

SUMMARY - MEETING NO. 281

HAWAII COMMUNITY DEVELOPMENT AUTHORITY

State of Hawaii

March 3, 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; Paul Kimura; Allan Los Banos; Patrick Kubota; Gary Kondo; Theodore Liu; Katherine Thomason (for Russ Saito); Stanley Shiraki (for Georgina K. Kawamura); Linden Joesting (for Rodney Haraga)

Kalaeloa Members: Eric Crispin; Linda Chinn (for Micah Kane); William J. Aila, Jr.; Evelyn Souza

Members Absent: Maeda Timson

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

I. ROLL CALL

The meeting of the Hawaii Community Development Authority was called to order on March 3, 2004 by Chair Lori Ann Lum at 9:05 a.m. with the following roll call:

Chair Lum	Present
Member Kometani	Present
Member Goshi	Present
Member Liu	Present
Member Thomason	Present
Member Shiraki	Present
Member Kimura	Present
Member Kubota	Present

Member Kondo	Arrived at 9:10 a.m.
Member Los Banos	Present
Member Joesting	Present
Member Crispin	Present
Member Chinn	Present
Member Aila	Present
Member Souza	Present

MATERIALS DISTRIBUTED

1. Agenda for March 3, 2004 Meeting;
2. Summary Minutes of Regular Meeting of February 4, 2004;
3. Report of the Executive Director;
4. Information Item: Kalaeloa Status Report;
5. Action Item: Approval to Advertise for Bids and Award Contracts for the Ahui, Ohe, and Olomehani Streets Infrastructure Improvement Project;
6. Information Item: Presentation on Fort Armstrong Area by State Department of Transportation;
7. Commercial Harbors System Handbook.

II. APPROVAL OF MINUTES

1. Regular Meeting of February 4, 2004

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

Member Kometani pointed out one misspelled word in the last paragraph of Section III, page 2, which should be changed from "retarding" to "regarding".

It was moved by Member Thomason and seconded by Member Los Banos that the Minutes of the Regular Meeting of February 4, 2004 be approved, as corrected. The motion passed unanimously.

III. REPORT OF THE EXECUTIVE DIRECTOR

Mr. Dinell thanked Member Souza for presenting him and Chair Lum each with a beautiful flower lei.

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

First, Mr. Dinell updated the Members on the roof leak repairs at Honuakaha. He noted that in June 2002, the

Authority had approved the expenditure of up to \$3 million to address the problem of the leaking roof and courtyard. In October 2002, the Governor released \$1.4 million in General Obligation Bonds approved by the Legislature, for the project, to be combined with \$1.6 million in HCDA revolving funds to meet the total \$3 million then deemed necessary to complete necessary reconstruction and improvements.

Mr. Dinell stated that in December 2003, after 18 months of negotiations, the AOA signed the liability release that HCDA required to allow the work to move forward. However, Mr. Dinell added that the architect who had been selected through the State competitive professional services selection process to design the reconstruction and improvements still had not received the indemnification he required from the AOA as a contract condition. On February 13, 2004, the architect informed HCDA staff that once he received the indemnification, the completion of the forensic investigation and design would take approximately 7 months; and subsequent bidding and negotiations would take another 3 months. Therefore, construction would not start until the spring of 2005, and the work would be completed in time to avoid the 2005-2006 winter rainy season.

Mr. Dinell added that staff is working on several issues with regard to Honuakaha. First, staff is working with the Department of Budget and Finance (B&F) and the Legislature to seek re-authorization of the 2002 \$1.4 million GO bond authorization, as the funds will lapse in June 2004; second, staff is working to document the status and timeline of events avoid any misunderstandings or false expectations; third, in light of recent rain storms, staff is exploring options to recommend to the AOA any interim action that would be prudent, given that the comprehensive repairs would not begin until April 2005.

Member Kimura asked for the name of the architectural firm that had been selected to design the repairs.

Mr. Takahashi responded that the name of the firm is Specialized Architectural Services, and that Mr. Bob Rodin is the forensic architect.

Member Shiraki asked whether the entire amount of the repairs could be funded by the HCDA revolving fund.

Mr. Dinell responded that the \$1.4 million in General Obligation bonds approved by the legislature would lapse in June 2004. Mr. Dinell added that HCDA was hopeful that the Legislature would re-appropriate the funds, and felt that

this type of construction repair would not be the most efficient use of the revolving fund.

Mr. Dinell then addressed the 1991 Land exchange between HCDA and Bishop Estate (now known as Kamehameha Schools) for the purpose of acquiring a parcel of land for the expansion of Kakaako Waterfront Park. As part of the transaction, Bishop Estate received a 139,000 square foot site on Ala Moana Boulevard owned by HCDA; in exchange, HCDA received land for the Kakaako Gateway Park, plus approximately 453 acres of undeveloped land in Heeia on the windward side of Oahu, referred to as the "Heeia property". As part of that land exchange agreement, Mr. Dinell noted that approximately 80 acres of land were returned to Bishop Estate on April 10, 1997.

Mr. Dinell told the Members that the location of the Heeia property could be found on the exhibits at the end of the Executive Director's report included in their packets, adding that the property was comprised mainly of wetlands zoned as preservation by the City.

Mr. Dinell stated that it was difficult and impractical for HCDA to act as the owner and custodian of these 373 acres of preservation lands, noting that managing and maintaining this type of land is not part of HCDA's mission of urban redevelopment. Mr. Dinell also noted that the lands were outside of any community development district under HCDA's jurisdiction.

Mr. Dinell added that HCDA does not have an enforcement arm, nor is HCDA equipped to protect the Heeia property against trespassers, illegal dumping and other problems. Mr. Dinell also stated that HCDA's former Executive Director, Jan Yokota, had sent a letter to the Department of Land and Natural Resources (DLNR) Chair Peter Young in April 2003, proposing the transfer of the Heeia property to DLNR. Mr. Dinell told the Authority that he had recently renewed discussions with Mr. Young who expressed an interest in the transfer of the land to DLNR, as DLNR is currently engaged in a comprehensive conservation resource plan for Heeia. Mr. Dinell added that no Authority action was required at this time, but that he wanted to make the Members aware of these preliminary discussions, and that HCDA plans to work with DLNR toward developing a future action item on this subject.

Next, Mr. Dinell informed the Members that the Governor had approved holding the Public Hearings for ID-11 (Queen Street Improvements between Kamakee Street and Ward Avenue). Mr. Dinell noted that the first Public Hearing was scheduled for

April 7, 2004, prior to the regularly scheduled Authority meeting. He added that, as part of HCDA public outreach campaign, letters inviting affected landowners to attend one of four informational sessions would be sent out within the following week. Mr. Dinell noted that bids for construction must be opened by June 2004 to avoid automatic lapsing of general obligation bond funds appropriated for this project in 2002.

Lastly, Mr. Dinell reported on some administrative and legislative items currently underway. First, the final audit for the Fiscal Year ending June 30, 2003 is anticipated by the end of March 2004.

Next, Mr. Dinell extended his appreciation to Member Thomason for introducing a Department of Accounting and General Services (DAGS) on-line financial management analysis tool that should be useful to HCDA in analyzing expenses and revenues.

Finally, Mr. Dinell noted that it had been a busy legislative session, including preparing and presenting testimony on the executive budget. Mr. Dinell said that, as the Legislature was looking for cash to transfer to the General Fund, the HCDA Revolving Fund was an attractive target. He reported that significant time and resources are being expended explaining to Legislators and their staff the various legal and administrative restrictions on use of the HCDA Revolving Fund.

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

Member Liu recognized the presence of State Senator Gordon Trimble in the audience.

IV. ITEMS FOR INFORMATION

A. Kalaeloa Status Report.

Mr. Dinell stated that Roger Au, civilian employee at the Navy and former Barbers Point Naval Air Station Base Closure Coordinator, had returned to the Navy division responsible for Barbers Point and would be leading a tour for the Authority on March 10, 2004. Mr. Dinell was pleased to report that several Members had indicated that they would be joining the tour.

Mr. Dinell noted that, along with Chair Lum, he had testified several times on Kalaeloa issues. He said that

the administration bill to authorize HCDA to act as Ombudsman for Kalaeloa was moving through both Houses, and that the bill seemed to be receiving substantial support.

Mr. Dinell added that two bills, not introduced by HCDA, were moving through the Legislature, and were proposing appropriation of funds for economic planning at Kalaeloa. HCDA has provided testimony on these bills supporting their intent, with concerns about the impact of appropriations on the Executive Supplemental Budget.

Mr. Dinell thanked Member Kane for his support as HCDA is working with the Department of Hawaiian Home Lands (DHHL) to secure federal grant monies for Kalaeloa that had originally been awarded to DHHL, but which DHHL could not fully utilize. Mr. Dinell explained that the challenge regarding these funds is a required dollar-for-dollar match. However, Mr. Dinell felt that obtaining these federal funds provides the best opportunity to begin the very necessary planning work for the Kalaeloa area.

Mr. Dinell stated that it was HCDA's intent to reconvene the Federal, State, and City stakeholders group to determine the actions that could help position Kalaekoa as an economic engine for the State.

Chair Lum asked if there were any questions on this item. There were none.

Chair Lum called for a short recess at 9:20 a.m. to allow the Kalaeloa Members to depart if desired. Chair Lum reiterated to the Kalaeloa Members that they were all welcome to stay, but that the Kalaeloa portion of the meeting was completed.

The meeting reconvened at 9:25 a.m.

V. EXECUTIVE SESSION

2. Status Update on Exclusive Rights to Negotiate with the University of Hawaii for the Cancer Research Center, Pursuant to §§92-5(a) (3) and §§92-5(a) (4), Hawaii Revised Statutes.

It was moved by Member Kubota and seconded by Member Kondo to go into Executive Session to Discuss the Status Update on Exclusive Rights to Negotiate with the University of Hawaii for the Cancer Research Center, Pursuant to §§92-5(a) (3) and §§92-5(a) (4), Hawaii Revised Statutes. Note: There were eleven (11) affirmative votes.

Chair Lum requested that Deputy Attorney General Mel Nishimoto, HCDA Executive Director Dan Dinell, HCDA Director of Planning and Development Teney Takahashi, and Ms. Jan Yokota of the University of Hawaii, join the Executive Session.

The Hawaii Community Development Authority convened in Executive Session at 9:25 a.m.

It was moved by Member Joesting and seconded by Member Thomason to reconvene the regular meeting at 9:35 a.m. The motion passed unanimously.

VI. ITEM FOR ACTION

- 3 Approval to Advertise for Bids and Award Contracts for the Ahui, Ohe, and Olomehani Streets Infrastructure Improvement Project.

Mr. Neal Imada, HCDA Project Management Engineer, summarized the Action Item report distributed to the Authority concerning this matter.

Mr. Imada used a PowerPoint presentation to: 1) highlight key elements of the project; 2) feature before-and-after photos of similar completed projects; and 3) provide current photos of the proposed project area.

It was moved by Member Kubota and seconded by Member Thomason to authorize the Executive Director to advertise for bids and award a contract to the lowest responsible bidder, and contract for construction management services for the Ahui, Ohe and Olomehani Streets Infrastructure Improvement Project, subject to the availability of appropriated funds and approval by the Governor.

Mr. Imada asked the Members if they had any questions concerning his presentation.

Member Crispin asked how the proposed improvements would tie in with the area's current plans.

Mr. Imada pointed out the location of the infrastructure improvements on a conceptual site plan of the Makai Area,

approved by the Authority in 2002, to answer Member Crispin's inquiry.

Chair Lum asked if there were any additional questions on this item. There were none.

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

Member Shiraki asked how Koula Street would be affected by the infrastructure.

Mr. Imada responded that Koula Street would be closed, and the empty lot resulting from the project would eventually become available for development.

Mr. Dinell added that the project would create a developable parcel of over 7 acres; in the master plan, this parcel is identified as the location for two planned parking structures necessary to accommodate parking requirements for the Point Panic site and the Kewalo Basin Commercial Retail Development. These parking structures would be phased according to the development schedules for the Point Panic site and the Kewalo Basin site, respectively. Mr. Dinell added that the proposed realignment of Ohe Street behind the Children's Discovery Center (CDC) positions the CDC directly on the park and would help create a larger, contiguous green space that extends from Ala Moana Boulevard to the Kakaako Waterfront Park.

Member Shiraki asked whether the streets or the development of the parking structures would occur first as he believed that the need for the parking structure depends on the outcome of the KUD project.

Mr. Dinell responded that the Kewalo Basin Commercial/Retail site will also require parking, and the first structure may serve to accommodate this site in the event the KUD project is delayed. Mr. Dinell noted that it was important to have the land clear and ready to develop, when needed.

Member Joesting asked whether the parking structure would serve the Kewalo (Point Panic) area as well.

Mr. Dinell responded that the parking structure would serve both the makai and the Diamond Head areas, which were consistent with the Makai Area Master Plan.

Member Shiraki asked where the funds would come from for the improvement district, and if money had been appropriated specifically for this project.

Mr. Imada responded that a portion of the costs would be covered with General Obligation Bonds, and the revolving fund would cover the remainder of the costs.

IV. ITEMS FOR INFORMATION (continuation)

B. Presentation on Fort Armstrong Area by the State Department of Transportation.

Member Joesting stated that the Department of Transportation (DOT) had created a presentation to provide some background information on Piers 1 and 2, also known as Fort Armstrong.

Member Joesting noted that the idea of a presentation had come out of the Ilalo Street Dedication Ceremony, whose site was within view of the harbor. Today's presentation would answer questions about statistics, cargo, and future expansion plans.

Member Joesting introduced Mr. Dean Watase, Planner with DOT Harbors, who distributed a booklet entitled "Port Hawaii" as well as a handout to help the Members follow his Power Point presentation.

The presentation highlighted the importance of Hawaii's harbors, and stated the DOT Harbors' mission, which is: "To provide and effectively manage a commercial harbor system that facilitates the efficient movement of people and goods to, from and between the Hawaiian Islands, and enhance and/or preserve economic prosperity and quality of life".

Mr. Watase also covered the history of waterfront planning, and the Honolulu Waterfront Master Plan.

Next, Mr. Watase highlighted the Oahu Harbors 2020 Master Plan, along with the proposed cruise ship and water taxi terminals at Piers 1 and 2. Mr. Watase added that once the expansion is completed, all cargo functions would be relocated to the Kapalama Military Reservation.

Mr. Watase stated that 80% of all goods needed in Hawaii are imported, out of which 98% come from cargo ships. Mr. Watase stated that those figures indicated that Hawaii is very dependent on the maritime industry.

Mr. Watase noted that the usable maritime space at Piers 1 and 2 had been impacted by HCDA's Forrest Avenue realignment project, resulting in the loss of 6 acres of cargo yard.

Mr. Watase said that DOT believes that the Punchbowl and Ilalo Street Extension projects would further impact cargo operations at Piers 1 and 2, resulting in the loss of the entrance area to the Pier 2 Passenger Terminal. Mr. Watase added that the parking and staging area on the east side of the terminal would be lost as well.

Mr. Watase concluded his presentation by stating that, because maritime lands were a finite resource in Honolulu Harbor, planning is essential to optimize available resources.

Member Crispin asked whether there could be an alternate site identified for cargo operations to alleviate some of the congestion generated by the current and projected activities at Piers 1 and 2. Member Crispin suggested the possibility of the Kalaeloa area or some other area on the west side of Oahu that might be suitable.

Member Joesting responded that the 1989 Waterfront Plan attempted to create a partnership on the other side of the island. However, Member Joesting noted that, with the rise in foreign and domestic cargo, and the increase in cruise ship activities, it looked like the Honolulu Harbor's space was now at a premium.

Member Joesting added that, presently at Kalaeloa, all the piers are being used, therefore there was already competition in Kalaeloa for pier space. She added that, because Kalaeloa Harbor deals mostly with bulk cargo, there is not as much shore side use, so the buildings and warehouses are located on the side, leaving no space for containers.

Member Liu inquired about DOT Harbors' total non-warehouse acreage at Piers 1 and 2.

Member Joesting responded that DOT Harbors had 29 acres.

Member Liu asked whether 29 acres included the stated loss of 9 acres as a result of HCDA infrastructure improvements in the area.

Member Joesting responded that DOT Harbors' total cargo acreage would go from 29 to 20, due to the DOT Harbors

planned Cruise Ship terminal (loss of 6 acres) and the HCDA proposed Punchbowl Extension (3 acres).

Member Liu asked whether the chart for growth projection was for foreign shipping only.

Member Joesting responded affirmatively.

Member Liu felt that the trends were going the wrong way. He stated that DOT Harbors would be doubling its foreign cargo volume while shrinking its acreage. He added that it would be reasonable to assume that these trends would continue, and that Member Crispin's suggestion was inevitable.

Member Joesting responded that two new tenants were trying to relocate to Kalaeloa. Member Joesting agreed that it was a very challenging situation.

Member Crispin noted that tenants may not want to relocate because the infrastructure is inadequate. On the other hand, the demand is not there because there is no infrastructure. Member Crispin said that, as the Authority was looking at other areas, for example, the City of Kapolei, the Authority had felt that the business component was missing. Therefore, a Kalaeloa maritime facility could be a win-win situation that would help the redevelopment of the second city.

Member Joesting stated that the Kapalama site would be renovated, but because of environmental problems, there may be some delays.

Member Liu wanted to know what type of renovations were planned for the Kapalama site.

Member Joesting responded that the Kapalama site would be outfitted for domestic container ship use.

Member Crispin asked whether the current growth was for local consumers or transit operations.

Member Joesting responded that the current projected growth was for local consumers.

Member Kubota commented on the Phase 1 Cruise Ship Terminal building scheduled to be partially completed and operational by the end of this year. He asked about DOT's next steps toward completion of the project.

Mr. Wade Takamoto, Project Manager at DOT, responded that DOT is working on finalizing the plans and putting the project out to bid within the next month, in order to complete construction on the terminal by October 2004.

Member Kubota noted that this seemed to be a very tight schedule.

Mr. Dinell asked Mr. Watase to return to the slides depicting the proposed Punchbowl Street Extension. Mr. Dinell wanted to point out to the Members that the identification of the loss of 3 acres of cargo land was not, in fact, a net loss, because under the Punchbowl Extension Plan, Channel Street would be abandoned and would be available for another type of use. Channel Street, currently the entrance to this area, could, for example, become a suitable parking area for the cruise ship terminal.

Mr. Dinell also stated that the other 6 acres that DOT had already lost for cargo operations had nothing to do with the Punchbowl Extension. Mr. Dinell said that these were acres that would be changed in use because Harbors services both cargo and people. Therefore, while a switch in use of the area would constrain the cargo component, Harbors made the correct strategic determination that passengers would need to be accommodated.

Mr. Dinell noted that the Punchbowl Extension would improve both the airport destination and the Waikiki destination traffic flow from the new cruise ship terminal. However, since the Punchbowl Extension is years away from becoming a reality, HCDA is working with the Federal Government to utilize a lot owned by the General Services Administration (GSA). With the assistance of U.S. Senator Daniel Inouye's office, HCDA has been in discussion with the GSA, and coordinating closely with DOT Harbors, to perhaps, in the interim, get an easement to allow vehicles to exit the harbor area through a more direct route and preserve some cargo area.

Mr. Dinell also stated that the long-range plan was for the State to acquire the GSA lot.

Member Liu added that ideally, the plan should be completed by October 2004 to accommodate the anticipated arrival of the new cruise ship.

Member Goshi inquired whether it was possible to extend the piers out towards the water.

Member Joesting responded that, to some extent, the piers had already been extended. She added that these piers were built as fill, starting in the early 1900's.

Member Crispin wondered if Honolulu Harbor would become similar to the Hong Kong Harbor, which got smaller and smaller as coastal areas were filled to create more land.

Member Liu stated that the Hong Kong Harbor, after taking into account the landfill, was half its natural size.

Member Joesting said that, not unlike Hong Kong, there were other container yards that had opened in Southeast Asia, for example in Malaysia, that have provided tremendous competition to the traditional harbors, because they offer so much more space and improved technology, and infrastructure, as well as beneficial rates. As a result, much of the cargo traffic has shifted to different ports in Asia.

Member Crispin asked if these changes had any negative economic impact on Honolulu Harbor.

Member Joesting responded affirmatively, but clarified that the impact had not been felt in Honolulu but had affected other harbors that used to be serviced within Asia. She added that much of that traffic bypasses Hawaii.

Member Liu said that he, Member Joesting, Bruce Matsui (Deputy Director at DOT), Member Haraga and Mr. Dinell had just had a similar discussion the previous day. He added that there is new technology available which would lessen the need for space. Member Liu explained that, with new technology, all the containers could be identified, tagged, and taken off the vessel, onto trucks and out the gates, and would not need to be stacked. New technology also made operations less labor intensive.

Member Joesting noted that, to some extent, Matson had been trying to utilize some of that new technology. She added that, in order to fully implement the new technology, Matson would have to completely reconfigure its operational yard, and would still need space to stack containers that did not need to be delivered.

Member Joesting thanked the Members for their time and support, and for the opportunity to inform them of what was going on at DOT Harbors.

Member Liu pointed out that efforts by HCDA staff, together with the cooperation received from DOT Harbors to finish the cruise ship terminal, would enable the project to be completed by October 2004. However, Member Liu noted that, since this project was not the ideal solution, once the project is unveiled, there might be some criticism. Therefore, from a communications management perspective, Member Liu suggested that HCDA closely monitor the issue, because HCDA and DOT Harbors may be criticized if the public is unhappy with the project. Member Liu said to keep in mind that this was the best solution that the agencies could come up with under the circumstances.

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 Kondo and seconded by Member Joesting to adjourn the meeting at 10:15 a.m. The motion passed unanimously.

Respectfully submitted,

/s/

Michael Goshi
Secretary