

SUMMARY - MEETING NO. 282

HAWAII COMMUNITY DEVELOPMENT AUTHORITY

State of Hawaii

April 7, 2004 – 9:00 a.m.

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

ATTENDANCE

Members Present: James Kometani; Michael Goshi; Paul Kimura; Allan Los Banos, Jr.; Patrick Kubota; Gary Kondo; Theodore Liu; Mark Anderson (for Theodore Liu); Stanley Shiraki (for Georgina K. Kawamura); Linden Joesting (for Rodney Haraga)

Kalaeloa Members: Raymond Young (for Eric Crispin); Linda Chinn (for Micah Kane); William J. Aila, Jr.; Maeda Timson

Members Absent: Lori Ann Lum; Evelyn Souza

Others Present: Daniel Dinell; Sandra Pfund; Melvin Nishimoto; Teney Takahashi; Cal Machida; Irene Iha; Marvin Uehara; Miko Dargitz-Hallett; Neal Imada; Stephen Miyamoto; Susan Tamura; Matthew Akamu, Chris Kempner; Annette Kawasaki; Lilinoe Lindsey; Francine Champoux (also, see Meeting Attendance Record)

I. ROLL CALL

The meeting of the Hawaii Community Development Authority was called to order on April 7, 2004 by Vice Chair James Kometani at 9:00 a.m. with the following roll call:

Vice Chair Kometani	Present
Member Goshi	Present

Member Anderson	Present, left at 10:40 a.m.
Member Liu	Arrived at 10:40 a.m.
Member Shiraki	Arrived at 11:00 a.m.
Member Kimura	Present
Member Kubota	Present
Member Kondo	Present
Member Los Banos	Present
Member Joesting	Present
Member Young	Present
Member Chinn	Present
Member Aila	Present
Member Timson	Present

MATERIALS DISTRIBUTED

1. Agenda for April 7, 2004 Meeting;
2. Summary Minutes of Regular Meeting of March 3, 2004;
3. Report of the Executive Director;
4. Information Item: Kalaehoa Status Report;
5. Action Item: Approval of Amendments to the Improvement District Rules, Chapter 20 of Title 15, Hawaii Administrative Rules, Relating to Kakaako Improvement District 11;
6. Action Item: Approval of Volunteer Legal Services Hawai'i Request for Rent Reduction.

II. APPROVAL OF MINUTES

1. Regular Meeting of March 3, 2004

Vice Chair Kometani 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 March 3, 2004 be approved, as written. The motion passed unanimously.

Vice Chair Kometani called for a short recess at 9:05 a.m. to begin the District-Wide Improvement Program Rules, Improvement District 11 Public Hearing.

The regular meeting of the Hawaii Community Development Authority reconvened at 10:20 a.m.

III. REPORT OF THE EXECUTIVE DIRECTOR

Mr. Dinell noted that the Executive Director's report was enclosed in the packet distributed to the Authority Members, and that he would like to mention a few specific items.

Mr. Dinell first introduced and welcomed Ms. Chris Kempner who recently joined the HCDA as Asset Management Specialist. Mr. Dinell added that Ms. Kempner was a graduate of the William Richardson School of Law and Cornell University, and that her enthusiasm, impeccable credentials, and strong real estate background will serve the Authority well.

Mr. Dinell next updated the Members on a legal matter, stating that, at its January 2003 meeting, the Authority had approved entering into a contingency fee agreement with the law firm of Roeca Louie and Hiraoka, to pursue litigation regarding an odor problem at the American Brewery Building.

Mr. Dinell noted that the Brewery Building was adjacent to the Honuakaha housing complex on Queen Street, and had been renovated by HCDA in 1995. Mr. Dinell added that public facility funds were utilized for the project with the intent to rent the space to community and non-profit groups. Almost immediately after occupancy, tenants started complaining of the presence of an odor. A study was conducted and found no apparent airborne toxins being present, but because of concerns regarding the smell, various remediation efforts were undertaken.

Mr. Dinell explained that, early in the study phase, it was determined that a chemical called PermaClear 65 applied to the flooring and wood beams to deter termites was the cause of the odor. Mr. David Louie has been named Special Deputy Attorney General and has been working closely with Cora Lum from the Attorney General's Office, as well as the Authority's Deputy Attorney General, Melvin Nishimoto.

Mr. Dinell stated that, while no Board action was required at this time, he wanted to advise the Members that the filing of the lawsuit was imminent. HCDA is seeking payments to remediate the problem, reimbursement of expenses from past remediation efforts, economic damages – since the building is now basically unoccupied – and attorneys fees. Mr. Dinell will schedule a briefing by Mr. Louie for the Members at a later date.

Mr. Dinell then updated the Members on the roof leak repairs at Honuakaha. In order to keep the funds from lapsing, the bids for construction work must be opened by June 2004. The architect informed HCDA that the funding deadlines could not be met due to the extensive AOA delays. A reauthorization of the General Obligation bond funds by the Legislature is being pursued.

Mr. Dinell also stated that if the conventional design-bid-build procedures followed in demolition of the roof were deferred until the annual dry season, the project would be delayed until early 2005. This would subject the Honuakaha occupants to another winter with a leaky roof. Therefore, based on input, staff is now considering a bid-design-build contract that would be more appropriate for an accelerated roof repair procedure.

To assist in the resolution of the matter, Vice Chair Kometani appointed the following Members to a subcommittee to review the plan with staff and report back to the Authority: Members Goshi, Kimura and Shiraki.

Mr. Dinell noted that the subcommittee would be very beneficial to HCDA staff in working on the Honuakaha issue, and it will enable staff to present recommendations to the Authority.

Mr. Dinell also stated that he and his staff had been meeting with a number of interested developers on a multitude of projects within Kakaako. Mr. Dinell said that potential developers are reminded that all major projects are subject to review and approval by the Authority. Mr. Dinell noted that the level of interest was validation of the excitement and interest that HCDA has generated through its activities.

Mr. Dinell next commented on a proposed 15,000 person capacity amphitheater at Kakaako Waterfront Park. He noted that the concept was that HCDA would lease the land to the City, and the City would build and own the facility, using its bond capacity to finance construction. A private operator would guarantee debt service to the City with a yet-to-be determined rent or excess operating income going to HCDA.

Mr. Dinell stated that there was a City Planning Commission meeting on Wednesday, March 31, 2004, to discuss placing the amphitheater on the City's Public Facilities Map. This is a necessary step in order to allow the City to fund the project. The City's Department of Design and Construction is the lead applicant in this project. HCDA's testimony pointed towards such a venue being compatible with HCDA's approved Master Plan of the area, but stressed the need to address infrastructure issues, including traffic and parking. The Commission

voted 5 to 0 to advance this matter; it will now go to the City Council on April 14, 2004.

Mr. Dinell noted that there are important matters relating to City funding. He stated that, for example, an environmental assessment would be required, should the project be publicly funded. Mr. Dinell added that there were two scenarios from HCDA's perspective. First, if the project conforms to the Makai Area Plan, with nominal density, a Project Eligibility and Development Permit would be required. Second, with more significant density of the type currently being discussed, a Makai Area Plan amendment to rezone the park, to include height and density would be required, and would entail public hearings and generally a much more involved and lengthy process. Mr. Dinell said that staff estimates a one-year period, at a minimum, to accomplish these steps. Mr. Dinell added that, under the second scenario, which reflects most recent discussions, a Special Management Area permit and associated public hearings would be required, in addition to a Development Permit.

Mr. Dinell added that another development issue involving the Board of Water Supply (BWS) District Cooling Exploratory Well Project on the John A. Burns School Of Medicine (JABSOM) site has apparently been successful. Mr. Dinell explained that the concept of the project is to pump cold seawater from several thousand feet in depth, and use heat exchange technology to provide chilled water for building air-conditioning. HCDA expects the BWS to request permission to drill five disposal wells and transmission lines necessary for the operation of a permanent facility. Mr. Dinell noted that, since three of the disposal wells were planned outside of the JABSOM site, land negotiations with HCDA for these wells, with a presentation of the full proposal to the Authority, is anticipated.

Mr. Dinell then gave the Members an update on the refunding of some of the older Improvement District (ID) Bonds. The Department of Budget and Finance (B&F) has appointed a selection committee comprised of three B&F employees who work on bond matters; they expect to start meeting this week. The Attorney General's Office has yet to appoint Bond Counsel, and HCDA is continuing to work on this issue, as it would reduce the costs to landowners who financed bonds under IDs 1, 2 and 3.

Lastly, Mr. Dinell stated that all Members should have received a copy of HCDA's Fiscal Year audit ending June 30, 2003. He added that HCDA has once again had a strong, clean outside financial audit. Mr. Dinell expressed his appreciation to Ms. Irene Iha and her team for their hard work on this matter. Mr. Dinell added that the report is available on HCDA's web site.

Vice Chair Kometani asked the members if there were any questions regarding the Executive Director's Report. There were none.

IV. ITEM FOR INFORMATION

A. Kalaeloa Status Report.

Mr. Dinell introduced Mr. Roger Au, the returning Barbers Point Naval Air Station Base Closure Coordinator. Mr. Au works at the Navy's Pacific Division, which oversees the Barbers Point Base Realignment and Closure (BRAC). Mr. Au said that he was glad to be back, and apologized for missing the Kalaeloa tour for the Authority on March 10, 2004.

Mr. Dinell then updated the Members on the Administration bill to articulate HCDA's role to act as Ombudsman for Kalaeloa. The bill had already cleared the Senate and its final House committee. Mr. Dinell explained that the Senate could either accept the amendments made by the House or the bill would head to Conference to work out differences. Mr. Dinell noted that the bill had been getting substantial support, so HCDA remains confident on its passage.

Mr. Dinell stated that he and six Authority Members had toured Kalaeloa on March 10, 2004, prompting the slide show that he had prepared for the entire Board. Mr. Dinell introduced his presentation, stating that it was intended to provide a general framework and encourage discussion in order to build consensus and provide direction to the staff.

Mr. Dinell used a PowerPoint presentation to highlight the present status of the former Barbers Point Naval Air Station, now known as Kalaeloa. Mr. Dinell added that, on July 1, 2002, three years after the base closure, HCDA was given jurisdiction over the Kalaeloa Community Development District.

- Mr. Dinell emphasized the importance of discussing the future of Kalaeloa now, stating that proper planning should be done in anticipation of the possibility of the homeporting of an aircraft carrier at Pearl Harbor and location of a supporting air wing at Kalaeloa. He stated that planning should consider different land use scenarios.
- Mr. Dinell stated that HCDA needs to focus attention on Kalaeloa now for several reasons: (1) the condition of properties is deteriorating; (2) the community is expressing concerns about weeds, broken

windows, and abandoned buildings; and (3) the presence of overgrown vegetation could result in brush fires this summer.

- Mr. Dinell then cited an article published in the Honolulu Advertiser the previous week, describing the impending construction of 1,500 new homes in an area directly abutting Kalaeloa. Mr. Dinell noted that the area surrounding Kalaeloa is changing, and that the Authority must address the Community Development District in the context of the entire area.
- Mr. Dinell emphasized that there are many positive activities ongoing in Kalaeloa, including: (1) ideal ocean recreational resources; (2) a great aviation program operated by the University of Hawaii; (3) Barbers Point Elementary School, which is one of the few schools in the area not operating at full capacity; and (4) strong stewardship from landowners like the Hawaii National Guard.
- Mr. Dinell next demonstrated some of the less desirable aspects currently at Kalaeloa, including: (1) various abandoned buildings; (2) weeds fronting the unoccupied former Base Headquarters building; and (3) similar dilapidated conditions at the former Navy Exchange Building.
- Mr. Dinell then highlighted really unacceptable conditions at Kalaeloa, displaying pictures of the damaged guard shack at the entrance to the area, stating that such images do not reflect well upon the area.
- Mr. Dinell noted that, contrary to the image projected by the general state of disrepair at Kalaeloa, people do care about the area, and there is a significant opportunity to begin meaningful redevelopment of Kalaeloa.
- Mr. Dinell displayed the Barbers Point Naval Air Station Redevelopment Plan, and explained that, under the BRAC process, Navy properties could be conveyed to local agencies in two basic ways: (1) economic development conveyance; and (2) public benefit conveyance.
- Mr. Dinell stated that, at Kalaeloa, all of the surplus lands, with the exception of the Department of Hawaiian Home Lands (DHHL) properties, were conveyed as public benefit conveyances. Mr. Dinell noted that the advantage of such conveyances is that the land is acquired at no cost. However, public benefit conveyances restrict the use of the land to the public purpose for which it was originally conveyed for an extended period of time, precluding economic development on those parcels.
- Mr. Dinell mentioned that DHHL had acquired its Kalaeloa properties as part of the Hawaiian Home Lands Recovery Act rather than under the BRAC process. Therefore, these DHHL parcels can be used for

economic development, especially considering their land use designation as residential, light industrial, recreational and commercial.

- Mr. Dinell noted that there are about 3,700 acres of property at Kalaeloa, and none is owned by HCDA. The Navy retained about 1,000 acres, and some of that land will be leased or brokered by Fluor as part of the Ford Island Redevelopment Plan. Other landowners include: the Coast Guard; the National Guard; the State Department of Transportation, which owns the airport facilities; the DHHL, as described previously; and the City and County's Department of Parks and Recreation is designated to be the largest City landowner in the area.
- Mr. Dinell stated that a total of about 800 acres had not yet been conveyed, and a little over half of that land is designated as parks and recreation lands. Last year, HCDA encouraged the City to delay accepting conveyance of Parks properties in order to maximize the flexibility for the redevelopment plan by considering other uses for the land based on its medium- and long-term potential.
- Mr. Dinell then highlighted what lands at Kalaeloa are available for development, and which lands are not available.
- Mr. Dinell continued his presentation by stating that the existing redevelopment plan was really more of a landownership plan than a land use plan. Mr. Dinell added that, although the existing plan lacked economic anchors and a tax base, there are two tremendous opportunities at Kalaeloa: (1) its proximity to Kapolei and the growing Ewa communities; and (2) its very large undeveloped land area, something that is rather unusual on Oahu.
- Mr. Dinell mentioned that the infrastructure and drainage at Kalaeloa do not meet City standards, making it extremely difficult for the City to issue building permits.
- Mr. Dinell then explored the question of how HCDA intends to guide redevelopment at Kalaeloa. First, Mr. Dinell stated that HCDA does not want to do anything that would impede the decision to homeport an aircraft carrier at Pearl Harbor and a supporting air wing at Kalaeloa. Second, Mr. Dinell said that HCDA could explore whether economic development can be promoted while also addressing broader community concerns in the process. Third, Mr. Dinell stressed the need to develop in a sustainable fashion that would really enhance quality of life.
- Mr. Dinell listed some of HCDA's guiding principles: creating jobs; ensuring access to the ocean and recreational resources; protecting the

significant archaeological sites and endangered species in the area; and being environmentally and economically self-sustaining in the process.

- Mr. Dinell then stated HCDA's recommendations: (1) approach the Navy to convey certain lands to HCDA, either through negotiated sale or economic development conveyances, to start building a tax base in the area; (2) start establishing partnerships to accomplish small and gradual improvements; and (3) revisit the governance issues.
- Mr. Dinell discussed the \$450,000 Federal Economic Development Administration (FEDA) grant, which requires a dollar-for-dollar match, and that HCDA proposes to use these funds for: (1) economic planning; (2) technical studies, especially for drainage; (3) contracting professional staff; and (4) re-establishing land use designations.
- Mr. Dinell concluded his presentation by stating that the future at Kalaeloa is HCDA's to create. He emphasized that successful redevelopment of Kalaeloa is not an impossible task. We can draw inspiration from the successes that other base closures on the mainland have achieved.

Vice Chair Kometani asked if there were any questions on Mr. Dinell's presentation.

Member Timson wanted to share with the Authority that, although the homeporting of an aircraft carrier may be a possibility for the area, the Navy actually said that the decision would take up to ten years to implement.

Member Timson stated that the Kapolei area was the first community to create its own redevelopment plan. She added that they have an actual City plan that reflects the vision for the whole Ewa region, and how it would tie in with Kalaeloa.

Member Timson noted that, before the Authority did anything, it was important to involve the City and the Community members who were part of the Planning of the Kapolei Community. At that time, no one was aware that Barbers Point would close.

Member Timson stated that when the community learned of the impending base closure, it was very disappointed and very upset, but not surprised. In the beginning, she said the community did not want the Navy to leave because they were great neighbors. However, when the process started to evolve, it became evident that the City and the State looked at free land. In the process of the "land grab", it was discovered that none of the infrastructure serving these properties met City standards.

Member Timson added that basic maintenance is lacking at Kalaeloa. She mentioned that the first thing that should be attempted to help improve the area appearance is the removal of the broken-down guard shack.

Mr. Dinell responded that he appreciated Member Timson's comments and stated that one of the purposes of his presentation was to confirm the Authority's resolve with regard to Kalaeloa and ensure that if HCDA is able to secure the FEDA grant, staff has a clear direction on how to proceed.

Mr. Dinell also noted that some people had been using the possibility of homeporting an aircraft carrier at Kalaeloa as a justification to not allocate resources for the area at this time. Mr. Dinell asked Member Goshi if he had any suggestions or comments.

Member Goshi said that he grew up in the area and, basically, what he sees, is a revenue problem. He does not believe that people do not care, but there is just no money to maintain the area. Member Goshi added that it was important to develop a strategy in which everyone would work together to begin to generate a revenue stream.

Member Joesting inquired whether there is a Master Plan in place at this time.

Mr. Dinell responded that there is a redevelopment plan that was shown on one of the initial slides; Mr. Dinell added that, as Member Goshi had stated, from an economic perspective, there is no way to build a tax base because of the way the majority of surplus lands were conveyed.

Member Goshi added that the land at Kalaeloa was developed without proper infrastructure, making the land undervalued. If the basic infrastructure can be provided, it will generate the economic activity needed to build a tax base. Member Goshi believes that this is something that must be done, but there is not enough money to support all the required improvements. Given the fiscal constraints the State is facing, any available funds are being allocated for pressing needs such as social services and education. Therefore, Member Goshi felt that the Authority should look for private sector investments.

Mr. Dinell thanked the Members for their feedback and stated that staff would be looking at proceeding down the path outlined earlier, and would keep the Authority informed.

Vice Chair Kometani called for a short recess at 11:00 a.m. to allow the Kalaeloa Members to depart if desired. Vice Chair Kometani reiterated to the Kalaeloa Members that they were all welcome to stay, but that the Kalaeloa portion of the meeting was completed.

The meeting reconvened at 11:05 a.m.

Vice Chair Kometani requested that the record reflect that Members Shiraki and Liu had joined the meeting.

V. ITEMS FOR ACTION

2. Approval of Amendments to the Improvement District Rules, Chapter 20 of Title 15, Hawaii Administrative Rules, Relating to Kakaako Improvement District 11.

For discussion purposes, it was moved by Member Liu and seconded by Member Goshi to adopt staff's recommendation to approve the Amendments to the Improvement District Rules, Chapter 20 of Title 15, Hawaii Administrative Rules, Relating to Kakaako Improvement District 11.

Vice Chair Kometani opened the floor for discussion.

Member Goshi referred to the comments received earlier during the public hearing. He said that there were very legitimate comments about the proposed assessments. Member Goshi mentioned that, on one hand, there are safety issues related to the street in its current state, yet on the other hand, a lot of small businesses have serious concerns about how the proposed improvements will impact their bottom line and reduce parking in the area. Member Goshi noted that part of the challenge has to do with the vision for the area, and that everybody's vision is different. Member Goshi felt that the assessment methodology should be reexamined. He agreed that it was a difficult situation because as change occurs, and as the area becomes more urban, properties will increase in value.

Member Los Banos agreed with Member Goshi's concerns about the proposed assessments, and felt that the issue should be reexamined. Member Los Banos suggested that HCDA cover the entire cost of the property owner's portion, or at least a certain amount. Member Los Banos added that the area will be improved and it is inevitable that parking will become an issue. He suggested revisiting plans for building central

parking, but did not have a location in mind for that parking project. Member Los Banos thanked the people who submitted testimony and assured them that the Authority was listening to their concerns.

Member Joesting inquired to staff about whether there was a previous plan for a parking structure in the Mauka area.

Mr. Miyamoto responded that he was not familiar with the parking proposal referred to earlier.

Mr. Takahashi, Director of Planning and Development, responded that the parking structure referred to was part of Victoria Ward Limited's development plan, proposed five or six years ago.

Member Joesting reiterated her concerns about the parking issues; also, she noted many testifiers expressed concerns about taxes and user fees paid over the years to repair infrastructure such as sewer lines, and asked why these monies were not used for that purpose. Member Joesting inquired about the long-term vision for the area and how it is communicated to the landowners. She added that a change in infrastructure would possibly bring changes in uses in the area and definite economic pressures on the businesses that currently operate in the area.

Member Kubota stated that he had been on the Board for seven years, and that this was the third Improvement District (ID) that he had been involved with. He added that each ID was different, and acknowledged that things had changed in the last seven years.

Member Kubota also explained how the previous IDs had affected his own driving pattern in Kakaako, and how he was now using the new, improved streets to get to his destination. Therefore, he noted that the general public is also benefiting from the IDs, not just the landowners along the improvements. Member Kubota felt that there should be a balance between the infrastructure improvements and safety issues, while protecting small businesses from economic hardship. On the other hand, he said the Authority has a responsibility to the State to redevelop Kakaako.

Member Kubota asked staff if there were alternative methods to calculating the assessments. He added that the current proposal is based on square footage, but he felt that it may be looked at from a broader picture: road system, drainage system, sewer system, water system, all

these are being assessed, in addition to the electrical, telephone, and cable television.

Mr. Miyamoto responded that staff could investigate alternatives to the current method of calculating the assessments.

Member Goshi inquired whether there was any history of the way the terms of the assessments are applied, because each business has its own personal vision, and it is a timing issue that perhaps can be incorporated into individual business plans.

Mr. Miyamoto responded that the proposed ID would provide future development potential for all properties.

Member Goshi felt that individual situations should be considered. He wondered if there was a way for HCDA to be sensitive to each situation.

Mr. Dinell responded that it was something that can certainly be looked at. He said that one thought might be to reconsider the treatment of lots over 10,000 square feet. These lots are currently assessed at a higher rate because they qualify for planned development despite the fact that the owners may never go forward with a planned development. What HCDA does not want to do is to delay all of the assessments off until a development occurs because that would be a disincentive to redevelop. Mr. Dinell stated that it becomes a question of whose vision it is, and how it can be accommodated. Mr. Dinell added that staff would look at the situation. However, he noted that there would not be an easy answer.

Member Goshi replied that he was not suggesting that HCDA not move forward with the improvements. He added that several testimonies were in favor of the project, and a lot of people recognize the need for improvement.

Member Kondo felt that special consideration should be given to small business owners. He also felt that the method of assessments should be seriously examined.

Member Kimura felt that the assessments have to be drastically reduced in order for him to support this project. He noted that some businesses had been in Kakaako for decades and he could not find a suitable justification to see them go out of business because the State wants to improve the road. Member Kimura added that he could not see the rationale in sacrificing small businesses just to put in road improvements. He said that

businesses are not against progress; but he said that there needed to be a way for businesses to at least break even, and not create a win-lose proposition.

Member Kubota inquired about the process that would occur following the approval of this action item.

Mr. Miyamoto responded that, following approval of this action item, HCDA would competitively bid the project; those bids would solidify what the actual cost of the project will be, and the actual cost of the assessments.

Member Kubota inquired about the second public hearing to be held in August.

Mr. Miyamoto responded that, after the bids are opened, the lowest responsible bidder will be selected, and the final assessments will be issued to all the property owners. The second public hearing is required to approve the final assessment amounts.

Member Kubota wished to amend the motion to have staff address the method of calculating assessment. For example, Member Kubota stated that, after bid opening, if the assessments can be reduced to a more equitable amount, then inform the property owners, prior to the second public hearing.

Member Kimura asked what would happen to the funds if staff could not come up with an acceptable option.

Vice Chair Kometani responded that if staff could not provide an acceptable option to the Authority, the project would not move forward.

Mr. Dinell explained that today's decision was important because it would allow staff to go out to bid and get the firm, final pricing for the project. Then, as Mr. Miyamoto indicated earlier, staff will come back to the Authority with figures based on actual costs. Property owners will also be notified 30 days prior to the second public hearing. The Authority will have the option to accept staff's recommendation, or instruct staff to look for alternatives.

Member Kimura wanted the assurance that an unacceptable option will not be adopted.

Vice Chair Kometani responded that it would be difficult to make that commitment until the final cost is presented to the Authority. In fact, Vice Chair Kometani felt that the Members would like to have alternatives brought to the Authority before making a decision.

Member Joesting asked whether it was possible to have a discussion about different assessment alternatives brought up to the Authority before the decision has to be made, and before the August public hearing.

Mr. Miyamoto noted that the second public hearing scheduled for August could be moved to a later date, to accommodate the Authority, until the options can be fully discussed.

Member Joesting indicated that she was not thinking of moving the public hearing to a later date.

Mr. Dinell inquired whether June or July would be appropriate to discuss the alternatives.

Member Joesting responded affirmatively. She added that this would give staff time to work on different assessment alternatives, bring them back to the Authority for discussion, and the Authority can make a decision in order to obligate the money so the funds do not lapse.

Mr. Miyamoto reiterated that the important point was that HCDA be able to advertise for bids and open the bids by June so the funds can be encumbered.

Mr. Dinell added that the funds could be encumbered now, while discussion continues on the assessment process until it is acceptable to the Authority.

Member Joesting inquired as to what would happen if the funds were encumbered and there was no assessment alternative that the Authority finds acceptable. Would the project move forward?

Mr. Dinell reiterated that it would be the Authority's decision.

Member Kubota stated that, based on the current discussion, he would like to move to amend the original motion to reflect that the Authority would like to direct staff to look at alternatives on the individual assessments while considering the benefits that the street improvements will create for the general public.

Member Joesting stated the amended motion as follows: To instruct staff to reevaluate the methods of assessment for the Improvement District 11, including reporting back to the Authority on different alternatives, while simultaneously proceeding with advertising for bids, so as to encumber the funds before their lapsing date of June 30, 2004.

It was moved by Member Kubota and seconded by Member Goshi to adopt the amended motion.

There being no further discussion, Vice Chair Kometani called for a vote.

The motion passed unanimously.

Vice Chair Kometani called for a vote on the first motion to adopt staff recommendation.

The motion passed unanimously.

3. Approval of Volunteer Legal Services Hawai'i Request for Rent Reduction.

Mr. Marvin Uehara, Asset Manager, summarized the Action Item report distributed to the Authority Members concerning this matter.

Mr. Uehara introduced Ms. Moya Davenport Gray, Executive Director of Volunteer Legal Services Hawai'i (VLSH); and Mr. Wayne Tanna, Professor of Accounting at Chaminade University.

For discussion purposes, it was moved by Member Kubota and seconded by Member Joesting to approve the staff's request to: (1) waive the lease rent of \$1,338.00 per month for the Honuakaha ground floor office space for the six-month period beginning October 1, 2004 and ending March 31, 2005; and (2) to waive the lease rent of \$991.50 per month for the American Brewery office space for the three-month period beginning February 1, 2004 and ending April 30, 2004.

Vice Chair Kometani opened the floor for discussion. Member Shiraki inquired whether HCDA had granted other agencies any rent-free space.

Mr. Uehara responded negatively.

Mr. Dinell stated that it was important to note that the rent-free status would not remain indefinitely, but that it would be a waiver of the rent for

a period of time to assist the VLSH during their reorganization efforts. Mr. Dinell added that VLSH has a long-term lease with HCDA, and it is the Authority's decision whether to support this waiver, which represents a total of \$11,002.50. The original rent would be restarting in April 2005.

Mr. Uehara also stated that, in addition to the fact that HCDA would like to encourage public use of the facility, it should be noted that VLSH paid for the improvements to the space that they occupy.

Member Goshi noted that usually, the landlord provides the improvements to the tenants. He asked whether the State had provided improvements to VLSH.

Mr. Uehara responded negatively.

Member Joesting inquired whether there was a financial plan for VLSH to improve their financial situation by April 2005.

Mr. Uehara responded that VLSH is currently working on a financial plan. Mr. Uehara asked Mr. Tanna to further elaborate.

Mr. Tanna stated that VLSH became financially troubled when it experienced a reduction in funding, yet continued to carry staff members. During this period, VLSH was spending money that it really did not have. At this point in time, VLSH is adding new board members to its organization, including a development specialist who will be very helpful in getting VLSH to being more self-sustained and less dependent upon grants.

Mr. Tanna also stated that VLSH had a firm commitment in place to increase board member contributions and to continue to expand its board to a total of 20 members. VLSH will then have access to the resources and financial experience that these added members bring and VLSH expects to be in a much better monetary position as a result of these changes. In addition to that, VLSH is in the process of planning several fundraising events. Mr. Tanna felt that VLSH is on its way towards a sound financial situation.

Vice Chair Kometani asked whether there were any further questions on this matter. There were none.

Vice Chair Kometani called for a vote.

The motion passed unanimously.

VI. EXECUTIVE SESSIONS

4. Status Update on Exclusive Negotiations with KUD International, LLC, Pursuant to Sections 92-5(a)(3) and 92-5(a)(4), Hawaii Revised Statutes.
5. Status Update on Exclusive Rights to Negotiate with the University of Hawaii for the Cancer Research Center, Pursuant to Sections 92-5(a)(3) and 92-5(a)(4), Hawaii Revised Statutes.
6. Discuss Amendments to the Development Agreement and Ground Lease for the University of Hawaii John A. Burns School of Medicine Project, Pursuant to Sections 92-5(a)(3) and 92-5(a)(4), Hawaii Revised Statutes.

It was moved by Member Kondo and seconded by Member Kubota to go into Executive Session to discuss the following items: Note: There were nine (9) affirmative votes.

Vice Chair Kometani requested that Larry Preble and Kip Kamoto from KUD International, LLC, Deputy Attorney General Melvin Nishimoto, HCDA Executive Director Daniel Dinell, and HCDA Director of Planning and Development Teney Takahashi, join the Executive Session to discuss the Status Update on Exclusive Negotiations with KUD International, LLC, Pursuant to Sections 92-5(a)(3) and 92-5(a)(4), Hawaii Revised Statutes.

Vice Chair Kometani requested that David McClain, Sam Callejo and Jan Yokota from the University of Hawaii, Deputy Attorney General Melvin Nishimoto, HCDA Executive Director Daniel Dinell, and HCDA Director of Planning and Development Teney Takahashi, join the Executive Session to discuss the Status Update on Exclusive Rights to Negotiate with the University of Hawaii for the Cancer Research Center, Pursuant to Sections 92-5(a)(3) and 92-5(a)(4), Hawaii Revised Statutes.

Vice Chair Kometani requested that David McClain, Sam Callejo and Jan Yokota from the University of Hawaii, Deputy Attorney General Melvin Nishimoto, HCDA Executive Director Daniel Dinell, and HCDA Director of Planning and Development Teney Takahashi, join the Executive Session to discuss Amendments to the Development Agreement and Ground Lease for the University of Hawaii John A. Burns School of

Medicine Project, Pursuant to Sections 92-5(a)(3) and 92-5(a)(4), Hawaii Revised Statutes.

The Hawaii Community Development Authority convened in Executive Session at 11:35 a.m.

It was moved by Member Joesting and seconded by Member Kubota to reconvene the regular meeting at 1:25 p.m. The motion passed unanimously.

VII. ADJOURNMENT

Vice Chair Kometani asked whether there were any other matters to be brought to the attention of the Authority Members.

There being no other business, it was moved by Member Kubota and seconded by Member Liu to adjourn the meeting at 1:25 p.m. The motion passed unanimously.

Respectfully submitted,

/s/

Michael Goshi
Secretary