

SB 1313



HAWAII COMMUNITY
DEVELOPMENT AUTHORITY



KAKAOKO
KALAELOA

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STATEMENT OF

ANTHONY J. H. CHING, EXECUTIVE DIRECTOR
HAWAII COMMUNITY DEVELOPMENT AUTHORITY

BEFORE THE

SENATE COMMITTEE ON WAYS AND MEANS

Friday, February 27, 2009

9:00 A.M.

State Capitol, Conference Room 211

S. B. 1313, S. D. 1 – RELATING TO COMMUNITY DEVELOPMENT.

Purpose: This measure repeals the Hawaii Community Development Authority (“HCDA”) effective upon the approval of the Act and transfers zoning authority (i) to the Department of Land and Natural Resources (“DLNR”) with respect to the Kalaeloa Community Development District and the portion of the Kakaako Community Development District that is Makai of Ala Moana Boulevard, and (ii) to the City and County of Honolulu (“City”) with respect to the portion of the Kakaako Community Development District Mauka of Ala Moana Boulevard. This measure also transfers the authority, responsibility, and duties of the HCDA with respect to Kewalo Basin Harbor to the DLNR.

Position: The HCDA appreciates the gravity of the economic crisis facing the nation and our State, but strongly opposes the concept that the abolishment of the HCDA will do anything to resolve our budgetary problems. In fact, it is my belief that if this proposal is enacted, it will do more to thwart our State’s recovery, than help.

Negative Impact on Economic Recovery Projects. The proposal specifies that all unencumbered monies deposited in any revolving or special fund shall lapse to the credit of the general fund. Currently, projects approved by the HCDA which stand to figure prominently in stimulating the local economy have implementation dates extending into Fiscal Year 2011 at a minimum. Abolishment of the project management function of the HCDA and most importantly the loss of the agency’s revolving fund to the general fund will cripple if not stop these projects from proceeding. Examples include:

- Restart of Halekauwila Place Affordable Rental Project – The HCDA is in the process of issuing a \$15 million loan to the developer of a State sponsored affordable rental project which was abandoned due to a lack of credit and construction financing. Abolishment and the loss of the agency’s revolving fund will kill this very worthy and rare 200-unit affordable rental project in the urban center.
- Improvements to Enterprise Road (Kalaeloa) – The Kalaeloa Community Development District currently suffers from an aged and deteriorating electrical, telephone, cable, drinking water and wastewater infrastructure. The current operator (United States Navy) has not invested any money for 10 years and indicated that they would leave the District within 5 years. The HCDA is pursuing an \$8.5 million capital improvement projects (“CIP”) project to bring electricity, telephone and cable service into Kalaeloa on a SMART GRID. This project is deemed critical to support HIARNG and DOT-Airports military construction and clean energy projects.
- Repair of the AAFES Building – This State building housing the Departments of Public Safety and Health (“DPSH”) requires \$1.4 million in repairs that neither DPSH nor the Department of Accounting and General Services can afford. The HCDA proposes to supplement the current CIP request with its revolving fund to maintain this State facility.
- Repair and Improvement of Kewalo Basin Harbor – The HCDA is currently undertaking a \$4.9 million repair of the State’s premier commercial fishing harbor. The loss of the agency revolving fund and lack of legislative support would mean that this harbor would fall further into disrepair.
- Other improvement and repair projects – Mother Waldron Park (\$1.4 million), Kakaako Waterfront, Gateway and Kewalo Park Improvements (\$1.7 million), Makai Area Drainage System Repair (\$530,000), Traffic Signal at Queen/Kamakee Intersection (\$1.388 million), Forrest Avenue Improvement District Project [\$14 million (\$7 million of which is economic

stimulus match)] Makai Area Remediation & Interim Parking Project (\$4.988 million), Hawaii Children's Discovery Center Repair (\$250,000), McKinley High School Community Facility Project (\$2 million), Kalaeloa Lot Acquisition (for solar power generation project -\$2 million), Kakaako Lot 40 Acquisition for Reserved Housing and Regional Parking (\$4.2 million) are just some of the other projects which would have to be abandoned if the project management, advocacy and revolving fund capacity of the HCDA were to be lost.

Economic Recovery Projects Require More Than Just Money. The economic projects described above are heavily dependent on the leverage of the revolving fund against developer contributions, potential Federal stimulus matching funds and legislative CIP appropriation. However, another important element is the unique structure of HCDA to efficiently pursue planning and development projects as well as the capacity of its staff. Abolishment of the agency and the transfer of staff to another agency will take away the planning and redevelopment expertise and experience of the HCDA and merge them within the DLNR.

No Real Cost Savings. The proposal presumably transfers the staffing and attendant funding to the DLNR or the City. The proposal specifies that those employees having "tenure" shall not lose any employment benefits as a result of the Act. Since all of the HCDA's employees are exempt, the application of this language is unclear. If implemented, this would actually maintain and not produce any general fund savings. The net effect would be that organizational boxes would move, a physical relocation would occur, revolving funds would be absorbed by the general fund, staff would be shifted to another agency, but would not produce any tangible cost savings which might be applied to the budget deficit. If anything, the revenue generating capacity that the HCDA currently possesses would be lost.

Acceptance of Permits, Agreements and Liability for Mauka Area Projects. The City Department of Planning and Permitting has previously submitted testimony requesting that the proposal allow the City the "opportunity to review documents" (deeds, leases, contracts, loans, agreements, permits) entered into by the HCDA before accepting their transfer, "especially if there are provisions that conflict with standing City ordinances and regulations. Given that the mandate was for the HCDA to plan and redevelop the Kakaako Community Development District in accordance with plans and rules established separately from that of the City, it would appear very likely that certain agreements, permits and programs

conducted by the HCDA will be at odds with standing City ordinances and regulations.

It is also important to note that certain improvement district (“ID”) projects in Kakaako Mauka (involving roadway and utility improvements) which the HCDA carried out in close coordination with the City have yet to be accepted for dedication by the City. As the remnants of ID projects 1, 2, 3 and 4 and the entirety of the ID-10 project (Queen Street Extension) have yet to be accepted by the City (even though the City is actively collecting associated traffic and parking revenues), it would appear that the requirements of Section 10 might create a regulatory and development void, where the responsibility for these projects will remain in limbo.

Mission. The mission of the HCDA is to not to simply administer zoning rules in Kakaako and Kalaeloa which might produce the delivery of reserved housing units from willing developers, but also includes: a responsibility to plan and implement capital improvement projects to upgrade infrastructure and develop public facilities; coordinating the development of mixed-use projects; and most importantly identifying the preferred future that stakeholders and residents of our development districts desire. In sum, the HCDA strives to create efficient and sustainable communities that enhance the quality of life for its residents.

Thank you for the opportunity to share with you my conviction that the abolishment of the HCDA at this time would be counter-productive and create confusion as to the status of existing development agreements and ID projects which have yet to be accepted by the City.