants for 60 days after initial sale. The bill passed with amendments.
- HB 1497 HD1 establishes a Stadium Development District, authorizes HCDA to facilitate development of all State lands within it, and issues \$100 million in general obligation and \$150 million in revenue bonds for redevelopment of the Stadium. Funakoshi said the bill passed out of the Committee on Labor, but no hearing is scheduled before Water, Land, and Housing, so it is probably dead. Vitale said there is a companion bill, SB 1530. Kinimaka said the Stadium Authority, DAGS, HCDA, and the Governor's Office are all working closely on this one because there is a lot of opportunity if executed appropriately. Kinimaka said they are looking closely at the bill's language and how it can be used to benefit the Stadium and ancillary development, so the Senate bill is still alive.

Rue said he wasn't sure if the City had provided testimony, but the City is generally supportive based on the City's TOD Plan and the community discussions on the development of State lands at the Stadium. He said the other thing the bill got right is, while it focuses on the Stadium land, it also allows for off-site infrastructure work, which would support Halawa or Puawai Momi or other regional infrastructure. Kinimaka added that there are a lot of benefits to be had in the partnership community as well. The bill doesn't say that HCDA will develop the Stadium, it just creates the development district under HCDA. Rue said he thought that the City did comment that if HCDA does a Stadium Development District, the City's Department of Planning and Permitting Director should be a voting member of the HCDA Board for the new District. Garrett Kamemoto said HCDA has taken the position that if it is given this task, it should get staff positions to do the work, but otherwise, the Authority supports the bill. Lin said what's being worked on is how the decision structure would work. Since there is the HCDA Board and the Stadium Authority Board, some things would probably be delegated. Kamemoto said the draft passed the day before may address the issue: the preference is for the Stadium Authority to be the decision maker, the one who ultimately says what product it wants, and HCDA would be more into implementation.

- SB 377 establishes a pilot project to generate revenue through the lease of UH land in county TOD areas. The bill has not been heard, so is probably dead.

- SB 1 establishes the ALOHA homes authority to develop high-density, low-cost homes for sale to residents on State-owned and county-owned TOD lands. The bill passed with amendments. Funakoshi said this is an ambitious and wide-ranging bill that Senator Stanley Chang is strongly advocating for. There was also a House companion bill that is now dead.

Lin said the bill puts Aloha homes within a new division of HHFDC, creating a new entity. Rue said the City applauded the Senator for thinking of something so major, but had comments: (1) instead of only being for-sale, some of the units should be rental; not everybody can afford to buy; and (2) the language of the bill appears to allow everyone to buy at the same low price of \$300,000 or less, even if they earn 120-140% of AMI. Russell Tsuji asked if the bill involves selling public land. Lin answered these would be 99-year leases. Funakoshi added the 99-year leases are key, because the longer lease makes projects more feasible. Rue stated the bill ignores eleven years of City community-based planning for what the density and character of development should be around each rail station. Several community members have said that high density is appropriate in some places, but not in others; the bill should consider the character in the City's TOD plans.

- SB 400 is another ALOHA homes bill that would have set up a new authority rather than putting it under HHFDC as in SB 1. The bill was deferred, so is dead.
- SB 498 requires any State agency development or redevelopment plan in a City TOD area to have 20% affordable housing for residents at 80% of AMI. The bill is being heard today. Funakoshi said OP supports the bill. The 20-80% requirement is strict, so some flexibility is needed to make exceptions in consultation with HHFDC. With that caveat, OP finds the bill acceptable in trying to promote affordable housing. Bill Brizee said that at one of the Urban Land Institute TOD events he attended, the City of Detroit reported it had a 20% affordable component and nothing was built. Detroit worked with developers, and they made projects work with 18% affordable housing. He commented that we should look at what's reasonable in Hawaii given construction prices and everything else, instead of just using 20%. He went on to say that nobody really knows if this bill will incentivize affordable housing or deter it. Funakoshi said HCDA has always had 20% in Kakaako, but the percentage varies across the counties. It used to be 30% for the City until they revised their affordable housing requirement; now they have a graduated scale. Rue said the City prepared a list of the county affordable housing percentages if anyone is interested in receiving it. The other counties' percentages were analyzed to provide information for the City Council review of proposed affordable housing bills. The City's analysis showed that something less than 20% would be feasible. Rue noted that the difference is that SB 498 is for State lands. The City's requirement is for private developers who are already paying a lot for land. On State land, 20% might work. Lin asked if this is for-sale housing or rental. Rue said it was for-sale. Lin commented that some flexibility is needed.
- SB 732 exempts accessory dwelling units (ADU) within a TOD area from off-street parking requirements. Rue said the City opposed the bill. The City already waives parking requirements near rail stations, and exempting projects within one-half mile from bus stops would exempt the entire island. There are many neighborhoods where the family has four cars, and the streets are packed, and there can be a lot of neighborhood opposition to ADUs, which is allowed almost anywhere. The City suggested the parking exemption

could work in areas where there is heavy bus service, or in some of the areas, like the Neighbor Islands, that are talking about bus TOD. Areas with heavy frequent service within a ¼ mile could be acceptable. The City would have to look at how it could map this for permits.

- SB 872 requires HCDA to develop a TOD zone improvement program. The bill was deferred and is dead.
- SB 1075 replaces the Governor's Chief of Staff with the Administrative Director of the State as a TOD Council member. Lin said this was a housekeeping measure. No hearing has been scheduled yet.
- SB 1389 establishes TOD infrastructure improvement zones supported by DURF loans. The bill passed out of committee. Funakoshi said a similar bill was introduced last year by Senator Breene Harimoto. That bill went through both chambers, but was not heard in conference. OP is looking at the current bill as a vehicle to implement regional infrastructure improvements. Rue said the City generally supports all bills that focus on developing and funding infrastructure to support TOD, provided they do not take over county planning and zoning. Kamemoto said this would be less than a community development district: the bill's language is deliberately crafted so HCDA would not have planning and zoning responsibility. The original bill had funding for staff, which was blanked out but noted in the committee report for further discussion.
- SB 1299 CIP appropriation for Keaau Waste Water Facility. The bill is alive but not scheduled for WAM hearing yet. Funakoshi noted that this was one of the projects included in the TOD Council CIP funding request endorsements. He asked if Hawaii County is making efforts to get the bill heard. Mark said the County Director of Planning has requested that both SB 1299 and SB 1300 be put on the WAM Committee agenda. The County is working to get others to encourage the WAM Committee to do so. Funakoshi said since this is in line with the Co-chairs' legislative authorization, the Co-chairs will convey the Council's support for hearing these measures as well.
- SB 1300 appropriates funds for Keaau Village Transit Hub. The bill is alive but not scheduled for WAM hearing yet. Robert Miyasaki said the bill directs the funds to DOT rather than to Hawaii County, which would be more appropriate. He also noted the bill authorizes the use of general obligation bonds, and DOT typically does not use bonds for planning. Mark said the communication from the Hawaii Planning Director to the Legislature noted that the funds for the waste water facility and for the transit hub should go to the County of Hawaii, not to the Department of Health or to the DOT, respectively. Miyasaki said DOT will probably submit supporting testimony with comments that the funds should be directed to the County.
- SB 379 allows the governor to negotiate land exchanges to acquire agricultural lands in exchange for State TOD lands. The bill was passed with amendments. Funakoshi said OP has some problems with the bill. DLNR submitted testimony in opposition. Funakoshi said it is good to acquire agricultural lands, but with this bill, it could jeopardize State TOD lands that State agencies are already planning for and counting on for revenues to fund other purposes.

- SB 740 requires counties to adopt ordinances establishing a minimum housing density of 250 units per acre on State lands in the State Urban district. The bill passed with amendments. Funakoshi said 250 units per acre is very high density, like a high-rise condo. This is perhaps okay in some areas of Oahu, but not necessarily on the Neighbor Islands; the bill would apply to State lands in the State Urban district statewide. Mark asked what the impetus for the bill was. Lin remarked it's one of many initiatives introduced to solve the housing crisis: this one increasing density by going vertical.
- Miyasaki called attention to HB 155, which would authorize the HCDA to extend the height limit for one building within each approved master plan area for Kakaako Mauka from the current ceiling of 418 feet to 768 feet. Miyasaki said DOT Airports Division is concerned about tall buildings obstructing aircraft during takeoff. Lin asked whether DOT is coming out with a plan or guidance for developers. Miyasaki replied Airports has maps, but this requires a complicated analysis for individual sites, involving proprietary information for each airline and aircraft. Lin asked how a developer at the Stadium, which is near the airport, could plan with any certainty what can or cannot be built. Miyasaki said for a site, a developer would need to submit their plan and Airports would refer it to the Federal Aviation Administration (FAA) to say if it would have an impact on aircraft. Vitale said he received a copy of a map, and it doesn't look like the Stadium area is a problem, but a form still needs to be submitted to the FAA. Lin said any kind of guideline would be helpful, otherwise the lack of certainty will discourage developers. Miyasaki reiterated that care needs to be taken when zoning and height limitations are changed. Miyasaki said the installation of the high cranes at the Honolulu Harbor forced aircraft to avoid that direction during a one-engine out scenario, and there are unintended consequences. Funakoshi commented that the issue will be examined in the TOD implementation study, and OP will be meeting with DOT Airports on this matter and any guidance that may be developed. DOT Airports has also invited to participate in the Permitted Interaction Group (PIG) meetings for the three priority TOD areas on Oahu.

VII. Next Steps – Future Agenda Topics

Funakoshi announced that on Tuesday, February 26, 2019, there will be PIG meetings for the three priority TOD areas on Oahu: Iwilei-Kapalama, Halawa-Stadium, and East Kapolei. The next TOD Council meeting will be held on March 12, 2019. The Oahu PIG reports will be submitted then, which will provide a summary of land use alternatives considered, preferred land use scenarios for modeling infrastructure needs, and information on existing infrastructure conditions in the three priority areas. The following TOD Council meeting will be on Tuesday, April 9, 2019, at which TOD bills will be reviewed and action taken on the three Oahu PIGs.

VIII. Announcements

Rue announced that the City has received a \$300,000 U.S. Environmental Protection Agency (EPA) grant to do brownfields assessments along the rail corridor. The City has completed several assessments over the last few years. The current grant is mostly targeted at smaller properties and private development, but a State agency who needs funds for a smaller property and doesn't have a consultant on board could apply for assistance.

IX. Adjournment

There being no further business, the meeting was adjourned at 10:55 a.m.