

SUMMARY - MEETING NO. 279

HAWAII COMMUNITY DEVELOPMENT AUTHORITY

State of Hawaii

January 14, 2004 - 9:00 a.m.

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

ATTENDANCE

Members Present: Lori Ann Lum; James Kometani; Michael Goshi; Theodore Liu; Katherine Thomason (for Russ Saito); Stanley Shiraki (for Georgina K. Kawamura); Linden Joesting (for Rodney Haraga); Mark Anderson (for Theodore Liu); Paul Kimura; Patrick Kubota; Gary Kondo

Kalaeloa Members: Eric Crispin; Micah Kane; William Aila Jr.; Evelyn Souza; Maeda Timson

Members Absent: Allan Los Banos

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

It is noted that today's Agenda Items were taken out of order.

I. ROLL CALL

The meeting of the Hawaii Community Development Authority was called to order on January 14, 2004 by Chair Lori Ann Lum at 9:05 a.m. with the following roll call:

Chair Lum	Present
Member Kometani	Arrived 9:10 a.m., left 10:30 a.m.
Member Goshi	Present
Member Liu	Arrived 9:25 a.m.
Member Thomason	Arrived 10:10 a.m.
Member Shiraki	Present
Member Joesting	Present

Member Anderson	Present
Member Kimura	Present
Member Kubota	Arrived 9:10 a.m.
Member Kondo	Arrived 9:15 a.m., left 10:35 a.m.
Member Crispin	Arrived 9:10 a.m.
Member Kane	Arrived 9:10 a.m.
Member Aila	Present
Member Souza	Present
Member Timson	Present

MATERIALS DISTRIBUTED

1. Agenda for January 14, 2004 Meeting;
2. Summary Minutes of Regular Meeting of December 10, 2003;
3. Information Item: Kalaeloa Status Report;
4. Action Item: Approval of a Second Extension to the Period of Exclusive Negotiations with the University of Hawaii for the Leasing of Land for a Cancer Research Center on the Kakaako Waterfront;
5. Action Item: Approval to Authorize the Executive Director to Expend Public Facilities Dedication Funds for the Nimitz Highway Beautification Project in Kakaako;
6. Action Item: Approval of the Preliminary Determination on the Refunding of Improvement District Assessment Bonds for Improvement Districts 1, 2 and 3;
7. A.G. Edwards Investment Banking Memorandum dated January 13, 2004; and
8. UBS Financial Services Inc. Report dated January 13, 2004.

II. APPROVAL OF MINUTES

1. Regular Meeting of December 10, 2003

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

There were none.

It was moved by Member Anderson and seconded by Member Shiraki that the Minutes of the Regular Meeting of December 10, 2003 be approved, as written. The motion passed unanimously.

III. REPORT OF THE EXECUTIVE DIRECTOR

Ms. Pfund noted that the package submitted by HCDA for the 2004 legislative budget consists of three items.

Ms. Pfund stated that the first item was to transfer the financing of approximately \$1.3 million in staff and operational costs from general obligation bond financing to general fund financing. If this item passes, HCDA's existing CIP funds for staff and operational expenses would lapse.

The second item requests \$9 million for Makai Area improvements in the Fort Armstrong area.

The third item is a CIP request for authorization to issue \$20 million in revenue bonds for Phase I of the central parking structure in Kakaako Makai.

The first budget hearing was held Tuesday, January 13, 2004 before the Senate Ways and Means Committee; HCDA was well represented by DBEDT's Director Liu. The House Finance Budget Committee is scheduled to meet on Friday, January 16, 2004.

Member Joesting asked if HCDA had submitted any testimony, and if so, could a copy be provided to her. Ms. Pfund replied affirmatively.

Member Aila asked if a Kalaeloa bill would be submitted for HCDA to act as an Ombudsman in the area.

Ms. Pfund replied that the bill was finalized but the Governor's package of administration bills had not been submitted to the Legislature to date.

Member Aila asked when that would that happen.

Ms. Pfund responded that the Governor's package of administration bills should be finalized in time to be submitted by the first week of the legislative session.

Ms. Pfund also stated that the second item she wanted to cover under the Executive Director's Report related to Improvement District 11 (ID-11) relative to infrastructure improvements on Queen Street between Ward Avenue and Kamakee Street. Ms. Pfund wanted to inform the Authority of certain challenges relating to this project.

Ms. Pfund noted that the first issue regarding ID-11 deals with the conduct of two public hearings required under the

Improvement District (ID) rules. On January 2, 2004, public hearing notices were sent out for the project with a public hearing date of February 4, 2004. However, approval to conduct the hearings was not received in time from the Governor's Office, therefore postponement notices were sent out.

The first public hearing seeks (1) the Authority's approval to establish the improvement district, and (2) the Authority's approval to accept and adopt the assessment calculations based on the preliminary estimates. The second public hearing is scheduled after the project is bid and the project's final costs are determined. Final assessment amounts are based on the bid amounts. Approval to conduct the public hearings on the administrative rules requires the approval of the Governor through the Department of Business and Economic Development & Tourism (DBEDT).

Prior to the Governor's consideration to conduct a public hearing, the requests are reviewed by the Small Business Regulatory Review Board. The Review Board, administered by DBEDT, requested HCDA to make a presentation before any recommendation could be made to the Governor. The Review Board was to meet on January 13, 2004, and HCDA was scheduled to present the matter. A quorum could not be obtained and as a result, the meeting was cancelled. The Review Board will try to schedule another meeting within the next two weeks. This process is critical for the project schedule. HCDA has \$6 million in CIP funds that will lapse June 30, 2004 if a contract is not awarded.

Ms. Pfund noted that the second item concerning ID-11 pertains to the amounts that are assessed to the individual owners affected by the improvement district. Initial assessment notices were sent out to the affected property owners, and HCDA received several calls regarding the "high" assessment amounts.

Included in the packets under the Executive Director's Report are the following exhibits:

Exhibit A identifies the total estimated project cost, which is \$9.9 million. A breakdown of the cost by infrastructure component is also shown.

Exhibit B shows the allocation of the total estimated project cost between the government, which is the state's payment, the property owners, and the utilities. The cost sharing is 58% for the state, 31% for the properties, and 11% for the utilities.

Exhibit C shows the individual assessment amounts that were sent out to the affected property owners on Queen Street.

Exhibit D contains a simple analysis comparing the allocated amounts on some earlier ID projects. The ID-11 ratio for the property owners is currently at 31%, where for ID-7 it was 13% and for ID-4 it was 5%. It must be emphasized that the assessment formula has not changed from the previous ID projects. The calculation is the same as it has been since the implementation of the assessment program. Secondly, when the assessments were reviewed by square footage, they were within the range of other improvement districts that had been assessed.

The ratio of cost attributed to property owners are affected by various factors. Costs can be spread out among more owners in larger areas than in smaller improvement areas. The Queen Street widening project is a small area from Ward Avenue to Kamakee Street. Assessments can also be impacted by the type of improvements to be built. In past cases, the construction of certain improvements and components were avoided if existing infrastructure was adequate. In ID-11, the sewer, water and drain lines will all be new, in addition to roadway improvements and the underground electrical system. Another factor is how much of the costs can be picked up by the utility companies. Finally, one of the key factors is whether the infrastructure involves backbone infrastructure development versus localized lines. In Kakaako, major backbone infrastructure has been constructed, and the current direction is a new phase of improvement districts which consist of more localized lines. For example, for ID-11, the bulk of the improvements will be localized lines. In effect, people will be assessed more of the costs as they directly benefit by the improvements.

Ms. Pfund asked if there were any comments or questions.

Member Joesting asked whether we should change the formula for assessments.

Ms. Pfund stated there were pros and cons in looking at changes to the assessment formula. Consideration should be given to property assessments to date in prior improvement districts under the existing formula. However, the trend towards more localized lines now than in the past should be a new factor that the Board may wish to consider in determining the assessment amounts.

Chair Lum requested that the record reflect that Members Kometani, Kondo, Kubota, Crispin, and Kane have joined the meeting.

IV. ITEM FOR INFORMATION

A. Kalaeloa Status Report.

Ms. Pfund stated that the Navy Representative was not available.

Ms. Pfund indicated that the legislative proposal regarding Kalaeloa had been through the internal review process and finalized, and was awaiting the Governor's submittal to the Legislature with the administrative package.

Chair Lum asked if there were any questions.

Member Aila asked if there were any indications that there may be problems with the Kalaeloa legislative proposal.

Ms. Pfund replied that she did not hear of any.

Chair Lum called for a brief recess at 9:20 a.m. before the presentation of the Action Items. The meeting was reconvened at 9:25 a.m.

V. ITEMS FOR ACTION

4. Approval of the Preliminary Determination on the Refunding of Improvement District Assessment Bonds for Improvement Districts 1, 2 and 3.

Ms. Pfund summarized the Action Item report distributed to the Authority concerning this matter.

Ms. Pfund distributed copies of the A.G. Edwards Investment Banking Memorandum dated January 13, 2004 and the UBS Financial Services Inc. Report dated January 13, 2004.

Chair Lum asked if there were any questions or comments.

Member Kometani asked if there was a method where one could speed up the approval process to take advantage of the current good rates. Member Kometani said that he was aware of the fact that the request was to come back before the Authority after completion of the due diligence period.

Ms. Pfund responded that the way the rules are set for final approval, the Authority must adopt a final resolution. There are major underwriting documents that must be incorporated into the resolution.

Member Shiraki stated that the resolution would be two to three months from now.

Member Joesting also asked if it could be done under the rules where the amount of paper is reduced to substantiate the resolution. She also asked if a resolution was required, could the Board move to proceed today.

Deputy Attorney General Nishimoto replied that the agenda states that a preliminary determination needs to be made before a resolution is passed, so it could not be done today. At the next meeting, the Board could pass a resolution contingent upon favorable due diligence and underwriting.

Member Liu asked Member Shiraki why this was not included in the state's overall refinancing.

Member Shiraki responded that the state finances department general obligation (GO) bonds by itself and all the refunds stand by themselves, special funds or revenue bonds. They are not combined.

Member Liu asked if there was a legal reason why the state cannot combine the bonds.

Member Shiraki responded that the bonds are all different. GO bonds are based on the full good faith and credit of the state. The resolutions are all different and the bonds are all different.

Member Liu asked if a separate tranche could be done. The state could do a GO tranche and then a revenue bond tranche.

Member Shiraki said it could be done. Member Shiraki also said that a refunding proposal was sent to HCDA in October for consideration, and now the action is coming up.

Chair Lum asked if there was a motion to adopt staff's recommendation.

It was moved by Member Kometani and seconded by Member Shiraki to approve the preliminary determination of the refunding of Improvement District Assessment Bonds for Improvements Districts 1, 2 and 3.

The motion passed unanimously.

2. Approval of a Second Extension to the Period of Exclusive Negotiations with the University of Hawaii for the Leasing of Land for a Cancer Research Center on the Kakaako Waterfront.

Ms. Pfund summarized the Action Item report distributed to the Authority concerning this matter.

Ms. Pfund then introduced Ms. Jan Yokota, Director of Capital Improvements from the University of Hawaii, and Dr. Karl Vogel from the Cancer Research Center.

Chair Lum asked the Members if they had any questions or comments.

Member Shiraki asked for more information pertaining to Lots 1, 2 and 3.

Ms. Pfund responded that, in 2002, the area was subdivided. She referred to a map and pointed out the different sites and described each one.

Member Crispin asked how the UH plan might impact the Historic Pump Station.

Ms. Pfund responded that UH was granted negotiation rights for Lot 2 only, which is not part of the Historic Pump Station lot.

Member Kometani inquired about the environmental condition of the warehouse property.

Ms. Pfund stated that initial environmental sampling was done and there was the possibility of migration of contamination from upstream. More borings would be done this month to determine the extent of the contamination. HCDA will get to the point of a risk assessment so that potential developers will know what the problems are and the potential costs of remediation.

Mr. Kometani asked if the developer would be required to take on the cost to remediate.

Ms. Pfund responded that it would depend on what the reports show. For example, at the fish auction site, HCDA is working with the Department of Health to finalize a risk assessment report. HCDA is looking for that type of analysis to be able to determine the extent of costs to negotiate remediation adequately with the developer.

Member Shiraki asked if there was a 5-year commitment to UH for Lot 2.

Ms. Pfund responded that, at the initial negotiations for the medical school, there were questions on parking for the different phases. Funding was not provided for a parking structure on the medical school site, so it was agreed that temporary parking would be provided at Lot 2 to meet the regulatory requirements for parking. If the Cancer Research Center site was developed by UH, resolution of the parking requirements would be a major part of the exclusive negotiations.

Member Joesting mentioned that she was aware that a car dealership had made a proposal to DOT Harbors about parking in the area.

Ms. Pfund explained that, on the conditional parking lot site, UH was requested to conduct an efficient parking plan for the number of stalls needed. HCDA can free up approximately one third of the site which could be used as storage yard or parking lot on which HCDA could collect rent.

Member Liu asked if HCDA would receive lease payments for the parking site.

Ms. Pfund responded that under the off-site conditional use agreement, HCDA is entitled to net revenue from the parking operations, but there may not be any significant rent revenue.

Member Liu asked if UH could inform the Authority on their progress with their negotiations.

Ms. Yokota explained that UH had initially sought \$80 million in federal funding for the Cancer Research Center. She added that, while federal funding is still a possibility, UH is now looking at entering into private partnerships with companies that could develop the Center. UH would like an additional

period of time to look at the possibilities for private development.

Member Joesting asked if UH was looking at a private developer to build parking there.

Ms. Yokota responded that parking would have to be for the entire project. She did not have specific parking requirements for the Cancer Research Center, but there would have to be parking as part of the development.

Member Shiraki asked if it was accurate to say that UH had no financing capabilities right now.

Ms. Yokota responded that UH did not have any financing secured at the moment; since UH does not have CIP appropriations for the construction of the center, it would have to be developed privately with possibly some federal funding. It could be a combination of the two, but UH cannot rely solely on the federal government.

Member Shiraki requested a timeline.

Ms. Yokota outlined the process for a Request for Qualifications (RFQ) and added that this would require Board of Regents approval to begin the process.

Member Joesting commented that the process may take more than six months.

Ms. Yokota agreed. However, she added that UH was in serious discussions with a number of interested private groups, and that federal funding was still a possibility.

Member Joesting suggested a non-exclusive approval for a longer period of time. She added that HCDA could then pursue other opportunities and it would give UH a longer time frame to get its money.

Ms. Yokota explained that exclusive negotiations is requested because it would be very hard to negotiate with private developers without having that exclusive right.

Member Liu asked the cost of the Cancer Research Center.

Ms. Yokota responded that the Research Center was estimated at \$80 million; the cost would be approximately \$100 million if parking was included.

Member Liu said that if UH does not have its own resources, it would have to be privately financed.

Dr. Vogel from the Cancer Research Center said that the idea is for a lease rent agreement.

Member Joesting said that this would take more than six months.

Ms. Yokota replied affirmatively but added that they were currently in serious discussions with certain entities.

Member Liu asked whether the entities that UH was talking to were developers or operators.

Ms. Yokota responded that they were not necessarily operators, but more like developers who have built medical research facilities in different locations.

Member Liu asked how long has UH been in discussion with these developers.

Dr. Vogel responded that they had been in discussion for approximately two months, and that meetings with interested developers were scheduled for the following week.

Member Liu asked whether efforts during the entire period for the first extension were based on the reliance on federal funds.

Ms. Yokota said that UH had been relying on federal funds for a portion of the project and these funds are still being pursued.

Dr. Vogel added that Senator Inouye endeavored to get federal funding, but it is not as sure as originally thought. There is a Cancer Bill in the U.S. Senate being introduced and there is appropriate language in there that would allow Senator Inouye to get authorization for this funding. However, due to the uncertainty, UH has decided to pursue other financing opportunities, while federal funding is still a possibility.

Member Liu asked if the initial expectation was that the entire project cost was to be covered by federal funding.

Dr. Vogel responded affirmatively.

Member Shiraki asked about Phase II of the medical school and the funding for it.

Ms. Yokota responded that if Phase II is built, UH would have to privately finance it.

Member Shiraki said that private financing was promised to be delivered by UH for Phase II if UH received the funding of \$150 million for Phase I.

Ms. Yokota said UH was looking at private financing because additional state financing could not be relied on for the construction.

Member Liu asked if the PBRC and the aquarium (KUD project) were to proceed, would they be privately financed.

Ms. Yokota responded affirmatively.

Member Liu said that there was a lot of private financing being expected.

Ms. Yokota reiterated that, generally speaking, UH did not want to rely on state funding, knowing that it is not feasible; she added that UH is looking at all other possibilities for private/public partnerships.

Member Liu asked whether non-exclusive negotiations might put more pressure on various parties to move expeditiously.

Ms. Yokota responded that the preference is for the exclusive negotiations.

Member Liu said that the Authority would like to be supportive of UH efforts, but HCDA's fiduciary duties are to get things done as expeditiously as possible. The Authority has an obligation to Kakaako.

Chair Lum asked the Members if there were any further questions, comments or discussions.

Member Liu asked if there were any updates in the first extension period.

Ms. Yokota said she didn't think so.

Member Liu said there were no updates from KUD and that there have been a lot of questions concerning what was happening with the aquarium. The Authority would like to have regular updates on the project.

Ms. Yokota stated that in a couple of months, UH may be able to provide an update to HCDA on the Cancer Research Center.

Member Liu asked if a three-month extension would give UH sufficient time to present HCDA with an update. He added that it was clear that the six-month extension would not result in a completed process.

Member Kometani said that, even if there was an update in three months, it appears that if UH doesn't get an approval from the Board of Regents to do the project, then it will not proceed any further.

Members Joesting and Liu both suggested that the Authority makes this a condition for the next extension.

Member Liu and Member Kometani agreed that UH would have to come back to HCDA with a Board of Regents approval to go ahead with the Cancer Research Center by the end of the next extension.

Ms. Yokota said that getting the Board of Regents approval couldn't be done within three months, because of the procedures involved. However with the six-month extension, it should not be a problem.

Member Goshi suggested keeping the extension at six months but raise the criteria. He agreed that three months might not be long enough.

Member Kubota said that six months is not long, and that he would not mind extending another six months, with the condition that there be informational meetings every two months to update the Authority.

Member Liu asked if UH could come to the HCDA Board with a Board of Regents approval in six months.

Ms. Yokota responded affirmatively.

Member Kometani said that the key for the RFQ to proceed is HCDA providing a report on the environmental condition of the ground. He added that no developer would commit to proceed unless it was known how much money would be spent on environmental issues.

Member Liu stated that this should be part of the lease negotiations.

Chair Lum summarized the recommendations for approval as follows: (1) to amend staff's recommendation to approve a six-month exclusive negotiation period with progress updates provided to the Authority every two months; and (2) add the condition that within the six month extension period, UH return to HCDA with its Board of Regents approval to proceed on the RFQ.

Chair Lum asked if there were any other questions.

There were none.

It was moved by Member Kubota and seconded by Member Goshi to approve exclusive negotiations for six months, with updates provided to the Authority every two months, and Board of Regents approval to proceed on an RFQ by the end of the six months.

Member Liu said that additional extensions would be moot. Such extensions would need to be justified under a higher level.

Chair Lum called for a vote. The motion passed unanimously.

3. Approval to Authorize the Executive Director to Expend Public Facilities Dedication Funds for the Nimitz Highway Beautification Project in Kakaako.

Ms. Pfund summarized the Action Item report distributed to the Authority concerning this matter.

Ms. Pfund asked if there were any questions.

Member Kubota asked how much money was in the public facilities dedication fund.

Ms. Pfund responded that there was \$18 million in the fund.

Member Shiraki asked what the fund could be used for.

Ms. Pfund stated that the fund was made up of monies paid by developers as projects have come up in Kakaako; the fund is meant for public facilities improvements to benefit the Kakaako area in general. When this Beautification Project request came up, the HCDA checked with the Office of the Attorney General who confirmed that this project is deemed an acceptable use of the monies under that fund.

Member Joesting mentioned that DOT was originally asked to do design and construction work on that project, but DOT's workload would not permit this additional work, the time to encumber funds would pass, and the money could not be obligated and committed, so DOT was unable to proceed. She added that the mind was willing but the people just were not there.

Member Shiraki asked who, then, was designing the projects and who was on the vision team.

Member Crispin gave the Members a brief summary of the work accomplished by one of the vision groups created by the City Council. He explained that the \$400,000 funding request had come from a vision group comprised of several professional individuals who had discussed what was estimated to accomplish the project.

Member Crispin mentioned that the idea was to continue the improvements that the City has done along Ala Moana Boulevard, mostly in front of Ala Moana Shopping Center. Member Crispin felt that it would be appropriate to inform this vision group of what is being planned.

Member Crispin explained that, because of current budget issues, the City Council was concerned about City expenditure of funds on State property. Therefore, a proviso for matching funds was included in the budget; however, these funds were to lapse so both Member Liu and Member Crispin met with Mayor Harris to keep the funds from lapsing.

Member Crispin added that everyone recognizes that stretch of Nimitz Highway from the Airport to Waikiki is probably one of the most blighted roadways in Honolulu. The vision group's intent was to do as much as possible, hence the discussions with Aloha Tower Development Corporation and HCDA. As the proposal

states, this Authority will have full review of the project.

Member Crispin would like to see monkeypod trees and median strips with naupaka. The City has received some feedback from DOT, indicating that certain median areas cannot be accommodated.

Member Joesting said DOT would like to be involved in the design of this project.

Member Liu said that such a beautification project would accomplish quite a few social goods, including traffic calming and transformation of the waterfront with plants, trees and shade.

Member Shiraki asked how much money the City would be spending for the project.

Member Crispin responded that the City's share was \$400,000.

Member Shiraki asked what was the State's portion.

Member Liu responded that the State would match the City's share, between HCDA and ATDC. Member Liu said that the \$400,000 would probably be prorata with some formula that the Authority would have to approve. Member Liu estimates that each agency would contribute \$200,000.

Member Crispin added that the Kakaako portion of the beautification project would stretch from Ward Avenue to Pier 2 along Ala Moana Boulevard.

Chair Lum asked if there were any additional questions.

There were none.

It was moved by Member Liu and seconded by Member Kondo to authorize the Executive Director to expend public facilities dedication funds for the Nimitz Highway Beautification Project in Kakaako.

Chair Lum called for a vote. The motion passed unanimously.

Member Crispin thanked the Authority for its support of this item.

Chair Lum asked if there were any other matters to be brought up.

Member Liu said that today's discussion brings up the overall issue of parking. He asked if it was possible to get a report from staff, at the next Authority meeting, as to what the alternatives are. Member Liu stated that there is an obligation to assist in the provision of temporary parking for UH JABSOM on the adjacent 5½-acre lot. He asked if there were any other options.

Ms. Pfund stated that there were not many other options.

Member Liu asked how many spaces were required for UH JABSOM.

Ms. Pfund responded that approximately 1,200 spaces were needed for Phases I and II.

Member Liu stated that Phase II might not be built. He asked how many spaces were needed for Phase I.

Ms. Pfund responded that approximately 700 spaces were needed for Phase I.

Member Liu asked if the Waterfront Park parking lot was public. Member Liu felt that the lot appeared underutilized.

Ms. Pfund responded that the Waterfront Park parking lot was open to the public.

Member Liu commented on the fact that HCDA was planning to clear a current warehouse of tenants, transform it into a parking lot that will charge its users, while people can park for free in the Waterfront lot.

Ms. Pfund said that HCDA's net revenues for the UH JABSOM temporary parking would not be much. She added that, to some extent, HCDA would have very little control over this parking issue but the Waterfront Park lot is set aside for the public.

Member Crispin said that there was more of an argument for transportation alternatives.

Member Liu reiterated that the warehouse was currently an income producing property.

Member Goshi asked if a parking study had been done for the whole area.

Member Crispin said that a single parking stall in a structure costs between \$20,000-\$30,000. Therefore, a 1,200-stall parking structure would cost between \$24 and \$36 million. Member Crispin then suggested revising or revisiting the statutory requirements, the ratios of office area to parking stalls.

Member Crispin added that Member Liu had approached the issue from the sheer cost of it and the loss of revenue to parking rather than other revenue production. Member Crispin wanted to present another consideration. For comparison purposes, he stated that Ala Moana Center had about 8,000-9,000 parking stalls. 1,200 stalls represent a significant floor area and impact.

Member Crispin felt that the result and direction that we are trying to achieve was a building with recreation space, five or six stories high. He added that another important point would be lining the perimeter of the parking structure with retail as a key component to whatever is done. On the perimeter side, a pedestrian oriented development would be compatible and consistent with the park notion.

Member Liu said that ATDC was doing a parking study. ATDC came to the conclusion that it might be one central parking lot with light rail or mass transit options. Member Liu said that he favored fixing the problem from a holistic point of view instead of piecemealing it. Member Liu suggested that he would like to revisit these issues at the next Authority meeting, if staff has sufficient time to prepare for this task.

Member Liu also requested options to the demolition of the CEM warehouse. He pointed out that our revenues on the site would be going for \$20,000-\$25,000 per month to essentially zero.

Member Goshi suggested automated parking. He said that automated parking is faster than structure parking and that the computerized redundancy can get cars out in 25 seconds. Member Goshi felt that HCDA could benefit by looking into the latest technology.

Member Liu asked Ms. Pfund if she felt it was doable to have a discussion as to what the options might be, by the next Authority meeting.

Member Shiraki then said that, since parking options would be discussed at the next meeting, he would like some clarification on the financial terms regarding the temporary off-site parking lot for UH JABSOM. Member Shiraki asked about the projected net revenues and if HCDA would be demolishing the building and paving the site at HCDA's cost.

Ms. Pfund said HCDA's responsibility was to get all the tenants out and to make sure that the tenants leave their spaces as clean as possible. UH will demolish the building, pave the surface and do whatever other improvements would be needed to create an ongrade parking lot on the site. UH will run the parking operations. The net revenue HCDA will get will be any money left after all expenses to run the parking operation have been paid.

Member Liu asked who would be responsible for the construction and the demolition of the structure.

Ms. Pfund responded that the demolition was budgeted in Phase I.

Member Shiraki asked if it was part of the \$150 million.

Ms. Pfund responded affirmatively.

Member Anderson said that the current warehouse generates revenue of \$20,000-\$25,000 per month to HCDA/FTZ from tenants.

Member Kometani suggested that, as a condition to the management agreement for the parking lot, UH issues decals to their cars so that they do not park in the Waterfront Park parking lot. UH parking is subsidized parking, so their tenants will not pay market rates for parking.

Member Kimura asked if an elementary school and intermediate school were being planned. He added that education should be part of the Kakaako plans.

Ms. Pfund said that HCDA has one site set aside on the mauka side, near the Mother Waldron Park.

Member Kimura asked if it was an elementary school.

Ms. Pfund responded affirmatively. She added that it was a state property set aside for a potential elementary school.

Chair Lum asked if the Department of Education was aware of that, noting that the Authority had already had some preliminary discussions about that site.

Ms. Pfund responded affirmatively.

Member Kimura mentioned that there were some issues about Mother Waldron and Hawaiians.

Ms. Pfund replied that there are some historic features on the Mother Waldron site.

Member Crispin asked whether the Makai Master Plan had been formally adopted by the Authority.

Ms. Pfund responded affirmatively. She added that it was part of the business plan.

Member Crispin asked whether the proposal for the Cancer Research Center was consistent with that plan overall.

Ms. Pfund responded that the master plan calls for newly created commercial development lots, and that it was a compatible use to that commercial use there.

Ms. Pfund referred to the residential liners, which are planned at the central parking structure. She added that, as mentioned before, HCDA is seeking legislative approval for the first phase of the structure - \$20 million in revenue bonds. This parking structure would handle the aquarium project and the Kewalo Basin commercial retail. It is not meant to accommodate the UH parking.

Member Crispin inquired about the UH parking plan. He asked where the parking would be located for the medical and the commercial buildings under the plan, assuming that HCDA's plan incorporated the existing medical building.

Ms. Pfund responded that, on the medical school site, there was a central plant that would feed all the air conditioning and all the mechanical works for the school. A parking structure for UH adjacent to the

central plant was going to be build but there was insufficient funding to build it under Phase I.

Member Crispin asked why this seems to have become a problem when there was some plan to accommodate the parking for all those buildings.

Ms. Pfund responded that, as far as she understood the negotiations for the medical school, there was a move to get the medical school building going, and the parking component had no money, but it was so important to get this project off the ground that this temporary solution was the option selected.

Member Liu said that we may not change it, but it would be nice to rethink it.

Member Crispin questioned HCDA's parking assumptions. He asked what the ratio of parking stalls to square feet was - 1 per 400 square feet?

Mr. Imaoka of HCDA staff answered Member Crispin's question. Mr. Imaoka said that the ratio was 440 square feet for one stall.

Member Crispin said that HCDA had a great opportunity as a planning body to question allocating a 1-to-1 ratio. As an example, he said that, for every square foot of office space, HCDA is allocating one square foot of parking; the car sits unused 96% of the time. From a land use standpoint, and from a revenue standpoint, this is square footage that could be leased out to office/commercial.

Chair Lum wanted to go back to Member Liu's first point, and asked what was doable for staff by the next Authority meeting.

Ms. Pfund said that staff could try to identify alternative sites but that there were not that many. Ms. Pfund asked whether the Authority was requesting staff to look into financial feasibility as well. Ms. Pfund added that HCDA was well aware of the fact that whatever solution is suggested, it would have to be in conjunction with UH and what it proposes to build on these other sites.

Member Crispin said that there is the study and at least a draft proposal and some discussion on the Aloha Tower site, which incorporates a trolley component. He added that HCDA shouldn't necessarily

look at its site alone. It could be that a trolley would significantly reduce the parking requirements for this area.

Chair Lum asked Member Liu about the status of the study.

Member Liu said the developer was coming in at the end of January with his parking consultants. The developer has some ideas about the power plant and how to turn it into a park, to create a wide-open space downtown, which combined with Irwin Park would be attractive. Although the developer has talked to HCDA a couple of times, his parking study is focusing on the needs of Aloha Tower.

Member Liu asked Member Anderson how many parking slots they were looking at on the Foreign Trade Zone (FTZ) site.

Member Anderson replied that they were looking at 1,200 stalls, in a three-story structure.

Member Liu stated that Member Anderson was not in favor of that proposal because it would be on FTZ property. However, the proposal is suitable for the waterfront and can be used as a shell for existing parking. It can also be linked with the trolley system, therefore avoiding the need to build a parking structure next to the Aloha Tower Marketplace.

Member Crispin said even within Kakaako Makai, the heavy hours of use for retail are at lunchtime or after regular work hours because during the day, everybody is working.

Member Goshi suggested retaining a consultant. He added that the parking could be privatized.

Member Liu said when Mr. Ken Hughes (ATDC developer) comes to town, perhaps Member Crispin and Member Goshi could meet him, and HCDA could make this a topic at a future Authority meeting.

Ms. Pfund said a waterfront working group meeting is planned to get a preview of Ken Hughes' plan before it goes to the ATDC Board.

Chair Lum agreed that this might be an opportunity.

Member Crispin said that Ken Hughes could benefit from the critical mass that is generated at Kakaako Makai, shoppers and restaurant patrons.

Member Liu asked what was the actual date for moving tenants out of the warehouse.

Ms. Pfund responded that the termination notices had been issued and that the tenants were to be out by February 2004. However, many tenants have asked for extensions, so we anticipate that all the tenants will have vacated by June 30, 2004. The site needs to be turned over to UH on July 1, 2004.

Member Shiraki asked why the site needed to be turned over to UH on July 1, 2004.

Ms. Pfund responded that it was part of the off-site parking agreement.

Member Liu asked if UH would need the site for parking from that date.

Ms. Pfund responded that the administration/education building would be completed in the fall of 2005. They need one year before the actual opening of the administration/education building to have this on-grade lot ready. That is the reason why UH is taking down the site one year before.

Member Shiraki asked if the administration building would require 1,200 stalls.

Ms. Pfund said that initially they won't need all of the site but they need to start the work on clearing it and grading it, so the original agreement had been to give them the site one year before the education building opened up.

Member Shiraki asked if the original agreement was based on the need for all stalls, including Phase II of the Cancer Research Center.

Ms. Pfund responded that two-thirds of the warehouse site solves the Phase I parking needs. If UH wanted to build Phase II, HCDA would have to give up the last one-third yard area.

Member Liu asked if they were demolishing the entire structure that was seen on the rendition.

Ms. Pfund responded that they were demolishing the whole structure.

Member Crispin asked who owned the property immediately makai of the Gold Bond Building.

Ms. Pfund responded that Kamehameha Schools owns the property immediately makai of the Gold Bond Building.

Member Crispin said that it looked like a vacant lot.

Ms. Pfund responded that it was a car lot.

Member Liu asked if it was Pflueger or Honolulu Ford.

Member Kubota responded that it was Honolulu Ford.

Member Crispin said that the lot looked like a clear site, suitable for parking. He suggested negotiating an interim arrangement with the landowner, which would buy time on the existing warehouse.

Member Liu felt that it was worth trying to find an alternative plan. He said that it seemed difficult to justify demolishing the entire building to accommodate parking for a small group a year from now, especially since it is not known if and when they will get to the bigger parking requirements.

Member Goshi asked if the construction of the medical school was scheduled to be completed in a year.

Ms. Pfund responded that the Administration/Education Building was scheduled to be completed in the fall 2005, which would be a couple months ahead of the Research Building.

Member Goshi asked about the occupancy of the building. He requested a schedule from UH, including an occupancy schedule for preservation of existing revenue. It would seem odd to be knocking a building down only to see a parking lot empty for a year and a half.

Member Liu believed that Kamehameha Schools was on track to move the car companies. He felt that Kamehameha Schools was actually waiting for something to happen in the area before making any moves to develop these sites.

Ms. Pfund introduced staff members Arnold Imaoka and Teney Takahashi to the Authority. Mr. Imaoka covered the UH regulatory requirements for HCDA on this project. Mr. Takahashi wanted to comment on parking issues, and he said he would like to address the basic problem.

Chair Lum asked Mr. Takahashi to come up to the podium.

Mr. Takahashi stated that the basic problem was that nobody was willing to build parking. It costs \$20,000 per stall and it includes zero net revenue. So the big hurdle is to tell a prospective developer that he has to provide parking for his project.

Member Liu asked where was the proposed site for the Japan Cancer Building.

Mr. Takahashi responded that he believed it was on the medical school site where the Phase II building would be located. It is also the site of their ongrade parking; 250 or so stalls.

Member Crispin asked how many stalls would be needed for the proposed large retail parking structure.

Mr. Takahashi said the future parking structures are anticipated to handle a total of 2,000 stalls. He said that increasing the parking count might affect the capacity of the roadway system. Mr. Takahashi assumes 2,000-2,500 stalls would be the maximum. Timing could also be an issue. The parking structure must phase in with the aquarium.

Member Crispin said that was the assumption he wanted to question. He suggested that parking be created to accommodate the current needs, and when the other needs come, it would be more efficient to go back and build something else in the other areas.

Member Liu said that a couple of things had come up in meeting with Ken Hughes and his team. Member Liu felt that HCDA should get additional information from UH, realistic numbers and timing that will help us frame what this agency might or might not want to do with the 3½ acres they are talking about. Member Liu requested that staff ask Kamehameha Schools about the site makai of the Gold Bond Building.

Mr. Takahashi stated that HCDA has had very informal discussions with Kamehameha Schools and it is totally noncommittal. Mr. Takahashi does not think it has a plan for the rest of the developable lots and therefore it is hesitant to make any kind of commitment. Incidentally, said Mr. Takahashi, that was one of UH's idea, to have Kamehameha Schools develop a parking structure on that particular site.

Member Liu said that the idea is to make it a temporary parking use instead of the parking on the 3½ acres that is currently occupied by warehouse tenants.

Member Liu emphasized that the inquiry to Kamehameha Schools would be for temporary ongrade parking to possibly substitute for knocking down the warehouse and putting ongrade parking there.

Ms. Pfund said that the only problem with the Kamehameha Schools property is that it would ask for fair rent and the deal that HCDA has with UH is net revenue. Ms. Pfund added that, while it might be feasible from a physical standpoint, if Kamehameha Schools is willing to rent it, it is going to ask for fair dollar.

Member Liu said that it may not be a bad idea for UH to pay fair rent - to run it like a real parking lot.

Member Crispin said HCDA stands to lose \$20,000-\$25,000 a month. He requested that HCDA ascertain how much Kamehameha Schools would charge for the temporary parking rental.

Member Goshi said that the land was valuable. He added that the land was zero basis, and that it was not real good use of land. Member Goshi said that the Authority ought to take a more business approach to the entire area. Member Goshi added that he was more in favor of trying to get a parking study done in order to holistically find out what the total build out is and what the total parking requirements will be.

Member Liu agreed, but said we needed to solve the short-term problem by identifying a place where UH can park without jeopardizing the warehouse site. Perhaps identifying a substitute place would be a good start and in the interim, that parking structure study could

be done. Then with a little luck, it could all come together - the parking study and the options.

Member Anderson suggested that HCDA count the parking three times a day in the Waterfront Park and see how much stalls are empty. If this is done for a couple of weeks, maybe there will be 200-300 available spots.

Member Crispin said that this would only be part of the interim solution.

Ms. Pfund asked staff Susan Tamura for comments.

Ms. Tamura said that HCDA did not want to give up this public parking because there are quite a few buses and school kids that use the park on a daily basis.

Member Anderson said that the students would park there for free anyway once the medical school is completed.

Mr. Takahashi reiterated that this was part of the whole problem. He said that he did not expect anybody to pay \$70 a month for parking when there are 300 stalls open to the public in the middle of the park. HCDA has not come up with a solution yet, other than restricting access to the public parking, which is something that this agency would rather not do.

Ms. Pfund wanted to summarize the reports that staff needs to prepare for next month's meeting. Three things: (1) review of the Ken Hughes' plan; (2) a realistic plan by UH for the warehouse site in terms of parking needs; and (3) the possibility of temporary parking on Kamehameha Schools property. Ms. Pfund stated that it would not be possible to give the Authority final recommendations, but more information will be provided on each of these three items.

Member Shiraki also requested an update on the aquarium by the next meeting.

Chair Lum asked if it was possible to have an update on the aquarium by the next meeting.

Mr. Takahashi responded that he would be meeting with the KUD representatives the next day.

Member Goshi asked for a list of consultants and what the cost would be for the parking study.

Member Liu said that he could get that information from ATDC.

Member Goshi added that he would give HCDA the name of an automated parking consultant.

V. ADJOURNMENT

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

There being no other business, it was moved by Member Goshi and seconded by Member Shiraki to adjourn the meeting at 10:50 a.m. The motion passed unanimously.

Respectfully submitted,

/s/

Michael Goshi
Secretary