

**HAWAII PUBLIC HOUSING AUTHORITY
NOTICE OF MEETING
SPECIAL BOARD OF DIRECTORS MEETING
1002 North School Street, Building A Boardroom
Honolulu, Hawaii 96817
Thursday, September 7, 2017
10:00 a.m.**

AGENDA

I. CALL TO ORDER/ESTABLISHING QUORUM

II. PUBLIC TESTIMONY

Public testimony on any item relevant to this agenda shall be taken at this time. Pursuant to section 92-3, Hawaii Revised Statutes, and section 17-2000-18, Hawaii Administrative Rules, the Board may limit public testimony to three minutes per agenda item.

III. FOR ACTION

MOTION: To Terminate the Master Development Agreement Between the Michaels Development Company I, L.P., and the Hawai'i Public Housing Authority for Revitalization and Redevelopment of Kuhio Park Terrace and Kuhio Homes (RFP No. OED 2009-15) (Contract No. PMB 11-02) dated May 2011 ("MDA"), for Convenience for Phases 2 through 11, and to Authorize the Executive Director to Undertake All Actions Necessary to Effectuate the Termination of the MDA for Convenience for Phases 2 through 11.

The Board will go into executive session pursuant to Hawaii Revised Statutes sections 92-4, 92-5(a)(8), and 103D-105 to discuss, deliberate or make a decision on information that must be kept confidential, 92-5(a)(3) to deliberate concerning the authority of persons designated by the Board to negotiate the acquisition of public property, and/or 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 related to this motion.

If any person requires special needs (i.e., large print, taped materials, sign language interpreter, etc.) please call Ms. Didi Ahakuelo-Kepa at (808) 832-4694 by close of business three days prior to the meeting date. Meals will be served to the Board and support staff as an integral part of the meeting.

HAWAII PUBLIC HOUSING AUTHORITY
MINUTES OF THE SPECIAL BOARD OF DIRECTORS MEETING
HELD AT 1002 NORTH SCHOOL STREET, BUILDING A
HONOLULU, HAWAII 96817
ON THURSDAY, SEPTEMBER 7, 2017
IN THE CITY AND COUNTY OF HONOLULU, STATE OF HAWAII

The Board of Directors of the Hawaii Public Housing Authority held their Special Board Meeting at 1002 North School Street, on Thursday, September 7, 2017. At approximately 10:08 am, Chairperson Pono Shim called the meeting to order and declared a quorum present. Those present were as follows:

PRESENT: Director Pono Shim, Chairperson
Director Nani Medeiros, Vice-Chairperson
Director Jason Espero, Secretary
Director George De Mello
Designee Lila King
Director Myoung Oh
Director Laura Smith
Director En Young

Deputy Attorney General Jennifer Sugita
Deputy Attorney General Klemen Urbanc

EXCUSED: Director Lisa Darcy

STAFF PRESENT: Hakim Ouansafi, Executive Director
Barbara Arashiro, Executive Assistant
Chong Gu, Chief Financial Management Advisor
Stephanie Fo, Special Projects Coordinator
Becky Choi, State Housing Development Administrator
Rick Sogawa, Contract and Procurement Officer
Benjamin Park, Planner
Sarah Beamer, Planner
Grace Masaki, Attorney General's Office
Didi Ahakuelo-Kepa, Secretary

OTHERS PRESENT (and signing in as):

Olivia Peterkin, Civil Beat
Andrew Gomes, Star Advertiser
Liz Char, Michaels Development Company
Ann C. Peterson, Better Tomorrows
Brandon Hegland, Interstate Realty Management
Robert Faleafine, Realty Laua LLC
June Talia, Kuhio Homes resident

Chairperson Shim stated that all Board members received the letter via email on September 6, 2017, from Karen Seddon, Vice President, Michaels Development Company. Director De Mello was not listed on the email and a copy was provided at the meeting. Chairperson Shim allowed Board members to review the letter before proceeding.

Public Testimony

Chairperson Shim opened public testimony and reminded testifiers to identify the item on the agenda that they were testifying on pursuant to 92-3, Hawaii Revised Statutes and Section 17-2000-18, Hawaii Administrative Rules. The Board requested that the public limit testimony to three minutes per agenda item.

June Talia, resident of Kuhio Homes testified that she wants to serve the residents of Kuhio Homes and Kuhio Park Terrace Low Rise and does not want to offend anyone. Ms. Talia stated that the residents would like to keep themselves separate from Michaels Development Company (MDC). She encouraged the Board to allow the property to remain managed by Realty Laua.

Director Nani Medeiros asked Ms. Talia to clarify her statement to "keep us separate from Michaels". Ms. Talia clarified that the tenants want to stay under Realty Laua and the State of Hawaii, HPHA. She stated that many of the tenants don't want to be managed by MDC. Ms. Talia stated that she supported the redevelopment by MDC in 2009 because that is what the residents wanted, but they no longer want them. She is prepared to circulate a petition and spoke to various people, including Legal Aide, who support her. She reiterated that she has been talking to residents in the community and this is what they want.

Robert Faleafine, President of Realty Laua stated that he is not testifying as a business person and personally does not know Michaels very well. He stated that he is testifying on behalf of the residents of Kuhio Homes and Kuhio Park Terrace Low Rise. For several months, the residents have been asking for their support and that the residents under MDC have expressed their concerns. Mr. Faleafine stated that they cannot help these residents because Realty Laua does not have authority to make changes for them.

Mr. Faleafine has been involved in public housing and Kuhio Park community for over 20+ years. He personally knows the families that live there, their concerns and fears. Many are concerned because of the stories from the residents that live across the street (under Michaels) from their family and friends. The residents wanted to start a petition, but Mr. Faleafine encouraged them to find a different option to express their opinions. He mentioned about a month ago at their community/resident meeting the main topic was how they can stay under current management and not be under Michaels. He stated that the residents requested that he attend the HPHA's Board meeting and speak on behalf of the residents. Based on his long history and experience with these families

he was obligated to share their concerns and testify about the community's desires. He reiterated that he was testifying as a citizen on behalf of the many residents from Towers, Kuhio Homes and Kuhio Park Terrace Low Rise who have approached him for help.

Director Medeiros asked whether Mr. Faleafine is testifying in support of the motion that was presented. Mr. Faleafine responded that he is in support of what the tenants want and that they do not want Michaels Development to manage their side. He stated that he is in support of the motion.

Director Medeiros asked whether Ms. Talia is in support of the motion. Ms. Talia responded that she supports the motion.

Liz Char, Developer Officer with Michaels Development Company. Ms. Char introduced Brandon Hegland of Interstate Realty Management of Hawaii and Annie Peterson, Director of Social Services for Better Tomorrows. Ms. Char apologized for the tardiness of the letter as they did not find out about the agenda item until late last Friday. She testified that the Michaels Development Company request that the Board of Directors not approve the motion under consideration. She stated that the Towers of Kuhio Park underwent substantial renovation and the project was a success. They have a stabilized occupancy rate of 98% and REAC score of 91. The Better Tomorrows provides exceptional social services for the residents. Ms. Char stated that Annie Peterson has done a lot of work to put the community together, providing valuable supportive service programs and bringing the community together. She mentioned as an affordable housing developer, their goal is to provide decent, quality, safe housing for those in the community that need it.

Brandon Hegland, Managing Director for Interstate Realty Management, stated that he oversees the Management of Towers of Kuhio Park. Mr. Hegland stated that he can provide a different perspective from Ms. Talia. He feels that although Ms. Talia may know a lot of the residents, he doesn't feel that she speaks for the majority of tenants. Mr. Hegland stated that he is extremely passionate about his job and the crime rate is extremely low. He explained that many people are in need of housing, there is a long waiting list for housing and this action will delay the project. He stated that the majority of residents are getting excellent services and are extremely happy. He stated that June Talia is a leader in the community holding her neighbors and residents accountable and that the Realty Laua security team does a good job. He further stated that the community has improved, but there is a lot of work that still needs to be done. He mentioned that it would take a lot of money and work to get the low rise up to HUD standards and they could do two things at one time by adding units to help more families. Mr. Hegland suggested the Board tour the property of the Towers Kuhio Homes and Low rise before making a decision.

Director Medeiros asked Mr. Hegland if he is aware that the motion being considered is to terminate the contract with Michaels and it is not to stop the redevelopment. This means the units that Mr. Hegland mentioned that are so important are still planned to be

brought on line. Mr. Hegland responded that they have a proven track record and do a good job and that termination of the agreement would delay the redevelopment longer.

Annie Peterson, Social Services Director for Better Tomorrows, stated that her office is housed in Tower B and that they have 17 different social service programs and work with 30 different agencies and businesses who provide services at the Towers. They do an Aloha Patrol at night. She stated that this is really about the residents and existing community and with all due respect to June Talia, Ms. Peterson knows that June does not speak for all of the residents. All of their social services are open to all of the tenants in the community and she interacts with tenants, including those from the low rise. Building on what Mr. Hegland stated, besides coming out and touring, she encouraged the Board talk to the residents to find out what they want.

FOR ACTION

Director Medeiros moved,

To Terminate the Master Development Agreement Between the Michaels Development Company I, L.P., and the Hawai'i Public Housing Authority for Revitalization and Redevelopment of Kuhio Park Terrace and Kuhio Homes (RFP No. OED 2009-15) (Contract No. PMB 11-02) dated May 2011 ("MDA"), for Convenience for Phases 2 through 11, and to Authorize the Executive Director to Undertake All Actions Necessary to Effectuate the Termination of the MDA for Convenience for Phases 2 through 11.

Executive Director Hakim Ouansafi reported that MDC was selected prior to his tenure and the current Board and that the renovation of existing units, under KPT Phase 1 resulted in a reduction of public housing unit. The HPHA's negotiation team, which includes a consulting company that specializes in mixed financed housing projects, have been diligently trying to negotiate Phase 2 in good faith and consistent with the MDA.

Executive Director Ouansafi explained that Phase 2 in the MDA is more complicated than the renovation of the KPT towers. He commented that the same negotiation team was able to successfully negotiate and execute multiple agreements with other developers such as the redevelopment at Mayor Wright Homes, which is five times larger than the KPT Phase 2, and the redevelopment at School Street, which is twice as big. Executive Director Ouansafi explained that we have been and remain at an impasse with negotiations for KPT Phase 2. In contrast, the environmental review work for both Mayor Wright Homes and School Street are underway and almost completed.

Executive Director Ouansafi stated that after four years negotiations the HPHA's negotiating team have unanimously agreed that continuing with MDC is no longer in the best interest of our tenants, the HPHA, taxpayers and the community. Moving forward

with this termination would save taxpayers' dollars, expedite the development and bring much needed improvements of our housing, specifically for our tenants and the perspective tenants that are on our waitlist.

Executive Director Ouansafi stated after hearing testimony earlier that there are serious concerns of current management at the Towers at KPT. He clarified, however, that this motion is not about Phase I or about the Towers. The HPHA will continue to move forward and work with MDC and their companies, Better Tomorrows and Interstate Realty Management, to make the necessary changes and improvements to the Towers and its operations. The HPHA will also continue to work with Better Tomorrows, which has done a good job in collaboration with the many non-profits that have been working at the property to improve the lives of residents at KPT.

Executive Director Ouansafi stated that it is not uncommon for MDAs to include an option for partners to terminate an agreement. As such, the HPHA negotiating team is recommending that the Board terminate the existing MDA with MDC for convenience to be able to move forward. He further stated that the negotiating team wishes MDC well with the other projects they are working on and reiterated that the impetus for this motion is truly about the best interests of the tenants and the KPT community, perspective tenants, neighbors and the taxpayers.

Director Myoung Oh moved,

To go into executive session pursuant to Hawaii Revised Statutes sections 92-4, 92-5(a)(8), and 103D-105 to discuss, deliberate or make a decision on information that must be kept confidential, 92-5(a)(3) to deliberate concerning the authority of persons designated by the Board to negotiate the acquisition of public property, and/or 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 related to this motion.

The Board entered Executive Session at approximately 10:37 am

The Board reconvened at approximately 11:54 am

Chairperson Shim reported during Executive Session that the Board consulted with their attorneys on Board's duties, immunities and liabilities, received information that must be confidential and deliberated about the status and negotiations with Michaels Development Company. There being no further discussion, Chairperson Shim called for the vote.

The motion was unanimously approved.

Chairperson Shim expressed that the Board is in receipt of the MDC letter from Karen Seddon regarding the termination of the MDA for convenience. He thanked all that attended and testified in support and in opposition to the motion. The Board finds after receiving numerous updates from the HPHA staff for the past two years, that the HPHA's negotiating team has been negotiating with Michaels in good faith and consistent with the MDA for the redevelopment of Kuhio Homes. In addition to the Executive Director's monthly reports to the Board, regarding the KPT development, the Executive Director has been updating Chairperson Shim and providing him with historical background and documents since he started as Chair.

Director Medeiros requested the Board submit a Resolution in support of HPHA and its negotiating team, and would like Chairperson Shim to draft it. The Board unanimously agreed and Chairperson Shim also agreed to present the draft at the next Board meeting for review.

Designee King moved,

To adjourn the meeting.

The motion was unanimously approved.

The meeting was adjourned at approximately 11:56 am

MINUTES CERTIFICATION

Minutes Prepared by:

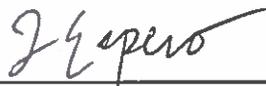


OCT 19 2017

Deidra Ahakuelo-Kepa
Secretary

Date

Approved by the Hawaii Public Housing Authority Board of Directors at their Regular Meeting on October 19, 2017 [] As Presented [] As Amended



OCT 19 2017

Director Jason Espero
Board Secretary

Date