

SUMMARY - MEETING NO. 286
HAWAII COMMUNITY DEVELOPMENT AUTHORITY

State of Hawaii

August 4, 2004 – 9:00 a.m.

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

ATTENDANCE

Members Present: Michael Goshi; Rodney Haraga; Paul Kimura; James Kometani; Gary Kondo; Jonathan Lai; Theodore Liu; Allan Los Banos, Jr.; Stanley Shiraki (for Georgina K. Kawamura); Katherine Thomason (for Russ Saito); and Warren Wegesend, Jr.

Kalaelo Members: Eric Crispin

Others Present: Daniel Dinell; Melvin Nishimoto; Teney Takahashi; Cal Machida; Matthew Akamu; Sandra Pfund; Annette Kawasaki; Steve Miyamoto; Susan Tamura; Arnold Imaoka; and Jill Sugihara (also, see Meeting Attendance Record).

I. ROLL CALL

The meeting of the Hawaii Community Development Authority (HCDA) was called to order on August 4, 2004, by Chairperson James Kometani at 9:05 a.m. with the following roll call:

Chairperson Kometani	Present
Member Goshi	Present
Member Kimura	Present
Member Lai	Present, Left at 10:30 a.m.
Member Los Banos	Present
Member Shiraki	Present, Left at 11:00 a.m.
Member Thomason	Present, Left at 10:45 a.m.

Member Kondo	Present, Arrived at 9:07 a.m.
Member Haraga	Present, Arrived at 9:30 a.m.
Member Wegesend	Present, Arrived at 9:37 a.m.
Member Liu	Present, Arrived at 9:40 a.m.
Member Crispin	Present, Arrived at 10:13 a.m.

MATERIALS DISTRIBUTED

1. Agenda for August 4, 2004 Meeting;
2. Summary Minutes of Regular Meeting of July 16, 2004;
3. Report of the Executive Director;
4. Approval of Improvement District 11 Assessment Methodology;
5. Exhibits Relating to Subcommittee's Recommendation Regarding the Disposition of KUD International, LLC's Ocean Science Center at Kakaako Preliminary Business Plan, dated June 18, 2004, and the Development Agreement Dated March 25, 2003; and
 - a. Location Map
 - b. Excerpts from the Development Agreement
 - c. Kakaako Marine Research Center, October 16, 2003 Letter from HCDA Chairperson Lori Lum to Lawrence G. Preble
 - d. Response from Lawrence G. Preble to HCDA Chairperson Lori Lum, October 28, 2003
 - e. Notification of Receipt of Off-Site Parking Approval, May 13, 2004 Letter from HCDA Chairperson Lori Lum to Lawrence G. Preble
 - f. First Response to May 13, 2004 Letter from Lawrence G. Preble to HCDA Chairperson Lori Lum, May 24, 2003
 - g. E-mail Correspondence from HCDA Chairperson Lori Lum Requesting Information from Lawrence G. Preble, June 9, 2004
 - h. E-mail Correspondence from Lawrence G. Preble Advising Teney Takahashi (HCDA Staff) of a Joint Venture Proposal, July 15, 2004
 - i. Second Response to May 13, 2004 Letter from Lawrence G. Preble to HCDA Chairperson James Kometani, July 26, 2004
6. Confidential material relating to Executive Session.

At the time the meeting was called to order, only seven members were present, insufficient to approve the minutes (at least nine Members are needed to approve minutes with Kalaeloa issues), but a sufficient quorum to discuss/act upon Kakaako agenda items. Thus, Chairperson Kometani deferred approval of the minutes until later in the meeting.

II. 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 reported on the following additional items:

- Mr. Dinell noted that today's agenda does not have any Kalaeloa items. At the Authority's September 1 meeting when all Members are present, the revised HCDA By-Laws will be reviewed and approved.
- Mr. Dinell passed around a newspaper article dated Monday, August 2, featuring color photos of the Kid's Day event held at the Kakaako Makai Gateway Park. He commented that the event validates HCDA's work to provide public spaces for people to enjoy.
- Mr. Dinell reported that HCDA participated in a meeting with the Department of Land and Natural Resources (DLNR) and learned that the Office of Planning has contracted the University of Hawaii's Sea Grant Program to engage the Heeia and broader Kaneohe/Windward community in a watershed education outreach initiative. The main issue with the community approach is that it will take time to build consensus.

HCDA owns the Heeia property as a result of a land swap that helped to expand the Kakaako Makai Gateway Park. However, HCDA, as a redevelopment agency, is not properly equipped to manage these wetlands. Mr. Dinell will continue discussions with DLNR with regard to the potential transfer to DLNR of HCDA's 373 acres of land in Heeia, since DLNR is the more appropriate State entity to manage this important natural resource.

- Mr. Dinell reported that within the next two weeks, the decaying guard shack in Kalaeloa at Fort Barrette Road would be removed with the help of the Hawaii Army National Guard and with the concurrence of the State Department of Transportation. The National Guard will be providing the manpower and equipment. Kapolei High School is interested in landscaping and maintaining the site. Mr. Dinell will inform the five Kalaeloa Authority Members when it will take place, in the event they would like to participate.
- The State Historic Preservation Division approved the volunteer-generated plan to spruce up the Historic Pump Station, which has been scheduled for Saturday, August 21. Volunteers will include HCDA staff as well as

contractors and professionals from the Hawaii Architectural Foundation, the non-profit arm of the local chapter of the American Institute of Architects.

- An Authority workshop will be held on Friday, September 24, from 9:00 a.m. to noon. The purpose of the workshop is to review the details of the HCDA revolving fund, including how accounts are segregated and what funds have been committed from each account, as well as to establish a business and fiscal plan for the future. Mr. Dinell asked Members to calendar the date and time.

Chairperson Kometani asked if there were any questions for the Executive Director. There were none.

III. ITEMS FOR ACTION

2. Approval of Improvement District 11 Assessment Methodology

HCDA Project Management Engineer Steve Miyamoto presented the staff report.

Mr. Miyamoto reported that the Improvement District 11 Project (ID-11) consists of the construction of roadway and infrastructure improvements on Queen Street between Kamakee Street and Ward Avenue. On April 7, 2004, the Authority conducted the first of two public hearings. After the first public hearing, the Authority approved the rule amendments to establish ID 11 and the preliminary assessment amounts. At the same time, the Authority directed staff to evaluate alternative assessment methods to reduce the impacts on private landowners in ID-11 and to solicit sealed bids for the project.

Bids were opened June 22, 2004, and Kiewit Pacific Company was selected as the lowest bidder at \$10,838,305, significantly higher than the estimated construction cost of \$6.2 million stated in the Preliminary Assessment Report.

Staff evaluated several alternative assessment methods and Mr. Miyamoto presented the four most viable options. The assessments were calculated using Kiewit Pacific's bid amount of \$10,838,305 plus a seven percent contingency factor for a total of \$11,596,987.

Method A is the "Original Method" of assessment that has been used in every previous improvement district project and determines each property's assessment through street frontage, allowable floor area and its drainage area. Properties are assessed for only those system improvements from which they

benefit. Using this method, the total property assessment amount for ID-11, excluding deferred assessments, would be \$4,494,039.

Method B is the Flat Rate Method in which properties would be assessed a flat rate. Based on past improvement district projects the average amount assessed to the benefiting properties was calculated at 26.85 percent of the total project construction cost. When this percentage is applied to the ID-11 construction cost, the result is \$3,113,786, which is then divided by the total area of ID-11, resulting in the flat rate of \$8.0439 per square foot. In this option, there would be no deferred assessments and only properties with frontage on Queen Street would be assessed. Using the flat rate method, the total property assessment amount for ID-11 would be \$3,113,768.

Method C takes into consideration that the ID-11 properties are located within a subdistrict of Kakaako called the Central Kakaako Service Business Precinct (CKSBP). The area has a high concentration of small businesses and properties within its boundaries (Waimanu, Cooke, Ilaniwai and Kamakee Streets). This designation was created in 1994 by amendments to the Mauka Area Rules and provides more lenient rules for the smaller properties in this subdistrict to facilitate their redevelopment.

The assessments for properties within the subdistrict would be initially determined by using the "Original Method." The assessments would then be reduced up to a maximum of 73.15 percent for properties 10,000 square feet or less. This percentage decreases on a sliding scale for properties larger than 10,000 square feet but less than 80,000 square feet. For properties that are equal to or greater than 80,000 square feet, assessments would not be reduced. The 73.15 percent was derived by reviewing past project data. On the average, 26.85 percent of construction costs had been assessed to properties in past projects. The remaining portion, or 73.15 percent, has been borne mainly by government and to a smaller extent, the public utility companies. The total property assessment amount for ID-11 would be \$2,548,407 using the CKSBP Adjustment Method.

The last option presented was Method D, No Road Improvement Assessment. Method D is calculated on the Original Method but excludes the cost of the construction of the road improvements. The road improvements include excavation, paving, sidewalks, driveways, and street lighting. This method was evaluated in response to the Authority's suggestion at the April meeting, that since Queen Street is heavily used as a major public thoroughfare, the cost of the road improvements should not be assessed to the properties. The total property assessment amount for ID-11 is \$3,822,059 using this method.

Mr. Miyamoto stated that the impacts of an improvement district project could be substantial for property owners. First, they must endure the construction phase, and then pay the assessments. For ID-11, Method B (Flat Rate Method) and D (No Road Improvement Assessment) lower property assessments, but might also raise complaints of unfairness from property owners in previous projects. The Flat-Rate Method assesses properties for the cost of all the improvements, even if a property may not benefit from a particular system. The No Road Improvement Assessment Method could raise complaints, because roadway costs have been assessed to properties in past projects where Queen Street has been improved. The CKSBP Adjustment Method or Method C takes into consideration the unique characteristic of the subdistrict and keeps with the intent of why the designation was created. Using this method might also raise complaints, especially from small property owners outside this subdistrict.

Mr. Miyamoto concluded that staff believed that the CKSBP Adjustment Method (Method C) is the most appropriate way to mitigate the impacts of the assessments to the small properties within ID-11, and therefore, recommended the use of this method to determine the ID-11 assessments.

Member Kondo moved to adopt staff's recommendation. Member Lai seconded the motion. Discussion ensued.

Member Kimura asked why the original method (Method A) assessment was used in the calculation for Method D (No Road Improvement Assessment) instead of using the CKSBP rate.

Mr. Miyamoto responded that the original method was used for the calculation because it was the most equitable and best method.

Member Kimura asked what the cost of the road assessment was.

Mr. Dinell noted that the properties' share of the cost of the roadway is approximately \$650,000 for that section of the roadway of Queen Street. Method D removes the roadway cost from everybody's assessment.

Mr. Miyamoto added that the roadway consists of the pavement, road excavation, sidewalks, driveways and street lighting. In the Original Method, a property's assessment would be broken down to roadway, sewer, drainage and electrical assessments. With Method D, the road assessment portion was removed. Kiewit Pacific estimated the total of \$1.5 million for road construction out of the total \$10.8 million construction cost.

Member Kimura asked if Method D would only apply if the Original Method was used in the calculations. He asked if the No Road Assessment Method could be used based on Methods B or C calculations.

Mr. Miyamoto responded that it would be possible to take out the road assessment and adjust it.

Mr. Dinell stated that it could open up criticism to HCDA because past improvement districts on Queen Street paid for the roadwork. He asked Deputy Attorney General (AG) Melvin Nishimoto for advice.

Deputy AG Nishimoto stated that people who already paid for roadwork in other improvement districts could complain. The CKSBP district was set forth by the authority as a special area because of the many small lots. Throughout the rules certain areas have special rules and provisions. The laws governing HCDA and improvement districts (Chapter 206E, Hawaii Revised Statutes) only require that landowners be charged for special benefits. In past improvement districts, the amount that was charged to the landowner has always been less than the special benefits, which means the landowner has always received a good deal.

Deputy AG Nishimoto stated that by deviating from a method that was used for the past ten improvement districts, HCDA could be open to criticism but the change is not precluded by law. He cited the different setback requirements as an example where different areas are treated differently. As long as the landowners receive more than what they are being charged for, the assessment should stand up to challenge.

Member Kimura expressed his concerns that there are only a few business owners in ID-11 who can share the expense of the construction and that their assessments would be higher than those charged previously. He asked what a 5,000 square foot property would pay.

Mr. Dinell responded that it is difficult to compare because it depends on the systems that are improved. In ID-11 where everything is improved, the electrical, water, wastewater, drainage and so forth, it is not fully comparable. In a preliminary assessment, staff ran some figures and the median lot size in ID-11 was 4,890 square feet. Mr. Dinell gave an example that if a person had an assessment of \$77,000, based on 20 years financing at the current interest rates, a payment of every six months would be \$3,249. Monthly payments would be \$540 or broken down further would be 11 cents per square foot. Under Method C, the same landowner would pay \$270 a month.

Mr. Miyamoto added that it is difficult to pinpoint an average because assessments are based on the contractor's bid.

Chairperson Kometani recalled from the public hearing that staff was going to check with the construction industry on the question of whether the project could be deferred and what would be the pricing five years later.

Mr. Dinell responded that staff met with Bruce Coppa of Pacific Resource Partnership. Mr. Coppa provided staff with statistics from a national journal called, "Engineering News Record" and informed them that the driving factor in construction costs is materials. Some of the things that ID-11 needs, for instance, diesel fuel to operate the equipment were up 17 percent and copper piping tube up 34 percent. These were annual percent changes.

Although labor is another component, labor was not the biggest cost driver in the ID-11 project. Staff asked Mr. Coppa if the cost would go down if HCDA waited three, four, five or ten years and the answer was no. Another factor is that HCDA would lose the Legislative appropriation; \$6.5 million in general obligation bonds would lapse and HCDA would have to go back to the Legislature for a new appropriation.

Member Shiraki asked if the project was needed now.

Mr. Dinell replied that the Mauka Area Plan specifies major roadways and how to build the foundation for development. Queen Street was designated as a major street in the plan. Not doing the project now precludes the possibility of development. He gave Victoria Ward's recent announcement of \$100 million redevelopment of the Ward Village Shops as an example. Due to HCDA's \$7 million Queen Street extension, the Ward Village Shops project would be able to use this new street for egress and ingress. As a redevelopment agency, HCDA's mission is to work with the private sector to get more investment for a healthier economy, and that is why HCDA is proceeding with the ID-11 project.

Member Shiraki asked if this project would help Victoria Ward.

Mr. Dinell responded that the Ward Village Shops project doesn't need the ID-11 improvements to move forward but will benefit generally. He stated that if the Authority desires change in the immediate vicinity, it would need to move infrastructure improvements like this forward.

Member Shiraki asked if property owners were going to see increased property values by doing the improvements.

Mr. Dinell asked Teney Takahashi to respond. Mr. Takahashi stated that he doesn't have the answer because there doesn't appear to be an immediate increase in assessed value. He suggested that the increase in value for a particular lot will not be realized until those lots are redeveloped or sold. Only when someone buys the property or starts redeveloping will the fact that it has all the infrastructure it would need would be reflected in the value since the person buying the property for redevelopment doesn't have to put in the infrastructure and this would then be reflected in the sales price.

Mr. Takahashi went on to explain that staff reviewed assessed values of several lots in past improvement districts compared to adjacent lots, which were not improved, but were close enough for a like comparison. In every case, the increase in the assessed value was almost exactly the same for comparable lots indicating that there is no immediate increase due to the improvement district per se. There is no conclusive evidence that the value of a particular lot fronting the improvement district will increase, except by logic. The Queen Street extension, Ilalo Street, and Ward extensions are examples in which improvements have generated new projects such as Ward Village Shops and the John A. Burns School of Medicine.

Member Goshi asked if the properties on ID-11 were to redevelop without the improvements, would development be impeded due to the lack of infrastructure.

Mr. Takahashi responded that there is no data to show that. But, any lack of infrastructure would inhibit the development to the cost of providing that infrastructure. He stated that over time, staff could probably make a better case.

Member Shiraki asked if there is a cost share between property owners and the City in projects other than HCDA.

Deputy AG Nishimoto replied that the City used to have improvement districts about 15 to 20 years ago and that they shared the cost similarly to HCDA; and in fact, the City's approach was the model for HCDA's assessment methodology.

Member Shiraki asked questions to clarify the different methods presented and questioned what the basis for the methods were.

Mr. Miyamoto provided further explanation on the different methods.

The Flat Rate Method is based on past project data, taking the past construction cost and figuring out how much was assessed to property owners and coming out with an average approximately 26 percent of the construction cost. The 26 percent was then applied to the ID-11 construction cost, which comes out to \$3.1 million.

Mr. Dinell stated that the idea behind the No Road Improvement Assessment Method (Method D) was that Queen Street is a major road and that the businesses don't benefit directly from that improvement. For the Flat Rate Method (Method B), staff looked at seven different improvement districts from the past; taking into consideration the percentage of the construction cost covered by the private landowners. The historical average was 26.85 percent, varying from a low of 16 percent to a high of 44 percent. Using the Original Method the properties' share was more on the higher end of the range, which is why the landowners objected to the assessment at the April public hearing.

Mr. Miyamoto explained that for CKSBP Adjustment Method (Method C), based on past projects, the government picked up 73.15 percent of the cost. Therefore, conversely the properties would be assessed 26.85 percent of the construction cost.

Member Shiraki noted that Method C would give property owners a double discount.

Mr. Dinell stated that the philosophy for the basis of Method C is that if the lot is 10,000 square feet or less all the property owner can do is base zone, the FAR is 1.5 with a height restriction of 45 feet making the opportunity to redevelop limited. As the square foot amount increases to 80,000 square feet, they would have the full potential of a planned development, which would allow a FAR of 3.5 and dependent upon lot configuration, up to 400 feet in height. Therefore, there would be no adjustment.

Mr. Dinell stated that Member Shiraki was correct; there would be a double discount because the original assessment method factors some of the development potential as well. The Authority would be making a deviation from past policy by doing this type of adjustment and it is in recognition of what was expressed at the April board meeting. Staff looked at different ways to help mitigate the financial impact on the smaller landowners and the CKSBP Adjustment Method (Method C) was one of the concepts developed.

Member Lai commented that staff was saying the most equitable method to follow was the Original Method (Method A) but yet was recommending the CKSBP Adjustment Method (Method C).

Mr. Dinell responded that using the original method has been tried, true, and tested. However, the reason staff was recommending CKSBP Adjustment Method (Method C) was in recognition of the unique subdistrict, the Central Kakaako Service Business Precinct formed in 1994. Since the subdistrict is comprised of small landowners, it would be difficult for them to redevelop unless they consolidated properties. This could be the rationale and basis for a new policy for this particular geographic region.

Member Shiraki asked where the difference in the amount from Method A to C (\$2 million) would come from.

Mr. Dinell responded that it would come out of HCDA's revolving fund from surpluses generated by past improvement districts.

Member Shiraki asked what the next assessment district was.

Mr. Dinell responded the next improvement district in the mauka area would be to continue along Queen Street from Ward to Cooke. If the Authority directs staff to follow one of the different methods, the people affected by the next assessment would want the same deal as ID-11. The next segment along Queen Street from Ward to Cooke is comprised of almost entirely small parcels. Assuming that these parcels are less than 10,000 square feet and if the Authority was to use Method C, which staff is recommending, the additional amount in broad estimations that the State would have to approximately pay is an additional \$5 million to do that section in addition to what is typically the shared cost. HCDA does not have the funds to do that and would have to go to the legislature for an appropriation.

Member Shiraki asked for clarification if HCDA would ask for \$5 million plus.

Mr. Dinell responded that HCDA would request \$5 million in addition to what would be typically requested. Graphically, this segment Queen Street would be the next segment because work has been done on both ends of Queen Street - Queen Street Extension will be opening up very shortly and Queen Street from downtown to Cooke has been completed. These are the last major missing links in Queen Street.

Member Kimura stated that he wasn't around when the previous improvement districts on Queen Street started but wanted to know what the criteria were. Was there an economic engine for doing it and what was going to be accomplished by completing Queen Street? His feeling was that because of the

interest on the makai side, the focus should remain on the makai side until that has been completed and then move on to someplace else.

Mr. Dinell replied that the rationale for doing the improvements was in the Mauka Area Plan. He read an excerpt from the plan:

“All streets and roadway system improvements shall be in accordance with the roadway plans. The major roads are for movement of traffic within and through the mauka area to carry moderate to high traffic volumes either as collectors which funnel traffic to the regional roadway system or as arterial streets which serve traffic passing through the mauka area.”

Mr. Dinell stated that Queen Street is designated in the plan as a major road - facilitating traffic flow within and through Kakaako.

Chairperson Kometani asked if there were any more questions and noted that Members Haraga, Liu and Wegesend were now present.

Member Shiraki acknowledged the concerns from property owners and could see the difference in the areas but was concerned about the drastic change of going from 38 percent to 22 percent. He asked if there was another method.

Mr. Dinell responded that the Authority could certainly direct the staff to go back and look at other alternatives. The staff felt the four methods presented were the most viable alternatives. Mr. Dinell asked if Method A was out of the question. If Method A weren't out of the question, then that would be a viable alternative. However, staff would need direction from the Authority for the next step to complete the final assessment roll and it couldn't be done until it is decided on what method to use.

Member Thomason asked on the average amount that people would be paying and if everybody would pay the same amount.

Mr. Dinell responded that it is an individual amount and referred to Exhibit B, which shows the square foot amount of the property and breakdown of the payment using the four different assessment methods. The median assessment under the Original Method would be approximately \$140,000.

Member Goshi asked if there was any flexibility on the financing.

Mr. Dinell asked Deputy AG Nishimoto if it was possible to do a 30-year financing instead of 20.

Deputy AG Nishimoto responded that he thought the maximum was 20 years.

Member Shiraki asked what was the reason for pushing this project now. He stated that Member Kimura had a concern that the project was not worth the 22 percent and is too high. However, Member Shiraki felt the project was good but looking at the fairness of the project, the cost share seemed too low and should be a little higher to be more equitable for everyone.

Member Kimura expressed his concern that businesses in the area have nothing to gain from the project. Most of them are against the project. First it would impact their businesses for two years and then they would have to make a mortgage payment for a nicer road, which they probably don't need.

Member Thomason suggested that, for Method C, instead of taking the whole percentage down, slide the scale so that the percentage stays flat but the landowners with over 80,000 square feet end up with a higher assessment. Stay with the smaller assessment for the smaller landowners but wind up with something closer to 38 percent. It would seem more equitable since the bigger landowners would have more flexibility and a lot more to benefit.

Mr. Dinell responded that under both the original assessment and with the sliding scale, Victoria Ward's largest parcel would be assessed \$1.2 million. But Victoria Ward would not be paying the bill; it would be all of their tenants who would end up paying the check. Mr. Dinell agreed with Member Shiraki that HCDA should be fair to everyone.

Mr. Dinell asked Authority Members for direction if they are uncomfortable in choosing one of the alternatives. If Members are comfortable with the original Method A or whether staff needs to find something in between if Method C is too much.

Member Liu asked if there was a way of tying the assessments to the projected increase in value.

Mr. Dinell responded that HCDA would love to have Tax Increment Financing (TIF). Hawaii State law allows TIF but the difficulty is the City would be reluctant to give out any of the incremental increase in property taxes. TIF is the tool of choice in redevelopment districts nationwide.

Member Liu stated that applying a TIF type of analysis for purposes of the assessment does not necessarily mean that the City has to give up their increased property tax collections. It is an analytical tool for the purpose of

deriving a fairer assessment; but not one that insists that County give up a portion of their increased tax revenue.

Mr. Dinell stated that staff could look into it. If Members are comfortable with Method A then staff could do the final roll based on that. The next step would be to conduct public information hearings where the individual landowners would get a notice, staff would explain the assessments and conduct informational meetings and then there would be a second public hearing when individuals could testify. The Authority would then make its determination. Or staff could look into what Member Liu suggested.

Mr. Dinell explained that one of the alternatives that staff dismissed very early on was the idea of deferring the assessments until redevelopment occurred on that property because this would create a disincentive for redevelopment to ever occur and HCDA would end up carrying the financial load to an indeterminate future date. The TIF may have some of those aspects unless HCDA could link it to the property tax.

Member Liu stated that it seemed like several members were still uncomfortable with making a particular decision and sounded like there was a desire to see if there were one or more other alternatives that could be tried to bring it to a more comfortable assessment level. An analysis could be done in a more precise and scientific way to find the property values because certain properties are going to gain more, since they are bigger and right next to the improvements and others will gain less. However, it might cost money to hire an outside service unless staff could do it in-house.

Mr. Dinell responded that staff would need assistance from an economic firm that had real estate background, but it could be pursued.

Chairperson Kometani asked if it was being suggested to start with Method A and then apply the TIF.

Member Shiraki asked when would the money lapse.

Mr. Dinell responded that the funds have been encumbered and he doesn't believe there is any imminent danger of losing the G.O. bond financing. However, there might be some contractor issues. HCDA would have to prepare a notice to proceed without penalty. Mr. Dinell asked Mr. Miyamoto how long the bid was good for.

Mr. Miyamoto thought that it might be 200 days from the bid opening but would check on it.

Mr. Dinell stated there was not a lot of time because a lot of things needed to be accomplished before then. HCDA would need to conduct another public hearing, adopt the rules, and send it to the Governor for her review and approval. He recognized that the Authority was not entirely comfortable with the \$4.4 million being the assessed amount using the Original Method, but there was also not entire comfort in dramatically reducing the assessment rate because of concerns of equity as well as the future financial state for future improvement districts. Mr. Dinell responded that the Government's portion would be huge to make up the difference. He suggested deferring action on the matter and having staff once again investigate alternatives and report back to the Authority.

Deputy AG Nishimoto suggested that should the Authority wish to defer the action item, the motion should be withdrawn.

Chairperson Kometani stated the motion and second is withdrawn and the Authority would defer the action on this matter.

IV. APPROVAL OF MINUTES

1. Regular Meeting of July 16, 2004

As there were eleven Members now present, Chairperson Kometani asked if Members had any corrections to the minutes of the July 16, 2004 meeting. There were no corrections and it was moved by Member Thomason and seconded by Member Kimura that the minutes of the regular meeting of July 16, 2004, be approved. The motion passed 11 to 0 with one excused (Member Crispin).

V. EXECUTIVE SESSIONS

Chairperson Kometani informed the Members that at this time, he would take the agenda out of order. Instead of separating the two Executive Sessions, he would conduct the sessions together starting with the update on Honuakaha Housing Complex and Na Lei Hulu Kupuna followed by the discussion on KUD International. After the Executive Sessions, the Authority would return to the regular meeting regarding the disposition of KUD International, LLC's Ocean Science Center at Kakaako, Preliminary Business Plan.

Chairperson Kometani also announced that Member Lai was recusing himself again today as he did last month from discussions relating to KUD International as his law firm has been retained by KUD.

Chairperson Kometani stated that the first Executive Session item is the update on Honuakaha Housing Complex and Na Lei Hulu Kupuna, pursuant to Section 92-5(a)(4), Hawaii Revised Statutes. The second Executive Session item is the discussion on KUD International, LLC's Project, Pursuant to Sections 92-5(a)(3) and 92-5(a)(4), Hawaii Revised Statutes.

Chairperson Kometani requested that Deputy Attorney General Melvin Nishimoto, Executive Director Daniel Dinell and Planning and Development Director Teney Takahashi join the Authority in Executive Session.

It was moved by Member Thomason and seconded by Member Goshi to enter into Executive Session. The motion carried 11 to 0 with 1 excused (Member Crispin).

The Hawaii Community Development Authority entered into Executive Session at 10:13 a.m.

Member Lai recused himself and left the room when the discussion relating to KUD International was held at 10:30 a.m.

It was moved by Member Haraga and seconded by Member Los Banos to reconvene the regular meeting at 11:10 a.m. The motion passed 9 to 0 with 3 excused (Members Lai, Shiraki and Thomason).

VI. ITEMS FOR ACTION

4. Approval of Subcommittee's Recommendation Regarding the Disposition of KUD International, LLC's Ocean Science Center at Kakaako Preliminary Business Plan, dated June 18, 2004, and the Development Agreement dated March 25, 2003.

Member Liu announced that the Subcommittee did not have a recommendation for the action item today. With regard to the Development Agreement between the Authority and KUD, the Authority formed an investigative subcommittee. Former Chairperson Lum sent a letter to KUD on May 13, 2004, giving KUD notice that HCDA was prepared to proceed with the provision of off-site parking, pursuant to Section 9(D)(1) of the Development Agreement. KUD responded on May 24, 2004, acknowledging that notice. The Subcommittee notes that by calculation, the period within which the plan is to be submitted expires on August 11, 2004.

The Subcommittee stands prepared to consider all of the information and submissions from KUD relating to the requirement for a project master plan and might have a recommendation at the appropriate time in the future.

Chairperson Kometani asked if there were any questions. There were none.

VII. ADJOURNMENT

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

There being no further business, it was moved by Member Wegesend and seconded by Member Kondo to adjourn the meeting at 11:12 a.m. The motion passed 9 to 0 with 3 excused (Members Lai, Shiraki and Thomason).

Respectfully submitted,

/s/

Paul Kimura
Secretary