

SUMMARY - MEETING NO. 288  
HAWAII COMMUNITY DEVELOPMENT AUTHORITY  
State of Hawaii

November 3, 2004 – 9:00 a.m.

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

ATTENDANCE

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

Members Absent: Georgina Kawamura

Others Present: Daniel Dinell; Eric Crispin (non-voting Member); Nalani Wilson-Ku (for Melvin Nishimoto); Teney Takahashi; Cal Machida; Matthew Akamu; Neal Imada; Miko Dargitz-Hallett; Annette Kawasaki; Irene Iha; Lilinoe Lindsey; Steve Miyamoto; Susan Tamura; and Jill Sugihara; (also, see Meeting Attendance Record).

I. ROLL CALL

The meeting of the Hawaii Community Development Authority (HCDA) was called to order on November 3, 2004, by Chairperson James Kometani at 9:02 a.m. with the following roll call:

Chairperson Kometani	Present
Member Fukunaga	Present
Member Goshi	Present
Member Kimura	Present
Member Kondo	Present, Arrived at 9:05 a.m., Left at 11:50 a.m.
Member Lai	Present
Member Liu	Present, Arrived at 9:45 a.m.
Member Los Banos	Present
Member Thomason	Present
Member Wegesend	Present

## MATERIALS DISTRIBUTED

1. Agenda for November 3, 2004 Meeting;
2. Summary Minutes of Regular Meeting of October 6, 2004;
3. Summary Minutes of Special Meeting of October 11, 2004;
4. Report of the Executive Director;
5. Approval of the Improvement District 11 Project, Including the Amendment to Chapter 20, Title 15, Hawaii Administrative Rules, Relating to the Improvement District 11 Final Assessment Area and Individual Assessments Action Item;
6. Approval of Application for Base Zone Development Permit and Modification of the Mauka Rules for Ward Centre Auahi Street Retail Shops (MUZ 89-04) Action Item;
7. Letter from David McClain of the University of Hawaii Requesting an Extension to the Agreement for Exclusive Negotiations for the Proposed Lease for the Development of a Comprehensive Cancer Center;
8. Ward Village Shops Project Proposed by Victoria Ward, Limited; and
9. Approval of a Fourth Extension to the Period of Exclusive Negotiations with the University of Hawaii for a Cancer Research Center on the Kakaako Waterfront (distributed at the meeting).

Chairperson Kometani called for a recess at 9:03 a.m. to call to order the Public Hearing on the Proposed Amendments to Chapter 20 of Title 15, Hawaii Administrative Rules, Relating to Improvement Districts; Ward Centre Auahi Street Shops by Victoria Ward, Limited; and 909 Kapiolani by POSEC, Hawaii, Inc.

The regular meeting of the Hawaii Community Development Authority reconvened at 10:45 a.m.

## II. APPROVAL OF MINUTES

### 1. Minutes and Summary

Chairperson Kometani asked if Members had any corrections to the minutes of the October 6, 2004 meeting and summary of the special meeting of October 11, 2004. There were no corrections and it was moved by Member Kondo and seconded by Member Los Banos that the minutes of the regular meeting of October 6, 2004, and summary of the special meeting of October 11, 2004, be approved. The motion passed 10 to 0.

### III. REPORT OF THE EXECUTIVE DIRECTOR

Mr. Dinell noted that the Executive Director's report was enclosed in the packet distributed to the Authority Members and reported on the following additional items:

- Mr. Dinell announced the following personnel changes: Richard Kuitunen has joined the HCDA staff as Asset Manager; Chris Kempner, Asset Management Specialist, has resigned effective November 19; and Richard Kanemoto has been brought on board temporarily to assist the Asset Management Group in leasing and managing HCDA's rental assets on the Kakaako Waterfront as well as assist in the procurement process.
- Mr. Dinell passed around a brochure for the John A. Burns School of Medicine (JABSOM) Bioscience Conference to be held in January. Several Nobel Laureates will be speaking at the two-day event. Additionally, the High Technology Development Corporation (HTDC) is working on putting together a pre- or post-conference workshop on development of a life sciences incubator facility in Kakaako.
- A comparison of the cost between State parks and privatization for the maintenance of the Kakaako Waterfront, Kewalo Basin and Makai Gateway Parks was included in the Executive Director's report. Mr. Dinell reported that HCDA received three bids for the Grounds Maintenance Services that include comfort station maintenance along with general repairs and maintenance for park improvements. Two bids for the Kakaako Parks Supplemental Landscaping Services contracts were received.

Factoring in all costs on an annual basis, State Parks' services combined with the basic portion of the Supplemental Landscaping Services contract provides HCDA with the most economical park maintenance services at an estimated cost of \$455,000 per year. Privatization of all park maintenance services would cost an estimated \$675,000 per year or \$220,000 more than the current arrangement. Accordingly, HCDA will contract for the Basic Bid Supplemental Landscaping Services and will continue to work with State Parks to provide all other maintenance services.

- Mr. Dinell presented a draft policy framework (included in the Executive Director's Report) so that staff can proactively address the challenges that improvement district work poses in the Central Kakaako Service Business Precinct (CKSBP). Mr. Dinell noted that the write up is preliminary and the affected parties had not yet been fully consulted. The framework was provided with the intent of sparking discussion and demonstrating that HCDA is seriously considering the issues raised by the affected property owners.

Mr. Dinell reported that many of the issues were raised at a meeting he attended on behalf of DBEDT Director Ted Liu on Friday, October 29, 2004, at the State Capitol. The meeting was arranged by Mr. Jim Garcia from Tropical Lamp and Shade, Co. as a way to respond to the questions and issues that the landowners had regarding the Improvement District 11 (ID-11) project and to engage in a dialogue in a more informal setting than the Authority meeting. Mr. Dinell thanked Mr. Garcia for inviting HCDA to participate.

Mr. Dinell summarized the major issues that were presented at the meeting.

ISSUE #1 – Why the need to purchase a two foot strip? Why not build a six foot wide sidewalk as opposed to eight foot wide sidewalks?

Mr. Dinell explained that the City and County of Honolulu requires eight foot wide sidewalks. If HCDA instead builds six foot wide sidewalks, the City would not accept dedication of the improvements and the roadway would have fewer trees which would mean a less pedestrian friendly environment. Six foot wide sidewalks would also require additional design work because the plans have been made assuming eight foot wide sidewalks, underneath which are electrical conduits and other utility lines. Such a redesign would require HCDA to revisit the fixed bid price and renegotiate a major change order meaning added time and cost, not just for the design but for construction costs as well. The acquisition of the two foot wide strip of land on either side of Queen Street enables the project to move forward with a 60 foot right of way instead of the existing 56 feet.

ISSUE #2 – As proposed, ID-11 will have a six foot wide sidewalk fronting Magnum Firearms Store instead of the eight foot wide sidewalk along the rest of the street. Some landowners feel every property should be treated equally and thus, this property should also be required to have an eight foot wide sidewalk even if it entails refacing the existing building on the property.

Mr. Dinell explained that the frontage of this particular property was only 100 feet compared to the 1,200 feet of the entire street so the six foot wide sidewalk was balanced against the expense to HCDA of refacing the building and the business disruption it would cause. Unlike the request to have a six foot wide sidewalk elsewhere on Queen Street, the City agreed to the six foot width for this particular segment because HCDA would retain ownership of a two foot wide strip of land underneath the existing building until the property owner redevelops at

which point the two foot strip would be converted to sidewalk and then be dedicated to the City as part of the right of way.

#### ISSUE # 3 – Why now? Construction costs are high.

Mr. Dinell explained that one of the reasons why the construction costs are high is that HCDA is requiring that the street be open in both directions at all times for the entire project. Construction will occur during the evenings and weekends in order to lessen the impact on businesses which also increases the cost of construction.

If HCDA delays the project, the \$6.5 million in General Obligation bonds that are encumbered would be lost. There would be no guarantees that HCDA would be able to secure new funding. Life safety issues and other issues will remain unaddressed.

#### ISSUE # 4 – What about parking for the short term during the construction?

Mr. Dinell noted that people have been parking in the public right of way and storing cars on the street for weeks on end, which is not good for businesses. He stressed that HCDA needs to get a better handle of understanding of who is using the parking and how much parking is needed and what hour parking is needed in order to do good planning.

In the short term during the construction, HCDA is providing parking in the Mauka Park for the affected businesses and HCDA is working with Victoria Ward on providing parking on its lands to provide relief.

#### ISSUE # 5 – What about parking for the long-term?

Mr. Dinell said that regarding long-term parking, three things came up at the October 29 meeting. 1) Would HCDA allow parking in the setback? 2) Is there a way of extending the hours for on-street parking? 3) What happened to the Victoria Ward proposed parking garage?

With respect to parking in the setback, HCDA can certainly allow it. The Authority has the discretion to do case by case modifications.

Staff believes that allowing employees to have placards to allow them to park for a full eight hour shift for on-street parking would be a mistake. The purpose of metered parking for two hour time limits is to focus on customers and turning the parking over.

A few years ago, there was a proposal before the Legislature and at the last minute it was blocked and it didn't move forward. But instead of a centralized parking, the thinking is that parking should be scattered as much as possible to get it closer to where people want to go.

Mr. Dinell stated that HCDA has had a program of improvement districts since the 1980s. The Authority approved a construction cost cap for the CKSBP area and construction bids have been opened for ID-11. The proposed ID-13 which is Queen Street from Ward back to Cooke has not been designed, nor funded, but is proposed as part of HCDA's 2005 legislative package. There is an opportunity to do some of the things that the businesses are talking about with the proposed ID-13.

As part of HCDA's Mauka Area Plan, the overall goal for Queen Street as a "major street" in the Plan is to be a four lane road from Piikoi to Downtown.

During the Public Hearing, the suggestion to make the street into a two lane street instead of four lanes was raised. Queen Street is four lanes from Cooke Street into Downtown and the Queen Street Extension was built for four lanes, in between there would be a bottleneck if there were only two lanes.

In the immediate term, Mr. Dinell noted that HCDA needs to take steps to minimize impact to businesses during construction, and in the long term find parking strategies and engage affected landowners and tenants of ID-13 as part of the planning and design process.

Following are staff suggestions:

1. HCDA should consider a policy that would acquire parcels via voluntary land acquisition through "friendly condemnation" for parking (surface, structured or robotic). If someone wants to sell his property, do an appraisal and make a fair market value offer.
2. A seller may have a property that has some environmental damage on it. If the seller sells it to a public agency like HCDA, the Authority can get federal Brownfield funds to remediate the problem provided the seller didn't cause the environmental problem.

3. The transfer of development rights could be a tool to help the smaller property owners sell density to bigger owners who want to build additional floor area.
4. Relax the setback rules. Already in the CKSBP the setback for front yard parking is five feet.
5. Although the cost for robotic parking is expensive; it is \$20,000 a stall, it is not much different from a structured parking. The big advantage is not a lot of land area is needed. Other advantages are ventilation systems and fire life safety type systems are not necessary. People who park there like it because there are no dinks in the car and there are no security problems since no one can access the parked cars. It would be fine for employee parking; however, it is not good for in and out customer parking.
6. HCDA would like to work with the Kakaako Improvement Association (KIA) on several actions:
  - a. Survey businesses on their parking needs; understand what is needed and how they use the parking.
  - b. Consider implementing a “Main Street” concept for Queen Street from Kamakee to Cooke. A good example is Waialae Avenue.
  - c. Get assistance from businesses in the early design stages of ID-13.
  - d. Involve the City and County of Honolulu and other stakeholders into the discussions.
  - e. Meet with affected landowners and make them aware that HCDA is willing to purchase their properties.
7. Doing joint ventures with new developments. For example, HCDA is working with Public Storage and other parties to see whether they can do some public parking on their parcel.
8. Consider putting out an RFP for parking for private operators to provide parking on HCDA owned lands in the mauka area.

Mr. Dinell summarized the policy direction by first stating that HCDA should move forward with ID-11. If KIA Directors concur, HCDA and KIA would jointly retain a facilitator to help with the process as outlined. They would first agree to a time table and milestones and

report back to the Authority regularly. The effort would concentrate on the CKSBP area and focus on implementation of the strategies.

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

#### IV. ITEMS FOR ACTION

3. Approval of Improvement District 11 Project, Including the Amendment to Chapter 20, Title 15, Hawaii Administrative Rules, Relating to the Improvement District 11 Final Assessment Area and Individual Assessments

Steve Miyamoto presented the staff's recommendation.

Mr. Miyamoto stated that Mr. Dinell addressed all of the concerns that were brought up at the public hearing in the Executive Director's report. He reiterated that ID-11 was designed in accordance with the Mauka Area Plan and will provide a safer environment for the community as a whole and therefore staff recommended approval of the adoption of the rule amendments to establish ID-11.

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

Member Kimura asked how long the project could be delayed before losing the funding.

Mr. Miyamoto responded that HCDA has blanket encumbered the construction funds and has until the end of June 2005 before another request is required for the encumbrance. However, there is no guarantee that the request would be granted.

Mr. Dinell added that HCDA has to award the construction contract by February 2005 and would be exposed to escalation claims if it does not. The contract will not be awarded unless the project has been approved. In addition, the Governor must give the final approval of the ID-11 rule amendment. After today's Authority action, the request for approval would go to the Governor's office. A delay in the project would increase the cost of construction.

Member Crispin requested to speak not as an HCDA Member but as the Director of the City's Department of Planning and Permitting. He commended

the Executive Director on his presentation saying that it went to the heart of the critical issues that were heard during the public hearing, namely addressing the parking issues and working in close cooperation with KIA in trying to move forward to address those concerns. Member Crispin wanted to encourage the Authority to not necessarily hold up the project but to move ahead with the project and, parallel with that, to work on the recommended actions that were presented by Mr. Dinell because they seemed reasonable and comprehensive in their approach.

Chairperson Kometani agreed that Mr. Dinell addressed some of the concerns that were just heard during the public hearing.

Member Los Banos asked if this action locks in that assessment.

Chairperson Kometani responded in the affirmative.

Member Fukunaga questioned whether the assessments were based on the balance of available funding for the project and the portions shared with the landowners.

Mr. Dinell replied that the total project cost is \$15 million. The assessments are about \$3 million. HCDA has \$6.5 million in General Obligation bond funds and the utilities are contributing almost two million dollars. The difference will be taken from the HCDA revolving fund for improvement districts. The assessments were based on whether a property is specifically benefited from the ID-11 improvements. The Authority determined the 28 percent cap and then made the adjustments to the individual assessments.

Member Fukunaga asked how the 28 percent figure was reached as opposed to some other number.

Mr. Dinell responded that the 28 percent represented the average of the assessments to private property owners in the past improvement districts in the Mauka area. He added that there have been six improvement districts in the Mauka area.

Member Fukunaga asked whether in past projects the same types of properties were affected.

Mr. Dinell responded that the past projects were different. The earlier improvement districts on the Mauka side centered around South and Punchbowl Streets where there were large land owners, such as Kamehameha

Schools. ID-11 is one of the first improvement districts where the majority of the properties are less than 10,000 square feet.

Member Kimura stated that the Authority is supposed to facilitate development. There is no guarantee that the small landowners are going to redevelop because they would have to consolidate to do so. In the past, Kamehameha Schools was able to redevelop its properties right away because they were large properties with lots of development potential. But in this area, General Growth is the only landowner with development potential. He said the other landowners have no intention of redeveloping.

Mr. Dinell replied by referring back to the Mauka Area Plan and asked Members to look at Kakaako as a district and not as a two block section. He reiterated that HCDA is a redevelopment agency whose mission is to provide properties the opportunity to redevelop.

Member Kimura asked if that mission entailed the development of Queen Street.

Mr. Dinell responded that the focus should not be on Queen Street as much as the district of Kakaako itself.

Member Kimura commented that there were a lot of other areas that could be improved, like the waterfront because redevelopment of those areas would achieve some immediate gain.

Member Goshi stated that it was a difficult decision.

Member Kimura commented that he stated in past meetings that he would like to have a “win – win” or at least a “win – break even” situation; not a “win – lose” type situation. It seemed to him that the small businesses were going to lose and stated that he couldn’t really see supporting the project, unless something happened for the small businesses.

Member Fukunaga recognized that the area can not really be developed into consolidated properties for any large development agreement type, that it was a given that it would essentially be small businesses. So the concern has to do with the assessment that’s been levied on them.

Member Liu stated that he agreed with one of the public hearing testifiers that the backbone of Hawaii’s economy is small business with over 95 percent of Hawaii’s companies defined as a small business. In his position as the Director of the Department of Business, Economic Development and Tourism, he hears

a lot of the concerns of the small business community. His desire is to see Hawaii's small business community go from surviving to thriving.

Member Liu wanted it to be known that he has heard the views and concerns of the small businesses in the area through the hearings that were held including the meeting that was held at the State Capitol, the details of which were reported to him. There were some comments made earlier that if the Authority moves and decides in a certain way, that implies that the small business community has not been heard. He disagreed with that. He stated that the views have been fully heard and assured the public that they have been heard at the highest levels in the administration.

Member Liu agreed with Member Goshi that it was a very difficult issue. He stated that as Authority Members they are faced constantly with issues like this and that one of the things the Authority is called upon to do, is to strike a balance, which is again a difficult challenge. In his 20 months or so on the job, he has encountered a lot of situations in which boards, decisionmakers and the public sector failed to move forward and strike the right balance for fear of upsetting the existing apple cart. Too often he has asked the question why it is this way and the answer is, "that is the way it's always been." But he emphasized that things have changed and continue to change, not only in Kakaako but throughout Honolulu.

Member Liu urged that part of what the Members do as an Authority with this very important decision is to focus on not necessarily on how things have been, but how things can be, in full recognition of the changes that are happening around the community. He stated that there is no denying that things are very dynamic in urban Honolulu, certainly in Kakaako both Makai and Mauka. The change has started and there is nothing that can be done to avoid it. It is going to be a sooner or later issue. It can lead to tremendous advantages and value that the small business community can capture. Small business does not mean that the business stays small or stays within the existing market size. The idea is to enlarge the pie for everybody to share.

Member Liu said that people say the success of a business is based on the same success as a good real estate project – "location, location, location." Kakaako is a great location and Queen Street is going to be a huge location, especially if there is foot traffic. The increase in foot traffic of people passing by and understanding what exists on that part of Queen Street will increase the flow of commerce to the existing property owners and business owners there.

The vision for that part of Queen Street is not and should not only be big box developers Member Liu stated. There is not going to be a WalMart on smaller

land parcels. He stated that the character of Queen Street ought to be preserved and it is his view that it could be preserved.

Some of the things that Mr. Dinell has suggested in his recommendations are good for the businesses according to Member Liu. He urged the small business community to seize upon this as an opportunity to increase their business. They should work with HCDA to figure out how to do that; minimize the impact on their existing business; and take advantage of the growth that can happen with these improvements that are being done. But he also recognized that might not be the case for everyone. The character of the place may change and the other aspect of what HCDA is proposing, the “friendly condemnation,” would be an opportunity for the businesses to increase their value. It should not be looked upon as insignificant; a tremendous value would be created for small businesses, which would enable businesses to operate in a better and different form and in a more ideal location.

The opportunities with this development are to improve the existing businesses, or if the opportunity presents itself, there are a lot of people looking to invest in real estate. Member Liu urged the small business community to take full advantage of that. Some of the joint ventures that Mr. Dinell talked about do not preclude HCDA joint-venturing with existing property owners and a third party developer providing capital to redevelop the existing site and capture the values there. He stated that there are various opportunities that are being laid out, and the key is that HCDA wants the property owners to work with them. Member Liu stressed that it is not a zero sum game. It is not either win or lose. Everyone can win if the value opportunities that are there are captured, and the improvement district allows this access. Member Liu stated that he is supportive of proceeding on the basis that staff has recommended.

Member Kimura stated that he still believed that the businesses’ concerns, namely the high assessment and the loss of parking, were not addressed. He didn’t know if the businesses were willing to accept “do it now and take care of you later on” approach. He stated that people have to make a living. If the parking is being taken away and overhead expense added, it makes it that much harder for businesses to survive. Member Kimura stated that he thought the action should be deferred until next month, until there was a proposal that the businesses could accept.

Member Wegesend stated that Member Kimura’s comments led to his question with regards to Mr. Dinell’s suggestion of working with KIA. He wanted to know if the idea had been brought up with KIA and if there was any response.

Mr. Dinell responded that the idea was discussed with KIA President Kendall Hee, but that Mr. Hee needed to take it to his Board of Directors and to get its approval the same way that it was presented today to HCDA Authority Members.

Kendall Hee responded that Mr. Dinell approached him; however, he has not had the opportunity to bring it before the KIA board.

Mr. Dinell stated that he hoped that KIA would seize the plan. It would be invaluable for HCDA since KIA knows what's going on in the business community in Kakaako.

Member Wegesend expressed his concern that construction would potentially start in March 2005 if the matter moved forward and asked if there was enough time to address the immediate issues of parking.

Mr. Dinell responded that he felt comfortable on the immediate issue of parking because there are 28 parking spaces available at the Mauka Park which HCDA controls, and there is a commitment from Victoria Ward to provide additional parking during the construction. For 18 months from the start of construction, parking will be available.

He added that if everyone works in earnest and in good faith, the results should be positive with everyone motivated to find a long-term solution to the parking issue. There are 110 parking stalls loosely on Queen Street today. Some cars have been there for weeks or months or even abandoned. The first step is to find out where people are parking, and what businesses they are patronizing so that the parking can be organized better, because the needs are poorly understood right now.

Member Wegesend commented that was the reason why he asked because it appeared that there was no real handle on the individual parking needs of the businesses. He said that particular survey would be critical to complete it rather quickly to address those needs if the proposed solution falls short.

Member Kimura commented that another issue is that these businesses have paid their property taxes for 40 to 50 years and there have been no improvements to their street. Therefore, whatever they paid is for nothing. Member Kimura stated that if HCDA is going ahead with the project, the State should take the hit on all those payments that were made by those businesses. Otherwise they end up paying twice.

Member Los Banos asked if the State could pick up the tab for all of the assessments.

Chairperson Kometani responded that at a previous meeting, there was concern that the State was possibly paying too much and that is why staff was asked to reevaluate the formulas a second time and that is why the assessment formula is now in this present form.

Member Los Banos stated that any way you look at it, construction has to take place on that road, primarily because of public safety and for pedestrians. He took a walk down that road and it was like walking on a construction site. It is not a pedestrian friendly area. He also witnessed an accident when someone backed out of a perpendicular parking space and was broadsided by another car. He reiterated, the existing conditions are unsafe. Any kind of construction is going to impact businesses no matter which way you look at it. Whether you do an assessment or you get the State to pay for it, the construction impact will definitely impact the businesses; but something needs to be done.

Member Fukunaga stated that he realized that there is need for improvement to correct the existing conditions and that he was not against that. He was just wondering if the assessments that were developed could be modified or amended. He could see that over time there would be additional pressure placed on those small businesses to improve their facilities as well, so that is an additional cost that needs to be factored in. If the State can provide them with additional opportunity to save for that kind of improvement, then it certainly would be beneficial to them. But that is all predicated on the assumption that HCDA is able to modify the assessment in some fashion that would allow that to take place.

Member Fukunaga further stated that for improvements in residential areas, the City assesses the homeowner 10 percent over a 20-year period. They get the benefit of the sidewalk or whatever is being done in front of their house but essentially they bear the cost; rightly that is the logic behind the improvement district. There is a benefit that's being accrued to the applicant of that particular location. It is not a matter that they already paid a property tax. Property tax is a different application, which goes to provide basic services.

Chairperson Kometani commented that the payment does not start until six months after the improvements are completed and that payments can be made over a 20-year period, rather than being paid upfront.

Member Fukunaga asked whether the 28 percent could be lowered.

Chairperson Kometani responded in the negative and stated that the formula is at the lowest level the staff is recommending.

Member Goshi stated that the bulk of the \$15 million is currently available and that the issue is the funding may not be replaced.

Member Liu asked how many options the staff presented.

Mr. Dinell responded that the staff presented five different options and explained that the 28 percent came from the average assessment of private landowners for past improvement districts in the Mauka Area. He further explained that if no adjustment was made to the final assessment it would be \$4.45 million; with the adjustment it is reduced to little over \$2.9 million. HCDA is picking up the additional \$1.5 million for that adjustment. Of that \$2.9 million being assessed to property owners, around \$1.8 million is being paid by Victoria Ward. So the difference of \$1.1 million is being borne by the other businesses. Victoria Ward is a major landowner in the area, and in two of its holdings it is getting no adjustments from this formula. That is part of the equity that staff was trying to come out with, to help the small businesses. At the same time, it was necessary to have a formula that was rational and defensible because the HCDA's Deputy Attorney General has advised that whatever formula is adopted it must be defensible from a legal point of view.

Mr. Dinell said, if the State decided to pick up the whole tab, that would open a "Pandora's Box" because property owners in previous improvement districts who paid their assessments would complain. HCDA has a formula in place for assessments that has been done the same way since 1988. The adjustment factor in ID-11 was incorporated specifically for the Central Kakaako Service Business Precinct because of its previously recognized unique characteristics.

Chairperson Kometani reminded the Members that a motion was on the table to adopt staff's recommendation. There being no further questions, a vote was taken and the motion was approved 9 to 1, with Member Kimura opposing.

4. Approval of Application for Base Zone Development Permit and Modification of the Mauka Rules for Ward Centre Auahi Street Retail Shops (MUZ 89-04)

Matthew Akamu presented the staff's recommendation.

Mr. Akamu explained that the proposal is to allow for renovation of the Ward Centre parking structure to add additional retail shops. He reminded Members that this subject was reviewed as an Informational Item at its October 6, 2004 meeting. Staff recommends approval of the proposal to reduce the front yard to 5 – 15 feet to create an active pedestrian environment along Auahi Street.

Chairperson Kometani asked Members if they had any questions. There were none. He then asked for a motion to adopt staff's recommendation. Member Lai moved and Member Los Banos seconded the motion. There was no discussion and the motion was approved unanimously, 10 to 0.

A recess was called at 11:55 a.m. to reconvene the public hearing to take testimony from the Hawaii Symphony and the Hawaii Musician's Association on the 909 Kapiolani project by POSEC Hawaii, Inc.

The meeting was reconvened at 12:00 p.m.

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

Teney Takahashi made the staff presentation.

Mr. Takahashi reported that in July 2004, the Authority approved a third extension to the University of Hawaii's exclusive agreement to negotiate for a Cancer Research Center (CRC) site, subject to submission of:

- 1) A proforma business plan, a parking plan, and a development timetable;
- 2) Status of Phase II of JABSOM, and the relocation of the Pacific Biomedical Research Center (PBRC); and
- 3) A draft of the Request for Qualifications (RFQ).

Mr. Takahashi reported that the University responded to these items by letter and in Executive Session on October 6, 2004. However, the University requested that distribution of the draft RFQ be deferred until after the Board of

Regents considers it at a meeting scheduled for November 19, 2004. The University cites this as the primary reason for a request for a fourth extension. If the Authority grants the approval, the University estimates that discussion and documentation required for the development of the Cancer Research Center will take until mid-2005. The University further asked that this request for a fourth extension be considered at today's meeting (November 3, 2004).

Mr. Takahashi introduced Jan Yokota of the University of Hawaii to make the presentation and answer any questions.

Ms. Yokota thanked the Authority for its patience over the last two years. She realized that this was the fourth extension but commented that progress has been made in the last few months. The Board of Regents will be considering an RFQ for the CRC project on November 19. The current period for exclusive negotiations ends on November 30. If the RFQ is approved at the November 19 meeting, subsequent issuance of the RFQ with the selected developers would take place as early as March of 2005. The University would then enter into discussions and work toward approval of lease and development documents through the Board of Regents by June 2005. An extension through July 31, 2005, would allow the University sufficient time to work with both HCDA and the developers to come up with documents that all could be happy with. Ms. Yokota requested an extension to that date.

Member Liu commented that on July 16, the approval of the third extension included several items that were of concern to the Authority. The Authority's interests were in understanding where the RFQ process was for the CRC; the development plans for JABSOM Phase II; and the relocation of the PBRC. The University's letter of September 30, 2004 referenced only the CRC questions. At the last meeting, President McClain talked about Phase II of JABSOM and the relocation of PBRC. Member Liu asked Ms. Yokota to summarize her understanding as to what were the University's plans for Phase II of JABSOM and for the relocation of PBRC.

Ms. Yokota responded that Phase II of JABSOM is an important consideration for the University because there is 180,000 square feet of permitted floor area on that site. The University wants to make sure that what is built on that site is complimentary to the rest of the JABSOM complex and at the same time that it is something that the University can benefit from. So the University is looking at several proposals right now. The PBRC was under the development agreement the University had with Kajima. Since that has been terminated, the University must look at possibilities for finding moneys to relocate PBRC to another site or seek other alternatives, which may mean moving those

operations elsewhere. Ms. Yokota stated that she did not know the details of where and how it may be relocated.

Member Liu asked when the University might be able to be more specific with the Authority on both Phase II of JABSOM and the relocation of PBRC.

Ms. Yokota responded that the relocation of the PBRC is more difficult to answer but with regards to Phase II of JABSOM, she thought the University might be able to come back within three months or so with a status report. She said that the University recognizes how important that site is to the entire Waterfront as well as to the JABSOM site, and added that they wanted to make sure of the right way to proceed.

Mr. Dinell interjected that he received a message from Kay Yamada of the HTDC that the Phase II site was going to be put out to an RFQ in conjunction with the University. Mr. Dinell asked Ms. Yokota where that stood, because he implied in his Executive Director's report that the University was looking at HTDC to take the lead, and he did not want to misstate it.

Ms. Yokota responded that she believed HTDC was looking at Phase II but said that HTDC is aware that it is under a lease to the University and to proceed, the proposal has to be presented to the University. It is at that stage right now. The proposal hasn't been discussed with the Board of Regents although a joint venture was something that the University considered in terms of working on that site. There are a number of proposals to develop that site, with HTDC's being only one of them. The University is looking at what is the right fit.

Mr. Takahashi stated that since the RFQ would not be available for the Authority's requested review by November 19 at the earliest, staff recommends that the action be deferred for consideration until the next regularly scheduled meeting on December 1, 2004.

Staff further recommends that the University make available a copy of an approved RFQ in time for review prior to any meeting to consider a fourth extension.

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

Member Liu proposed an amendment to the motion. He said that it would be much more helpful to make a decision on the University's role on the CRC site if he understood better their plans, intentions, and schedules with regard to

Phase II of JABSOM and the relocation of PBRC. Member Liu moved to amend the motion to say that besides obtaining a copy of the approved RFQ, HCDA should receive a response in writing from the University as to its intentions, plans and timing for the development of Phase II of JABSOM and for the relocation of the PBRC.

Member Los Banos seconded the amended motion.

Chairperson Kometani asked if there was further discussion on the amendment.

Mr. Dinell requested clarification from the Deputy Attorney General Nalani Wilson-Ku if the agreement expires on November 30, can the action be deferred to December 1.

Ms. Wilson-Ku responded that if there is an agreement that expires on November 30 there should be some extension of the November 30 deadline. Otherwise, on December 1 there will be nothing to discuss.

Mr. Dinell suggested that perhaps the Authority should amend the motion to extend the agreement to December 1, one extra day.

Member Liu commented that maybe the University would prefer that the extension would lapse. Then if the Authority agrees to move forward on the CRC it would be a brand new agreement and would not have to go into a fifth extension. If it lapsed, then at the next Authority meeting the University would have a brand new option if the Authority approves it, and a brand new exclusive right to negotiate. So if the University needed to extend that, it would be the first extension as opposed to the sixth.

Ms. Yokota pointed out that the University is going to the Board of Regents for approval to issue the RFQ and if the agreement is terminated, it would be somewhat difficult to issue the RFQ without a land site that they have exclusive rights for.

Member Liu stated that the Board of Regents could approve the RFQ conditioned upon getting another agreement to develop that particular site.

Mr. Takahashi suggested that he amend the staff's recommendation that action be deferred for consideration until the next regular schedule meeting on December 1, 2004, and the extension be provided for that one day.

Mr. Dinell stated that as Member Liu suggested it might be easier to just start fresh on December 1 with a brand new agreement provided that his amendment

was to receive in writing information as to the intention, plans and timing of Phase II and relocation of the PBRC.

Member Liu stated that the more he thought about it, the more he liked the idea because every time the matter was discussed, there were more apologies for past delays. He recommended starting anew and ending with the fourth extension of the agreement that HCDA entered into two years ago. Member Liu restated his amendment to staff's recommendation (to require from the University receipt of a copy of the RFQ for the CRC site) to include a requirement that HCDA receive in writing an explanation of the University's intentions, plans and timing with regard to JABSOM Phase II development and relocation of the PBRC.

Chairperson Kometani called for a vote on the amended motion as stated by Member Liu. The amended motion was approved unanimously, 9 to 0 with 1 excused (Member Kondo).

The vote on the main motion was then taken and approved unanimously, 9 to 0 with 1 excused (Member Kondo).

V. ITEM FOR INFORMATION

A. Ward Village Shops Project Proposed by Victoria Ward, Limited

Matthew Akamu summarized the Informational Item report distributed to the Authority concerning this matter.

Mr. Akamu stated that the Information Item was being presented in anticipation of a public hearing at the next Authority meeting on December 1, 2004.

The Ward Village Shops project borders on the Queen Street Extension, Kamakee Street and Auahi Streets. The Ward Centre Parking Structure improvements will be located across the street and Pier 1 Imports will remain at its present location.

The urban village concept provides for an active pedestrian-friendly environment with shops and open space along Auahi and Kamakee Streets. Rental housing will also be provided in proximity to the shops and restaurants.

The project has 501,000 square feet of floor area. A little less than half, 224,000 square feet would be commercial floor area. There are 165 rental

apartment units being proposed. Open space of 34,000 square feet is proposed in various locations along the perimeter and 1,000 parking stalls in a 7-story parking structure in the middle. There would be two-story retail structures wrapped around the parking structure and the parking structure would have access from Queen Street as well as Auahi Street. There is also a 15-story residential tower located in the general vicinity over the retail shops.

Early in the project, the applicant submitted a project eligibility package to HCDA, which has since been revised. The major change was to remove the Diamond Head wing of the project's proposed residential wing and add 3-stories to the Ewa wing.

Another change was to add a small lane along the Makai Park boundary. In the original project there was no road; but the City and County of Honolulu strongly advocated on its development to improve vehicular and pedestrian circulation in the area. In the revised concept, there will be a privately owned lane that curves from Auahi Street and connects to Queen Street.

Mr. Akamu explained that the modification proposals are to change the requirements for a base zone development project, to increase the height from 45 feet to 220 feet to allow the residential structure, the 7-story parking structure, and some miscellaneous retail areas. Modifications are also requested to allow encroachments into the view corridors along Queen and Kamakee Streets. Other requested modifications include a reduction of the front yard along Auahi Street near the new roadway and an allowance of a loading area in the front yard along Queen Street.

The proposed new roadway is curved and encroaches into the Makai Park, reducing the park area. But this is done to give provide space to design a functional attractive frontage to the building frontages along the Diamond Head side of the project. Without the curved street, it would basically be a sterile frontage. The curve to the street is intended to slow down the traffic as well, since there is a combination pedestrian crossing with a speed table. Staff is trying to create a compatible and functional situation with the Makai Park design to create a much safer, more vibrant and attractive environment than if the street was a straight one. So in that context, the joint development is to design a lane along with the Ward Village Shops and the Makai Park. HCDA would also require the applicant to design, construct, and maintain the lane. HCDA would transfer ownership of the land necessary to construct the lane with entitlements to the applicant, and the applicant would reduce its public facilities credits in exchange.

Mr. Akamu introduced Barry Elbasani, Dave Petta, and Steve Marlette who are architects of the Ward Village Shops project.

Mr. Elbasani stated that this project is central to the Victoria Ward development. Currently it is just a parking lot. Mr. Elbasani thanked the Members for approval of the improvements at the Ward Centre Parking Structure because it is a key ingredient to the area's transformation. He reported that the Ward Entertainment Center completed a few years ago is now very successful. It was very important to Victoria Ward to create a true mixed-use project. Usually projects tend to have more of one component than the other; however, in this case the percentage of retail will represent 47 percent of the project and housing will represent another 53 percent, so it is truly a balance of two different kinds of uses in one urban setting.

Mr. Elbasani stated that it was very important for Victoria Ward to consider the fact that the project would require a large parking structure. He said his firm worked on the Kakaako Makai Area Plan 15 years ago, which included the Kakaako Waterfront Park. Part of that plan was to make great active streets with people living above those streets, to create an environment where people could visit, learn, play, and work. The idea was to take that garage and basically wrap it with the retail uses.

Auahi Street is going to become a wonderful retail pedestrian friendly environment for people to come and stroll down the promenade. Not just on one side of the street but on both sides of Auahi Street and likewise on Kamakee. They've always viewed that the new parks would become an oasis with all of the development happening around it.

Mr. Marlette said they thought about how to extend the new park as part of a green experience along Queen Street. The lane was viewed as a park road. It will be two lanes, 28 feet wide. It is not meant to be a highway, rather, it is meant to be a passive quiet car promenade and not a quick shortcut.

In the end, the building that Victoria Ward is proposing is about 218 feet high. It is a mid-rise compared to the adjacent 400 foot tall Hokua tower.

The grand plaza provides the basic entrance to the residential building above. A series of individual retail shops on the ground floor and the second floor would be devoted to restaurants and people just enjoying the atmosphere. There will be a series of fountain places where there will be a café experience to relax, shop, or just to have a place for people to visit. At the intersection of Queen and Kamakee Street, there will be a lot of people, given the

configuration of the street, providing an opportunity to use a lot of space to create a passive outdoor seating area.

In summary, the applicant's architects stated the project is basically about creating an urban village, which is truly mixed-use for people who live nearby to come and shop. Victoria Ward is hoping this would be the first of a whole generation of true mixed-used projects.

Mr. Dinell pointed out that this agenda item was for the Members' information and it would be scheduled for public hearing on December 1, so this is a good opportunity to get Members' input before the public hearing.

Chairperson Kometani asked Members if they had any questions. There were none. He thanked the guests for their presentation.

## VII. ADJOURNMENT

There being no further business, it was moved by Member Liu and seconded by Member Lai to adjourn the meeting at 12:35 p.m. The motion passed 9 to 0 with 1 excused (Member Kondo).

Respectfully submitted,

/s/

Paul Kimura  
Secretary