

SPECIAL MEETING
BOARD OF WATER SUPPLY
Tuesday, June 27, 2006

The Board of Water Supply, County of Kaua'i, met in special meeting at its office in Lihu'e on Tuesday, June 27, 2006. Vice Chairperson Myles Shibata called the meeting to order at 9:15 a.m. On roll call, the following answered present:

BOARD: Mr. Myles Shibata, Chairperson
Mr. Ian Costa
Mr. Donald Fujimoto (present at 9:27 a.m.)
Mr. Steven Kyono
Ms. Lynn McCrory
Ms. Bernie Sakoda

Absent & Excused: Ms. Josephine Sokei, Chairperson

STAFF: Ms. Wynne Ushigome
Mr. Paul Ganaden
Mr. Bruce Inouye
Mr. Keith Fujimoto
Mr. Edward Doi
Mr. Jim Tagupa, Deputy County Attorney

Absent & Excused: Mr. Gregg Fujikawa
Mr. Les Yoshioka

GUESTS: Mayor Bryan Baptiste
Mr. Bernard Carvalho, Community Housing Agency Director
Mr. Ron Kouchi, Kaua'i Lagoons Representative

AGENDA

Mr. Kyono moved to approve the Agenda, seconded by Ms. McCrory; motion was carried.

NEW BUSINESS

Re: Request to Testify by Mayor Bryan Baptiste to Give an Overview of the County's Proposed Affordable Housing Projects

Mayor Bryan Baptiste stated that they requested separate time for this meeting to address the Board to inform them of the island's crisis of a lack of affordable housing, which they are trying to mitigate. They have been working with the landowners and the State on where the needs are for affordable housing and how they can meet those needs. The landowners sponsored a survey, which showed a need of about 2,300 units in the next 5 years. They intend to seek locations for affordable housing and to garner partnerships to get it done.

The first affordable housing unit that he wanted to introduce was the 82 affordable housing units for Kauai Lagoons that are located next to the Kintaro Restaurant in

Waipouli. This project could be ready for construction very soon if the water requirement could be solved and the building permit signed. Mayor added that the lack of water is a concern for almost all the areas that are proposed for affordable housing. They are now working with the State who is willing to have 8 parcels available for affordable housing via Executive Order. The County is also looking at parcels to purchase for affordable housing. These affordable housing units on County and State lands would stay affordable in perpetuity.

Mayor mentioned that with the Surface Water Treatment Plant (SWTP) being online to service the Hanamaulu and Lihue areas, they thought that the water that was taken from Kapaa to feed Lihue would now be available for the Waipouli area. Also, they felt that there would be more storage capacity as Waipouli Beach Resorts were building a storage tank and would also be available for the Kauai Lagoons Affordable Housing Units.

Kauai Lagoons Waipouli 82-Unit Affordable Housing Units

Mr. Ron Kouchi testified on behalf of Kauai Lagoons. He stated that initially when they met with the previous Manager there was an indication that there was adequate water for their project but since then, they have met with Acting Manager Ushigome and Mr. Fujikawa of the DOW and was informed that there is a recent problem with the 3rd well that is servicing the Kapaa area. Mr. Kouchi added that with the SWTP being online, the 3rd well was shut down and the DOW is working on doing another well. He stated that they thought they had adequate source water for their project; but with this recent development, there is now a concern to keep up with current water service and was not part of the equation of their initial discussions. Mr. Kouchi felt that there is available source and storage but under the current policies that the DOW has to administer, as long as you reauthorize your subdivision, you are still in line for water; therefore, essentially only the Board can waive that particular policy and allocate water. Therefore, Mr. Kouchi stated that he was at the meeting to see whether the Board was willing to consider waiving the policy to allocate water for his project. If the Board is willing, he wanted to know what type of paperwork would need to follow.

Mr. Kouchi summarized that their 82 units are all affordable units and are not part of their market project at the Kauai Lagoons in Lihue. The units include 50% of 1-bedroom units, 25% of 2-bedroom units and 25% of 3-bedroom units. He added that as part of their negotiations with the County Housing Agency, one half of their units would be at 80% or below of the median income level and then one half of the 80% would need to be 65% because the County has almost 400 Section 8 Certificates that could be awarded to people but there are no Section 8 units available. They feel that they have a project that is addressing those in our community that have the most critical need to find reasonable rentals.

Kauai Lagoons has promised the Mayor and Council that they would give their best effort to build the bulk of the affordable units before any of their market units. They have submitted their building permit on December 30, 2005 and have gotten approval from all of the other applicable agencies except for water. Mr. Kouchi stated that until they get a letter that issues water for their project, they are unable to get

financing. Mr. Kouchi stated that they are ready to do groundbreaking by mid-July or a more realistic date would be August 1st since the next Water Board Meeting is on July 18, 2006. They have already selected Armstrong Builders as their contractor and have been on-island since January, 2006 to lineup their subcontractors so they can start as soon as possible.

Mr. Fujimoto was present at the meeting at about 9:27 a.m.

Mr. Kouchi discussed his concern that water is allocated to projects for a significant amount of years even whether the project is ready to build or not; therefore, the Mayor has introduced legislation that if nothing is done for the project for five years, the process to downzone the project begins and they lose their entitlement.

Mr. Kouchi added that Acting Manager Ushigome was also concerned that the storage tank is projected to be done in June, 2008. Through their normal course of action, they would not be able to start construction until the tank was done; therefore, the start date would be realistically in 2009 when their units would be done, as compared to having their first building built by 2007.

On query by Ms. McCrory, Mr. Kouchi stated that all of the units are rentals that would be owned, operated and qualified through the County Housing Agency based on their affordable guidelines.

On query by Ms. McCrory, Mr. Kouchi stated that it has been tradition that the subdivision would be re-authorized and water is allocated towards your property and he does not know what are the other unconstructed projects that have been allocated water.

Mr. Kouchi thanked the Board and left the meeting at about 9:28 a.m.

Mayor Baptiste stated that they have been working with the DOW at the Affordable Housing Task Force meetings and asked the Board for help in seeking ways to make affordable housing work. He discussed that maybe Water Plan 2020 need to be looked at again to check the priorities. He understands the problem when the island has growth and he was hoping to work to solve the issue of the growth that exists today.

Mr. Bernard Carvalho of the Community Housing Agency also testified and stated that the Affordable Housing Task Force has been meeting every other Monday for the past 2 years. The task force consists of the following County Departments: Planning, Water, Engineering, and the Building Division. The task force has identified the following 10 projects to work on that would have all affordable units.

	Project	Location	# of Units	Description	Concerns
1.	Kauai Lagoons	Waipouli	82	Req't of Lihue's Kauai Lagoon's Project	Source/storage
2.	Hookena	Puhi	56	Schuler	Puhi Booster Pump
3.	Grove Farm Self-Help	Puhi	49	self-help	transmission
4.	Habitat for Humanity, Phase I	Eleele	123	Ph. I – 18units w/ 7 done & 11 to go.	none.
5.	Paanau Village	Koloa	?	by Koloa School	?-still working on it.
6.	Kukuiula	Poipu		employee housing	?
7.	Kalepa III Kalepa IV	Hanamaulu	?	III – Sept. 2006 IV – still working on	none.
8.	Princeville	Princeville	?	?	Kilauea has no land to develop well & has a 5-meter restriction.
9.	Kekaha Res. Lots	Kekaha	41	owned by DHHL - project started	none
10.	DHHL - Phase I Phase II	Anahola	82 26	?	develop a well.

Mr. Carvalho stated that these projects were identified as the projects are either in the loop or could hopefully be done in the next 3-year period.

Also, through Executive Order from the State, the County has 8 parcels that will be set aside and held in perpetuity for affordable housing units.

Mayor Baptiste added that in order to expedite the process these parcels would be done under the Request for Proposals (RFP) process to the private sector to develop and turnkey.

Mr. Carvalho discussed that another committee was formed to work on these State lands and are meeting on the off Mondays from the Affordable Task Force Meetings. He added that there was some discussion on whether these lands were ceded or not.

Mr. Carvalho added that he and the Mayor have met with the Office of Hawaiian Affairs (OHA) and have agreed to do a Memorandum of Understanding (MOU) that these State lands will be used for affordable housing only. Mayor Baptiste has signed the MOU and is presently with OHA.

Mr. Carvalho further discussed that the MOU covered 4 of the State lands as it was found out as of May 22, 2006 that 4 parcels were ceded and 4 were not. However, since then it was found that all 8 parcels are ceded lands. They have since talked to OHA about amending the MOU to reflect the ceded lands, which is still pending.

Mayor Baptiste added that for these affordable housing units, it would be a requirement that they go through the Home Ownership Program training. The County will be partnering with Alu Like and all the other Hawaiian organizations to ensure that the minimum of 20% part-Hawaiians are qualified for home ownership.

Mr. Carvalho has also met with AHA, which is the umbrella of all the Hawaiian agencies at Kauai Community College. They will assist with the networking to all of their agencies. They are working on getting area maps for them.

Mr. Carvalho further explained the RFP process where one developer would take care of every phase of the project for all of the lands. Mr. Carvalho added that they are looking into doing the 201G fee exemption process for the whole project, although water does not qualify for an exemption due to the health and safety factor.

Mr. Carvalho stated that this committee at the last few meetings have been doing team assessments by all of the County agencies on what are the requirements.

Mayor Baptiste's concerns were: 1) the timing of the project of Water Plan 2020 and 2) should affordable housing bear the brunt of infrastructure costs.

Ms. McCrory asked Mayor Baptiste if he checked with County Attorney's Office if it is legal to transfer water rights from one development to another. Mayor Baptiste was hoping to possibly review and revise the process from a planning point of view.

Ms. McCrory stated that it would be easier for the Board to make a decision if they had a list of the projects, its description, the timing of the project and its issues. Mr. Carvalho stated that they are working on a spreadsheet now and will get that to the Board. He gave the following brief summary of projects:

	Project	Description	# of Units	Cost (millions)	Adequacy		
					Source	Storage	Trans.
1	Kekaha	33.1 acres, R-6 Next to DHHL lot		\$4.7	No	No	Yes
2	Waimea	58 acres		\$4.0	No	No	Yes
3	Anahola	1.7 acres		\$1.1	Yes	Yes	No
4	Hundley Hts. Kapahi	13 acres	40 Multi-family	\$5.4	No	No	Yes
5	Back of Kapa'a HS			\$5.5			
6	Kaapuni Road	17.7 acres		---	No	No	Yes
7	Kaapuni Road	18.2 acres		---	No	No	yes
8	Kaapuni Road	1.5 acres		---	No	No	Yes

Mr. Carvalho stated that they will be doing this spreadsheet of all the requirements and devise a scoring method to prioritize the projects. Presently, he felt that the Kekaha project would be Priority No. 1. Mayor Baptiste added that both Kapa'a projects will probably be both done via the RFP process as well as combining the 3 lots on Kaapuni Road.

Mr. Carvalho added that they will be reviewing the projects to compile 3-4 projects and do a timeline on the projects. It is known now that Waimea will be the last on the list because of the difficult terrain.

Mayor Baptiste discussed that even with all of these upcoming affordable housing projects, the island is still about 800 units short on the north and south shores. He asked the Board for assistance in resolving this problem.

Ms. McCrory asked if affordable housing could be supported by the County's General Fund monies from next year's budget as this is an islandwide problem and with some private water systems that do not pay for County water, it would make sense as everyone pays real property taxes. Mayor Baptiste stated that would be possible to set aside some monies as \$4 million were already incorporated into the budget to buy lands for affordable housing. He added that he would not know if he could do for all the cost of the infrastructure; therefore, a suggestion was to do impact fees unfortunately for developers and/or homeowners.

Mayor Baptiste stated that the priority projects would be in Kekaha and Kapa'a, especially since sewer is not a problem in those areas. The other lands would need to set aside areas for a septic tank, which is also a reason why they are doing R-6 designation instead of R-10. Ms. McCrory suggested that a possibility could be to look at doing multifamily units to maximize the land and save on costs, although she does not know what the issues are in the area, like if a sewer treatment plant is needed.

Mr. Costa stated that it would be helpful to know the total number of units in each area so the DOW could check their Water Plan 2020 projects in those areas to see if it would be possible to re-prioritize the water projects to coincide with the timing of the affordable housing projects as they are developed.

Mr. Kyono also suggested that there could be a partnering process with the hiring of a developer through the RFP process and the DOW funding of our Water Plan 2020 projects could be done a refundable basis. This process could save some time.

Vice Chair Shibata summarized that he hears the urgency for a policy or asking for consideration of the DOW for these affordable housing projects that are ready to go if a mechanism for the DOW to support the top 4 projects: Kāua'i Lagoons, Hookena, Puhī and 'Ele'ele. Also, there are long range planning issues that could be incorporated into Water Plan 2020. Mayor Baptiste concurred.

Mr. Fujimoto concurred with Mr. Kyono's suggestion to reimburse developers, etc., who can build infrastructure faster than we could to replenish our capacity.

Acting Manager Ushigome suggested that the Mayor could submit for adoption of a resolution or ordinance by the Council that would state the affordable housing projects that they support. If that is approved, it would be a basis for the Water Board to approve a policy in support of the Administration and Council's positions on affordable housing. Mayor Baptiste concurred that is a good idea but he does not have enough time.

Mr. Fujimoto concurred with Acting Manager Ushigome because if there are 2 upcoming projects, with one that will be considered to be affordable housing in perpetuity and the other is only temporarily considered affordable housing, which would we choose to support. In the future, the DOW could be criticized on the choice of who was given water first.

Mayor Baptiste reiterated the urgency of having affordable housing that is why he is trying to see what can be done with what is available now.

Acting Manager Ushigome stated that she would be uncomfortable with setting a bad precedent of waiving water requirements as we will then have others complain on why some have to do water requirements and others do not have to. Mayor Baptiste stated that if they were told from the beginning that there were water requirements for the Kaua'i Lagoons Waipouli parcel, they would have looked instead at other properties. When DOW was first approached, they were told that water would not be a problem. Mr. Fujimoto suggested that maybe we can allow the affordable housing projects that are not for perpetuity to proceed then when the affordable housing requirement sunsets, then the water requirements become effective or pay the money back at market price.

Ms. McCrory stated that it was unfortunate and unexpected that Nonou Well "A" has become out of service. On query by Ms. McCrory, Mr. K. Fujimoto stated that Kapa'a Homesteads Well No. 3 will be online in early, 2007. On query by Ms. McCrory, Mr. K. Fujimoto stated that the construction of the Stable Tank is projected to be done about mid year of 2008. On query by Ms. McCrory, Mr. K. Fujimoto also stated that one of the major conditions in the Water Storage Facilities Development Agreement between Waipouli Beach Resort and the Department to get water was that the tank had to be under design.

Mr. Fujimoto stated that we should give them incentives to do the affordable housing earlier.

Mr. Carvalho will submit to the Board a spreadsheet priority list of County affordable housing projects, its location, total number of units, general time frame, etc.

Mr. Costa moved to look for alternatives for finding the requisite meters for Kauai Lagoons Waipouli Project, to see what can be done with that commitment in their time frame prior to the next Board Meeting, seconded by Ms. McCrory.

The Board discussed that they thought that the building permit was in the processing of being signed by all parties. On query by Ms. McCrory, Mr. Fujimoto stated that the tank that would supply the necessary storage to this project is still under design. On query by Mr. Costa, Mr. Doi stated that the DOW did not sign their building permit. Vice Chair Shibata asked staff to review pending projects in the area that could be delayed.

Acting Manager Ushigome stated that it was an engineering-based decision for this project that resulted because of the lack of source and storage in the area and she would prefer to not stray from an engineering-based decision. She confirmed Mr. Kyono's query that this engineering-based decision was with the knowledge that the third well will be out of service. Acting Manager Ushigome further stated that water for all of the previously approved and still valid proposed projects in the area have been reserved and allocated and are part of the Department's engineering-based decision.

Acting Manager Ushigome and Mr. Doi explained that the 5-meter policy in this area originated because of the storage deficiency and to spread it out to allow more projects versus giving it to one person. Based on this, Mr. Fujimoto felt that there is some leeway and that the Board would need to decide if they want to do a revised policy to support affordable housing.

Motion was carried.

Ms. McCrory summarized that the Board should now: 1) focus on the Kauai Lagoons Project; 2) have the other affordable housing projects prioritized; 3) The Board and staff should revisit the Water Plan 2020 projects to see if there is a project that may support this area and may be re-prioritized accordingly.

Mr. Fujimoto suggested that maybe water should be now be reserved for affordable housing. Ms. McCrory concurred that may be an idea to do a policy.

Mr. Costa moved to ask the staff to give an update report or submit the minutes of the affordable task force meetings at each Water Board Meeting, seconded by Ms. Sakoda; motion was carried.

Mayor Bryan Baptiste thanked the Board for the opportunity to be at their meeting. Vice Chair Shibata also thanked the Mayor as this is an important issue.

ADJOURNMENT

There being no further business, Ms. McCrory moved to adjourn the meeting at 11:00 a.m., seconded by Mr. Costa; motion was carried.

Respectfully submitted,

Rona Miura, Secretary

APPROVED:

Wynne M. Ushigome
Acting Manager and Chief Engineer

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