

Hawai'i Interagency Council for Transit-Oriented Development
Minutes of Meeting No. 61
Friday, January 19, 2024
9:30 am

Office of Planning and Sustainable Development
235 South Beretania Street. 6th Floor
Honolulu, Hawai'i 96813
and Via Videoconference

https://files.hawaii.gov/dbedt/op/lud/20240119%20TOD%20Mtg/GMT20240119-193600_Recording_3840x2160.mp4

Members/
Designees
Present: Mary Alice Evans, Office of Planning and Sustainable Development (OPSD), Co-Chair
Dean Minakami, Hawai'i Housing Finance and Development Corporation (HHFDC), Co-Chair
Gordon Wood, Department of Accounting and General Services (DAGS)
Nancy McPherson, Department of Hawaiian Home Lands (DHHL)
Heidi Hansen Smith, Department of Health (DOH)
Ian Hirokawa, Department of Land and Natural Resources (DLNR)
Wayne Takara, Department of Corrections and Rehabilitation (DCR)*
Craig Nakamoto, Hawai'i Community Development Agency (HCDA)
Hakim Ouansafi, Hawai'i Public Housing Authority (HPHA)
John Fink, Stadium Authority (SA)
Senator Chris Lee, State Senate
Tim Streitz, City and County of Honolulu (City)
Natasha Soriano, County of Hawai'i (COH)
Jodi Higuchi Sayegusa, County of Kaua'i (COK)
Pam Eaton, County of Maui (COM)
Cathy Camp, Business Representative
Kevin Carney, Affordable Housing Connections LLC, Housing Advocate
Laura Kodama, Castle and Cooke, Developer Representative
Ramona Mullahey, U.S. Housing & Urban Development, Honolulu Office (HUD) (Ex-officio)

*Effective January 1, 2024, Department of Public Safety was redesignated as the Department of Corrections and Rehabilitation.

Members/
Designees
Excused: Brooke Wilson, Office of the Governor
Keith Hayashi, Department of Education (DOE)
Catherine Betts, Department of Human Services (DHS)
Ed Sniffen, Department of Transportation (DOT)
David Lassner, University of Hawai'i (UH)
Representative Nadine Nakamura, House of Representatives

Other
Designees/
Alternates
Present: Katia Balassiano, OPSD
Harrison Rue, OPSD
Randy Chu, HHFDC
David DePonte, DAGS
Ryan Tam, HCDA
Ben Park, HPHA
John Fink, SA

Scott Forsythe, COM

TOD Council Ruby Edwards, OPSD
Staff: Carl Miura, OPSD

1. **Call to Order and Roll Call/Introduction**

Mary Alice Evans, Co-chair, called the meeting to order at 9:35 a.m.

Members and guests introduced themselves. Wayne Takara announced that his agency is now called Department of Corrections and Rehabilitation (DCR). Also, Gordon Wood was introduced as the acting public works administrator replacing Chris Kinimaka at the Department of Accounting and General Services (DAGS).

Evans recognized and thanked Kinimaka (DAGS), Darrell Ing (Department of Hawaiian Home Lands), and Ryan Okahara (U.S. Department of Housing and Urban Development) for their support and contributions to the TOD Council. They recently retired or moved on to other endeavors.

2. **Approval of Minutes of November 17, 2023 Meeting**

The November 17, 2023 meeting minutes were approved as circulated.

3. **Permitted Interaction Group (PIG) Reports for TOD Infrastructure Financing and Delivery Study Project**

PIG co-chairs will present a summary of activities and recommended actions from participation in study. The County PIGs were formed to support the TOD Infrastructure Financing Study as a forum for discussion and feedback on TOD pilot area project and infrastructure needs and potential financing tools that could be used in the pilot area to advance infrastructure and project development.

- Hawai'i PIG
- Kaua'i PIG
- Maui PIG
- O'ahu PIG

Note: No action will be taken at this meeting. Discussion and vote to accept the PIG reports will be taken at the February 16, 2024 TOD Council meeting.

Katia Balassiano explained that the county PIGs were approved by the TOD Council in 2021 to support the TOD Infrastructure Financing Study as a forum for discussion, feedback on TOD pilot area project and infrastructure needs, and potential financing tools. She thanked all of the people who participated in these meetings, provided data, offered comments, and made recommendations. Based on Office of Information Practices (OIP) Rules, the PIG is dissolved once it reports out. At the February meeting, TOD Council members will be able to discuss and vote to accept the PIG reports.

Natasha Soriano said that County of Hawai'i (COM) selected Kailua-Kona (Ane Keohokalole Corridor) as their pilot area. They are very receptive to the various financing strategies including expanded use of the General Excise Tax (GET) and Community Facilities District (CFDs). They look forward to supporting state legislation.

Jodi Higuchi Sayegusa reported that County of Kaua‘i (COK) chose the Līhu‘e Town Core as their pilot area. It is ready for infill development. They updated their policies and received funding from the TIGER Grant and TOD CIP Planning Funds. Their goal was to study financing tools to fund sewer and water infrastructure. One of the key findings was that market demand is fairly soft in Līhu‘e Town Core. To make value capture tools work, greater market demand is needed. Among the items recommended was to set up a Business Improvement District (BID) to help make the area more attractive for investment. PIG members welcomed the recommendations.

Pam Eaton mentioned that they selected Ka‘ahumanu Avenue Community Corridor as County of Maui’s (COM) pilot area. When this project started, they had just completed the Ka‘ahumanu Avenue Community Corridor Action Plan. One of the things that came out of the report is a need for an entity to oversee implementation of the recommendations. During this legislative session, Maui Metropolitan Planning Organization (MPO) will support tax increment financing (TIF) legislation. She also supports TOD infrastructure revolving fund and setting up BID. She wants to look at other ways to collaborate, finance, and fund TOD projects.

Harrison Rue pointed out that the O‘ahu PIG had the advantage of the State and City and County of Honolulu (City) working on the Iwilei-Kapālama Pilot Area for many years. Hawai‘i Housing Finance and Development Corporation (HHFDC) recently developed the Iwilei Infrastructure Master Plan that provided the list of projects. The findings showed that several financial tools including TIF and CFDs could be applied in the area. Rue noted that Mayor Blangiardi and the City said that they would support the TIF legislation.

4. **Presentation: TOD Infrastructure Financing and Delivery Study**

Presentation by Amitabh Barthakur, HR&A Advisors

The purpose of the study was to: 1) Identify alternative financing tools and cost recovery mechanisms to recapture upfront State infrastructure investments; 2) Examine specific financing, costs recovery, and value capture tools for a TOD pilot area in each county; 3) Analyze barriers and strategies to implement tools for TOD; and 4) Develop recommendations. Presentation will discuss findings, recommendations, and next steps.

Balassiano recognized Representative Nadine Nakamura as the primary sponsor of the 2021 budget proviso that authorized and funded this study. She mentioned that the executive summary at the beginning of the 100-page report provides a good overview of the report.

Amitabh Barthakur reminded the TOD Council that the State faces a housing crisis with about 50,000 new homes needed by 2025. One of the strategies that the State and Counties are pursuing is to promote areas that are planned for higher density development that support rail and bus transit. In order to build housing, appropriate infrastructure needs to be built to unlock the vertical development. The study recommendations were designed to be applicable to projects outside of the pilot areas such as Aloha Stadium, East Kapolei, and West Maui.

The study examined how various financial tools could be used to bring infrastructure online more efficiently and quickly. It investigated alternative financing, cost recovery mechanisms, value capture tools, barriers to and strategies for implementation, and policy recommendations. The work was done in four phases starting in June 2022. Additional outreach started this month to communicate the findings and recommendations to various stakeholders.

The pilot areas in each county have a cumulative housing capacity of 34,000 units with a combined value of \$7.2 billion. TIF and CFDs are the most likely tools that can be bonded against. Both can

generate upfront funding. The other tools are more “pay as you go” basis. They uncovered several barriers to sufficient infrastructure funding.

- Chicken-and-egg problem: Money is needed to pay for infrastructure to create affordable housing. However, affordable housing is tax exempt and requires subsidy. Value capture needs to be balanced with market housing to capture revenue to invest into infrastructure.
- Counties have a limited set of tools to fund and expedite TOD infrastructure.
- Existing tools at the State and county like CIP appropriations and Dwelling United Revolving Fund (DURF), do not have the capacity to meet all TOD infrastructure needs and lack consistent and reliable funding.
- TOD infrastructure funding tools, especially value capture, are limited by market conditions and State/county policies.

The consultant team developed the following recommendations at the State and County levels to enhance funding and delivery of TOD infrastructure in the TOD pilot area.

High-Level Recommendations:

- CIP appropriations need to be better coordinated in terms of developing infrastructure plans and creating more predictability on what needs will be addressed in the future. This will allow dedicated resources to be focused in a certain area based on a list of priorities.

County-Level Actions:

- Change county policies to enhance existing tools. O‘ahu has a real property tax exemption on mixed-income buildings. It needs to be updated, so that some value can be gained on the market-rate development parts of the project. The Neighbor Island counties have adopted a more progressive property tax, and O‘ahu should consider adjusting theirs too.
- Help improve market conditions and make the area more attractive for private investment and market rate development in the future by using CFDs and BIDs.

State-Level Actions:

- State authorizing new funding tools (tourism-related surcharges, GET, and transit accommodations tax) for counties.
- State resources to supplement county ones. Streamline the conveyance tax to capture more value and direct some of it to capitalize the TOD infrastructure fund.

They also provided other key recommendations.

- Authorize TIF: Revenues should go to TOD infrastructure in priority areas. It currently lacks clarity on whether counties can issue bonds against it. In order to remove the perceived “cloud”, the voters would need to pass a constitutional amendment. He reminded everyone that it is not a new tax. TIF captures the increment of future tax revenues and uses it to issue debt to invest in infrastructure. It is used for a limited time and can be designed in different ways.
- Pass Conveyance Tax Legislation: OPSD asked the Administration to submit the proposal, as part of their package, to increase the conveyance tax for properties valued above \$6 million and exempt individual owners without an interest in any other real property. A portion of the revenue will go into Dwelling United Revolving Fund for infrastructure.
- Additional Surcharges: State should allow the Counties to collect GET surcharge indefinitely and allow them to add on a surcharge on motor vehicles rentals. Current GET surcharge ends in 2030. If it is extended, it can increase bonding capacity to build more infrastructure sooner.
- Establish a TOD Infrastructure Revolving Fund: This funding needs to be dedicated to financing and funding of infrastructure. The governance of the fund should be a partnership between the State and counties. Loans and grants need to be allocated equitably based on need.

- Encourage the use of CFDs: CFDs are allowed by the Counties, but very few have been established. Property owners self-assess themselves to pay for infrastructure, which enables them to use public financing. CFDs can also be overlaid with a TIF to lessen the risk for Counties.

The next steps include proposing state legislation on TIF, supporting targeted infrastructure financing, and continuing outreach.

There is no preferred model in terms of which entity coordinates and implements the recommendations. It depends on a number of factors such as coordination, priority, scale and scope, and nimbleness of resources. For large projects similar to the Lahaina reconstruction efforts, a dedicated entity might be the way to go. Kevin Carney said affordable housing advocates have pushed for an increase in the conveyance tax for many years and removal of the \$38 million cap for RHRF. Some legislative leaders have said that the proposed increase will probably not be approved this year.

The Dwelling Unit Revolving Fund (DURF) can be used towards TOD infrastructure. However, it relies on annual appropriations which can be inconsistent. It has been used more for individual projects rather than concentrating on regional level projects. In order to plan and design for infrastructure, entities need to know that funding is available through a dedicated source. DURF has numerous expenses including paying for HHFDC's operating costs and maintenance of infrastructure in Waiāhole and Kapolei. The remaining balance is used to fund infrastructure.

5. **Presentation: Senate Concurrent Resolution (SCR) 162 and House Resolution (HR) 188; Toward a Transit-Oriented Development Housing Investment Strategy**

Presentation by Katia Balassiano, Office of Planning and Sustainable Development (OPSD) *SCR 162 and HR 188 requested OPSD to identify sites with the capacity to accommodate 10,000 new homes per year for the next 50 years—to the extent allowed by the availability of urban lands, capital, subsidies, and incentives as well as market demand. The presentation will discuss findings and recommendations of the report.*

Balassiano reported that the legislature asked OPSD to identify sites that can accommodate 10,000 new homes per year for the next 50 years. The study focused on the TOD areas on O'ahu due to the lack of funding. The Working Group members included HHFDC, Hawai'i Public Housing Authority (HPHA), Hawai'i Community Development Authority (HCDA), and the Governor's Office. They participated in the Yes In My Back Yard (YIMBY) effort lead by HHFDC and guided by the Governor's Emergency Proclamation.

Approximately 50,000 units are needed by 2025 which includes pent-up demand (approximately 29,000) and homelessness (approximately 4,000). Demographic projections suggest that the State will need approximately 3,000 - 5,000 units annually to keep up with population growth after pent-up demand and homelessness are addressed.

Since infrastructure is a constraint to creating more housing, one way to resolve it is focusing development in the TOD areas. The State TOD Strategic Plan showed the benefits of locating it close to transit. The TOD areas in the State account for 57,000 acres. State and counties own 30 percent of this land. Approximately 90 TOD projects planned on 3,000 acres are currently expected to produce about 66,000 housing units. Much of this is dependent on infrastructure and funding.

School sites and parking areas are possible housing locations. There are 77 school sites on 1,206 acres in TOD areas. More investments need to be made into infrastructure through State and county legislation and funding, financing tools, and grants. Overall, public agencies need to continue to coordinate efforts. The study findings were submitted in December 2023.

6. Update on Hawai'i Community Development Authority TOD Infrastructure Projects

- *Iwilei-Kapālama TOD Infrastructure Electrical Upgrade.*
- *UH-West O'ahu, University District, On-Site Infrastructure for 20-acre parcel.*
- *TOD East Kapolei Infrastructure Implementation Master Plan*

Evans explained that the legislature appropriated funding last session to HCDA to work on several infrastructure projects as result of discussion between HCDA, HHFDC, OPSD, and legislative money committees. It was prompted, in part, by the list of TOD-related CIP Projects recommended by the TOD Council.

Garret Sasaki reported that HCDA was appropriated \$25 million for TOD infrastructure design and construction in Iwilei- Kapālama to facilitate development of new housing. HCDA is working with various State, City, and private entities on electrical improvements. They are procuring a design-build contractor. The RFP was published in November 2023 and they anticipate awarding it in April 2024.

At the University of Hawai'i (UH)-West O'ahu, HCDA received \$35 million to do the on-site infrastructure for a 20-acre parcel. The goal is to support the development of affordable housing and the University Village. The area of work includes Road D and Road H. The design-Build RFP was released in December 2023 and they anticipate making a selection in May 2024.

Rue mentioned that \$500,000 was delegated from HCDA to OPSD to lead the TOD East Kapolei Infrastructure Implementation Master Plan. It will be based on similar work in Iwilei-Kapālama. East Kapolei should be a little easier because it will be new construction. OPSD will coordinate the project with HCDA, UH, Department of Land and Natural Resources (DLNR), Department of Hawaiian Home Lands (DHHL), School Facilities Authority (SFA), DR Horton (Ho'opili), and the City. The RFP was awarded to Jacobs Engineering with subs HDR Engineering and Ron N.S. Ho & Associates (Ron Ho). A working group will be established, and a kickoff meeting is planned in the near future. One goal is to determine if more infrastructure capacity cost-effectively can be added to increase density and to determine where to focus infrastructure to get the most housing and transit riders.

7. TOD-Related Budget and Legislative Proposals for the 2024 Legislative Session

- *Preliminary list of TOD-related CIP Projects from the Governor's budget and legislative proposals. Additional TOD-related CIP items may be added for consideration to recommend for funding by the 2024 State Legislature during the February 16, 2023 TOD Council meeting.*
- *Bills for TOD Council Co-Chairs' testimony.*

Rue explained OPSD prepared a draft list of TOD-related CIP Projects from the Governor's budget proposal for TOD Council review. He asked Council members to let OPSD know if they would like to add (or take out) any TOD-related CIP Projects. After it is endorsed at the next meeting, a letter will be sent to the legislature. Balassiano mentioned that the Natural Energy Lab of Hawai'i Authority (NELHA)'s Potable Water Well Construction for \$5 million will be added. The project

will serve HHFDC's Kamakana Villages. Last year's letter was very helpful in getting infrastructure funding. She encouraged counties to inform OPSD if they would like to highlight any legislation or CIP Projects. He also pointed out an administration proposal to transfer TOD Council membership from the Department of Law Enforcement to Department of Corrections and Rehabilitation.

8. Standing Report—Agency Updates on TOD Projects in State Strategic Plan for Transit Oriented Development (Time Permitting)

Updates from State and county agencies on recent/new activities for their TOD projects. Projects for which reports may be received are listed in "Appendix A. TOD Project Status and Funding Reported to TOD Council," in the meeting materials packet. Note that this is 'opt-in' for those agencies that have activities to report.

a. State and County Projects—O'ahu

- **HPHA: School Street Redevelopment**
Hakim Ouansafi announced that the School Street Redevelopment had its groundbreaking recently.
- **HPHA: Mayor Wright Homes Redevelopment**
The project is moving forward. They recently briefed the City Council, and it went well.
- **HPHA: Kūhiō Park Terrace**
They anticipate construction to start end of the year for Phase 1 with 304 units.
- **DCR: O'ahu Correctional Center Redevelopment**
Takara reported that they moved from the planning to design phase. DAGS completed the consultant selection and will be holding a kickoff meeting. The primary deliverable is the RFP, which should be completed next year.
- **DHHL: East Kapolei Increment II-A, Multi-Family/Commercial**
Nancy McPherson said DHHL is trying to prioritize Act 279 and the \$600 million expenditure. The focus on East Kapolei is on Increment II-C, D, E, and F. All of these are single family homes. They are still interested in Increment II-A for mixed-use, multi-family commercial. However, project prioritization is in "flux."
- **DAGS: Aloha Stadium Redevelopment Project**
Gordon Woods announced that they were pleased with the passage of Bill 51 and 52, which are TOD-related and will affect the Aloha Stadium Project. The RFP was released in December 2023. The first part of it is the developer qualifications. The pre-response conference was January 10, and they expect to receive qualification packages in February.
- **HHFDC: 690 Pohukaina Project**
Randy Chu said the project is on schedule. He hopes that it will be completed about the same time as the Civic Center Rail Station.

b. State and County Projects—Kaua'i

- **COK: Līhu'e Civic Center Mobility Plan**
Higuchi Sayegusa mentioned that project is fully completed.

- COK: Līhu'e Civic Center Feasibility Study, Waimea 400, and Kīlauea Town Affordable Housing
These projects are underway.

c. **State and County Projects—Hawai'i**

- COH: Ka Hui Na Koa O Kāwili Affordable Housing
Neil Erickson explained that they are focused on trying to finish it this year. There were some changes that required additional permits.
- COH: Kukuioia and Village 9, Phase 3
The potential consultant is close to providing a proposal. A resolution is being drafted to have the county council accept the funds from OPSD.

d. **State and County Projects—Maui**

COM: West Maui TOD Corridor Plan

Eaton reported that the scope for the West Maui TOD Corridor Plan Project has changed since the Maui wildfires. At that time, they had already completed the community engagement. However, they included a paper on recovery so that the Office of Recovery can use it as a starting point to rebuild the community. The report is being finalized. She is planning to present it at the April 2024 TOD Council meeting.

9. **Announcements**

a. **TOD Project Fact Sheet Revisions**

Due July 2024

Minakami said the Project Fact Sheet should be going out in May 2024 instead to TOD Council members to make any updates. It will be due in July 2024.

b. **Next Meeting and Preliminary Agenda Items for Future Meeting**

- February 16, 2024
Presentation: HHFDC Kahului Civic Center Mixed-Use Project; Housing Component (Tentative)
Presentation: County of Maui West Maui TOD Corridor Plan (Tentative)*
Action: County PIG Reports; Discussion and Acceptance
Action: TOD-Related CIP Items for Recommendation for Funding by the 2024 Legislature
Legislative Proposals in the 2024 Legislative Session
Standing Report—TOD Project Updates on Projects in *State Strategic Plan for Transit-Oriented Development*
- March 15, 2024
No TOD Council Meeting
- April 19, 2024
Presentation: TBA
TOD-Related Budget and Legislative Proposals in the 2024 Legislative Session
Standing Report—TOD Project Updates on Projects in *State Strategic Plan for Transit-Oriented Development*

*The West Maui TOD Corridor Plan will be presented at the April 2024 meeting.

c. **2023 TOD Council Annual Report**

2023 TOD Council Annual Report was posted at the TOD Council website. He thanked everyone for their efforts and comments in preparing the draft.

d. **2024 TOD Council Meeting Schedule (Reminder)**

e. **Other**

10. Adjournment

There being no further business, the meeting was adjourned at 11:18 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/>.

Guests/Attendees: Alina Laborte, City
Amitabh Barthakur, HR&A Advisors
Blue Kaanehe, DLNR
Chelsea Dau, O'ahu Metropolitan Planning Organization (OMPO)
Chico Figueiredo, Governor's Office of Housing
Derek Wong, DLNR
Derek Inafuku, UH-Honolulu Community College
Dominic Sonkowsky, HR&A Advisor
Faith Quintua
Franz Kraintz, City DPP
Garet Sasaki, HCDA
Karen Seddon, EAH Housing
Kathleen Rooney, Ulupono Initiative
Kevin Auger, City Office of Housing
Kiana Otsuka, OMPO
Mark Hakoda, HCDA
Mark Yonamine, HHFDC
Melissa Miranda-Johnson, DOT
Michael Imanaka, SA
Nathalie Razo, PBR Hawai'i
Neil Erickson, COH Office of Housing and Community Development
Norman "Keola" Jimeno, HHFDC
Questor Lau, EAH Housing
Ren Seguritan, Kamehameha Schools
Sharon Gi, Hunt Development Group
Victor Kandle, COH Mass Transit