

LINDA LINGLE
GOVERNOR



CHAD K. TANIGUCHI
EXECUTIVE DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
HAWAII PUBLIC HOUSING AUTHORITY
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Statement of
Chad K. Taniguchi
Hawaii Public Housing Authority
Before the

**SENATE COMMITTEE ON EDUCATION AND HOUSING
SENATE COMMITTEE ON WAYS AND MEANS**

November 12, 2009, 1:30 P.M.
Room 211, Hawaii State Capitol

Concerning
**THE DECISION TO AWARD MICHAELS DEVELOPMENT COMPANY THE DEVELOPMENT
CONTRACT FOR HPHA'S REQUEST FOR PROPOSALS, OED-2009-15, TO REVITALIZE
AND REDEVELOP KUHIO PARK TERRACE AND KUHIO HOMES**

The Hawaii Public Housing Authority (HPHA) submits the following documents as testimony regarding the award to Michaels Development Company for the redevelopment of Kuhio Park Terrace and Kuhio Homes. Should the Committees desire additional documentation, HPHA will provide it as soon as possible.

- Attachment A: HPHA Board of Directors authorization, dated October 16, 2008, to engage a consultant and prepare a Developer Request for Proposals or Request for Qualifications.
- Attachment B: Authorization by the HPHA Board of Directors on February 19, 2009, to issue a Request For Proposals for redevelopment of Kuhio Park Terrace and Kuhio Homes.
- Attachment C: Meeting minutes of the HPHA Board of Directors March 19, 2009 meeting, at which time the proposed Developer Request for Proposals was approved by the Board.
- Attachment D: May 21, 2009 update presented to the HPHA Board of Directors regarding actions taken regarding the Developer Request for Proposals and the time table for future actions.
- Attachment E: HPHA Board of Directors ratification on August 20, 2009, of the selection of Michaels Development Company as the development partner for the redevelopment of Kuhio Park Terrace and Kuhio Homes.

FOR ACTION

SUBJECT: That the HPHA Board of Directors authorize the executive director to hire a consultant to assist HPHA with conducting a preliminary feasibility analysis for mixed income redevelopment and to help design a developer request for proposals or request for qualifications.

I. FACTS

- A. The Hawaii Public Housing Authority will need \$900 million to renovate 6,200 federal and state public housing units statewide over a 30-year period from 2003 – 2033, an average of \$30 million per year in capital investments.
- B. For the past six years capital contributions from the state and federal governments have averaged \$18 million per year, a shortfall of \$12 million per year. If this trend continues for the next 24 years, HPHA's capital shortfall will be approximately \$360 million.
- C. Without dramatic increases in state and federal capital funding, HPHA may be forced to keep units unrepaired, shut down units, demolish units, or sell units to nonprofit or for-profit housing providers. For example, the City & County of Honolulu is selling 11 affordable housing projects with approximately 1,100 units because it loses \$3.5 million annually in operating costs alone.
- D. HPHA is asking staff to be more productive in repair/maintenance work and contracting functions. HPHA is asking public housing residents to conserve water and electricity and to help repair and maintain units. HPHA is asking community volunteers to help repair units.
- E. HPHA will ask the State of Hawaii for adequate amounts of capital improvements project funding. HPHA works jointly with the Public Housing Authorities Directors Association (PHADA) and other advocacy groups to ask the Federal Government to provide adequate Capital Funds for public housing nationwide. Prospects for dramatic increases in state and federal capital funds for public housing appear unlikely.

II. DISCUSSION

- A. Mixed income redevelopments have been successfully implemented by housing authorities nationwide, including San Francisco, Seattle, and Washington, D.C. The concept involves unlocking the development potential of relatively low density properties by increasing the number of housing units at a housing project, and attracting new "affordable" and market rate income tenants who are able to pay higher than public housing rents for the additional units. Frequently, private sector developers or partners are brought in to provide capital funding in addition to what government can provide. The increased number of tenants and the higher rents support the additional capital and operational funding required. Another benefit of mixed-income redevelopments is income diversity in the redeveloped neighborhood, rather than a concentration of low income residents. The concept of "deconcentration" and increased diversity is a federal and state priority.

- B. HPHA Board Chair Travis Thompson visited the High Point mixed income redevelopment project in Seattle, Washington. Executive Director Chad Taniguchi visited mixed income redevelopment projects in San Francisco, Seattle, and Washington, D.C.
- C. HPHA introduced the concept of mixed income redevelopment to residents statewide during 16 Asset Management Project (AMP) resident community meetings from August – October, 2008. HPHA distributed an overview entitled "The Future of Public Housing in Hawaii," and stated that while no specific decisions had been made, the Board of Directors was interested in considering this concept for Hawaii public housing. Public housing residents were told that mixed income redevelopments use the following principles during the development:
 - a. One-for-one replacement of public housing so that current public housing residents maintain public housing opportunities,
 - b. Relocation on site during construction if the redevelopment is a rehabilitation project, or relocation with Section 8 Housing Choice Vouchers into private sector rentals offsite if the redevelopment is a "tear-down and rebuild" project,
 - c. Right to return to the redeveloped project once construction is completed, and
 - d. The public housing waitlist is maintained separately from waitlists for those qualifying for affordable or market rate rents.
- D. Residents statewide have been generally supportive of the concept of mixed income redevelopments during the resident community meetings. They understood the long term capital shortfall and the possible consequences to the public housing supply. HPHA staff stated that no specific decisions had been made to move forward with the concept, nor had any specific project been identified for mixed income redevelopment. HPHA staff stated that further resident meetings would be held in the event mixed income redevelopment would affect their specific public housing project.
- E. Hawaii state legislators and federal legislators have also been informed of the long term capital shortfall and HPHA's consideration of mixed income redevelopment as one possible solution. In general, legislators recognize that new solutions need to be pursued and that mixed income redevelopments have been successful in other public housing venues. A briefing for the Senate/House Housing Committees in August included presentations on mixed income redevelopment concepts.
- F. The Attorney General's office has reviewed the laws governing HPHA's authority to enter into mixed income redevelopments, and has preliminarily found there is no prohibition for HPHA to develop mixed income projects provided that certain requirements are met. Requirements may differ between state public housing and federal public housing. As plans for mixed income redevelopment become clearer, the Attorney General will continue to advise HPHA whether legislation may be required.
- G. The Hawaii office of the Department of Housing & Urban Development is supportive of HPHA pursuing mixed income redevelopments to improve public housing.
- H. The Governor's Office supports further exploration into possible solutions to improve public housing for the long term, including mixed income redevelopment.

- I. A Mixed Income Redevelopment Task Force of HPHA has met monthly since July 2008 to explore this concept and provide guidance to HPHA staff. The Mixed Income Redevelopment Task Force recommends a two-stage process.
 - a. The first stage involves contracting with an experienced consultant to assist HPHA with conducting a preliminary feasibility analysis and to help design a developer request for proposals or request for qualifications. Sufficient funds to hire a consultant were approved by the board in the FY 2009 HPHA budget. If the board approves hiring a consultant, a request for proposals would be issued for a consultant to begin work by February 2009. The consultant and staff would work together to present an analysis and recommendations to the board for approval.
 - b. Should the board approve the future recommendations, the second stage involves issuing a developer request for proposals or request for qualifications for either a rehabilitation project or a tear-down/rebuild project. A tentative timeline is for the developer request for proposals/qualifications to be issued by August, 2009, and for a developer to be contracted by January 2010. After community consultation and permitting, construction could start in 2011 or 2012 depending on whether the project involves rehabilitation only or tear-down/rebuild, and could be completed 1-3 years later depending on scope of work.

III. RECOMMENDATION

That the HPHA Board of Directors authorize the executive director to hire a consultant to assist HPHA with conducting a preliminary feasibility analysis for mixed income redevelopment and to help design a developer request for proposals or request for qualifications.

(If the action is approved, the executive director shall present recommendations for board approval prior to issuance of a developer request for proposals or request for qualifications.)

Prepared by: Chad K. Taniguchi, Executive Director CT

Director Dodson moved, Director Ignacio seconded,

To amend the motion to; that the HPHA Board of Directors authorize the Executive Director to issue a RFP to hire a consultant to assist HPHA in reviewing and updating preliminary feasibility analysis for mixed income redevelopment and to help design a developer request for proposals or request for qualifications.

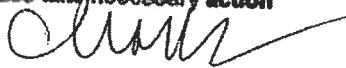
The amended motion unanimously carried.

Approved by the Board of Directors at its meeting on

OCT 16 2008

EXECUTIVE DIRECTORS OFFICE

Please take necessary action



EXECUTIVE DIRECTOR

FOR ACTION

SUBJECT: To Authorize the Executive Director to Issue a Request for Proposals for a Developer/Partner Mixed Income/Mixed Finance Redevelopment Project at Kuhio Park Terrace and Kuhio Homes

I. FACTS

- A. The Hawaii Public Housing Authority (HPHA) will need \$900 million to renovate 6,200 Federal and State public housing units statewide over a 30-year period from 2003 – 2033, an average of \$30 million per year in capital investments.
- B. Kuhio Park Terrace is a 614-unit family complex comprised of two 16-story high rise buildings and 14 low-rise buildings (2 single family homes, 4 duplexes and 8 row townhouse buildings) built in 1965. Kuhio Homes is a 134-unit family complex comprised of 21 2-story buildings and built in 1953.
- C. The HPHA introduced the concept of mixed income/mixed finance redevelopment at a Kuhio Park Terrace/Kuhio Homes community meeting held on September 6, 2008. Residents were generally supportive of the concept and understand the long term capital shortfall and the possible consequences to the public housing supply.
- D. On December 18, 2008, Urban Housing Communities, LLC, (UHC) an affordable housing development partner of Morgan Stanley, submitted an unsolicited proposal to the HPHA's Board of Directors to form a public/private partnership with the HPHA for the purpose of revitalizing and modernizing Kuhio Park Terrace and Kuhio Homes.
- E. On January 16, 2009, as a follow up to their unsolicited proposal UHC conducted a presentation to the HPHA's Board of Directors.

II. DISCUSSION

- A. Kuhio Park Terrace and Kuhio Homes may be a site for mixed income/mixed finance redevelopment.
- B. In February and March 2009, the HPHA intends to conduct community meetings to inform the residents that Kuhio Park Terrace and Kuhio Homes maybe selected for mixed income/mixed finance redevelopment and obtain feedback and participation.
- C. The developer request for proposal will include restoration of the original buildings and upgrading the interior and exterior finishes to include, but not limited to the following:
 - Modernizing the mechanical, electrical and plumbing systems.
 - Renovating common areas, including hallways and stairways.
 - Repairing and repaving roadways, sidewalks, and parking areas.
 - Possibility of adding affordable and market rate units.
- D. The Hawaii office of the U. S. Department of Housing and Urban Development is supportive of pursuing mixed income/mixed finance redevelopment at Kuhio Park Terrace and Kuhio Homes.
- E. Timeline for the completion and issuance of the RFP is as follows:

E. Timeline for the completion and issuance of the RFP is as follows:

<u>Activity</u>	<u>Date</u>
Board Approval	February 19, 2009
Completion of Draft RFP	March 6, 2009
<u>Completion of AG Review</u>	<u>March 13, 2009</u>
Issuance of RFP	March 16, 2009
<u>Proposal Deadline</u>	<u>June 15, 2009</u>
Complete Proposal Evaluation	July 15, 2009
Notice of Award	August 2009
Start of services	September 2009

III. RECOMMENDATION

Staff recommends that the HPHA's Board of Directors authorize the Executive Director to issue a request-for-proposals for a Developer/Partner for a mixed income/mixed finance redevelopment project at Kuhio Park Terrace and Kuhio Homes.

Prepared by: Rick T. Sogawa, Acting Procurement Officer RS

Reviewed by: Chad K. Taniguchi, Executive Director CT

Approved by the Board of Directors at its meeting on

FEB 19 2009

CONTRACT & PROCUREMENT OFFICE

Please take necessary action



EXECUTIVE DIRECTOR

HAWAII PUBLIC HOUSING AUTHORITY

Procurement Policy Subject to Concurrence by the State Procurement Office (SPO)

The amendment was unanimously carried.

The motion as amended was unanimously carried.

Director Yoshioka moved, Director Ignacio seconded,

To Adopt the Hawaii Public Housing Authority's Non-Discrimination Policy and Complaint Procedures.

Chairperson Thompson asked why the HPHA does not incorporate by reference DHS's policy and procedures.

Shirley Befitel, Personnel Supervisor, stated the HPHA is using DHS's policy, but the change is in the complaint form. In the past, any employment discrimination would go directly to DHS; the HPHA did not see the complaint. The HPHA feels because the complaint is from the HPHA's employee, the HPHA should do its own investigation. The DHS is not communicating the complaint with the HPHA.

Director Smith asked who this process applies to. Ms. Befitel responded this applies to employees, people who apply for housing, and people who apply for a job.

Chairperson Thompson asked how an applicant finds out about the complaint procedures. Ms. Befitel stated once the procedure is in place the housing managers and administrative staff will be trained to inform the applicants and residents.

Director Ignacio stated it seems like the HPHA is creating a new procedure because the old procedures are not working well. The HPHA should look into fixing the old procedures.

Director Smith stated she feels it may be helpful to have Designee Olivia present for this discussion.

Chairperson Thompson stated the motion will be deferred to next month.

Director Dodson moved, Director Aiona seconded,

To Accept the Developer Request For Proposal for the Mixed Income Redevelopment of Kuhio Park Terrace and Kuhio Homes.

The motion was unanimously carried.

Director Hosino moved, Director Berthiaume seconded,

To go into Executive Session at 2:06 p.m. pursuant to Hawaii Revised Statutes sections 92-4 and 92-5(a)(4) to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities as related to compliance with the Americans with Disabilities Act, Section 504 of the Rehabilitation Act of 1973,

RITY'S NON-DISCRIMINATION POLICY AND COMPLAINT PROCEDURES

TO ACCEPT THE DEVELOPER REQUEST FOR PROPOSAL FOR THE MIXED INCOME REDEVELOPMENT OF KUHIO PARK TERRACE AND KUHIO HOMES

EXECUTIVE SESSION

FOR INFORMATION

SUBJECT: Update on the Status of the Request for Proposals for a Mixed Income/Mixed Finance Redevelopment Project at Kuhio Park Terrace and Kuhio Homes

I. FACTS

- A. On April 1, 2009, the Hawaii Public Housing Authority (HPHA) issued a two-step request for proposals (RFP No. RFP OED-2009-15) for a mixed income/mixed finance redevelopment project at Kuhio Park Terrace and Kuhio Homes.
- B. The schedule was published as follows:

Step One - Qualifications	
<u>Activity</u>	<u>Date</u>
Advertisement/Issuance of RFP	April 1, 2009
Pre-Proposal Conference	April 14, 2009
Submission of Developer Qualifications	May 1, 2009
Notification of Selected Qualified Respondents	May 15, 2009
Step Two – Technical Submission	
<u>Activity</u>	<u>Date</u>
Issuance of RFP	May 15, 2009
Submission of Developer Proposals	July 10, 2009
Presentation(s) by Developer(s)	July 30 & 31, 2009
Notification of Selected Developer	August 10, 2009
Complete Development Contract	October 16, 2009

II. DISCUSSION

- A. On April 14, 2009, the Contract and Procurement Office conducted a Pre-Proposal Conference at the HPHA – Building E conference room followed by a site inspection of Kuhio Park Terrace and Kuhio Homes with interested applicants.
- B. A seven-member evaluation committee was appointed by the Executive Director consisting of governmental and non-governmental employees. The committee included a resident of Kuhio Park Terrace, HPHA staff, staff from the City and County of Honolulu and non-governmental representatives with expertise in the field of affordable housing development.
- C. The HPHA received a total of four proposals by the required due date. A review of the proposals indicated that the minimum submission requirements were met.
- D. An evaluation of the applicant qualifications was conducted on May 11, 2009 and May 13, 2009 by the seven-member evaluation committee.
- E. On May 15, 2009, four offerors selected to participate in the Step 2: Technical Submission process were notified of their selection and mailed a copy of the request for technical submissions.

Prepared by: Rick T. Sogawa, Acting Procurement Officer RS

For Information – May 21, 2009

FOR ACTION

SUBJECT: Approval of the Selection of a Developer for the Hawaii Public Housing Authority's Mixed Income/Mixed Finance Redevelopment Project at Kuhio Park Terrace and Kuhio Homes

I. FACTS

- A. Kuhio Park Terrace is a 614-unit family complex comprised of two 16-story high rise buildings and 14 low-rise buildings (2 single family homes, 4 duplexes and 8 row townhouse buildings) built in 1965. Kuhio Homes is a 134-unit family complex comprised of 21 2-story buildings and built in 1953.
- B. The HPHA introduced the concept of mixed income/mixed finance redevelopment at a community meeting held at Kuhio Park Terrace/Kuhio Homes on September 6, 2008. Residents were generally supportive of the concept.
- C. In February 2009, the Hawaii Public Housing Authority's Board of Directors authorized the Executive Director to issue a Request for Proposals to form a public/private partnership for the purpose of revitalizing and modernizing Kuhio Park Terrace and Kuhio Homes.
- D. A seven-member evaluation committee was appointed by the Executive Director consisting of government and non-government employees. The committee included a resident of Kuhio Park Terrace, staff from the City and County of Honolulu, representatives with expertise in the field of affordable housing development and HPHA staff.
- E. On April 1, 2009, the Contract and Procurement Office issued a two-step Request for Proposals, RFP OED-2009-15, for a mixed income/mixed finance redevelopment project at Kuhio Park Terrace and Kuhio Homes. The Step 1: Qualifications were due no later than May 1, 2009.
- F. The HPHA received a total of four proposals for Step 1, by the required due date and time. A review of the proposals indicated that the minimum submission requirements were met.
- G. The evaluations of the proposals by the evaluation committee were conducted on May 11, 2009 and May 13, 2009.
- H. Four offerors were selected to proceed and participate in the Step 2: Technical Submission with a proposal due date of July 13, 2009.
- I. The HPHA received a total of two proposals for Step 2, by the required due date and time. A review of the proposals indicated that the minimum submission requirements were met.
- J. On August 4, 2009, the evaluation committee conducted oral presentations from each interested offeror. The HPHA requested best and final offers from each interested offeror with a due date of August 11, 2009.
- K. Best and final offers were received from the two interested offerors by the required due date and time.

- L. The evaluations of the proposals by the evaluation committee were conducted on August 5 and August 11, 2009, and the basis for the staff recommendation below.

II. DISCUSSION

- A. The recommended developer has over thirty five years of experience in all aspects of housing development, from conception through construction completion, ownership and operation.
- B. The recommended developer's core development team includes the following:
- Developer;
 - Local Developer;
 - General Contracting Firm;
 - Master Planner Architect;
 - Civil Engineer;
 - Property Management/Relocation Specialist/Supportive Services Provider;
 - Corporate and Tax Attorneys;
 - HUD Counsel; and
 - Local Counsel
- C. The conceptual design proposed by the recommended developer includes the following:
- New mix of households including public housing, project-based voucher and market rate units;
 - Planned increase in the total unit count from 748 to 1024;
 - One-for-One replacement of public housing units;
 - Improved neighborhood circulation with new streets;
 - Substantial renovation of KPT Towers A & B;
 - Construction of a New Senior Citizen Mid-Rise apartment; and
 - Phased demolition of Kuhio Homes and new construction of higher density low-rise family units.
- D. The recommended developer's proposed scope of work focuses on renovating both Towers, demolition and reconstruction of the low-rises, and upgrading the interior and exterior finishes.
- E. The recommended developer's financial plan consists of Tax Exempt Bonds, Federal and State Low Income Housing Tax Credits, Private Mortgages supported by Project-Based Section 8 vouchers, and \$15 million HPHA Capital Funding.
- F. Should the Board approve the selection of the recommended developer the next steps will include contracting with the developer (with Board approval), planning/permitting with resident and community input, followed by phased construction.

III. RECOMMENDATION

Staff recommends that the HPHA's Board of Directors approve the selection of The Michaels Development Company as the development partner for a mixed income/mixed finance redevelopment project at Kuhio Park Terrace and Kuhio Homes. *Approved by the Board at its meeting on*

AUG 20 2009

Prepared by: Rick T. Sogawa, Acting Procurement Officer

CONTRACT & PROCUREMENT OFFICE

Reviewed by: Chad K. Taniguchi, Executive Director

Please take necessary action

For Action – August 20, 2009

EXECUTIVE

FOR

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ATTACHMENT E-2