

SUMMARY - MEETING NO. 289  
HAWAII COMMUNITY DEVELOPMENT AUTHORITY  
State of Hawaii

December 1, 2004 – 9:00 a.m.

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

ATTENDANCE

Members Present: Barry Fukunaga (for Rodney Haraga); Michael Goshi; Paul Kimura; James Kometani; Gary Kondo; Jonathan Lai; Theodore Liu; Allan Los Banos, Jr.; Warren Wegesend, Jr.; William Aila, Jr.; Linda Chinn (for Micah Kane); Eric Crispin; Evelyn Souza; and Maeda Timson

Members Absent: Georgina Kawamura and Russ Saito

Others Present: Daniel Dinell; Melvin Nishimoto; Teney Takahashi; Cal Machida; Matthew Akamu; Miko Dargitz-Hallett; Stanton Enomoto; Richard Kuitunen; Lilinoe Lindsey; Susan Tamura; 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 December 1, 2004, by Chairperson James Kometani at 9:00 a.m. with the following roll call:

Chairperson Kometani	Present
Member Fukunaga	Present
Member Goshi	Present, Left at 11:25 a.m.
Member Kimura	Present
Member Kondo	Present, Left at 11:25 a.m.
Member Lai	Present
Member Liu	Present, Arrived at 9:15 a.m., Left at 11:25 a.m.
Member Los Banos	Present, Left at 10:30 a.m.
Member Wegesend	Present

Member Aila	Present, Arrived at 10:35 a.m., Left at 11:05 a.m.
Member Chinn	Present, Arrived at 10:40 a.m., Left at 11:25 a.m.
Member Crispin	Present, Arrived at 10:25 a.m., Left at 11:05 a.m.
Member Souza	Present, Arrived at 10:30 a.m., Left at 11:05 a.m.
Member Timson	Present, Arrived at 10:30 a.m., Left at 11:05 a.m.

MATERIALS DISTRIBUTED

1. Agenda for December 1, 2004 Meeting;
2. Summary Minutes of Regular Meeting of November 3, 2004;
3. Summary Minutes of Public Hearing of November 3, 2004;
4. Report of the Executive Director;
5. Approval of Modification of Base Zone Development Provisions and Authorization for the Executive Director to Execute a Joint Development Agreement and Approve a Development Permit for the Ward Village Shops Project (MUZ 93-04);
6. Approval to Authorize the Executive Director to Negotiate a Land Lease Option with Honolulu Seawater Air Conditioning, LLC;
7. Approval to Enter into Exclusive Negotiations with the University of Hawaii for the Cancer Research Center of Hawaii on a Designated Site in the Kakaako Waterfront;
8. Request for Proposals for the Waterfront Development at Kakaako;
9. Kalaeloa Status Report;
10. Confidential material for Executive Session on Update on Pending Litigation and Disposition Strategy for the American Brewery Building, Honuakaha Housing Complex, Pursuant to Sections 92-5(a)(3) and (4), Hawaii Revised Statutes; and
11. Honolulu Seawater Air Conditioning Brochure.

Chairperson Kometani called for a recess at 9:01 a.m. to call to order the Public Hearing on Ward Village Shops by Victoria Ward, Limited.

The regular meeting of the Hawaii Community Development Authority reconvened at 9:20 a.m.

## II. APPROVAL OF MINUTES

### 1. Minutes and Summary

Chairperson Kometani asked if Members had any corrections to the minutes of the November 3, 2004 meeting and summary of the Public Hearing of November 3, 2004. There were no corrections and it was moved by Member Wegesend and seconded by Member Kondo that the minutes of the regular meeting of November 3, 2004, and summary of the Public Hearing of November 3, 2004, be approved. The motion passed 9 to 0.

## 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 reported on the following additional items:

- Mr. Dinell reported that staff held discussions with the State Department of Health (DOH) on the HCDA-owned Heeia property. The U.S. Environmental Protection Agency policy recently stated that Federal Brownfield funds would not be available in situations where the State is the responsible party of the contamination. HCDA and DOH are looking at other options including revolving fund financing either exclusively through HCDA, DOH or jointly for Phase I environmental work which is expected to cost less than \$10,000.

HCDA Asset Manager Richard Kuitunen and Mr. Dinell will participate in a workshop at Windward Community College on December 1, to discuss resource issues and challenges within the Heeia Ahupuaa.

- The Kakaako Improvement Association (KIA) informed HCDA that while it wished to be involved in the planning process of engaging small landowners on Queen Street, it was not interested in forming a joint committee with HCDA as KIA would like to remain an independent voice. Mr. Dinell reported that Chairperson Kometani, Member Kimura, KIA President Kendall Hee, and HCDA staff met with Dr. Kem Lowry, Chair of the Department of Urban and Regional Planning and Director of the Program on Conflict Resolution at the University of Hawaii, to discuss how best to proceed. The consensus was to take a first step by fielding a survey that focuses not just on needs, but also seeks input on various tangible options. Staff will work on a proposal for the Authority's review.
- The Small Business Regulatory Review Board will be discussing the Improvement District 11 project on December 7, 2004. It will then formulate

its recommendation to the Governor who has a final say on the adoption of the Rules.

- Staff has met with two companies that offer robotic parking solutions and has begun the in-house fact finding parking analysis for the Kakaako Waterfront and Mauka areas. Once data is collected, a report and recommendation will be presented to the Authority.
- HCDA will be working with the Department of Land and Natural Resources (DLNR) and the Housing and Community Development Corporation of Hawaii (HCDCH) to prepare the lands around Mother Waldron Park for a housing Request for Proposal (RFP). Since the site is also designated for an elementary school for Kakaako, the site is being explored to accommodate a mix of uses. In that scenario, neither the school nor the housing would be “traditional,” but rather a unique urban mixed-use environment that serves as a community center. The desire is that the entire development would be private sector funded.
- As a follow up to Kamehameha School’s (KS) expressed interest at the September 1, 2004 Authority meeting in vacating its master plan, staff is discussing a proposal in which KS would be allowed to utilize its public facilities credits at the current three and four percent rate for commercial and residential use, respectively, provided that KS obtains two Planned Development permits within the next two years. Should KS be unable to achieve its milestones due to an unforeseen event, KS would be allowed to return to the Authority to request an extension of the two-year timeline.
- Kamehameha Schools, the organization behind the effort to secure federal New Market Tax Credits, has decided that in order to increase the chances of award, it needed to specify a site, so it designated the Honolulu Ford property owned by KS.

Mr. Dinell expressed to the Kakaako Community Revitalization Association Advisory Board that HCDA’s interest is in the promotion of the life sciences industry which would be fostered by the New Market Tax Credit designated for Kakaako. Since HCDA does not want to favor one developer over another, Mr. Dinell clarified his understanding at a recent advisory board meeting that should tax credits be awarded, the Community Development Entity, after gaining US Treasury Department approval, could make the credits available to any qualified taxpayers despite the application being site specific. This understanding was confirmed.

- Mr. Dinell will be working with the Department of Transportation (DOT) Harbors Division on an interagency agreement regarding the use of Piers 1 and 2. A five to ten year agreement with milestones and associated consequences are being discussed. HCDA Director of Planning and Development Teney Takahashi and Mr. Dinell participated in a Harbor User's Group meeting on November 30, 2004. HCDA is looking forward to working with this group to address the long-term needs of harbor users for cargo as well as passengers.
- Staff is working out the details for a tour of the Kakaako district for interested Legislators to share information and brief lawmakers on recent developments, as well as HCDA legislative requests.
- Staff submitted testimony on December 1, 2004, in response to two City Council Resolutions to encourage pedestrian-friendly orientation in both of HCDA's community development districts.
- Mr. Dinell announced that Irene Iha, HCDA's Administrative Services Officer, will be leaving HCDA to join the Hawaii Tourism Authority in mid-December and thanked her for her hard work and dedication.

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

#### IV. ITEMS FOR ACTION

3. Approval of Modification of Base Zone Development Provisions and Authorization for the Executive Director to Execute a Joint Development Agreement and Approve a Development Permit for the Ward Village Shops Project (MUZ 93-04)

Matthew Akamu summarized the modification portion of the Action Item distributed to the Authority:

- The project calls for two-story shops along Auahi Street. The Pier 1 Imports store will remain. There will be other two-story shops along Kamakee Street and the Park Makai of the Queen Street Extension. The structures will wrap around a seven-story parking structure with about 1,000 parking stalls. There would be a 15-story residential structure. Open space will be located along the edges of Auahi Street along the Queen Park's edge.

- The proposal increases the buildings' maximum height limitation from 45 feet to 220 feet. The project also encroaches into the view corridor setbacks on Kamakee and Queen Streets, and encroaches into the front yard along Auahi Street. Victoria Ward is also requesting that HCDA allow a loading area to be located within the Queen Street front yard.
- As part of the modification criteria, the applicant must demonstrate that the modification: provides flexibility and results in development that is practically and aesthetically superior to rigid enforcement of the rules; that it would not adversely affect adjacent developments or uses; and that it would be consistent with the intent of the Mauka Area Plan.

Upon evaluation of the project, staff concluded that the project: creates an active, pedestrian-friendly environment with shops and open space along Auahi and Kamakee Streets; provides rental housing in proximity to shops and restaurants; and is consistent with the land use and urban design objectives of the Mauka Area Plan. Therefore, staff determined that the applicant satisfied the criteria for approval of the requested modifications and recommended approval of these proposed modifications.

Mr. Akamu provided additional information on joint development issues pertaining to "Queen Lane," the roadway that will run along the Ewa edge of the Queen Street Extension Park and connect Auahi Street to the Queen Street Extension. "Queen Lane" as it is currently called, has been designed with a curve to help slow down traffic between Auahi Street and the new Queen Street Extension. The pedestrian crossing will be built at grade level and will serve as a speed bump to provide safety for pedestrians crossing between the Makai Park and the adjacent Ward Village Shops project. The curve also allows more space for the Village Shops project to design a plaza in front of its storefronts to create a nicer, and potentially more active, frontage as well as enhance the Makai Park atmosphere.

In order to accomplish this design, Mr. Akamu explained that the road would encroach into HCDA's Makai Park. Therefore, the design of "Queen Lane" must be coordinated with the Ward Village Shops and the Makai Park. The applicant would design, construct and maintain "Queen Lane." HCDA would transfer ownership of the land beneath "Queen Lane" with entitlements to the applicant. The applicant would reduce its public facilities credits in exchange for the transferred land.

Mr. Akamu pointed out the development site on the map. He noted that the yellow shaded areas would be jointly developed by Victoria Ward as an aggregate base zone development that would be limited to a floor area ratio (FAR) of 1.5. The Village Shops property would have a 1.8 FAR which would result in a slightly lower density for the remaining lots included in the joint development.

HCDA's role in the joint development would be to transfer the land to Victoria Ward for the design, operation and maintenance of "Queen Lane." In exchange for taking on the responsibility of "Queen Lane," HCDA will be offering entitlements to Victoria Ward in the form of extra floor area. Mr. Akamu explained that extra floor area can be utilized from a portion of land that HCDA acquired in order to construct the Queen Street extension project.

Mr. Akamu noted that "Queen Lane" would also have to be coordinated with Hokua's Planned Development with respect to the design of the intersection at which the lane meets Auahi Street because Hokua designed its development without the knowledge of "Queen Lane." So there must be some redesign of Hokua's driveway and passenger drop-off areas. There are a number of issues that need to be coordinated with regards to this joint development.

Staff has also discussed with Victoria Ward issues related to the possibility of providing public parking needed for the Improvement District 11 (ID-11) project. In the event that some portions of Victoria Ward's properties are deemed compatible or available for public parking, HCDA would work with Victoria Ward to jointly develop those possible parking options.

Chairperson Kometani asked staff to clarify the entitlements that accompany ownership of "Queen Lane."

Mr. Akamu explained that HCDA acquired property along the entire length of the Queen Street Extension through a land exchange with Nauru Phosphate Royalties, Inc. (Nauru) and Victoria Ward Ltd. that was executed in November 2000. The land was needed to accommodate HCDA's construction of the Queen Street Extension and parks. Part of the Queen Street Extension came from Nauru and another portion came from Victoria Ward. HCDA condemned and purchased a portion of the Queen Street Extension property from Victoria Ward, and as such, the density for a so-called floor area entitlement accompanies the ownership of that property. Although it is not buildable, HCDA has entitlements that can be used to coordinate development and solutions.

Mr. Dinell further explained, using the map from Exhibit G, that Parcel E (the Queen Street Right of Way) is involved because Parcel D's ("Queen Lane") density has been utilized. Since Parcel D no longer has any entitlements, the entitlements that accompany Parcel E will be utilized.

Mr. Akamu stated that after the joint development agreement is executed, then HCDA would proceed to process a modified base zone development permit with the applicant.

Mr. Akamu explained that in summary the project is attempting to meet the objectives of an urban village. The open spaces and the activities along the street are intended to liven and create a pedestrian environment. The neighboring properties across Auahi Street and across from the Ward Entertainment Center would be compatible with the new project as well as with the Makai Park across the street. Staff is proposing approval of the proposed modifications of the base zone development rules for height, view corridors and front yards. Staff also requests authorization for the Executive Director to execute a joint development agreement with Victoria Ward and to issue a development permit for the project.

For discussion purposes, Chairperson Kometani requested a motion to adopt staff's recommendation for approval. Member Lai moved to adopt staff's recommendation. Member Los Banos seconded the motion. Discussion ensued.

Member Kimura asked Mr. Dinell if "Queen Lane" is on HCDA lands.

Mr. Dinell responded in the affirmative.

Member Kimura asked if there was a way to trade that land for lands closer to ID-11 to mitigate some of the parking problems.

Mr. Dinell responded in the affirmative and stated that, as in any business deal, it could be negotiated. He said that if that is what the Authority wants, staff can work in that direction.

Chairperson Kometani said that based on the meeting with KIA, HCDA really needs to address the parking problem for ID-11.

Member Wegesend commented that this would be a most desirable place to live and asked Mr. Dinell if the Authority received any assurances that the residential rental component of the project would not be converted to condominiums later on.

Mr. Dinell responded that no assurances are in place, but noted that that was a good point. He stated that over the last two decades the private residential developments in Kakaako have been all for-sale condos and one of the attractive parts of this particular project is the residential rental component. Mr. Dinell reminded Members that this development requires a three-step process. Today's action is on the modification, the next step would be authorization of the joint development, and the last step would be the authorization of a development permit. As part of the development permit, HCDA could negotiate with Victoria Ward on a time period assurance of keeping the housing as rentals or any other types of conditions. If it is something the Authority wants, staff can also proceed with that in mind as the development permit is negotiated. Currently the residential component is proposed as market-priced rentals.

Member Goshi commented that it is a good site and felt that Victoria Ward held back in its development proposal. He stated that during the negotiations, Victoria Ward might want to consider adding more floors to its tower. He mentioned that in Kakaako, people are trying to downgrade density but he believes that approach should be changed to get more yield out of HCDA's improvements to the infrastructure in the area.

Mr. Dinell responded that one of the unique aspects of the project is its relatively low density, and staff's thought was that a mixture of activities and densities would be preferable to a mass of 400 foot tall towers with a FAR of 3.5 or higher. He recalled that one of the very early discussions about the site centered around building a three story add-on residential complex rather than building upward, but that concept created a bulky building that wasn't visually pleasing.

Member Fukunaga asked if the proposal to transfer "Queen Lane" to Victoria Ward would still enable "Queen Lane" to be a public thoroughfare.

Mr. Dinell responded that the initiative was to create connectivity from Auahi Street to Queen Street. He stated that in order for "Queen Lane" to be a dedicated street it would need to be built to City standards with 60-foot rights-of-way and so forth. Under Victoria Ward, it would be a private driveway that is privately-built and maintained, but would be open for continuous public utilization. However, neither HCDA nor the City would have liability or maintenance responsibility for the roadway.

Member Fukunaga asked if the liability would end at the curb and the public responsibility would still be retained for the sidewalk that borders the park.

Mr. Dinell responded that if he wasn't mistaken, the sidewalk would be part of Victoria Ward's responsibility as well.

Mr. Akamu also responded that it would most likely go with Victoria Ward.

Mr. Dinell added that these types of details would be part of the joint development and noted that on behalf of the Authority he would negotiate these points.

Member Fukunaga questioned whether the access that appears to be developed for the adjoining condominium would be worked out as part of the agreement.

Mr. Dinell answered that Victoria Ward would have to work that out with Hokua. Since condominium documents are already in place, a governmental action to alter the conditions of those documents would probably be necessary, and HCDA would probably have to condemn part of the property. Staff is working very closely with Victoria Ward and Hokua on this matter. Mr. Dinell explained that Victoria Ward's original proposal didn't include this lane, and the development of "Queen Lane" was something the City really pushed for, saying there weren't enough mauka/makai connections in Kakaako, and that without "Queen Lane," the pressure on Kamakee would be overwhelming. The City pushed hard for "Queen Lane" but it also benefits Hokua, as well as providing connectivity to Queen Street and up to the freeway. It is an important roadway because, without it, people would use Kamakee Street or be forced to make lots of left turns onto Ala Moana Boulevard. Mr. Dinell noted to staff that joint development discussions should also include the continuous public utilization of the roadway.

Chairperson Kometani asked whether the parks would be turned over to the City and County.

Mr. Dinell responded that it is HCDA's intent to do that. However, the challenge with the City and County is it doesn't like these kinds of very small urban parks. The City would rather maintain big parks like Ala Moana Beach Park. Staff has been in discussions with the City but they are proving difficult because the City objects to certain elements such as the fact that some of the design objectives allow a gate from 1133 Waimanu into the Mauka Park, providing a direct access from private property into the park. Hokua would also have direct access to the park and Koolani uses the park as an emergency pedestrian egress from their project. In addition, the City is particular about the type of foliage that has been selected for the park so HCDA needs to work very closely with the City on design issues.

Mr. Dinell explained that the land exchange agreement provided that should there be a problem with the City accepting maintenance of the Park, \$120,000 has been provided, in an escrow account by Nauru and Victoria Ward. If the City takes dedication of the parks, it would get the monies in escrow less any park maintenance expenses incurred after HCDA accepted the parks.

There being no further questions, Chairperson Kometani reminded the Members that a motion was on the table to adopt staff's recommendation and called for a vote. The motion was approved 9 to 0.

4. Approval to Authorize the Executive Director to Negotiate a Land Lease Option with Honolulu Seawater Air Conditioning, LLC

Teney Takahashi summarized the Action Item distributed to the Authority concerning this matter and introduced the presenters.

Mr. Takahashi stated that the Honolulu Seawater Air Conditioning, LLC, is a wholly owned subsidiary of Market Street Energy Company, LLC, of St. Paul, Minnesota which has developed and operated district wide energy services for over twenty years. Honolulu Seawater Air Conditioning has requested an exclusive right to negotiate for an option to lease a site and easements in the Kakaako Waterfront for components of a proposed district cooling system for Downtown Honolulu.

Mr. Takahashi introduced Dr. David Rezachek, Honolulu Seawater Air Conditioning's Associate Development Director, who then introduced other members of the team and described the system, its benefits and particular needs.

Dr. Rezachek introduced Dr. Joe Van Ryzin, President of Makai Ocean Engineering, which is a Hawaii-based ocean engineering firm that has been in business since 1973. According to Dr. Rezachek, Makai Ocean Engineering is a developer and designer of deep water pipes. The company has designed and deployed the largest pipe at the Natural Energy Laboratory of Hawaii Authority (NELHA) which is 55 inches in diameter, two miles long and goes to a depth of 3,000 feet. Last year, the project won an award for being one of the top six civil engineering projects in the United States. The company has been involved in deep water cooling projects that are even larger than the project being proposed. One of the projects is a Toronto project that involves 58,000 tons of seawater and began operations in August 2004. Makai Ocean Engineering has also been involved in the Cornell deep water cooling project

which involves about 20,000 tons. Last year, the company was awarded the top professional services award by the State.

Dr. Rezachek also introduced George Krasnick, the Permit Manager for the project. He is with The Environmental Company and has had over 30 years of experience in environmental impact assessments and permitting. Dr. Rezachek stated that Mr. Krasnick has managed many projects in Hawaii that are similar to or related to the proposed project.

Dr. Rezachek explained that Honolulu Seawater Air Conditioning was formed to develop cool “green and clean” renewable energy in Hawaii. Currently, Hawaii relies on costly imported oil and potable water, which is very precious for its cooling needs. The proposed project would reduce both the use of imported oil and potable water, while stimulating economic development in the Kakaako and Downtown areas. For instance, the annual savings would be about 400 million gallons of water and 250,000 barrels of oil per year. Dr. Rezachek stated that this \$100 million Honolulu Seawater Air Conditioning project will create an additional \$80 million worth of economic development opportunities within the Downtown and Kakaako areas. Without the need to purchase imported oil more money would remain in Hawaii, creating further economic development. If an economic multiplier effect is considered, it would have even greater positive economic impact.

Dr. Rezachek stated that Honolulu Seawater would provide a competitive advantage to customers in that the rates for their air conditioning will remain low and stable throughout the 20-year book life of the project.

Dr. Rezachek explained that the State of Hawaii has demonstrated strong support and commitment to this project by providing some legislative initiatives in 2004. Senate Concurrent Resolution 169 indicated support from the Legislature for this project, and stated that if this project proves to be cost effective relative to conventional air conditioning systems, the Department of Budget and Finance would recommend that State buildings use this technology. The Legislature has also provided \$32 million in special purpose revenue bonds for this project.

Dr. Rezachek said that Honolulu Seawater Air Conditioning seeks exclusive rights to negotiate for a site to be designated by HCDA. Its preliminary analysis shows that it would need 31,000 square feet of land within the Kakaako Waterfront to accommodate the heat exchangers, pumps and auxiliary chillers. To maximize energy savings, the company will need large heat exchangers which require a large footprint. However, the company

would be flexible in its request since it has looked at a number of options to help minimize that footprint.

Honolulu Seawater Air Conditioning will work closely with HCDA to identify a mutually-acceptable site. HCDA will ensure the facility blends in with the facilities that are currently located in the Waterfront and with any future proposals.

Dr. Rezachek stated that Honolulu Seawater Air Conditioning is a local company that is dedicated to environmentally-friendly economic development. He added that its relationship with Market Street Energy, LLC of St. Paul, Minnesota, which has both a district heating system and district cooling system in St. Paul, makes it uniquely qualified to develop the sea water air conditioning system in Hawaii.

For the proposed project, Honolulu Seawater Air Conditioning would pump water from a depth of 1,600 feet, where the water temperature is about 45 degrees. The water would be drawn from about three and a half miles offshore. Honolulu Seawater Air Conditioning would micro-tunnel under the water in order to not disturb the coral reefs and other biological organisms in the near-shore area, and to avoid the impacts of wave energy. The water would then go to a heat exchange station facility where plate heat exchangers harness the cold energy. A closed loop chilled water system would go to the buildings along the route. The warmed sea water would be returned to depths where there is no environmental impact.

Honolulu Seawater is proposing to develop a 30,000 ton system, and anticipates start-up date of July 1, 2007. It would like to locate its heat exchange station facility somewhere in Kakaako, and bring chilled water pipes to the Downtown area to serve 65 buildings between the ocean and Queens Medical Center.

Dr. Rezachek stated that there are a number of environmental benefits:

- It reduces the use of imported fossil fuels and saves 250,000 barrels of oil per year;
- It reduces the pollutants that are associated with the combustion of those fossil fuels and eliminates the need for cooling towers;
- It also reduces potable water use by 400 million gallons per year; and

- It reduces toxic chemicals used to treat the cooling water and reduces the production of sewage by 126 million gallons per year.

He listed a number of customer benefits as well:

- It provides convenient, reliable and affordable air conditioning;
- It eliminates the capital costs of building cooling plants. For instance, when constructing a new building there would be no need to install chillers and cooling towers;
- It also reduces operation and maintenance concerns associated with those components; and
- It reduces the environmental risks of changing out the working fluids and chillers.

According to Dr. Rezachek, the reliability of the Minnesota system has been 99.999 percent. Over a 20-year period there has been only 20 minutes of downtime on the system. It uses industrial grade, off-the-shelf components. The sea water system in use at NELHA includes a 12 inch pipe that has been in use for more than 20 years and has endured two hurricanes and extreme wave conditions. It was originally designed and intended to be used as a demonstration project, for only a couple of years.

Dr. Rezachek said deep water cooling systems have been successfully installed in a number of areas worldwide. The president of the company was involved in a project in Stockholm, Sweden which included the installation of 50,000 tons of seawater air conditioning. He also noted that Dr. Ryzin has been involved in the Toronto and Cornell projects, as well as other projects worldwide.

The proposed project is capital intensive, so most of the cost is capital recovery which is a fixed cost. The financial advantage of the system is less volatility in operating costs, and predictably low service costs for the full 20 year period compared to the conventional system.

He noted a number of community benefits as well:

- The district cooling system provides the necessary utility infrastructure to support community development;
- Implementation of the system provides local construction jobs initially, and then once construction is complete, long-term employment for local people;
- It allows for increased use of renewable energy. Cold deep seawater is an infinite renewable energy resource that saves up to 80 percent of the energy currently used for air conditioning; and
- It will help the State of Hawaii and HECO meet the renewable energy portfolio standards, as well as Act 77 obligations that target 30 percent less energy use in State facilities by 2012, and 20 percent renewable energy by the same date. Since Oahu has limited land area, the types and sizes of other types of renewable energy systems that can be accommodated here are also limited. This is the one technology that has the best near-term possibilities to help meet the new requirements, and reduce the demand by 21 megawatts of power from a fossil fuel plant.

Honolulu Seawater Air Conditioning recognizes that the proposal is an industrial facility, but emphasizes that it could be designed so that it blends in well with the existing structures and/or proposed structures within the development area.

Dr. Rezachek showed several proposed designs of the building. One option emulates the existing medical school structures with the same sloping green roofs and same external structure. Another design looked like the State Capitol with murals that demonstrate the performance of the system, and large windows that allow passerby to see the actual components of the system - the pipes, heat exchangers and chillers. The next design included a facility which looked like sails that would be visible from the ocean and land. The last option represented a wave or flow of water that reflects the nature of the Waterfront area, and would be illuminated at night. The pipes would be painted different colors to provide an attractive way of showing how the water flows into the Downtown area. It would also demonstrate that Honolulu is an area with an environmental conscience, and would help to stimulate other areas to implement similar projects.

Dr. Rezachek summarized by saying that seawater air conditioning would be good for customers, the Kakaako area, and HCDA. He added that it would be good for Honolulu, Hawaii, the local environment, global environment, the local economy and for investors. He said that with HCDA's accord, the project would become a reality in the year 2007.

Mr. Takahashi stated that staff requests approval to negotiate with Honolulu Seawater Air Conditioning, LLC, until January 31, 2005, for a twelve month option with a fee, and for a site not to exceed 15,000 square feet.

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

Member Fukunaga wondered whether a series of pumping stations would be required for this system to work, and for distribution to the Downtown area.

Dr. Rezachek responded that all the pumping would be done from the single pumping station in Kakaako. He noted that there may be some booster pumps throughout the system but they would be very small.

Member Fukunaga asked if the company would need to work out some sort of easement or access with the City.

Dr. Rezachek answered that Honolulu Seawater Air Conditioning is planning to trench under the City streets to install the distribution piping. He said that Market Street Energy Company has done this twice in St. Paul where the streets are even narrower. They've done both a district heating system and a district cooling system. So they are very familiar with this type of work. Honolulu Seawater Air Conditioning has talked to the City and County about how to proceed and has discussed the possibility of putting in a large utility tunnel under Alakea Street and Bishop Street which could then be shared with the electric company, the water company, and City Department of Environmental Services as well. That way the street would only have to be dug up once, or surface disruption might be avoided through micro-tunneling. Honolulu Seawater Air Conditioning would have access to all different pipes and wouldn't be required to dig later.

Member Fukunaga asked if they would have to negotiate a detour or some sort of routing that would avoid whatever is currently in the ground.

Dr. Rezachek responded affirmatively, saying that they are currently developing maps of the underground infrastructure.

Member Fukunaga questioned whether it would be at a depth that would tunnel from the ocean underneath the Kakaako lands up to a point where the pumping station or heat exchanger would be, and then from there, stubbing out to Ala Moana.

Dr. Rezachek replied that they would have a sump at the facility because the water is actually sucked up not pumped up. Honolulu Seawater Air Conditioning would start micro-tunneling at a depth of 25-30 feet to a distance of about 3,300 feet from the shore where they would end at a depth of about 80 feet. From there the pipes would be run along the sea floor bottom to a depth of 1,600 feet which is about 3 miles out. They plan to micro-tunnel under Ala Moana Boulevard because there are numerous underground utilities there and they wouldn't want to disrupt the traffic. They are currently talking with several micro-tunneling firms to get estimates for the work.

Chairperson Kometani asked what the estimated cost to do the project would be and how would it be funded.

Dr. Rezachek responded that the preliminary estimates show the total cost of the project to be \$100 million. Eighty percent would be financed by bonds or other sources of funding. Twenty percent would be equity capital. Honolulu Seawater Air Conditioning is talking with a couple of investors that are interested in funding the entire \$20 million of investment capital. However, they prefer to have several investors to distribute the debt burden. Honolulu Seawater Air Conditioning is also trying to get local Hawaii investors to possibly take advantage of Act 221 or Act 215 tax credits.

Chairperson Kometani asked if the \$100 million would just build the facility.

Dr. Rezachek replied that the \$100 million covers the entire project cost, including the 30,000-ton facility, and connections to all the buildings and the distribution network; as well as the risk capital to do the environmental impact analysis and the design work.

Member Fukunaga asked how the network would work in the Downtown area if there are existing customers and new customers come on line. He wondered if new customers would tap into the system and have their connections metered like a water system.

Dr. Rezachek responded that all users would just be tapped directly into the system. Since Honolulu Seawater Air Conditioning would like to keep the temperature that is delivered at 45 degrees, users would just tap into the

Honolulu Seawater Air Conditioning system and go around their existing chillers. The customers could keep those chillers as back-up chillers, which has been done in some cases in St. Paul. After a couple of years customers found that they never used the old chillers, and had them removed to free up space. In some cases in which the building is too tall for the system, Honolulu Seawater Air Conditioning may need to install a heat exchanger within that building; but that is something that is worked out with each individual building.

Member Fukunaga asked whether there is any kind of exhaust emission from the heat exchanger.

Dr. Rezachek replied in the negative. The heat exchangers are titanium so there are no corrosive products.

Member Fukunaga inquired if it is the same as any other state water pumping station.

Dr. Rezachek responded in the affirmative.

Chairperson Kometani asked if there was an objection to moving their site mauka of Ala Moana Boulevard.

Dr. Rezachek responded that they would want to stay as close to the ocean as possible because of the cost of micro-tunneling. Honolulu Seawater Air Conditioning would have to micro-tunnel because they would not be allowed to dredge through the live coral area. The farther inland, the more micro-tunneling will have to be done. It is Honolulu Seawater Air Conditioning's preference to remain close to the water. However, he said, Honolulu Seawater Air Conditioning is flexible.

Mr. Dinell recapped for the members and the audience that the staff's recommendation is to authorize the Executive Director to negotiate exclusively with Honolulu Seawater Air Conditioning LLC for a period not to exceed January 31, 2005, a 12 month option for a fee, to acquire leasehold rights to a site not to exceed 15,000 square feet plus easements. Staff felt that eight weeks would be a reasonable amount of time to allow a negotiation and they didn't want to make the option period over two years so that is why the recommendation is for a 12 month period. Also, in the presentation, Honolulu Seawater requested 31,000 square feet but in discussions they indicated that they could double-deck the facility. So that is why staff is suggesting no more than a 15,000 square-foot footprint to help preserve some of the very valuable

Waterfront lands. Staff still needs to work with the company on the location as well as the building design.

Dr. Rezachek stated that the facility could be incorporated into another building design, whether it is a parking structure or some other kind of building that would be a multiple use facility.

Mr. Dinell asked Dr. Rezachek how far from the ocean the system could work without losing some of the advantage of the sump and the suction.

Dr. Rezachek replied that part of the problem is the long runs for the micro-tunnel. The further on shore, the longer the micro-tunnel becomes which is strategically a little more difficult.

Chairperson Kometani asked if part of the site could be put below-grade.

Dr. Rezachek responded that it could. However, he didn't know the composition of the soil there, and the associated cost for excavation. Honolulu Seawater Air Conditioning would have to de-water to go deep which would be an additional cost.

Member Liu stated for the record that Dr. Rezachek was a staff member at DBEDT until about a year ago. Member Liu is familiar with the proposed concept and is active with NELHA and has met with Makai Ocean Engineering before. So he believes that he has an independent basis upon which to evaluate this proposal and doesn't believe that Dr. Rezachek's former employment with his department would affect his ability to vote objectively on this issue.

Chairperson Kometani reminded the Members that a motion was on the table to adopt staff's recommendation. There being no further questions, a vote was taken and the motion was approved 9 to 0.

5. Approval to Enter Exclusive Negotiations with the University of Hawaii for the Cancer Research Center of Hawaii on a Designated Site in the Kakaako Waterfront

Teney Takahashi summarized the Action Item distributed to the Authority concerning this matter and made the staff recommendation.

Mr. Takahashi stated that in October 2002, the Authority first granted its approval to enter into exclusive negotiations for a six month period with the

University of Hawaii for a proposed lease of a 5½ acre parcel identified as Lot 2. Since that time, several extensions were awarded. On November 3, 2004, the Authority deferred a request for extension to allow the University to develop plans for Phase II of the medical school and a relocation timetable for the Pacific Biomedical Research Center (PBRC). As a result, all previous agreements and rights to the University expired on November 30, 2004, and a new process will begin.

As anticipated, on November 18, 2004, the University of Hawaii (UH) Board of Regents approved the issuance of a Request for Qualifications (RFQ) for the development of the Cancer Research Center of Hawaii (CRC) on Lot 2. A confidential draft copy of the RFQ was transmitted to Members under separate cover.

Mr. Takahashi introduced Jan Yokota, Director of Capital Improvements at the University of Hawaii, to provide a status update for Phase II of the medical school and for the relocation of the PBRC, as well as answer any questions.

Ms. Yokota highlighted parts of the letter from Acting UH President Dr. McClain indicating that the University received approval from the Board of Regents on November 18, 2004, to issue the RFQ for the CRC. The University is in the process of finalizing the RFQ which will be completed this week.

The letter also covers a couple of areas that HCDA Members expressed concerns about during the November meeting. The University is considering several options for the relocation of the PBRC, the main option being Coconut Island. The University would have to request additional design work to build a new facility on Coconut Island to incorporate the PBRC. If it is not in the Regents' budget this year, the University would probably have to make a separate request. In the most optimistic scenario in which the University had additional design funds to build the new building at Coconut Island this session, the University would still be looking at securing construction funds in 2006, and trying to complete a building in 2008. The University does not currently have that amount of money for design in the budget. So they would have to request the Legislature make a separate appropriation or include it in the budget.

Ms. Yokota noted that on Phase II of the medical school, the University plans to work with the Department of Business, Economic Development and Tourism (DBEDT) and the High Technology Development Corporation (HTDC) on a public-private partnership to develop that site. The University

could possibly seek approval from the Board of Regents to issue an RFQ as early as March 2005.

Chairperson Kometani asked if Members had any questions. Since there was none, he asked Mr. Takahashi to make the staff recommendation.

Mr. Takahashi stated the staff recommendation was to authorize the Executive Director to enter into exclusive negotiations with the University of Hawaii for a development agreement and lease for Lot 2, to be used for the development of the Cancer Research Center of Hawaii. Staff also recommended approval to reserve Lot 2 until July 31, 2005, provided that the University:

- 1) Commits to relocating the Pacific Biomedical Research Center by a date certain; and
- 2) Issues a request for qualifications for Phase II of JABSOM by March 15, 2005.

Further, if a developer for the Cancer Research Center of Hawaii is not selected by March 31, 2005, the agreement would expire on its own terms.

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

Member Liu commended Ms. Yokota and the University for the significant progress made in the last four to six months and recognized that Ms. Yokota had quite a few items on her plate at the University, with various RFQs and RFPs being done for some critical infrastructure improvement projects. So he appreciated the responsiveness to the issue of the relocation of PBRC and the development of Phase II. He stated that, as indicated in Dr. McClain's letter, the public private partnership that meets the interests with the University's Medical School and biotechnology community is a significant win-win for everybody including the plans for redevelopment of the Kakaako area. The fact that there is an RFQ approved by the Regents and ready for release is a significant tangible step forward. Mr. Liu thanked the University for being responsive and looked forward to working with them in developing the CRC.

There being no further questions, a vote was taken and the motion was approved 8 to 0, with 1 excused (Member Los Banos).

To accommodate the Kalaeloa Members, Chairperson Kometani took the agenda out of order starting with the Kalaeloa Status Report by Stanton Enomoto.

Chairperson Kometani acknowledged and thanked Member Crispin for his valued input and involvement on the Authority as this would be his last meeting as a member of Mayor Harris' cabinet. Although Member Crispin had no vote on Kakaako matters the Authority valued his input and involvement on those issues, and the Authority wished him well.

Member Crispin commented that it was a pleasure serving on the Authority as well as serving the City and County of Honolulu. Although the future is still uncertain, he thinks a lot of progress has been made in making Honolulu a much more livable city and that the contributions that Kakaako has already made and stands to make are very significant. Member Crispin expressed his appreciation for the Chairperson's and Members' indulgence in allowing him to participate in discussions on Kakaako issues. As far as Kalaeloa, Member Crispin felt the opportunities are immeasurable.

Chairperson Kometani announced for the record that Members Aila, Souza, and Timson were also in attendance.

V. ITEM FOR INFORMATION

B. Kalaeloa Status Report

Stanton Enomoto summarized the Information Item distributed to the Authority concerning this matter.

Member Timson asked for confirmation on reports of the rental units to be owned by Ford Island Properties are being sold.

Mr. Enomoto responded that he made several inquiries but has not received confirmation back on that issue. He understood that the rental properties have not been conveyed in fee to Ford Island Properties and that the title to those lands is still held by the U.S. Navy. Further, zoning has not been established. In general, a number of activities would have to occur before those properties could be placed on the market.

Mr. Dinell asked Member Crispin if he had any insight into the issue.

Member Crispin confirmed the properties would have to go through rezoning.

In the meantime, Ford Island Properties received a variance that allows them to receive a building permit for making improvements to the existing housing units. There are some buildings that are in a bad state of disrepair. So the variance was the mechanism used to ease them into the City system.

Sometime in late 2005 or 2006, Ford Island Properties will take the land fee and at that time they would need to approach the City for rezoning.

Member Timson indicated that when Fluor first appeared before the Neighborhood Board, that was the first thing that they asked and Fluor clearly stated the housing units would be used strictly for rentals.

Chairperson Kometani asked how many units are there.

Mr. Enomoto responded that there are three areas where rental housing is located, but couldn't recall the specific distribution between the three sites.

Member Timson commented that since Kalaeloa is adjacent to Kapolei, she would like to try to bring the two communities together. She announced that next weekend they are having a big event at the Kapolei Regional Park and they went into Kalaeloa to distribute flyers inviting the residents to come and enjoy the festivities over the weekend.

Chairperson Kometani suggested to Members that if time permits Members should try to attend.

Member Lai disclosed that his law firm represents Ford Island Properties. He offered Mr. Enomoto assistance if he needs to find out more information.

## VI. EXECUTIVE SESSION

Chairperson Kometani asked for a motion to enter into Executive Session to discuss the following items:

The Executive Session item listed as number six on the agenda is the Executive Director's Performance Evaluation, Pursuant to Section 92-5(a)(2), Hawaii Revised Statutes and Executive Session item listed as number seven on the agenda on the Update on Litigation and Disposition Strategy for the American Brewery Building, Honuakaha Housing Complex, Pursuant to Sections 92-5(a)(3) and 92-5(a)(4), Hawaii Revised Statutes.

The first item is for discussion and action by Members only. On the second item, Chairperson Kometani requested Deputy Attorney General Melvin Nishimoto, Executive Director Daniel Dinell, and Asset Manager Richard Kuitunen to participate.

It was moved by Member Crispin and seconded by Member Wegesend to enter into Executive Session. The motion carried 13 to 0, with 1 excused (Member Los Banos).

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The Hawaii Community Development Authority entered into Executive Session at 10:50 a.m.

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Kalaeloa Members: Aila, Crispin, Souza and Timson departed after the first Executive Session item at 11:05 a.m. as the rest of the agenda pertained to Kakaako matters.

It was moved by Member Kondo and seconded by Member Liu to reconvene the regular meeting. The motion was carried 9 to 0 with 5 excused (Members Aila, Crispin, Souza, Timson and Los Banos).

The meeting was reconvened at 11:25 a.m.

V. ITEM FOR INFORMATION

A. Request for Proposals for The Waterfront Development at Kakaako

Teney Takahashi presented the information to the Members.

Mr. Takahashi stated that in October 2002, the Authority approved the Waterfront Business Plan. The Business Plan was the basis for a strategic development program that began almost immediately with the execution of a development agreement for the John A. Burns School of Medicine (JABSOM) in that same year, followed by a development agreement for the ocean research complex in March 2003.

JABSOM has catalyzed development interest in the Waterfront, which has been further fueled by strong growth in the real estate sector. In October 2004, KUD International LLC, asked to terminate its development agreement in order to incorporate that site into a master development. General media coverage of this master development concept has already resulted in several inquiries from developers with an interest for this type of development. The draft RFP was provided to the Members via separate cover along with a copy of the Waterfront Business Plan.

Mr. Takahashi highlighted the major points:

- There is a significant change in scope, from one site at a time by several developers to a master development involving a single development entity which will allow simultaneous development of multiple parcels as described in page six of the draft;
- Staff is continuing to retain assistance from procurement advisors in the RFP process. Since the Waterfront Business Plan defines a particular development program, an open RFP process to select a developer is needed. However, to avoid unnecessary expenses by every applicant, staff has established a two-step process in which a “Priority List” of the best candidates and proposals based on pre-established criteria is first determined. Page 11 is the summary of that criteria. The final selection will then be based on a “Best and Final Offer” involving a thoroughly-detailed proposal from only those finalists on the priority list;
- The schedule, which starts on page 14, begins with the Authority’s approval of the issuance of the RFP, anticipated for January 2005. The first submission from the developer candidates could then be in March, followed by the Authority’s approval of the “Priority List” in May;
- The finalists would then make a presentation of their respective proposals to the public and to the Authority, conduct due diligence, and prepare their best and final offers by August 2005;
- The Authority can then approve the finalists and their ranking in October. Negotiations will then take place beginning first with the highest ranked finalist and continuing down the list until agreement is reached with one of the finalists. There could be one finalist, no finalists or multiple finalists;
- Negotiations for a development agreement and lease can take place as early as late October 2005, and if agreement is reached quickly, final documents can be executed in mid-2006;
- Not included in the RFP is the plans and permitting that will thereafter take at least one to one and a half years before groundbreaking could occur; and

- Questions that may arise in the review process are: 1) Should the presentation of proposals to the Authority take place before the presentations to the public? 2) Should a subcommittee be formed to deal with the details and make appropriate evaluations and recommendations to the full Authority? 3) Should consultants be engaged to assist in the evaluation and selection of the candidates and their proposals? and 4) is the selection criteria appropriate and complete?

Staff requested the Authority's review and input on these and other issues that might arise in the course of review. Mr. Takahashi requested that Members submit their input through the Executive Director by December 17, which would allow enough time for staff to produce a final document for the next regular meeting on January 5, 2005.

Mr. Dinell clarified that the spiral booklet included in the packets was the Waterfront Business Plan of 2002, which he thought would be a useful reference document as Members reviewed the draft RFP.

Chairperson Kometani inquired if the Master Plan was completed after the previous proposals went out.

Mr. Takahashi responded that the Master Plan was approved by the Authority two years after Andy Anderson's first proposal.

Mr. Dinell noted that the draft RFP document that was transmitted separately is a working document.

Chairperson Kometani asked if a change was needed to allow residential use of the site.

Mr. Takahashi responded in the affirmative. He referred to page six of the draft RFP where it states the fact that HCDA needs to get residential rezoning. HCDA will conduct a public hearing to do that. That rezoning would probably not happen before the RFP is issued. Ideally staff would prefer to obtain the rezoning first, but the timing was such that staff decided to proceed in any event and qualify the RFP with the residential rezoning condition.

Chairperson Kometani asked if HCDA started now to make the change, how long would it take? Would it be completed around the start of the negotiations?

Mr. Takahashi replied that staff is anticipating rezoning a year from now and staff is already moving ahead. The Authority approved funds to begin putting together the proposal for the land use amendment about three months ago. Mr. Takahashi said that it would take them into the negotiation phase and the Authority would have to approve the amendment.

Mr. Dinell elaborated that effective October 27, 2004, Wilson Okamoto Corporation was retained for the Makai land use amendment, and has already started conducting traffic studies.

Mr. Takahashi stated that it would be correct to assume that there would be obstacles along the way. In addition to the land use amendment, HCDA still has tenants to relocate. Upon looking carefully at the University's proposal for the relocation of PBRC, it is still about six months between when HCDA would like them to vacate the premises and when PBRC can actually relocate.

Chairperson Kometani asked if Mr. Takahashi wanted Members to read the RFP and provide input.

Mr. Takahashi responded that the Members' input would be appreciated and asked for comments by Friday, December 17, 2004.

Chairperson Kometani asked if someone would notify the Authority.

Mr. Dinell responded that he would take care of notifying the Members.

## VII. ADJOURNMENT

There being no further business, it was moved by Member Lai and seconded by Member Wegesend to adjourn the meeting at 11:40 a.m. The motion passed 5 to 0 with 9 excused (Members Goshi, Kondo, Los Banos, Liu, Aila, Chinn, Crispin, Souza, and Timson).

Respectfully submitted,

/s/

Paul Kimura  
Secretary