

DEPT. COMM. NO. 292

DAVID Y. IGE
GOVERNOR

**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

LUIS P. SALAVERIA
DIRECTOR

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January 25, 2017

The Honorable Ronald D. Kouchi,
President and Members
of the Senate
Twenty-Ninth State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

The Honorable Joseph M. Souki,
Speaker and Members of the
House of Representatives
Twenty-Ninth State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Kouchi, Speaker Souki, and Members of the Legislature:

For your information and consideration, I am transmitting a copy of the Hawaii Community Development Authority 2016 Annual Report, as required by Section 206E-19, Hawaii Revised Statutes. In accordance with Section 93-16, Hawaii Revised Statutes, I am also informing you that the report may be viewed electronically at: <http://dbedt.hawaii.gov/hcda/about-hcda>.

Sincerely,



Luis P. Salaveria

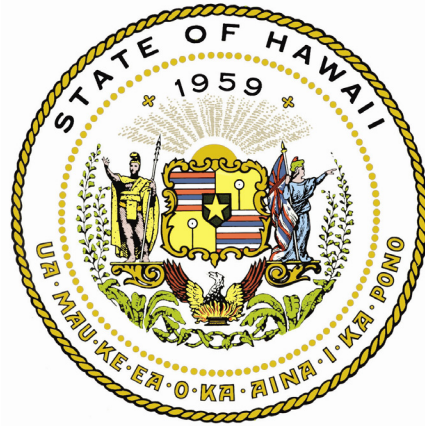
Enclosure

c: Legislative Reference Bureau

2016

HAWAII COMMUNITY DEVELOPMENT AUTHORITY

REPORT TO THE TWENTY-NINTH LEGISLATURE
REGULAR SESSION OF 2017



Prepared by

HAWAII COMMUNITY DEVELOPMENT AUTHORITY
DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM
STATE OF HAWAII

This report satisfies Section 206E-19, Hawaii Revised Statutes

Honolulu, Hawaii
January 2017

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I. HAWAII COMMUNITY DEVELOPMENT AUTHORITY

Message from the Executive Director

It is with great pleasure that we present the 2016 Annual Report for the Hawaii Community Development Authority (Authority). The report highlights the Authority's activities in the Kakaako, Kalaeloa and Heeia Community Development Districts in the 2016 calendar year.

In the Kakaako District, the Authority continues to regulate the development of a growing and vibrant community that incorporates design principles such as more open space at street level to promote active uses of the streets and create a more walkable community. In 2016, 1,625 new housing units were completed in Kakaako. Thirty-two percent of those units are affordable to families making 140 percent or less of the Area Median Income (AMI) for the City and County of Honolulu. Five other projects under construction will create 1,840 housing units, and 36 percent of those units are expected to be affordable to families making 140 percent or less of the AMI. Three additional projects will add 365 units to Kakaako, with 100 percent of those units being affordable to Hawaii's working families.

In the Kalaeloa District, the Authority is working with state and federal partners to improve the utility infrastructure and help Hawaii meet its clean energy goals. The Authority is seeking additional funding for the Kalaeloa Enterprise Energy Corridor Project as part of its budget request to the Legislature to complete the project. This will bring reliable energy to the district to provide for new development in Kalaeloa.

In addition, the Authority has partnered with the Hawaii State Energy Office, U.S. Department of Energy and Sandia National Laboratories to plan, analyze, and design a micro-grid to provide renewable energy to the district.

In the Heeia District, the Authority is starting a master planning process to gather community input about appropriate uses of the land. The Authority's nonprofit lessee Kakoo Oihi has converted 12 acres of wetland to loi, and is working to convert another 20 acres, which would double the capacity for growing wetland taro on Oahu.

We look forward to achieving HCDA's mission under the direction of the board and in coordination with the public; local, state, and federal agencies; and the private sector.

Respectfully yours,



Jesse K. Souki
Executive Director
Hawaii Community Development Authority

Members of the Hawaii Community Development Authority

Chairperson: John Whalen
Vice Chairperson: Steven Scott
Secretary: Shirley Swinney

Full Authority

Voting members

At-Large Members

John Whalen
Beau Bassett (Cultural Specialist)

Wei Fang

Mary Pat Waterhouse

Community Members

Donna Camvel

Dean “Kalani” Capelouto (resigned 1/3/17)

Michael Golojuch, Sr.

Amy Luersen

William Oh

Jason Okuhama

Steven Scott

Shirley Swinney

Vacant Seat

Ex-Officio Members

Ford Fuchigami (Department of Transportation)

Wesley Machida (Budget and Finance)

Non-Voting Ex-Officio Members

Arthur D. Challacombe (Honolulu Department of Planning and Permitting, retired 12/31/16)

Jobie Masagatani (Department of Hawaiian Home Lands)

Kakaako Authority

Voting members

John Whalen

Beau Bassett

Wei Fang

Mary Pat Waterhouse

William Oh

Jason Okuhama

Steven Scott

Ford Fuchigami

Wesley Machida

Non-Voting ex-officio member

Arthur D. Challacombe

Kalaaloa Authority

Voting Members

John Whalen

Beau Bassett

Wei Fang

Mary Pat Waterhouse

Dean “Kalani” Capelouto

Michael Golojuch, Sr.

Shirley Swinney

Ford Fuchigami

Wesley Machida

Non-Voting Ex-Officio Members

Arthur D. Challacombe

Jobie Masagatani

Heeia Authority

Voting Members

John Whalen

Beau Bassett

Wei Fang

Mary Pat Waterhouse

Donna Camvel

Amy Luersen

Vacant Seat

Ford Fuchigami

Wesley Machida

Non-Voting ex-officio member

Arthur D. Challacombe

Hawaii Community Development Authority Executive Director

Jesse K. Souki

II. PURPOSE AND HIGHLIGHTS

Hawaii Revised Statutes Section 206E-19 requires the Hawaii Community Development Authority to prepare an annual report with a complete and detailed report of its activities for submittal to the Governor and Legislature. The following are highlights of our accomplishments from January 2015 to December 2016.

Authority Activities:

- Convened a search committee to hire a new executive director. Jesse K. Souki was hired in December.
- Granted a Right of Entry (ROE) to the City and County of Honolulu Emergency Services Department to locate an Ocean Safety and lifeguard station at the Harbor Master's office to conduct emergency rescues in and around the Kewalo Basin Harbor. The city called it a breakthrough for ocean safety on the south shore of Oahu as it allows a rescue craft to be launched more quickly than was possible before.
- A rescue boat was delivered to the Authority and dedicated to the city for the Ocean Safety and lifeguard station. The Authority purchased the 21-foot Guardian Boston Whaler for \$118,000. It is capable of handling large scale rescues. Victoria Ward Ltd. donated \$18,500 to build a floating dock to moor the watercraft.
- Repairs of the Kewalo Basin Harbor Jetty at the Ewa corner of the Kewalo Basin Park were approved. Construction is expected in 2017.
- The Authority entered into a development agreement for a micro-unit project at Nohona Hale at 630 Cooke Street, a true urban infill project that could serve as a model for affordable housing in other small spaces throughout the urban core and transit oriented development areas.
- The Kakaako Makai Parks Active Use Facilities Master Plan Final Environmental Impact Statement was completed and accepted by the Governor, clearing the way for improved park services and function.
- The state opened its Family Assessment Center in a renovated building that was formerly the Authority's maintenance shed at Kakaako Waterfront Park. The center is expected to help 400 individuals over the next two years. It will temporarily house homeless families while they are being connected to services and long-term housing by Catholic Charities Hawaii's social service specialists.
- The Authority issued an ROE to the Honolulu Fire Department to conduct multi-agency training in Kalaeloa.
- The Authority executed a lease with the Kalaeloa Heritage and Legacy Foundation to steward the historic and cultural assets in the Kalaeloa Heritage Park.
- The Authority issued certificates of occupancy to the following projects, clearing the way for people to move into the units:
 - o Symphony Honolulu: 388 units, 100 of which are Reserved Housing units.
 - o 400 Keawe: 95 units, 20 of which are Reserved Housing units.
 - o Flats at Puunui: 88 Reserved Housing rental units.
 - o 801 South St. Building B: 410 units, 308 of which are Workforce Housing units.
 - o The Collection: 467 units.
 - o Waiea: 177 units.
 - o A total of 1,625 units were completed in Kakaako in 2016, 516 of which are Reserved or

Workforce Housing units. Approximately 32 percent of the housing completed in Kakaako is affordable to families with a household income of 140% or less of the Area Median Income (AMI).

Development Activities

- Victoria Ward Ltd. broke ground and started construction on its Aeo project. The project consists of 406 condominium units.
- Victoria Ward Ltd. broke ground and started construction on its Ke Kilohana project. The project consists of 424 units, 375 of which are Reserved Housing units
- Gerdine Edlen broke ground and started construction of Keauhou Lane. The project consists of 209 units, all of which are rental Reserved Housing units.

- Stanford Carr Development broke ground and started construction of Keauhou Place. The project consists of 423 units, 88 of which are Reserved Housing units.
- Pacific Gateway Center completed its renovation of the historic Ala Moana Pump Station in December. The new Na Kupuna Makamae Center now provides intergenerational services for Kakaako and the greater community.

Reserved Housing means housing designated for residents in the low or moderate income ranges who meet certain eligibility requirements.

Kakaako Parks

- Kakaako's parks are an important public resource for residents and visitors. Keeping the public's parks clean, safe, and in good repair is a priority for HCDA. Enforcement of park closure rules was conducted at numerous times during the year in all of the Authority's Kakaako Makai parks. The Authority used vendors to dispose of trash left behind and store items left after closure for 45 days to allow retrieval of items of value. The enforcement actions cost approximately \$287,000.
- Repairs were made to light poles in the park after they were tampered with and power cables were run to unpermitted campsites in the Kakaako Waterfront Park. The repairs cost approximately \$8,500. Damage to public park resources forced HCDA to close the public parks for a period of time while repairs were made to ensure public safety. For example, the Kakaako Gateway Park was closed for three months starting in August to rehabilitate the landscaping and repair damaged facilities.

Low-income household means a household whose household income does not exceed eighty percent of the AMI.

Moderate-income household means a household whose household income is greater than eighty percent but does not exceed 120 percent of the AMI.

III. INTRODUCTION

The Hawaii Community Development Authority was established by the Hawaii State Legislature in 1976 after it found there were many areas of the state that are in need of renewal, renovation, or improvement and unmet community development needs.

The Authority was created to cooperate with private enterprise and the various components of the federal, state, and county governments to bring community development plans to fruition. The Legislature believed the planning and implementation programs of the Authority would result in communities that serve the highest needs and aspirations of Hawaii's people.

The Authority was granted various economic development and land use entitlement mechanisms to bring about community development in districts defined by the Legislature. For example, it was given the power to finance public facilities improvements such as infrastructure to encourage the development of much needed residential housing, development of commercial projects to create jobs, and the ability to support public programs that address community needs.

The Authority currently oversees three community development districts created by the Legislature:

- The Kakaako Community Development District stretches from Piikoi to Punchbowl streets and from King Street to the ocean, excluding Ala Moana Beach Park and the Foreign Trade Zone.
- The Kalaeloa Community Development District is made up of lands designated by the U.S. Department of Defense as surplus lands at the former Naval Air Station Barber's Point.
- The Heeia Community Development District is made up of approximately 400 acres acquired by the state in a land exchange with the Estate of Bernice Pauahi Bishop, and also includes parcels owned by various owners of kuleana parcels.

IV. KAKAAKO COMMUNITY DEVELOPMENT DISTRICT

The Legislature created the Kakaako Community Development District (KCDD) in 1976. The specific vision for the KCDD and implementing guidance is outlined in HRS Sections 206E-31 through 206E-34. The Legislature directs that in coordinating community development in the KCDD, the Authority shall plan a mixed-use district whereby industrial, commercial, residential, and public uses may coexist compatibly within the same area.

The Legislature listed specific development guidance for the Authority to follow under HRS Section 206E-33, in summary these include:

- Development shall result in a community which permits an appropriate land mixture of residential, commercial, industrial, and other uses;
- Existing and future industrial uses shall be permitted and encouraged;
- Activities shall be located to provide primary reliance on public transportation and pedestrian facilities for internal circulation;
- Major view planes and other environmental elements such as natural light and prevailing winds shall be preserved through regulation and design review;
- Residential development may require a mixture of densities and building types in accordance with appropriate urban design guidelines and integrate a mixture of residents with varying incomes, ages, and family groups;
- Redevelopment of the KCDD shall be compatible with plans and special districts surrounding the KCDD;
- Historic sites and culturally significant facilities, settings, or locations shall be preserved;
- Land use activities should be mixed horizontally within blocks or other land areas, and vertically as integral units of multi-purpose structures;
- Residential development shall provide necessary community facilities, such as open space, parks, community meeting places, child care centers, and other services, within and adjacent to residential development; and
- Public facilities shall be developed to support the redevelopment policies of the KCDD.



Kakaako skyline. - Staff photo

A. URBAN DESIGN

The Authority implements the Legislature’s vision through developing community plans, adopting rules, and making strategic investments.

That vision is for Kakaako to have a mix of uses from residential to commercial and industrial, and to be an active area where pedestrian facilities and public transportation are relied upon for internal circulation.

The area is becoming more welcoming to people with wider sidewalks and new bicycle lanes. These provide for more street-level open space and the activation of streets with residences, stores, and street side cafes.

While it was once common for buildings to be fronted by parking structures that went right up to the sidewalk, now developers are encouraged to “wrap” the parking structures with more active uses.

One area where the change is evident is on Auahi Street near the Ward Village Shops and the Hokua Condominium. Today, there are street side restaurants, wider sidewalks and more of a sense of community.

The change is also occurring in the area of South, Keawe and Coral Streets where SALT at Our Kakaako is bringing new activity to the area and nearby condominiums have been recently completed or are nearing completion.



Top: At The Collection, the project is “wrapped” with commercial uses and townhomes. Middle: Wider sidewalks and landscaping contribute to a more open feel between The Collection and SALT at Our Kakaako. - Staff photos



Left: Restaurants at Ward Village Shops along Auahi Street offer outdoor dining. Right: South Shore Market at Ward Village Shops features wider walkways and seating for customers to enjoy food and beverages.

B. RESERVED HOUSING

Can a family of four really afford to buy a condominium unit in Kakaako? The answer is a resounding yes.

The Authority's Reserved Housing program targets those earning less than 140 percent of the AMI. Consider a family with two wage earners, like a metropolitan police recruit for the Honolulu Police Department (\$60,504) and a Department of Education Teacher making the minimum (\$33,169). That family would be able to buy a unit in Kakaako under the Reserved Housing program.

The program ensures at least 20 percent of new units are set aside for low and moderate income households within the KCDD. These households typically can't afford market rate units but make too much to qualify for government-subsidized units.

The rental or sales prices for these units are calculated so a household would spend no more than a third of its gross monthly income on housing expenses, making them affordable to Hawaii's working class families. Housing expenses include their mortgage, property taxes, mortgage insurance, and condominium association dues.

The Reserved Housing program comes with a few restrictions, such as requiring homeowners to agree to live in their new condominium for a minimum time period and, if they sell the unit, requiring them to share some of the increased equity on the unit with the Authority, which is then put back into programs that create more affordable units.

In exchange for providing reserved housing, developers are provided certain incentives, for example, bonuses allowing them to develop more units, relaxing strict design requirements, and exempting them from certain fees. These units are provided without cost to taxpayers or government.

For more information on the Reserved Housing program and to view the rules governing it, please visit our website at www.hcdaweb.org



Future Ke Kilohana residents attend a groundbreaking ceremony. Ke Kilohana will have 375 Reserved Housing units. The project is expected to be completed in 2018. - *Courtesy photo*

C. WORKFORCE HOUSING

The Workforce Housing program makes units available for those earning under 140 percent of the Area Median income or up to \$123,050 for a family of four.

Developers of a Workforce Housing project must set aside 75 percent of the units for the program, and prices are calculated so a household spends no more than a third of its gross monthly income on housing expenses. These units are provided without cost to taxpayers or government.

For more information on the Workforce Housing programs and to view the rules governing the programs, please visit our website at www.hcdaweb.org.

Who can qualify for Reserved, Workforce or Low Income Housing?

The below are the mean income for selected jobs in Honolulu. The statistics are courtesy of the U.S. Bureau of Labor Statistics. The AMI percentages are for a single person living alone.

<p>Under 30% AMI</p> <ul style="list-style-type: none"> • Childcare worker \$19,980 	<p>30-60% AMI</p> <ul style="list-style-type: none"> • Restaurant Cooks \$28,030 • Security Guards \$28,310 • Maids and Housekeeping \$35,630 • Kindergarten Teachers \$45,610 	<p>60-80% AMI</p> <ul style="list-style-type: none"> • Child, Family and School Social Workers \$52,560 • Administrative Assistants \$52,590 • Construction Laborers \$54,420
<p>80-100% AMI</p> <ul style="list-style-type: none"> • High School Teachers \$56,730 • Food Service Managers \$58,890 • Firefighters \$59,240 	<p>100-120% AMI</p> <ul style="list-style-type: none"> • Accountants \$60,440 • Carpenters \$69,150 • Insurance Sales Agents \$72,460 	<p>120-140% AMI</p> <ul style="list-style-type: none"> • Crane Operators \$76,830 • Physican Therapists \$81,490 • Sales Managers \$83,680

Did you know?

34% of units built in Kakaako since 1987 were built as Reserved, Workforce or Low Income housing

80% of the total households on Oahu earn 140% AMI or less.

-- State Research and Economic Analysis Division

D. LOW INCOME HOUSING

In establishing the Authority, the Legislature envisioned low income housing would be developed alongside market housing. Aside from the above programs, the Authority also supports the development of low income housing for households earning less than 60 percent of AMI, by subsidizing projects financially or by providing state land at nominal cost.

The Authority has partnered with its sister state agency, the Hawaii Housing Finance and Development Corporation (HHFDC), to develop rental housing projects that provide housing to low income households making 60 percent of AMI, or \$60,350 year for a family of four.

Since 1989, six projects have been completed, adding 1,189 rentals in the Kakaako area. The Authority has contributed approximately \$23 million toward these types of projects.

In addition, three more projects are planned for the district:

- The Ola Ka Ilima Artspace Lofts will include 84 rental units, all targeted at those who earn 60 percent or less of AMI.
- Nohona Hale (630 Cooke Street) will provide 105 rental units all targeted at those who earn 60 percent or less of AMI.
- Hale Kewalo will provide 128 rental units targeted at those who earn 60 percent or less of AMI.



Halekauwila Place is a low income housing project. The Authority contributed \$17 million to the project. - *Staff Photo*

E. KAKAAKO COMMUNITY DESIGN DISTRICT HOUSING PROJECTS

Completed Projects	Year Permitted	Reserved or Workforce Units	AMI Range	Market Units	Total	Reserved Housing Status
Royal Capitol Plaza	1984	28	64-140%	269	297	Cash in Lieu
One Waterfront	1984			297	297	Cash in Lieu
Nauru Towers	1984			304	304	Off Site
Imperial Plaza	1989			221	221	Cash in Lieu
1133 Waimanu	1984	282	97-117%		282	
Hawaiki Tower	1984			417	417	Off Site
Hokua	2002			240	240	Waived
Moana Pacific	2003			706	706	Waived
909 Kapiolani	2005			227	227	Waived
One Archer Lane	1995			331	331	Cash in Lieu
Vanguard Lofts	2006			47	47	Not Required
Koolani	1984			370	370	Off Site
Keola Lai	2005	63	104-130%	289	352	Cash in Lieu
Pacifica Honolulu	2005	124	100-140%	365	489	
Six Eighty Ala Moana	2011	54	100%		54	
Rycroft Terrace	2012	162	30-140%		162	
Waihonua at Kewalo	1984			277	277	Off Site
801 South Street	2012	476	100-140%	159	635	
400 Keawe	2014	20	100-140%	75	95	
Symphony Honolulu	2012	100	100-140%	288	388	
The Flats at Puunui	2014	88	100%		88	
801 South Street Building B	2013	308	100-140%	102	410	
Waiea	2013			177	177	Off Site
The Collection	2013			467	467	Off Site
Subtotal		1,705		5,628	7,333	

Permitted Projects	Year Permitted	Reserved or Workforce Units	AMI Range	Market Units	Total	Reserved Housing Status
Anaha	2013			318	318	Off Site
Gateway Towers	2014			236	236	Off Site
Aeo	2015			466	466	Off Site
Keauhou Lane	2014	209	100%		209	
Keauhou Place	2014	85	100-140%	338	423	
Hale Kewalo	1984	128	60%		128	
803 Waimanu	2014	153	100-140%		153	
Ola Ka Ilima Artspace Lofts	2015	84	60%		84	
Ke Kilohana	2013	375	100-140%	49	424	
Subtotal		1,034		1,407	2,441	

Completed State Developed Projects	Year Permitted	Rental Units	AMI Range	For Sale	Total
Kamakee Vista	1989	225	60%		225
Na Lei Hulu Kupuna	1991	76	60%		76
Pohulani	1989	262	60%		262
Kauhale Kakaako	1991	267	60%		267
Honuakaha	1993	151	60%	93	244
Halekauwila Place	2010	204	60%		204
Subtotal		1,185		93	1,278

F. HOMELESSNESS

In keeping its public parks safe, clean, and in good repair for the benefit of community, residents, and visitors, the Authority has been working tirelessly on the issue of encampments within the parks under the Authority’s ownership and jurisdiction. A good many of our homeless community use the resources within the KCDD, such as the Family Assessment Center. However, others choose to reside in the public’s parks.

The Authority continues to work with partners in the City and County of Honolulu and the State to decrease the number of people living in the encampments in Kakaako Makai, by not only enforcing park rules that make the park available to all, but also by attempting to connect people with the social services they need to address the underlying problems of homelessness.

The Governor’s Coordinator on Homelessness Scott Morishige partnered with the Authority; social service agencies; and the Public Safety, and Health and Human Services departments to provide a multi-pronged approach to address homelessness in KCDD and across the state.

The Authority, in cooperation with the State Sheriff’s Division of the Department of Public Safety continued to enforce park closure hours aimed at ensuring safety for all park users. When unsheltered individuals are encountered, they are quickly connected with service providers. However, resources are a challenge, and future enforcement may require additional support from the Legislature.

In addition to supporting the Family Assessment Center that was developed on lands held by the Authority, discussed above. The Authority also funds a job training program, which gives a hand up to homeless individuals willing to provide peer outreach along with janitorial and beautification services for Authority-owned parks in Kakaako.



The Family Assessment Center opened in September in a former maintenance shed at the Kakaako Waterfront Park. It is expected to serve 400 people over two years. - Staff photo

V. KALAELOA COMMUNITY DEVELOPMENT DISTRICT

The Kalaeloa Community Development District (Kalaeloa KDD) was designated by the Legislature in 2002 to facilitate the redevelopment of the Naval Air Station Barbers Point in accordance with the Barbers Point Naval Air Station community reuse plan.

The Legislature's vision and direction to the Authority for developing the Kalaeloa CDD is codified under HRS Sections 206E-191 through 206E-199. The authority's duties include:

- Coordinating with the Navy and other entities during the conveyance of properties and conducting remediation activities for the Naval Air Station Barbers Point community reuse plan;
- Working with the Navy and others to ensure infrastructure support is provided to the existing developed area;
- Developing infrastructure; and
- Providing maximum opportunity for the reuse of surplus property by private enterprise or state and county governments.

In order to implement the Legislature's vision, the Authority is working with the community on developing a Wahi Hookela, or center for excellence, within the Ewa region and to make Kalaeloa a center where Hawaii's people come together to share knowledge, develop expertise and advance themselves while remaining respectful of the past and place.

Facilitating the redevelopment of Kalaeloa is an extraordinarily complex undertaking that will occur over the course of a generation or more. There are several challenges to development because of the existing infrastructure, and lack thereof, in the area.



There are 20 miles of roadways that do not meet city or state standards, drainage in parts of the district is inadequate and the electrical system is not reliable.

The Authority has partnered with the Hawaii State Energy Office, U.S. Department of Energy and Sandia National Laboratories to plan, analyze and design a micro-grid to provide reliable energy throughout the 3,700-acre district and help Hawaii meet its clean energy goals.

The Authority is seeking \$3 million in additional funding for the Kalaeloa Enterprise Energy Corridor Project. Current funding is insufficient to extend the corridor to the airport, and provide reliable electrical power to the Department of Transportation and Department of Defense.

In 2016, the Authority entered into a Memorandum of Understanding with the State Department of Transportation and the City and County of Honolulu to be the lead agency in coordinating the redevelopment of Roosevelt Avenue into a six lane road that meets city standards. The widening of the road is expected to accommodate increased traffic as areas in the district are redeveloped.

The current water distribution infrastructure is not adequate to support planned development and new development will require installation of new water infrastructure that meets standards set by the Honolulu Board of Water Supply.

In 2013 the Kalaeloa water and wastewater systems were privatized by the Navy. Hunt Companies anticipates operating the system for the Navy with final conveyance targeted for late 2017.

The Authority continues to work with four advisory groups it created to address various concerns in the district. The groups are:

- **Kalaeloa Advisory Team (KAT):** The team focuses on the development and implementation of the Kalaeloa administrative rules. The team, which includes elected officials, developers, neighborhood board representatives and government agencies, is integral to creating a successful redevelopment district.
- **Kalaeloa Community Network (KCN):** The network's mission is to address concerns about the District's infrastructure, pool resources and capitalize on opportunities to foster pride in Kalaeloa. Kalaeloa landowners, tenants, businesses and elected officials attend monthly meetings.
- **Kalaeloa Archaeological and Cultural Hui (KACH):** The hui representatives recognize that Kalaeloa has unique and irreplaceable archaeological and cultural features. In 2011, the Kalaeloa Heritage and Legacy Foundation (KHLF), a 501(c)(3) nonprofit group, was created to spearhead the development of the Kalaeloa Heritage Park (KHP). In 2016, the foundation partnered with the hui and Authority to execute a conceptual plan, which includes a heritage center, to help protect and preserve important archaeological resources.
- **Kalaeloa Public Safety Group (KPS):** The group is a one-stop shop of federal, State and City and County of Honolulu agencies that meet monthly to address public safety issues.

VI. HEEIA COMMUNITY DEVELOPMENT DISTRICT

The Heeia Community Development District (HCDD) was designated by the Legislature in 2011 to facilitate culturally appropriate agriculture, education, and natural resource restoration and management of the Heeia wetlands in alignment with the Honolulu Board of Water Supply's Koolaupoko Watershed Management Plan and the City and County of Honolulu's Koolaupoko Sustainable Communities Plan.

The Legislature's vision and direction to the Authority on developing the HCDD is codified under HRS Sections 206E-201 through 206E-205. The Authority's duties include:

- Consulting with the community;
- Assisting land users with managing their properties and implementing activities related to cultural practices, agriculture, education and natural resource restoration and management;
- Developing infrastructure needed to support implementation of a master plan; and
- Providing maximum opportunity for the restoration and implementation of sustainable, culturally appropriate, biologically responsible or agriculturally beneficial enterprises.



Freshly-harvested taro. - Staff photo

Wetland restoration continues in the Heeia district under the guidance of our nonprofit lessee, Kakoo Oiwi, which is working with Authority and the community to return more land to diversified agricultural uses. Kakoo Oiwi converted 12 acres of wetland to loi (taro patches) and organic farms and 1.3 miles of historic roads have been restored. It is working on converting another 20 acres to loi, which would double the amount of wetland taro being grown on Oahu, all while educating our keiki and helping the state reach its food security goals.

The Authority has initiated the Heeia Master Plan and Rule-making process with the consultation of stakeholders and community members. The plan is expected to promote restoration of the natural systems and environment and provide an opportunity for economic, social and cultural programs. It would also outline infrastructure improvements that are necessary.



With support from the community, lessee Kakoo Oiwi has converted 12 acres of wetland to loi, improving taro production, and restored portions of major historic farm roads in Heeia. - *Staff photo*

VII. LEGISLATIVE PROPOSALS

For the upcoming 2017 legislative session, the Authority will be submitting the following legislation:

- Approving the Conveyance of Certain Hawaii Community Development Authority Lands to the City and County of Honolulu – The purpose of the resolution is to seek the approval of the Legislature to convey remnant parcels of roadways obtained by the Authority for infrastructure improvements to the city. The conveyance of the parcels would confirm the roads will be under the single jurisdiction of the City and County of Honolulu, ensuring proper operation, regulation and maintenance of the roads.

In addition, the Authority is requesting \$3 million for the Kalaeloa Enterprise Energy Corridor Project to bring reliable power to the district, and \$1.45 million to transfer 19 FTE positions from CIP to General Funds.

VIII. FY 2015-2016 AUDITED FINANCIAL STATEMENTS

The following financial statements for the fiscal year beginning July 1, 2015 and ending on June 30, 2016 were prepared for the Office of the Auditor of the and the Hawaii Community Development Authority Board of Directors. The complete compliance and financial audit can be found at hcdaweb.org.

STATE OF HAWAII, HAWAII COMMUNITY DEVELOPMENT AUTHORITY

STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES

As of June 30, 2016

Current Assets	
Cash in State Treasury and petty cash	\$ 26,420,089
Due from State	13,028,878
Accounts receivable – net	444,295
Prepaid expenses	<u>1,391</u>
Total current assets	<u>39,894,653</u>
Noncurrent Assets	
Loan receivable – Halekauwila Partners, LLC	17,000,000
Investment in limited partnership	112,069
Water source allocation credits	249,642
Land, improvements, infrastructure networks, and construction in progress	112,614,886
Other capital assets, net of depreciation	<u>35,277,023</u>
Total noncurrent assets	<u>165,253,620</u>
Total assets	<u>205,148,273</u>
Deferred outflows of resources	<u>596,788</u>
Total assets and deferred outflows of resources	<u>\$205,745,061</u>

(Continued)

**STATE OF HAWAII,
HAWAII COMMUNITY DEVELOPMENT AUTHORITY**

**STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES
(Continued)**

As of June 30, 2016

Current Liabilities	
Accounts payable	\$ 589,217
Unearned revenue	167,099
Accrued payroll	156,891
Rental security deposits	104,344
Current portion of long-term obligations	82,928
Due to State Treasury	<u>1,268,923</u>
Total current liabilities	<u>2,369,402</u>
 Long-term Liabilities	
Noncurrent portion of long-term obligations	<u>15,684,933</u>
Total long-term liabilities	<u>15,684,933</u>
 Total liabilities	<u>18,054,335</u>
 Deferred inflows of resources	<u>20,587</u>
 Net Position	
Invested in capital assets	147,891,909
Restricted for capital projects	12,702,702
Unrestricted	<u>27,075,528</u>
 Total net position	<u>187,670,139</u>
 Total liabilities, deferred inflows of resources and net position	<u>\$205,745,061</u>

**STATE OF HAWAII,
HAWAII COMMUNITY DEVELOPMENT AUTHORITY
STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES**

For the Year Ended June 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expenses) Revenues and Changes in Net Position</u>
Governmental Activities			
General government	\$ 6,717	\$ -	\$ (6,717)
Leasing and management	2,149,714	1,649,889	(499,825)
Community redevelopment	1,493,147	7,150,229	5,657,082
Capital projects	<u>4,120,311</u>	<u>-</u>	<u>(4,120,311)</u>
Total governmental activities	<u>\$7,769,889</u>	<u>\$8,800,118</u>	<u>1,030,229</u>
General Revenues			
State allotments, net of lapsed appropriations			1,442,299
Investment earnings			<u>124,718</u>
Total general revenues			<u>1,567,017</u>
Change in net position			2,597,246
Net position – beginning of year			<u>185,072,893</u>
Net position – end of year			<u>\$187,670,139</u>

**STATE OF HAWAII,
HAWAII COMMUNITY DEVELOPMENT AUTHORITY**

BALANCE SHEET – GOVERNMENTAL FUNDS

As of June 30, 2016

	<u>General Fund</u>	<u>Leasing and Management</u>	<u>Community Redevelopment</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash in State Treasury and petty cash	\$92,327	\$ 10,016,366	\$ 16,311,397	\$ -	\$ 26,420,090
Due from State	-	-	-	13,028,878	13,028,878
Accounts receivable – net	-	424,708	19,586	-	444,294
Prepaid expenses	-	1,391	249,642	-	251,033
Loan receivable – Halekauwila Partners, LLC	-	-	17,000,000	-	17,000,000
TOTAL ASSETS	<u>\$92,327</u>	<u>\$ 10,442,465</u>	<u>\$ 33,580,625</u>	<u>\$ 13,028,878</u>	<u>\$ 57,144,295</u>
LIABILITIES					
Accounts payable	\$ 14,058	\$ 276,649	\$ 104,429	\$ 194,081	\$ 589,217
Accrued payroll	-	24,796	-	132,095	156,891
Unearned revenues	-	167,099	-	-	167,099
Rental security deposits	-	104,344	-	-	104,344
Due to State Treasury	3,500	1,268,923	-	-	1,272,423
Total liabilities	<u>17,558</u>	<u>1,841,811</u>	<u>104,429</u>	<u>326,176</u>	<u>2,289,974</u>
FUND BALANCES					
Nonspendable:					
Prepaid expenses	-	1,391	249,642	-	251,033
Loan receivable	-	-	17,000,000	-	17,000,000
Total nonspendable fund balances	-	1,391	17,249,642	-	17,251,033
Restricted	-	-	-	12,702,702	12,702,702
Committed	74,769	8,599,263	16,226,554	-	24,900,586
Total fund balances	<u>74,769</u>	<u>8,600,654</u>	<u>33,476,196</u>	<u>12,702,702</u>	<u>54,854,321</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$92,327</u>	<u>\$ 10,442,465</u>	<u>\$ 33,580,625</u>	<u>\$ 13,028,878</u>	<u>\$ 57,144,295</u>

**STATE OF HAWAII,
HAWAII COMMUNITY DEVELOPMENT AUTHORITY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2016

	General Fund	Leasing and Management	Community Redevelopment	Capital Projects	Total Governmental Funds
REVENUES					
State allotted appropriations	\$286,999	\$ -	\$ -	\$ 1,155,300	\$ 1,442,299
Contributions from property owners	-	-	464,612	-	464,612
Dedication and reserve housing fees	-	-	8,362,446	-	8,362,446
Investment earnings	-	52,048	72,669	-	124,717
Leasing and management	-	1,611,513	-	-	1,611,513
Other	-	38,375	109	-	38,484
Total	<u>286,999</u>	<u>1,701,936</u>	<u>8,899,836</u>	<u>1,155,300</u>	<u>12,044,071</u>
EXPENDITURES					
General government	-	480,739	-	2,006,511	2,487,250
Capital outlays	212,230	1,817,600	815,712	561,346	3,406,888
Total	<u>212,230</u>	<u>2,298,339</u>	<u>815,712</u>	<u>2,567,857</u>	<u>5,894,138</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	74,769	(596,403)	8,084,124	(1,412,557)	6,149,933
OTHER FINANCING SOURCES (USES)					
Transfers in	-	16,840,941	191,377	-	17,032,318
Transfers out	-	(16,678,109)	(354,209)	-	(17,032,318)
Total	<u>-</u>	<u>162,832</u>	<u>(162,832)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	74,769	(433,571)	7,921,292	(1,412,557)	6,149,933
FUND BALANCES, BEGINNING OF YEAR	<u>-</u>	<u>9,034,225</u>	<u>25,554,904</u>	<u>14,115,259</u>	<u>48,704,388</u>
FUND BALANCES, END OF YEAR	<u>\$ 74,769</u>	<u>\$ 8,600,654</u>	<u>\$ 33,476,196</u>	<u>\$ 12,702,702</u>	<u>\$ 54,854,321</u>



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**Hawaii Community
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