

SUMMARY - MEETING NO. 285
HAWAII COMMUNITY DEVELOPMENT AUTHORITY

State of Hawaii

July 16, 2004 – 9:00 a.m.

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

ATTENDANCE

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

Kalaeloa Members: Linda Chinn (for Micah Kane); Eric Crispin; Evelyn Souza; and Maeda Timson.

Members Absent: Gary Kondo and William Aila, Jr.

Others Present: Daniel Dinell; Melvin Nishimoto; Teney Takahashi; Cal Machida; Miko Dargitz-Hallett; Matthew Akamu; Chris Kempner; Marvin Uehara; Stanton Enomoto; 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 July 16, 2004, by Vice-Chairperson James Kometani at 9:05 a.m. with the following roll call:

Vice-Chairperson Kometani	Present
Member Anderson	Present
Member Chinn	Present, Left at 10:25 a.m.
Member Goshi	Present
Member Kimura	Present
Member Lai	Present, Left at 11:55 a.m.

Member Los Banos	Present
Member Shiraki	Present
Member Souza	Present, Left at 10:25 a.m.
Member Thomason	Present
Member Timson	Present, Left at 10:25 a.m.
Member Wegesend	Present
Member Crispin	Present, Arrived at 9:10 a.m.
Member Haraga	Present, Arrived at 9:12 a.m., Left at 11:00 a.m.

MATERIALS DISTRIBUTED

1. Agenda for July 16, 2004 Meeting;
2. Summary Minutes of Regular Meeting of June 22, 2004;
3. Report of the Executive Director;
4. Kalaeloa Status Report;
5. Staff Recommendation for Approval to Authorize the Executive Director to Initiate and Implement the Kalaeloa Framework as Presented at the April 7, 2004 Authority Meeting;
6. Staff Recommendation for Approval of a Third Extension to the Period of Exclusive Negotiations with the University of Hawaii for a Cancer Research Center on the Kakaako Waterfront;
7. Components of Current Maintenance System for Kakaako Waterfront Park, Makai Gateway Park, and Kewalo Basin Park;
8. Binder of Material for Authority Members including: Overview of HCDA, Board Directory, Staff Directory, HRS pertaining to HCDA and boards and commissions, By-laws, and Ethics Code; and
9. Confidential Material for Executive Session.

II. ELECTION OF HCDA OFFICERS FOR FISCAL YEAR 2004-2005

Vice-Chairperson Kometani welcomed Jonathan Lai as the newest Authority Member.

Vice-Chairperson Kometani asked for nominations for Chairperson, Vice-Chairperson and Secretary. Member Shiraki nominated James Kometani for Chairperson, Michael Goshi for Vice-Chairperson and Paul Kimura for Secretary. Member Los Banos seconded the nominations.

Since there were no other nominations, Chairperson Kometani asked for a motion to close the nominations. Member Shiraki made a motion to close the nominations. Member Los Banos seconded the motion. The motion passed unanimously.

Since there was only one nomination for each position, Vice-Chairperson Kometani suggested voting for nominees as a slate. The nominations passed unanimously. The officers for fiscal year 2004 – 2005 are:

Chairperson	James Kometani
Vice-Chairperson	Michael Goshi
Secretary	Paul Kimura

III. APPROVAL OF MINUTES

1. Regular Meeting of June 22, 2004

Chairperson Kometani asked if Members had any corrections to the minutes of the June 22, 2004 meeting. There were no corrections and it was moved by Member Kimura and seconded by Member Wegesend that the Minutes of the Regular Meeting of June 22, 2004, be approved. The motion passed unanimously.

IV. 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 items.

- All Members were given a binder with materials to assist them in carrying out their duties as Authority Members. Mr. Dinell commented that the current by-laws are outdated and that proposed revisions are also included in the binder. Mr. Dinell will follow up with members for their review and comment. It was noted that at a future meeting, the Authority may choose to adopt the revised by-laws.
- The Kakaako Carnival and Food Festival will take place July 16 through July 18, 2004, at the Makai Gateway Park and Waterfront Park. Proceeds from both events will benefit the Children's Discovery Center. Mr. Dinell informed the Members that staff spent a considerable amount of time issuing permits, ensuring the proper liability insurance was in place, requiring deposits for potential damage (especially to the grass), and reviewing parking and traffic plans for this event. Mr. Dinell feels that it is important to support the Children's Discovery Center as part of HCDA's vision to make Kakaako an active, people-friendly place. HCDA staff will be conducting an evaluation of the event and its impact upon completion

and will include standardized procedures for such future events as part of the new rules that will be proposed.

- Mr. Dinell gave an update to the written Executive Director's report on the cruise ship terminal project at Pier 2. He reported that he signed the Development Permit that the Department of Transportation-Harbor Division (DOT-H) had agreed to. The next step for DOT-H is to secure a Special Management Area (SMA) permit from the State Office of Planning.
- Mr. Dinell reported that the developer for Koolani reimbursed HCDA a little over half a million dollars for work done to date on Waimanu Street to accommodate its project and HCDA expects to collect an additional half million dollars as part of the agreement by the time the Improvement District project is completed.
- Bids for construction on the Improvement District 11 project (Queen Street from Kamakee to Ward) were opened on June 22, 2004. Kiewit Pacific was the lowest bidder at \$10.8 million, which is significantly higher than the estimated construction cost of \$6.2 million. When contingency, design, land acquisition, and utility costs are added in, the total project cost is \$15.6 million – 33% higher than anticipated. Staff is re-evaluating the method of assessing landowners for their share of the improvement costs as directed by the Authority following the April 7, 2004 public hearing and will report at the next Authority meeting in August.
- Mr. Dinell directed the Members to the Financial section of the Executive Director's report. The financial reports were revised to include a summary page and explanations for significant variances. With regard to CIP items, it now lists only open projects, and the revolving fund is detailed by sub-account. Mr. Dinell suggested scheduling a workshop in early September for Members to review the fiscal year-end books as well as the budget for the upcoming biennium. In conjunction, a strategic planning and priority setting exercise and six-year fiscal plan would be topics of discussion. Proposed dates will be e-mailed to Members to allow for maximum participation.
- Mr. Dinell also mentioned that a date will be scheduled for a hardhat tour of the John A. Burns School of Medicine (JABSOM) facility in the near future.

- Mr. Dinell noted in the pocket of the binder that was given out, there was an invitation for the Office of Information Practices to attend a Sunshine Law Training Class on August 5. Board Secretary Jill Sugihara and Mr. Dinell will attend.
- Although in the written Executive Director's report, Mr. Dinell wanted to point out that he was asked to serve on an advisory board to a Community Development Entity (CDE) formed for the purpose of securing federal New Market Tax Credits (NMTC). The program is administered by the U.S. Department of the Treasury and is intended to spur investment for business growth in targeted communities. In this instance, the federal tax credits would be geared towards development of life sciences industry in Kakaako. The Advisory Board's role is to advise the entity's governing board on issues relating to the development of life sciences infrastructure and how that impacts the Kakaako area and the community overall.

Kamehameha Schools is spearheading this effort and as a major landowner in Kakaako, it stands to benefit, along with any other taxpayer that meets the programs objectives, if the CDE is successful in gaining the tax credits. Mr. Dinell asked the State Ethics Commission for an opinion on whether his service as a member on the Advisory Board would present a conflict of interest. The Commission issued an advisory opinion that HCDA's participation on the advisory board would not be prohibited, however, it recommended consultation with Authority Members as to whether any restrictions outside the State Ethics Code apply to the Executive Director in this case.

The Ethics Commission based its opinion on the facts that: 1) the position would be uncompensated; 2) the tax credits would be available to all qualified taxpayers; 3) the role is strictly advisory; and 4) the promotion of the life sciences industry that would be fostered by this NMTC designation for Kakaako supports the State Department of Business, Economic Development and Tourism's economic diversification strategy.

Mr. Dinell asked Members if they had any questions regarding his written or oral report, and in particular if there were concerns regarding his participation on the NMTC Advisory Committee. There were none.

- Mr. Dinell concluded his report with a PowerPoint presentation on his experiences and observations during a recent visit to San Francisco and the similarities and differences between Mission Bay and Kakaako.

Key observations that were noted in bullet-point fashion were: (1) Master Developer Approach has Merit – this affords a redevelopment area more consistency in vision and implementation; (2) Community Involvement is Essential – how an area relates to its neighbors and obtaining community support is a critical success factor; (3) Spend Money on the Exterior Finishes – while often the first to be value engineered, these touches create pride and promote identity; (4) Mix of Use and Mixed Use – within neighborhood and within buildings, live-work-play makes for a more dynamic and interesting place; and (5) Creative Financing Alternatives – explore use of special assessments and increased property taxes generated by the development as a means of financing necessary infrastructure improvements.

Among the major differences noted was that while Kakaako is also a waterfront area, unlike Mission Bay, the industrial activities (cargo shipments) of the adjacent harbor were shifted to Oakland and the people-oriented activities (cruise ship) remained with the Port of San Francisco. In Kakaako, both cargo and cruise ship activities are vying for space on the land portion of Piers 1 and 2, which are under HCDA jurisdiction.

A key tool that was noted was Tax Increment Financing (TIF), which allows paying for infrastructure and affordable housing units through incremental increases in taxes generated by redevelopment. For the success of Kakaako, Mr. Dinell suggested it would be necessary to look at such financing alternatives.

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

IV. ITEMS FOR INFORMATION

A. Navy Report for Kalaeloa

The U.S. Navy Report was presented by Roger Au, Naval Facilities Engineering Command Pacific Division.

Mr. Au stated there were two items to report on: (1) Conveyance Action and (2) Environmental Clean up.

Conveyance Action

All of the land conveyances (real property) are being held up until the aircraft carrier homeporting decision is made. The Navy is working on a study now to do an environmental impact statement related to that. A decision should be made around late 2005. Infrastructure conveyances to the Board of Water Supply (BWS) and the City Department of Environmental Services are still pending.

- In the northern band of land where the Navy has retained parcels, the Navy has opted to keep ownership of the waterwell and transmission that feeds into Barbers Point. The portion that is excess to the Navy due to Base Realignment and Closure (BRAC) actions will be conveyed to BWS. The BWS and the Navy are still negotiating as to the points of demarcation of the retained area and excess properties.
- The entire wastewater system is being conveyed to the City Department of Environmental Services. Because the Navy's authority to transfer properties is limited to those parcels that were declared surplus as part of the BRAC process, the Navy is only able to convey the BRAC portion of the wastewater system. The Navy is currently going through the General Services Administration to convey the retained area portion or the "non-BRAC" portions of the system. The Navy is expecting to get approval late next week on both portions and expects the conveyances to take place before the end of the year.

Environmental Clean Up

Mr. Au stated that the Navy has done a lead clean up of the trap and skeet ranges that were used in the 1950's. The northern trap and skeet range clean up was hampered due to the many colonies of endangered plants there. The clean up to remove the lead shot without disturbing the plants proved to be difficult. The Navy cleared around the plants, and removed the lead by hand within the colony areas. Similarly on the southern trap and skeet range, the issue was the archaeological sites. The Navy couldn't clean the archaeological sites for fear that the clean up might disturb the feature and affect its archaeological value. Both sites have been cleaned to accommodate recreational use.

The lead and contaminated soil from both sites are held in a consolidation unit on Navy retained property, which serves as the Navy's landfill and compost facility. The consolidation unit will be capped at the end of the summer and

ground water and gas monitoring will be initiated. Groundwater monitoring is being conducted throughout the station and groundwater wells are being capped.

Member Timson asked what it would mean to Kalaeloa to have the carrier airwing stationed at Kalaeloa.

Mr. Au responded that the studies are being conducted to see what the requirements are and where it would be possible to place assets. The carrier strike group would consist of the carrier itself, supporting ships, submarines and an airwing portion based, potentially, at different airfields. Helicopters, jets and delivery aircraft would also be included in homeporting the aircraft carrier.

Member Timson commented that she could not understand why the conveyances were taking so long.

Mr. Au responded that they were directed by the Assistant Secretary of the Navy to hold the conveyances until the decision on the homeporting issue was made.

Member Timson responded that was an important problem if the homeporting decision was going to occur in late 2005 because Kalaeloa would continue to deteriorate. She believes that if the Navy is holding up the conveyances that the Navy should take responsibility and clean up the area. She cited recent brush fires occurring in the area and constant vandalism and graffiti.

Mr. Au commented that in the mid 1990's Congress passed a law that allowed entities and other agencies to accept property prior to the environmental clean up. He stated that Governor Cayetano wrote to the Navy requesting the area be conveyed early under the early transfer of authority especially for the City Department of Parks and Recreation and State Department of Land and Natural Resources (DLNR) area. However, both agencies declined to take ownership. The Navy spent close to \$5 million dollars cleaning up the trap and skeet range only to be told later that the State DLNR did not want the property and then retracted its request for the parcels.

Member Crispin also commented that the City has been holding off on accepting the park conveyances based on the request from the Navy to hold off until the homeporting decision is made. He agreed with Member Timson that if nobody can do anything with their properties that the Navy should take the responsibility at least for the basic maintenance so that the area doesn't further deteriorate.

Member Timson commented that the Navy should not be commended for cleaning up the area because it should be the one to clean up its own mess. Another issue is the Raceway Park that has been ready awaiting conveyance since 1999, but cannot move forward because the Authority's hands are tied.

Mr. Au responded that property was conveyed to the Department of Hawaiian Home Lands (DHHL).

Member Chinn responded that DHHL's hands were tied because they were told that Navy is looking at homeporting, so they couldn't make any long-term dispositions.

Mr. Au commented that from 1999, the Navy had a lot of planning to do and that they continued to do the maintenance. However, after a year they had to cut back because they were given limited funding. Mr. Au stated that at bases nationwide, after two years they dispose of the properties but in the case of Kalaeloa, the Navy has not yet disposed of all surplus property.

Member Timson commented that Kalaeloa was a thriving military facility until the Navy made the decision to do away with it. She went on to say that after going through the BRAC process, the Navy is now saying that they may or may not change their mind and that no one can do anything until they decide in 2005. Instead of the area getting better, it has deteriorated and the Navy has snubbed the community. Member Timson made a plea to the Navy to take responsibility for the mess that it has created over the years and that it should be held responsible for the upkeep and maintenance of the area.

B. Kalaeloa Status Report

Mr. Dinell introduced Stanton Enomoto who will be joining the HCDA staff on August 19th as the Director of Planning and Development for the Kalaeloa District. Mr. Enomoto has served over nine years in various capacities at the Kahoolawe Island Reserve Commission, most recently as Acting Executive Director. Mr. Dinell stated that Mr. Enomoto brings a unique set of experiences and skills to the position with knowledge of the military, transfer and clean-up of former military lands, community-building, planning and permitting, government affairs, and a track record of effective project management.

Mr. Dinell reported that HCDA officially received the \$450,000 federal grant, and that the Kalaeloa Ombudsman bill was signed last week into law by Governor Lingle in a ceremony attended by Members Goshi, Souza,

Thomason, Timson, and Wegesend. The new bill helps to address community concerns about the decay of existing structures and lack of maintenance and draws focus to the area.

Mr. Dinell reported that he recently presented the Kalaeloa framework plan to the Hawaii Chamber of Commerce's Military Affairs Council. Mr. Dinell recognized Charlie Ota from the Chamber, who was in the audience. The Chamber has a subcommittee chaired by Retired Admiral Zlatoper examining the aircraft carrier homeporting decision and the possibility of a supporting airwing being stationed at Kalaeloa.

Mr. Dinell shared his experiences and observations of his recent visit to Point Alameda with a PowerPoint presentation. He mentioned that Point Alameda like Kalaeloa, was part of the 1993 BRAC round. The City of Alameda's City Council is the local reuse authority and determines the policies for Alameda.

Unlike Kalaeloa, the City of Alameda did not allow the buildings to decay; the City initiated uses immediately. Although the City still does not have conveyance of the housing, it took the property in a lease in furtherance of conveyance so buildings were not left unoccupied. The City of Alameda negotiated with the Navy and received a no-cost economic development conveyance. The City suggested to Mr. Dinell that HCDA attempt to renegotiate with the Navy based on what the Authority and community wants.

Key bullet-point observations that were made: (1) Single Entity – not having multiple land owners is a huge advantage in redevelopment; (2) Pursue Vision – decide what you want to do and move toward that goal one step at a time; (3) Leverage Networks/Partners – get involved with National Association of Installation Developers, approach Congressional delegation and get expert legal advice; and (4) Outsource Property Management and Maintenance – the private sector can do these tasks better and more efficiently.

Member Timson observed that Kalaeloa is different from Alameda because Kalaeloa doesn't have nice homes with sidewalks and there is a lack of infrastructure. Relative to a single vision, the redevelopment commission didn't focus on one thing because it wanted Kalaeloa to integrate with the Ewa Plains.

Member Goshi asked Mr. Au if there was a hard date in 2005 and if there was a chance of firming it up or moving up the date.

Mr. Au responded that there was no firm date because the Navy does not know what the conclusion of the study will show.

Chairperson Kometani commented that the various points are well taken and with Mr. Enomoto on board HCDA can move this difficult matter forward.

V. ITEMS FOR ACTION

2. Approval to Authorize the Executive Director to Initiate and Implement the Kalaeloa Framework as Presented at the April 7, 2004 Authority Meeting

Miko Dargitz-Hallett presented the staff report.

Ms. Dargitz-Hallett pointed out the differences among other base closures.

- Unlike Alameda and most other base closures, most of the land at Kalaeloa (formerly the Barbers Point Naval Air Station) was conveyed to numerous different public agencies for public uses under the public benefit conveyance mechanism.
- The Navy retained approximately 1,051 acres which represents almost all of the immediate usable land at Kalaeloa, and the Navy is using revenues from these properties to help finance the redevelopment of Ford Island.
- Kalaeloa is a patchwork quilt of public landownership in which most of the landowners consist of State and Local government agencies that not only don't have funds to implement redevelopment of their individual properties, but don't have funds to undertake basic maintenance – which has resulted in mounting concerns from the community about deterioration of structures, increased vandalism, as well as health and safety concerns.

Ms. Dargitz-Hallett pointed out that, for two years after the Kalaeloa Community Development District was transferred to HCDA, no funding for redevelopment of Kalaeloa was provided. HCDA was given the authority to assess landowners to help pay for staff and operating costs, but the assessments have been difficult to collect.

In 2003, DHHL informed HCDA that it had acquired a \$450,000 grant from the United States Department of Commerce, Economic Development Administration (EDA) that it would not be able to utilize and agreed to transfer the excess to HCDA. Since the grant would have to be expended by September 30, 2005, DHHL later determined that it would not be able to use

any of the grant funds and agreed to transfer the entire amount to HCDA. The 2004 State Legislature appropriated \$450,000 in general obligation bond funds for the required matching funds to allow HCDA to secure the grant.

Ms. Dargitz-Hallett noted the possibility that the Navy will homeport an aircraft carrier at Pearl Harbor and station a supporting airwing at Kalaeloa. With this major decision up in the air, some have questioned why HCDA would plan for redevelopment of Kalaeloa now. She stated that staff believes that it is critical to begin planning now in order to prepare for any eventuality. Using scenario-based economic planning, multiple possible outcomes are considered. In that sense, regardless of the Navy's decision on location of the aircraft carrier and airwing, HCDA will be prepared to begin the redevelopment of Kalaeloa immediately.

Land use restrictions on various properties due to public benefit conveyances, endangered species or archaeological sites hamper economic development possibilities. However, staff has identified significant areas in which economic development is possible. These areas consist mainly of Navy-retained property, lands owned by DHHL, and properties that were to be conveyed to the City Department of Parks and Recreation.

These ideas were central to the creation of the Kalaeloa Framework and its goals of optimizing economic development opportunities in Kalaeloa and integrating them with many of the land uses established by the Barbers Point Redevelopment Commission, while better relating Kalaeloa to the surrounding community, and enhancing the quality of life for residents, employees and visitors alike.

With the funding available, staff recommends that the Authority authorize the Executive Director to initiate and implement the Kalaeloa Framework as presented to the Authority on April 7, 2004, and expend Federal grant funds, general obligation bond funds, and revolving funds as necessary, subject to funding availability and approval of the Governor.

Member Timson moved to approve staff's recommendation. Member Chinn seconded the motion. Discussion ensued.

Member Timson suggested that some of the money be spent on going back and looking at the legal aspects of the process before development of a plan. Since some of the property has already been designated and conveyed to the City and State, under public benefit conveyances, those land uses cannot be changed. She said that HCDA would be spinning its wheels if the Authority later finds that its plans cannot be accommodated.

There being no further discussion, Chairperson Kometani noted there was a motion on the table and a second to adopt staff's recommendation and called for a vote. The motion was approved unanimously.

Chairperson Kometani called a short recess at 10:25 a.m. to allow the Kalaeloa members to depart since the rest of the items on the agenda were Kakaako related.

Chairperson Kometani reconvened the meeting at 10:28 a.m.

II. ITEMS FOR ACTION (continued)

3. Approval of a Third Extension to the Period of Exclusive Negotiations with the University of Hawaii for a Cancer Research Center on the Kakaako Waterfront

Teney Takahashi presented the staff report

Mr. Takahashi reported that in January 2004, the Authority granted the University of Hawaii a second extension to an exclusive right to negotiate a lease for a proposed Cancer Research Center (CRC). The exclusive right to negotiate was originally granted in September of 2002. The extension was conditioned on "progress updates on the project every two months." The University complied by giving status reports at the March, April and June HCDA Authority meetings.

Another requirement set forth by the Authority was the approval of the UH Board of Regents to proceed with a Request For Qualifications (RFQ)/Request for Proposals (RFP) by the end of the six-month negotiation period, or July 28, 2004. The University indicated that this matter is on the Board of Regents' agenda for July 16, 2004.

Mr. Takahashi noted that over half of the parcel under negotiation (about 3.5 acres) has also been committed to the JABSOM for interim parking until July 30, 2009.

Mr. Takahashi acknowledged Dr. Carl Vogel, of the CRC, in the audience and introduced Jan Yokota from the University of Hawaii to provide supplemental information to the members.

Ms. Yokota reported that she made a presentation to the University's Board of Regents' Committee on Budget and Long Range Planning on July 15, 2004.

The Committee voted unanimously to proceed under conceptual approval of an RFQ for the development of a CRC on the waterfront. Since all the Regents sit on this Committee, Ms. Yokota felt that the Regents would approve the plan in a meeting that was being held at the same time as today's HCDA meeting.

The Committee indicated strong support for the CRC and asked Ms. Yokota to draft an RFQ and bring it back for the Board's review in the Fall. Ms. Yokota stated that she would report to the Authority in September after the Task Force makes its report to the Board of Regents and after October 1 when the federal funding has been secured.

Member Shiraki asked about the funding for the CRC and what will happen between now and September.

Ms. Yokota responded that federal funds are being requested from the U.S. Senate for a partnership between Tripler Hospital and the CRC and that the UH is also looking at a number of private developers who are interested in constructing the center for UH. A draft RFQ will be presented to the Board of Regents for its consideration in September or October.

Member Shiraki asked if a business plan could be attached to the draft RFQ.

Ms. Yokota responded that it could have a business plan but because of all the different federal funding and other pieces that needed to be worked out, it would take some time.

Member Shiraki asked about the JABSOM Phase II plans.

Ms. Yokota responded that there were a number of different possibilities for Phase II on the JABSOM site but there weren't any real plans.

Member Shiraki responded that when the first \$150 million was awarded for the medical school, there was a promise that the other \$150 million would be coming as soon as possible to build the second part. But now it appears that the University still has no plan for the second phase.

Ms. Yokota responded that the second \$150 million was for several different things; partly for the CRC and partly for renovating the School of Medicine at the Manoa campus.

Member Shiraki inquired where the money would be coming from and what would be the timeframe.

Ms. Yokota responded that the UH is looking for federal money sources and that the UH Foundation is also including fundraising for the CRC as part of its centennial plan.

Member Shiraki asked if there would be enough money to complete and equip the building and asked for firm dates.

Ms. Yokota responded that it is her understanding that there would be enough money and believed that the education/administration building would be completed by March or April and the research building completed in August.

Member Anderson asked for clarification of what was meant by the term “conceptual approval.”

Ms. Yokota clarified that the Board of Regents approved the concept of going forward with an RFQ.

Member Shiraki noted that KUD has said that the Pacific Biomedical Research Center (PBRC) located on the point would have to move its facility before KUD could start its building and asked Ms. Yokota if the University has been negotiating with KUD and if there is a timetable to move the facility.

Ms. Yokota responded that there have been a number of discussions with KUD.

Member Shiraki stated that it has been several years since HCDA and the University first started discussions, and it has been a couple of years since HCDA provided the University an exclusive right to negotiate on the property, but he is concerned that there has been very little progress. He stated that there are people looking at that valuable piece of land and stated that the Authority can't wait indefinitely for the University to decide what to do with it or whether they can afford it. He said the University must step forward or step back.

Ms. Yokota responded that she understood and stated that it was the first time that the matter was brought to the Board of Regents, but they are giving positive support to the project.

Mr. Takahashi requested approval for a third extension of the period for exclusive negotiations with the UH until November 30, 2004 for the leasing of the site for the Cancer Research Center. This extension will be conditioned on a favorable vote for funding by Congress on or about October 1, 2004. Staff also requests that the Authority authorize the Executive Director to execute a

third amendment to the agreement for exclusive negotiations to reflect this extension, with other terms and conditions of the agreement remaining in full force and effect.

Member Haraga made a motion to adopt staff's recommendation. Member Thomason seconded the motion. Discussion ensued.

Member Shiraki expressed concerns that the University of Hawaii was moving too slowly on this issue and moved to amend the motion to: approve the extension through November 30, 2004 with the conditions that the UH must produce a business plan and secure the approval of the Board of Regents for that plan by October 1, 2004. Such plan will include detailed financing programs, a parking plan for UH facilities in the makai area, a development program for Phase II of JABSOM, and a plan for the immediate relocation of the PBRC. The amended motion would further state that failure to produce a plan approved by the Regents for Authority review, or rejection of that plan by the Authority by October 1, 2004, will result in automatic termination of exclusive negotiation rights.

Member Thomason asked if this was the first time that HCDA asked for these items from the University.

Ms. Yokota responded that many of these items require other things, for instance, relocating PBRC would depend on funding.

Member Shiraki commented that it is a short time frame but the University has had several years, after all this was the third extension.

Ms. Yokota responded that the University could come up with a proposal for a parking plan. Phase II of the JABSOM site would require an actual proposal for development as well as financing, and the relocation of PBRC would require financing.

Member Thomason agreed with Member Shiraki and commented that she hoped that it had been discussed to the point that the University development could advance.

Dr. Vogel commented that he was disappointed himself. He stated that with the CRC, he has been operating on the last year and half on the promises of the ex-president Dobelle to raise \$150 million. Unfortunately that promise has not come to fruition. The UH is now looking at federal funding through Tripler Hospital and from the U.S. Department of Commerce budget. Private developers have shown interest in building and designing the CRC for UH.

Additional sources of funding from Hawaii Pacific Health and St. Francis are being explored, independent of the \$150 million that ex-president Dobelle promised.

Member Shiraki asked when the extension will expire.

Mr. Takahashi responded November 30, 2004, if it is extended, and July 28, 2004 for the current agreement.

Member Thomason asked Dr. Vogel for clarification since the \$150 million that is being relied on is not there and where it was supposed to come from.

Dr. Vogel replied that Dr. Dobelle spoke to the third special session of the 2001 State Legislature and said the entire UH biomedical science complex would be a \$300 million enterprise, \$150 million for the educational and administration buildings and \$150 million for a new CRC and renovation of the old medical facility on the Manoa campus. Only \$150 million was appropriated by the State Legislature. Dr. Dobelle said he would personally raise the second \$150 million but that has not happened; no money was raised.

Dr. Vogel explained that the UH has inquired with private developers about building the facility, with the idea that the University would later pay for the facility from the federal funds as they become available, and from funds the UH foundation raise. He said there are three developers that have proposals on the table and are ready to work with the University.

Member Shiraki clarified that the \$150 million that was promised is not there and that the University is now going through other means of getting the money. But on the other hand in the newspaper, former president Dobelle says there is a plan underway to get the money. The University should clarify what is accurate so HCDA will know what direction to go.

Dr. Vogel commented that there is a change in the leadership, and that the acting president has a new job, with lots of demands on his time. But that this is one of his primary concerns.

Member Shiraki asked if a business plan could be done by October 1 and Member Thomason asked for a timeframe.

Ms. Yokota responded that part of the business plan would be ensuring that the federal funding sources that UH are looking at are secure and wouldn't know until after October 1. She would be able to present a proposal for a

parking plan. On the development of the JABSOM Phase II site, it depends on what proposals are received.

Member Anderson asked if the amendment establishing a timeframe would help in getting the Regents to focus on the development.

Ms. Yokota responded that the UH doesn't have control of all the pieces such as the relocation of PBRC.

Member Anderson asked if the Authority dropped the issues of Phase II and relocation of PBRC from the amendment, whether she would have control of the rest of the items.

Ms. Yokota responded that she could do the business plan by October 1, and could definitely produce a draft RFQ that would be shown to the Board of Regents, as well as give a proposal for parking in the makai area. She stated that the Board of Regents does not meet in August, so a draft RFQ will be presented for their review in September. Ms. Yokota stated that building Phase II of JABSOM would require another commitment of \$80 to \$90 million, a suitable developer be identified, and then the method of payment of lease rent for the building must be determined.

Member Thomason commented the UH plan places a lot of reliance on federal funds. She then asked when the federal funds would be identified.

Ms. Yokota replied that the UH would know by October 1, 2004.

Member Shiraki asked why the University was asking for an extension to November 30th, and if the UH could provide a timetable of when construction would start and when it would be completed.

Ms. Yokota responded that she expects to present a draft RFQ to the Board of Regents in September and get their approval possibly by October or November. By then, she expects to have answers regarding the availability of funds. Depending on whether the UH issues a one-stage or two-stage RFQ, the process may take five or six months, after which the developers would present their plan. Altogether it would take at least a year and a half before construction could commence. November 30 would give the UH enough time to pull together all the remaining pieces.

Member Crispin commented that the requirements of the amendments are reasonable and rational from a business standpoint, but maybe the compromise should be what the UH can provide to the Authority by

November. He said the Authority is looking for some kind of assurance that this extension will produce results, and will be worth tying up the land for another 4-5 months.

Ms. Yokota responded that she could bring a draft RFQ that would be brought before the Board of Regents, a proposal for permanent parking needs in the Makai area as well as some kind of proforma business plan, although she noted she would be relying on the information that potential developers will be providing.

Chairperson Kometani asked if HCDA were to begin an RFP process from the beginning, how long it would take.

Mr. Dinell replied that HCDA would be working under the same timeframe as the University. After reading Acting President McClain's letter, it is clear that the University needs HCDA to keep the land secure so it can obtain the federal funds it is seeking. If the University went to Congress to request the funds but there was no agreement on the land, it would put the University at risk of not receiving any federal funds.

Mr. Dinell said that HCDA would still have to do an RFQ and go through the public process. Though, he noted that it might be interesting to see what could come out of it, HCDA is seeking synergy like at Mission Bay – the real issue is what different activities can combine around JABSOM to support each other, and the CRC seems like a logical use.

Dr. Vogel commented that it is the first time the University is trying to do private development of facilities and asked the Authority to give the UH a fair chance to bring the process to fruition.

Member Thomason asked what group would manage the funding if the UH were to obtain the federal funding. Specifically, where would it go in the University system?

Ms. Yokota responded that it would depend on what the funding source is. For example, the one that was just approved is a defense appropriation bill so it goes through Tripler Hospital. The other funds are U.S. Department of Commerce funds that may go directly to the CRC or to the University to cover lease rents.

Member Shiraki requested to make a motion to amend his previous motion.

Deputy Attorney General Melvin Nishimoto suggested that he withdraw his amended motion since it was never seconded.

Member Shiraki withdrew his previous amended motion and requested to amend the motion on the table. The amended motion reads: The Authority authorizes the Executive Director to execute a third amendment to the agreement for exclusive negotiations through November 30, 2004, subject to: the University of Hawaii submitting to HCDA by September the draft RFQ or RFP that is to be presented to the Board of Regents; further, the UH must also submit at the same time: 1) a proforma business plan; 2) a proposed parking plan; and 3) a timetable for development of the Cancer Research Center. In addition, UH should report to HCDA on its development plans for Phase II of JABSOM and the relocation of the Pacific Biomedical Research Center.

Member Anderson seconded the motion.

Chairperson Kometani asked if there was any discussion. There being none, he called for a vote. The motion was approved unanimously.

V. ITEMS FOR INFORMATION (continued)

C. Components of Current Maintenance System for Kakaako Waterfront Park, Makai Gateway Park, and Kewalo Basin Park.

Chris Kempner presented the staff report.

Ms. Kempner reported that this item for information is a follow-up to the request from Authority Members at the June 22, 2004 meeting for further information on the current responsibilities and operating expenses for maintenance of the Kakaako Waterfront Park, Kewalo Basin Park and Kakaako Makai Gateway Park.

Staff provided in the packet a detailed comparative breakdown of current responsibilities and costs under the Memorandum of Understanding (MOU) regarding maintenance services with DLNR and the supplemental landscape contract with Landscape Hawaii. As per the Authority's directive at the June 22, 2004 meeting, HCDA will re-bid the existing supplemental landscape contract services and also include an additional request to obtain bids on the private cost for maintenance services provided by DLNR.

HCDA's MOUs with DLNR for \$188,000 a year to provide maintenance services for the three parks include utility costs of approximately \$135,000. In

addition to the payment of utilities, DLNR services also include daily custodial work, coconut tree trimming, repairs, and field staff for permit enforcement.

HCDA supplements DLNR maintenance of the parks by contracting with a private landscaper, Landscape Hawaii, at an additional cost of approximately \$250,000 a year for the more labor intensive and technical landscaping services such as regularly scheduled herbicide, pesticide and fertilizer programs and irrigation system maintenance and repair. Staff believes this provides an economical maintenance system for the parks.

With regard to additional maintenance issues in the Makai area, Member Anderson commented that decorative tiles fronting the City Refuse area where people tend to park are breaking near Ilalo Street.

Member Crispin also noted that the concrete pavers between the stairs and the shower were breaking down, but he did not know if it was the result of salt corrosion or other conditions.

Mr. Dinell responded that staff will follow up in both areas and suggested that Members contact him with their concerns at anytime and that they need not wait until Board meetings to voice concerns.

Member Thomason commented that the information provided in the packet was exactly what she wanted.

Member Shiraki asked if there was a comparison done with Kapiolani Park.

Mr. Dinell stated that Member Crispin was helpful in getting that information, but the information came in too late to go into the packets. Since the Authority instructed staff to go out for a bid, staff would wait to obtain the hard bid figure to privatize the entire contract, then chart a comparison of current costs, bid costs and other comparables such as Kapiolani Park.

Member Crispin responded that the figures may not be a fair comparison but at first glance it would appear that the maintenance cost the City incurs for Kapiolani Park is significantly higher. For instance the City Parks includes staff program moneys in their expenses, which would inflate the cost per acre. Staff would have to take that dollar figure out because HCDA doesn't operate any programs. To make a fair comparison it would need to get down to a per acre cost. At this point, the City expenses look significantly higher with staff, equipment and outsourcing of the tree trimming.

Mr. Dinell stated that this issue would be brought back as an information item to the Authority when staff has solid comparative numbers.

D. City Median Installation on South Street between Auahi and Pohukaina Streets.

Member Crispin presented the City's improvement plans for the South Street median.

Member Crispin stated that the improvement on South Street between Auahi and Pohukaina Streets is a beautification project. South Street is a two-way street up to Pohukaina then becomes a one way street mauka of that. The project consists of eight monkeypod trees, grass and naupaka on a seven-foot wide median strip to be designed and built by Royal Contracting. The existing lanes are 12 feet wide and will be narrowed to accommodate the median. The cost of the project is \$250,000, which includes design funds. The improvements will look similar to the median fronting Ala Moana Shopping Center on Ala Moana Boulevard. Notice to proceed will be in August so the timeframe is early-to mid-August.

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

VI. EXECUTIVE SESSIONS

Chairperson Kometani informed the Members that there would be two consecutive Executive Sessions. He stated for the record that a subcommittee on the KUD matter has been formed consisting of Members Goshi, Kondo, Liu and himself (Kometani).

Chairperson Kometani stated that the first Executive Session item is the Status Update on Exclusive Negotiations with KUD International, LLC, pursuant to Sections 92-5(a)(3) and 92-5(a)(4), Hawaii Revised Statutes.

Chairperson Kometani stated that the second item is the Update on Honuakaha Housing Complex, pursuant to Section 92-5(a)(4), Hawaii Revised Statutes.

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

It was moved by Member Anderson and seconded by Member Thomason to enter into Executive Session. The motion carried.

Note: Prior to the discussion on the Honuakaha Housing Complex, Member Anderson recused himself and left the room during the discussion because he owns a unit in the Complex. Member Lai recused himself and left the room when the discussion relating to KUD International was held because his law firm has been retained by KUD.

The Hawaii Community Development Authority entered into Executive Session at 11:25 a.m.

It was moved by Member Anderson and seconded by Member Wegesend to reconvene the regular meeting at 12:35 p.m. The motion passed unanimously.

VII. ADJOURNMENT

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

There being no further business, it was moved by Member Anderson and seconded by Member Thomason to adjourn the meeting at 12:35 p.m. The motion passed unanimously.

Respectfully submitted,

/s/

Paul Kimura
Secretary