

SUMMARY - MEETING NO. 270

HAWAII COMMUNITY DEVELOPMENT AUTHORITY

State of Hawaii

March 5, 2003 - 9:00 a.m.

Hawaii Community Development Authority
677 Ala Moana Boulevard, Suite 1000, Conference Room
Honolulu, Hawaii 96813

ATTENDANCE

Members Present: Lori Ann Lum; James Kometani; Christine Camp; Michael Goshi; Allan Los Banos; Russ Saito; Gary Kondo; Glenn Okimoto (for Rodney Haraga); Stanley Shiraki (for Georgina Kawamura); Theodore Liu; Kathy Sokugawa (for Eric Crispin); Micah Kane; Maeda Timson

Members Absent: Patrick Kubota

Others Present: Jan Yokota; Matthew Akamu; Francine Champoux; Miko Dargitz; Gayle Ito; Sandy Pfund; Arnold Imaoka; Irene Iha; Neal Imada; Cal Machida; Melvin Nishimoto; Susan Tamura; Teney Takahashi; Marvin Uehara (also, see Meeting Attendance Record)

I. ROLL CALL

The meeting of the Hawaii Community Development Authority was called to order on March 5, 2003 by Chair Lori Ann Lum at 9:00 a.m. with the following roll call:

Member Kometani	Present
Member Camp	Present
Member Los Banos	Present
Member Kondo	Present
Chair Lum	Present
Member Goshi	Present
Member Saito	Present
Member Okimoto	Present
Member Shiraki	Arrived at 9:06 a.m.
Member Liu	Present
Member Sokugawa	Present

Member Kane	Present
Member Timson	Present

MATERIALS DISTRIBUTED

1. Agenda for March 5, 2003 Meeting;
2. Summary Minutes of Regular Meeting of January 8, 2003;
3. Information Item: Navy Report for Kalaeloa;
4. Action Item: Approval of the Designation of Land Use for Portions of the "Akoko Parcel" at Kalaeloa (Lot 13058-D) as "Conservation" and the Remaining Portions as "Commercial"
5. Action Item: Approval of the Redesignation of Land Use for Portions of the Eastern "Heritage Park" Parcel at Kalaeloa (Lot 13058-G) from "Park" to "Conservation" and the Remaining Portions from "Park" to "Commercial"
6. Action Item: Approval to Authorize the Executive Director to Enter into a Development Agreement with KUD International LLC for the Development of an Aquarium and Marine Research Complex at the Kakaako Waterfront;
7. Action Item: Approval to Authorize the Executive Director to Enter into an Agreement with the City and County of Honolulu for the Early Acceptance of Maintenance Responsibilities for the Ward Avenue Extension and Ilalo Street Improvements and Expedited Dedication of the Rights-of-Way in Exchange for Certain Remnant Land Interests Held by HCDA

II. APPROVAL OF MINUTES

1. Regular Meeting of January 8, 2003

Chair Lum asked if the Members had any corrections to the minutes.

There were none.

It was moved by Member Los Banos and seconded by Member Kondo that the Minutes of the Regular Meeting of January 8, 2003 be approved, as written. The motion passed unanimously.

III. REPORT OF THE EXECUTIVE DIRECTOR

Ms. Yokota noted that her report was enclosed in the packet distributed to the Authority members and said that she would be happy to answer any questions regarding her report.

Ms. Yokota added that there are a number of bills affecting HCDA that are currently being considered by the Legislature. She distributed a handout that listed the bills affecting HCDA and highlighted the bills that have crossed over to the other house of the Legislature.

One of the bills would change two of the four at-large Authority members from direct appointments by the Governor to appointments that would be selected from lists submitted by the Speaker of the House and the Senate President. Ms. Yokota said that this bill had crossed over to the Senate.

Another bill (H.B. 1395) authorized the issuance of special facility revenue bonds in the amount of \$40 million for an ocean science center in Kakaako. The overall authorization for issuance of these bonds was approved by the Legislature two years ago. This bill provided specific budget authorization for the issuance of the bonds, and also has crossed over to the Senate.

A third bill proposed the consolidation of the Aloha Tower Development Corporation (ATDC) with HCDA. The vehicle that crossed over was S.B. 1287. The bill transferred responsibilities for the Aloha Tower project to HCDA but did not add any new members to the Authority.

Two other bills that have crossed over transfer \$1.6 million from ATDC's special fund to the general fund. Ms. Yokota wanted to bring these bills to the Members' attention in the event that the Aloha Tower consolidation bill was passed by the Legislature. Should the bill pass, the concern was whether there would be sufficient funds for HCDA to oversee and maintain operations at Aloha Tower.

There was also a bill in the Legislature that appropriated \$7 million dollars in general obligation bond funds for work at Kalaeloa, but that bill has been held in committee.

Chair Lum asked the members if there were any other questions regarding the Executive Director's report. There were none.

IV. ITEM FOR INFORMATION

A. Navy Report for Kalaeloa.

Chair Lum requested that the record reflect that Member Shiraki had joined the meeting at 9:05 a.m.

The report was given by Mr. Randy Hoffman, the Base Realignment and Closure (BRAC) Division Director for the Pacific Division of the Naval Facilities Engineering Command. Mr. Hoffman gave the Authority an update on behalf of the Navy regarding Kalaeloa.

Mr. Hoffman said that he wanted to report on two issues.

The first issue related to the Department of Hawaiian Home Lands (DHHL) parcels. The Navy has been working with the General Service Administration (GSA), which is processing the real estate paperwork for the conveyance of several parcels to DHHL. As of January 2003, GSA has transferred 258 acres to DHHL. There are three parcels left to be conveyed to DHHL by the GSA. There are endangered Akoko plants on these three parcels; GSA is currently working on this issue.

The second issue related to a Federal law that was passed in November 2002 that allows for conveyance of Base Realignment and Closure (BRAC) properties to non-profit conservancy organizations for conservation use. There are two parcels at Kalaeloa that the Navy would like to convey using this new conservancy legislation. The two parcels, which make up the "Western Heritage Park" parcel, were previously rejected by the State Department of Land and Natural Resources (DLNR). Under this scenario, the property would be protected under a "conservation" land use designation. The Navy will be sending a letter asking for HCDA concurrence with the use of this new legislation. Mr. Hoffman concluded his report by indicating that there were some parties who were interested in using this new law.

Chair Lum asked the members if there were any questions regarding Mr. Hoffman's report. There were none.

Ms. Yokota then circulated to the Members a list of the actions that HCDA needed to take for Kalaeloa. Actions regarding two parcels were being considered at this meeting: (1) the Akoko Parcel; and (2) the Eastern Heritage Park parcel.

HCDA staff is continuing to follow up on infrastructure issues with the City. Ms. Yokota said that the license for the wastewater system is expected to be approved by the City soon, although the conveyance of both the water and wastewater systems remains to be completed.

HCDA has also sent out a Memorandum of Understanding (MOU) regarding the payment of assessments for operational costs to all of the landowners involved in the area. To date, the Department of Hawaiian Home Lands (HDDL) has signed the MOU and an invoice for payment has been submitted to DHHL. Although it was not clear whether the Department of Transportation (DOT) had signed the MOU, staff was of the understanding that DOT also intended to submit payment for its assessment. The Department of Education had also signed the MOU and will be submitting payment for its assessment. At this point, the other agencies had not yet signed the MOU.

Member Timson asked whether there would be any consequences if the other agencies did not sign. Ms. Yokota responded that it would be difficult to require agencies to sign the MOU. The legislation that transferred responsibilities for Kalaeloa to HCDA provided for an assessment process, but did not establish an enforcement mechanism.

Member Timson made an additional comment concerning Roosevelt Road, which is the main thoroughfare between Ewa Beach and Kapolei. This heavily used road is generally considered to be quite dangerous because it lacks proper lighting. Member Timson asked the Department of Transportation to bring the road up to City and State standards.

V. ITEMS FOR ACTION

2. Approval of the Designation of Land Use for Portions of the "Akoko Parcel" at Kalaeloa (Lot 13058-D) as "Conservation" and the Remaining Portions as "Commercial".
3. Approval of the Redesignation of Land Use for Portions of the Eastern "Heritage Park" Parcel at Kalaeloa (Lot 13058-G) from "Park" to "Conservation" and the Remaining Portions from "Park" to "Commercial".

Because of the similarity of the items, Ms. Dargitz summarized together the Action Items distributed to the Authority relating to these two parcels.

Also, for the benefit of the new Members, Ms. Dargitz provided a brief background on Kalaeloa. She explained that the entire district consists of about 3,700 acres, of which approximately 1,100 acres have been retained by the Navy. Several Federal agencies, including the Coast Guard, National Guard and Veterans Administration

have acquired land at Kalaeloa. Most of the remainder of the land at Kalaeloa has been designated for conveyance to various State and County agencies, such as the Department of Hawaiian Home Lands, the Department of Transportation - Airports Division, the Housing and Community Development Corporation of Hawaii, the University of Hawaii and the City Department of Parks and Recreation.

The two parcels for which action was being requested at the meeting have no designated landowner at this point.

The first Action Item related to the redesignation of the land use for portions of the Eastern Heritage Park parcel from Park to Conservation and the remaining portions from Park to Commercial. Ms. Dargitz noted that this parcel was approximately 58 acres in size. This parcel was initially requested by and awarded to the State Department of Land and Natural Resources (DLNR). However, DLNR later retracted its request, making it available for conveyance to State and local entities. The parcel was formerly home to the Barbers Point Southern Trap and Skeet Range. Environmental remediation of the parcel has been completed to a level sufficient for park use.

There are several areas within this parcel where significant archaeological features have been found. These archaeological features have been isolated by the construction of berms around them. The remaining areas have been cleared of structures and vegetation and these include about 20 acres in the southern portion of the parcel that can potentially be used for commercial or recreational development.

Ms. Dargitz directed the Members' attention to Exhibit 2 of the Action Item that described the parcel in greater detail.

The second Action Item pertained to the land use designation of portions of the Akoko parcel as Conservation and the remaining portions as Commercial. Ms. Dargitz said that, although the situation regarding this parcel is similar to that of the Heritage Park parcel, there are a few differences. Whereas the Eastern Heritage Park parcel was originally requested by a State agency and underwent subsequent land use designation and environmental remediation, the Akoko parcel was originally requested by the U.S. Fish and Wildlife Service which is a federal agency. Since the U.S. Fish and Wildlife Service is a federal agency, the parcel did not receive a land use designation.

Subsequently, because the Navy and the U.S. Fish and Wildlife Service were unable to reach agreement on the terms of transfer of the property, the Navy declared the Akoko parcel "surplus" on June 20, 2002, making it available for conveyance to State and local entities. To facilitate allotment and conveyance of this parcel, a land use must be designated to enable the Navy to begin its required environmental impact analysis.

Because the parcel was formerly home to the Barbers Point Northern Trap and Skeet Range, environmental remediation of the parcel will be conducted after the land use is designated.

In addition, there are several areas within the parcel on which the endangered Akoko plant have been found. The Navy is in the process of determining the range of the endangered plants to ensure proper protection. There are also significant archeological sites within some areas of the parcel. In total, there are approximately 15 acres of the parcel directly adjacent to Coral Sea Road that are unencumbered by both the Akoko plant and archaeological features (except for a single Akoko plant) that could be suitable for economic development. The Navy is investigating the possibility of relocating the single Akoko plant.

Ms. Dargitz then summarized the staff recommendations as follows.

With respect to the Eastern Heritage Park Parcel, it is requested that the Authority: (1) approve the redesignation of the encumbered portions as Conservation and unencumbered portions as Commercial; and (2) authorize staff to pursue an economic development conveyance for those portions of the parcel designated for commercial use.

With respect to the Akoko parcel, it is requested that the Authority: (1) approve the designation of the encumbered portions of the Akoko parcel as Conservation and the unencumbered portions as Commercial; and (2) authorize staff to pursue an economic development conveyance for those portions of the parcel designated for commercial use.

Chair Lum asked the Members if there were any questions regarding Ms. Dargitz's presentation.

Member Timson asked staff to clarify who would be responsible for maintaining the conservation areas of the parcels.

Ms. Dargitz said that HCDA has spoken with different organizations that would be interested in partnering with HCDA or working with HCDA to maintain the conservation areas.

Member Timson asked who is currently maintaining those areas.

Ms. Dargitz replied that both parcels are still owned by and are being maintained by the Navy.

Member Timson inquired about the relocation of the one Akoko plant, and asked if there was a possibility of relocating more than one plant.

Mr. Hoffman responded that the Navy is in the process of planting at least 300 plants on that parcel to mitigate the loss of Akoko plants on adjacent parcels. The Navy will survey the number of plants that are there and investigate the possibility of adding some relocated plants to this population.

Member Sokugawa noted that the staff recommendation was essentially for conservation and commercial uses on both of the lots. She wanted to remind the Members that the City's Special Area Plan reflects the original designations. Since the Special Area Plan has been adopted by the City Council, HCDA may have to request an amendment to that plan at some point.

Member Sokugawa added that her understanding was that the commercial designation was being proposed not only to allow for economic development opportunities at Kalaeloa, but also to offer the possibility of earning revenue to an organization to allow the conservation lands to remain in conservation. Additionally, as the representative of the City department in charge of the City's long range planning, Member Sokugawa noted that, although the City endorses and embraces economic development for Kalaeloa because it is desperately needed, the City would like the HCDA to be aware that any development should be done within a regional context. She is concerned that the vision for Kalaeloa is currently fragmented and that, while commercial use may make sense for this particular site to conserve the historic resources and the endangered species, the commercial designation should be looked at within the context of the larger area. Some concerns include: impact on traffic; the type of anticipated commercial development in relation to currently planned development; and the location of focal points of

economic development (e.g., the airport or in the downtown area). Member Sokugawa reiterated that she would like the Authority to look at these two parcels within the larger context, and consider how they fit within the grand vision for Kalaeloa.

Member Saito inquired as to whether there was a Kalaeloa Master Plan.

Ms. Yokota replied affirmatively. Member Saito wanted to know how the above issues related to the Master Plan.

Ms. Yokota said that, with respect to the Master Plan, concerns have been expressed at both the State and City levels that the Master Plan should be revisited and that there should be some amendments or certain changes to the plan.

She agreed that, in the comprehensive review of the Plan, HCDA has to look at the regional issues, particularly traffic issues.

Ms. Yokota added that it is intended that the commercial designation would allow the generation of revenues that could be used to support a conservation program for the two parcels that were being discussed.

Member Sokugawa wanted to clarify that the Authority will have the ability to set conditions or requirements on what type of commercial activities would be appropriate for these parcels.

Member Timson mentioned that the Kalaeloa Special Area Plan was not part of the original regional plan prepared by the City because the regional plan was in place before Kalaeloa was turned over to the Redevelopment Commission. She added, however, that the Commission did work with the City Council in formulating the Kalaeloa Special Area Plan. Therefore, Member Timson did not expect any problems with the designation of the conservation area. She added that, while she understood the concerns of the City and State, the community is concerned that Kalaeloa may not be redeveloped for 20-25 years. Member Timson said that she was on the Commission from the beginning, and she has found the situation very frustrating, as a large portion of the Kalaeloa district is now overflowing with litter, where the entire area used to look so beautiful. Therefore, Member Timson asked the Authority to expedite the process, especially since there is an elementary school in the area.

Chair Lum asked the members if there were any further questions. There were none. It was moved by Member Timson and seconded by Member Los Banos to adopt staff's recommendations. Chair Lum asked whether the Members wanted to amend the motion to reflect the concerns discussed earlier.

Member Saito commented on the need to update the Master Plan. Ms. Yokota agreed, and added that HCDA has initiated some discussions within the Administration regarding revisiting the Plan.

Member Sokugawa proposed the following amendment: "To adopt the staff recommendations with the additional requirement that the commercial designation use is partnered with the conservation designation in terms of future development potential for the overall project site".

It was moved by Member Timson and seconded by Member Sokugawa to approve this amended motion.

The motion passed unanimously.

Members Sokugawa, Kane and Timson left at 9:35 a.m.

The meeting recessed at 9:35 a.m. and resumed at 9:40 a.m.

V. ITEMS FOR ACTION (continued)

4. Approval to Authorize the Executive Director to Enter into a Development Agreement with KUD International for the Development of an Aquarium and Marine Research Complex at the Kakaako Waterfront.

Mr. Takahashi summarized the Action Item distributed to the Authority concerning this matter.

He explained that this Action Item follows the Authority's approval to enter into exclusive negotiations with KUD International LLC (KUD) in November 2002. These negotiations have produced a draft Development Agreement and a form of Ground Lease (included in the Members' Authority meeting packets). Also attached to the Development Agreement is a Declaration of Conditions, Covenants and Restrictions (DCCR). The DCCR establishes common area management fees for the project. It is a generic document previously approved by the Authority and will apply to every project in the Waterfront.

Mr. Takahashi said that KUD, which specializes in putting together complex public/private projects, is proposing a unique concept for the Aquarium and Marine Research Complex.

KUD anticipates three major components for the complex: an aquarium that would probably be owned and operated, in some form, by the University of Hawaii; new and expanded facilities for the Kewalo Marine Laboratory of the Pacific Biomedical Research Center; and a private research facility.

Although these components could be independently financed and operated, KUD anticipates that they will share common areas, including a conference center and an auditorium. KUD is now in discussions with potential owner/operators, although no firm commitments have been made.

At this point, KUD and HCDA have only agreed that KUD will attempt to design this project at KUD's sole risk. When the project has been organized and the proposed owners are in place, KUD will submit a Phase Development Plan, which will be a detailed business plan, to the Authority for approval. The Phase Development Plan will identify the owner/operators, and will provide details of the project, including design, financing program, timing, parking program and the status of future phases. Providing a status report on future phases is important to assure the Authority that the total project will eventually be developed. Mr. Takahashi noted that the Development Agreement does not grant approval for the project, but only establishes the procedure for achieving this approval. If the approval is granted, HCDA would then execute leases with the new owners. KUD will establish separate contractual relationships with each of these entities.

To further explain, Mr. Takahashi used a chart to describe the process. The first step was the approval of the Development Agreement with KUD. Thereafter, KUD would identify, and develop contracts with, potential owners for each of the components that would include the University of Hawaii. Subsequently, KUD would come back to the Authority for approval of the Phase Development Plan. Upon approval, HCDA would issue ground leases directly to the individual owners.

Mr. Takahashi said that this process offered a viable prospect for the development of this complex project. Since the PBRC must be relocated, redeveloping it together with a private research institute will create

critical mass and synergy for the entire project, while contributing to the momentum for the overall development of the Waterfront.

The approval of the Development Agreement by HCDA would provide tangible evidence of HCDA's support, and the establishment of a clearly defined procedure for achieving project approval would help to attract the many other participants and lender commitments that will be necessary for successful completion of the project.

A significant point is the need for HCDA to commit to providing and operating centralized public parking on mutually acceptable terms. This commitment is conditioned on obtaining the necessary approvals and funding commitments.

With respect to the form of ground lease, the term is established at 57 years, which would include a base term of 55 years and a two-year construction period. Major revisions to the lease are not anticipated, although KUD may request some revisions to accommodate lender requirements and the requirements of the permanent owner/operators of each component of the project.

As previously approved, annual lease rents for the aquarium and the Kewalo Marine Laboratory components would be \$1 a year. Lease rent for the private research institute would be market rent for the proposed use, but would not exceed 6% of fair market value of the land.

Mr. Takahashi then introduced Mr. Marvin Suomi, President and CEO of KUD International LLC.

Mr. Suomi began with a brief background on KUD International. He explained that KUD is a company that undertakes the development of large, complex public/private development projects throughout the world.

Mr. Suomi said that, since November 2002, KUD has been moving ahead with plans for the Aquarium and Marine Research Complex. In addition, under the leadership of University of Hawaii Manoa Chancellor Peter Englert, a task force has been formed to discuss the program needs of the aquarium and the laboratory components of the project. The task force includes staff of the Waikiki Aquarium, Pacific Biomedical Research Center (PBRC), the Chancellor's Office and others.

He added that plans for the private research institute are also progressing, and that KUD has been identifying and interviewing potential directors for the institute. The University of Hawaii Medical School advisory board, which has been leading the effort for a private research institute, has endorsed this site as the logical choice for the institute.

KUD has also been supporting bills currently being considered by the Legislature that would expand upon Act 180, SLH 2001, which authorized the issuance of special facility revenue bonds for an Ocean Science Center. The bills would allow the issuance of \$40 million in revenue bonds for this project.

Mr. Suomi said that the process outlined for development of the Aquarium and Marine Research Complex is based on KUD's Silvertown Quays project. The Silvertown project is the single largest redevelopment project in London, totaling over \$1.5 billion. Its centerpiece will be the development of a new National Aquarium.

Mr. Suomi added that the Development Agreement, for which approval of the Authority was being requested, is very important to KUD because it provides the substance and the terms needed for discussions with potential investors and collaborators in this project.

Mr. Suomi then introduced Mr. Chuck Davis, of EHDD Architecture, to describe conceptual drawings for the buildings, including the proposed aquarium. Mr. Suomi said that he believed that EHDD is regarded as the best architectural firm in the world of aquaria.

Mr. Davis thanked the Authority and acknowledged that his firm had been interested in the concept of creating a great aquarium in Hawaii for the last 15 years. Mr. Davis noted that the Aquarium and Marine Research Complex is proposed for a 10.3-acre parcel that would consist of three components. These are: the aquarium, located adjacent to the Kakaako Waterfront Park promenade; a research facility that would house the Kewalo Marine Laboratory; and three additional 50,000 square feet buildings for the incubator and research institute that would complete the complex.

The aquarium component would be between 120,000 and 150,000 square feet, adjacent to a 350-person auditorium with conference and education facilities. The PBRC building would be about 50,000 square feet. In the proposed site plan, the aquarium is set back

from the edge of Point Panic to create additional public open space. This would also allow the continuation of a public promenade that would begin at one end of Kewalo Basin and extend around Kakaako Waterfront Park.

Mr. Davis indicated the designated locations for public parking, which are specified in the HCDA Waterfront master plan. The anticipated demand for public parking for the complex is approximately 1,100 cars, with 700 cars for the aquarium, and 400 for the research institute.

Mr. Davis indicated that their vision for the Kakaako aquarium is to construct a building that rises up out of lava rock which is the foundation of the Hawaiian Islands. The building would take advantage of the natural breezes of the site and exemplify sustainable practices.

Mr. Davis further explained details for the proposed site plan. There would be a landscaped parkway that would serve as the drop-off area at the entrance of the aquarium. Visitors would come in to a multi-story lobby. The building is conceived to be six stories in height and the visitors will be able to approach the building by going up through large elevators to the top and would come down through stairways and ramps to the bottom.

As visitors enter the multi-story lobby, they will have several options available, including three major exhibits. One of the major exhibits would be a coral tank with live corals. Another major exhibit would feature monk seals and would be much larger than the current exhibit at the Waikiki Aquarium. A third could be a sea turtle exhibit. Finally, a large two-story 600,000-gallon tank would feature larger species familiar to Hawaii and the Pacific.

The outdoor portion of the aquarium would feature fresh water exhibits. On the ground floor, the plans call for a gift store and a restaurant and coffee shop, for the public's convenience.

Mr. Davis concluded by saying that the one place in the world that really needs a world-class aquarium is Hawaii.

Mr. Suomi then returned to the podium to clarify questions that have been raised relative to this aquarium and the Ko Olina project. He stated that it

was important to differentiate the projects. The proposed aquarium in Kakaako, together with the other components in the complex, will be a facility that is unique in the world. The Kakaako aquarium will be a successor to the Waikiki Aquarium, and will have strong educational and research missions, while serving as a world-class attraction.

Mr. Suomi mentioned that several letters had been received in support of the project from the Chancellor of the University of Hawaii at Manoa, the Dean of the UH Medical School, and the Director of the PBRC Kewalo Marine Laboratory. Other letters of support were received from Kamehameha Schools, the Kakaako Improvement Association, and General Growth Properties.

Ms. Yokota circulated copies of the letters of support that had been received by HCDA.

Chair Lum asked the members if they had any questions on the presentation.

Member Camp inquired as to the marketability for this attraction. She asked KUD what their assumptions were regarding the viability of the project.

Mr. Suomi responded that KUD plans to come back to the Authority with a viable business plan. The initial assumptions in an earlier market study estimated as much as one million visitors per year. He said that KUD did not wish to utilize such high numbers, not because these are not achievable, but because KUD would prefer to be more conservative. For the project to be viable, KUD believes that only about half a million visitors per year would be needed.

Member Camp reminded Mr. Suomi that, when KUD is ready to present its business plan to the Authority, it would have to take into account the fact that Ko Olina may also have an aquarium and therefore would have to evaluate how it would impact these projections.

Chair Lum thanked Mr. Suomi and Mr. Davis for their presentations.

Member Saito inquired as to how KUD was selected for negotiations for this site. Ms. Yokota explained that KUD requested, and the Authority approved their request, to enter into exclusive negotiations for this site. This is similar to the situation with the medical school site, where HCDA received a request from the University of Hawaii to lease the site. HCDA has

the authority to elect to enter into exclusive negotiations for the leasing of its lands.

Member Liu said that his understanding was that the Authority is approving a process for the development of the site. As part of this process, a business plan will be developed. A number of steps need to be taken before the Authority approves the plan for this specific site.

Member Camp noted that, during the last three years while she has been serving on the Authority, a number of parties have provided proposals to the Authority for different sites, but have not been able to follow through for various reasons. From her perspective as a developer, for someone to assume the kind of risk, effort and expense that KUD has taken on, without a commitment from the landowner, is commendable. Member Camp said that it appeared that the plan that KUD has put forward is proceeding well.

Ms. Yokota added that, because a public facility was proposed for this site, Bishop Museum had earlier submitted a request to enter into negotiations and the Authority had approved this request. However, Bishop Museum later terminated their negotiations. She commented on the difficulty of building a public facility on this site.

Member Goshi said that the process used by the Authority has worked well, with the end result being that the Authority will be able to work with well-qualified companies. He added that KUD is to be commended for assuming this level of risk so early in the process.

Member Saito wanted to know how the Authority will be benefiting from this lease, aside from lease rent, and said that there were other alternatives for making money for the State.

Member Camp responded that she believed that the State was getting more than just lease rent with this project. She said that the proposed project is the most appropriate use for the oceanfront. From a public point of view, while it is important to generate revenue, what is most important is creating a future for the Kakaako area. Member Camp added that the KUD project is an excellent project, as is the University of Hawaii medical school. She said that the Authority should focus primarily on the use and, secondarily, on the financial aspects of the project.

Ms. Yokota commented that staff believes that the use will add to the overall development of the Waterfront area, and will help the State, in terms of supporting research and promoting economic development. Member Saito said that he understood what the Members were saying but he still believed that all that the State was getting out of this project was the lease rent.

Chair Lum thanked Member Saito for his comments and added that the Authority was mindful of the need to weigh the economic development potential of the site with its revenue generation potential.

Chair Lum asked the Members if there were any other questions.

Member Camp said that the developer should pay special attention to the design guidelines, such that the design of the complex incorporates Hawaiian concepts.

Chair Lum asked the Members if there were any other questions.

It was moved by Member Liu and seconded by Member Los Banos to authorize the Executive Director to enter into a Development Agreement with KUD International LLC for the development of an Aquarium and Marine Research Complex at the Kakaako Waterfront.

There being no other questions, Chair Lum called for a vote.

The motion passed unanimously.

The meeting was recessed at 10:25 a.m. and resumed at 10:30 a.m.

V. ITEMS FOR ACTION (continued)

5. Agreement with the City and County of Honolulu for the Early Acceptance of Maintenance Responsibilities for the Ward Avenue Extension and Ilalo Street Improvements and Expedited Dedication of the Rights-of-Way in Exchange for Certain Remnant Land Interests Held by HCDA.

Ms Pfund summarized the Action Item distributed to the Authority concerning this matter. She used a site map to indicate the different locations of the City wastewater project. She explained that there is a 60" wastewater force main running through the pier areas, which goes underwater at Piers 1 and 2, then goes out

to Sand Island under the sea. The project includes realignment of a portion of that force main, odor control systems and various modifications to the existing site and infrastructure. The project is estimated to cost \$20 million and take 22 months to complete, starting in October 2003.

Chair Lum thanked Ms. Pfund for her presentation and asked the Members if there were any questions.

It was moved by Member Kondo and seconded by Member Camp to authorize the Executive Director to enter into an agreement with the City and County of Honolulu for the early acceptance of maintenance responsibilities for the Ward Avenue Extension and Ilalo Street Improvements and expedited dedication of the rights-of-way in exchange for certain remnant land interests held by HCDA.

The motion passed unanimously.

VI. ADJOURNMENT

Chair Lum asked whether there were any other matters to be brought to the attention of the Authority members.

Ms. Yokota said that, in order to revisit the Plans and Rules for the Mauka Area, an Authority workshop would be scheduled in mid-April.

There being no other business, it was moved by Member Kometani and seconded by Member Camp to adjourn the meeting at 10:45 a.m. The motion passed unanimously.

Respectfully submitted,

/s/

Christine Camp
Secretary

