

SUMMARY - MEETING NO. 295
HAWAII COMMUNITY DEVELOPMENT AUTHORITY
State of Hawaii

July 6, 2005 – 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); Grady Chun; Michael Goshi; Rodney Haraga; Paul Kimura; James Kometani; Gary Kondo; Jonathan Lai; Kay Mukaigawa; Stanley Shiraki (for Georgina Kawamura); Katherine Thomason (for Russ Saito); William Aila, Jr.; Henry Eng; Evelyn Souza; and Maeda Timson.

Members Absent: Micah Kane

Others Present: Daniel Dinell; Melvin Nishimoto; Matthew Akamu; Miko Dargitz-Hallett; Stanton Enomoto; Arnold Imaoka; Richard Kuitunen; Deepak Neupane; Teney Takahashi; 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 6, 2005, by Chairperson James Kometani at 9:02 a.m. with the following roll call:

Chairperson Kometani	Present
Member Anderson	Present, arrived at 9:10 a.m., left at 11:02 a.m.
Member Goshi	Present
Member Chun	Present, left at 9:30 a.m.
Member Haraga	Present, arrived at 9:05 a.m., left at 9:50 a.m.
Member Kimura	Present
Member Kondo	Present
Member Lai	Present
Member Mukaigawa	Present

Member Shiraki	Present, arrived at 9:10 a.m.
Member Thomason	Present
Member Aila	Present, left at 9:30 a.m.
Member Eng	Present, left at 9:30 a.m.
Member Souza	Present, left at 9:30 a.m.
Member Timson	Present, arrived at 9:10 a.m., left at 9:30 a.m.

MATERIALS DISTRIBUTED

1. Agenda for July 6, 2005 Meeting;
2. Summary Minutes of Authority Meeting of June 1, 2005;
3. Summary Minutes of Special Meeting of June 24, 2005;
4. Report of the Executive Director;
5. Kalaeloa Status Report;
6. Information Item: Proposed Memorandum of Agreement for the Use of Piers 1 and 2 with the State Department of Transportation;
7. Action Item: Approval of Application for Planned Development Permit for the Keola Lai Project at 600 Queen Street (PD 1-05);
8. Action Item: Approval of Transfer of Uses Between the Moana Pacific Planned Development Project (PD 1-03) and the Honolulu Design Center Base Zone Development Project (MUZ 80-01);
9. Action Item: Approval to Expend Revolving Funds to Contract for Security Services for Kakaako Waterfront Park, Kewalo Basin Park and Kakaako Makai Gateway Park;
10. Action Item: Approval to Expend General Obligation Bond Funds, Advertise for Bids, and Award Contracts for Survey and Cadastral Work, Demolition, Environmental Analysis, and Remediation Plans and Cost Estimates, for Preparing Approximately 36½ Acres included in the Kakaako Waterfront Request for Proposals for Development; and
11. ID-11 Chronology (passed out to Members at the meeting).

Chairperson Kometani introduced the newest Authority member, Kay Mukaigawa. Member Mukaigawa replaces Allan Los Banos as an at-large Member. Her term expires in 2009. Ms. Mukaigawa is the principal broker of Primary Properties, Inc. She has an extensive background in the real estate business.

Member Mukaigawa said that she is very enthused and excited about joining the Authority. She noted that she used to come to Authority meetings all the time in the mid-1990's when she was the broker for the for-sale condominium units at Honuakaha.

II. ITEMS FOR ACTION

1. Election of HCDA Officers for Fiscal Year 2005 - 2006

Chairperson Kometani opened the nominations for Chairperson, Vice Chairperson and Secretary. Member Kondo nominated James Kometani for Chairperson, Michael Goshi for Vice Chairperson and Paul Kimura for Secretary. Member Souza seconded the motion. Since there were no other nominations, Chairperson Kometani closed the nominations and suggested voting on the slate of nominations. A vote was taken and the motion was carried to approve the slate of officers 11 to 0 with 4 excused (Members Anderson, Haraga, Shiraki, and Timson).

III. APPROVAL OF MINUTES

2. Minutes and Summary

Chairperson Kometani noted that Member Haraga was now present and asked if there were any corrections to the minutes of the regular meeting of June 1, 2005 and the special meeting of June 24, 2005. There were none.

It was moved by Member Haraga and seconded by Member Eng to approve both minutes. The motion passed 12 to 0 with 3 excused (Members Anderson, Shiraki, and Timson).

III. REPORT OF THE EXECUTIVE DIRECTOR

Daniel Dinell noted that the full Executive Director's report was enclosed in the packet distributed to the Authority Members, and highlighted and updated the following:

- Mr. Dinell reported that the Phase I environmental report for the Heeia Meadowlands has been completed and shared with the Department of Land and Natural Resources (DLNR). The report recommended some clean-up work. Staff is currently working on how to best transfer these conservation lands to DLNR.
- Clifford Planning LLC was contracted to provide a plan for the Historic Ala Moana Pumping Station and its surrounding developments lots. Mr. Dinell pointed out for Member Thomason's information that the Office of Hawaiian Affairs agreed to share its findings on the economic development potential of

the Pumping Station site with HCDA. Additionally, staff pursued suggestions regarding past University of Hawaii studies for the site. A workshop session with the Authority is planned in the coming months.

Staff is working to enhance the Pumping Station's appearance to provide some interim use until the community planning and request-for-proposals (RFP) by Clifford Planning LLC is completed. The concept is for HCDA to partner with architectural and design professionals in the community as was done last year to provide aesthetic improvements. This time, planning for improvements is in conjunction with the Historic Hawaii Foundation. The project would include a major spruce-up including: demolition of the non-historic structures (pending concurrence by the State Office of Historic Preservation); scraping up the existing cold plane surface and re-compacting on the Diamond Head side to establish a small parking lot; and spraying hydro-mulch grass around the building.

- The full write up on Improvement District 11 project (Queen Street Improvements from Kamakee Street to Ward Avenue) was included in the Executive Director's Report in the Authority packet. Mr. Dinell recapped significant items:
 - The construction contractor has been issued the final award of the contract and the construction management consultant is aboard.
 - Appraisals for land acquisition are being updated. Landowners will be allowed 30 days to consider offers; when the offers are ready, staff plans to personally deliver them. Since understanding how the compensation for the two-foot strip of land is determined may be difficult, staff hopes that through the personal approach they will be able to answer questions on the spot which will help to make the process smoother.
 - Parking arrangements are as follows: HCDA has approximately 20 employee stalls at the Mauka Park along the Queen Street Extension; the Transfer of Use action will afford 80 employee stalls on Kawaihahao Street; and staff is in the process of seeking 30 employee stalls on Queen Street for a total of 130 stalls, which is in excess of the required 98 employee stalls as identified in HCDA's January 2005 survey of area businesses. At the Governor's suggestion, these stalls will be provided at no charge to the businesses for the duration of construction.

There will be 30 customer stalls on Queen Street between Jean's Warehouse and Ray's Transmission. While less than the 46 spaces identified by the business owners, it's important to note that the survey said customers' average stay was less than one hour, so the 30 stalls will meet this need.

Over the long-term, a parking structure will be built on the Kawaiahao Street land with HCDA having up to 100 stalls for public use. An agreement is being worked on with Victoria Ward for up to 200 stalls and there will be 34 metered stalls on Queen Street. Altogether this should meet the stated parking needs of the ID-11 businesses and that of the general public.

- These measures address two of the three major concerns – parking and the acquisition of the two-foot strip on either side of Queen Street required to build a public road that can be dedicated to the City. The third area of concern identified by the ID-11 businesses is the cost of assessments. A public hearing was held in April 2004 during which many people testified for and against the project. The Authority also expressed concerns about the cost and directed staff to work on assessment alternatives. Staff reported back in August 2004, and was told by Members that the proposed adjustments were too much; so staff developed the adjustment methodology that is in place today whereby approximately \$1.5 million in reductions accrue mostly to the smallest landowners. The Authority unanimously approved this new assessment methodology in September 2004. In November 2004, a second public hearing was held. The project was approved by a 9 to 1 vote. After several more meetings, and additional mitigation measures, the Governor signed the rule establishing ID-11 in April 2005.
- Mr. Dinell reported that he was asked to investigate whether federal funding for this project was available. He found that in 1998, HCDA tried and failed to obtain federal funding for Queen Street improvements from Ward to Waimanu, which comprise the ID-10 and ID-11 project areas. The combined project did not clear the required plans, specifications and estimates check list that specifies all the work that must be completed before federal funds can be released, and as such, fell off the commitment list.

- It was also discovered that Queen Street would have to be designated as an “urban collector” road or an even higher classification. Prior approval from the Federal Highway Administration is also necessary in order for project design costs to be credited as a local match.
- In order to utilize federal funding, federal and not State, requirements and processes, as well as federal procurement rules, must be followed from the conceptual stages of the project.
- According to Oahu Metropolitan Planning Organization (OMPO), the federal government is not likely to consider funding for a project that is already funded.
- Funds for this type of project would have to compete in the federal surface transportation program with some major initiatives like North-South Road, Kapolei Parkway, and improvements to Ala Moana and Kapiolani Boulevards, as well as Fort Barrette Road and Fort Weaver Road widening projects.
- OMPO officials suggested that sponsorship by the State Department of Transportation (DOT) is essential to obtain federal funding. DOT highway planning staff, however, said that since Queen Street will ultimately become a City roadway, the City Department of Transportation Services would be the appropriate sponsor. Since HCDA is a State and not a City agency, the Queen Street project may not be a City priority given the City’s limited funds.
- HCDA would not be able to receive funding now because prior approval from the Federal Highway Administration must be obtained first and federal rules followed.
- This has been a 20-year process. A chronology that outlines the numerous public hearings, meetings, and planning that has gone into this project was passed out to Members. The work is consistent with the Mauka Area Plan, the fulfillment of which is part of HCDA’s mission.
- Staff is committed to personally communicating with the affected businesses by providing information and soliciting

feedback, as well as ensuring that all parking is in place prior to construction.

- The Pohukaina Mixed-Use site is almost seven acres of land bounded by Halekauwila, Cooke, Pohukaina and Keawe Streets, where Mother Waldron Park is located. Current uses of this site are: an on-grade parking lot; offices for the State Library System; a Honolulu Police Department community policing facility; and a public park with play courts and a comfort station.

In 1992, HCDA issued an RFP for a 600-unit housing project on the site, which was subsequently terminated. In 1998, HCDA engaged in a community planning process to master plan the site, and again, the initiative stalled. Staff is now exploring the possibility of issuing an RFP that would specify four uses for the site: 1) leasable school space for a public charter elementary school that would become the designated “geographically-based charter school” for Kakaako residents; 2) combined community center and police substation; 3) park; and 4) mixed income housing for rental or sale.

Prior to issuance of the RFP, staff will work with the City and DLNR to gain their commitment and concurrence. At the same time, staff will seek proposals for a consultant who understands the development and land subdivision process to lead an engagement process with the community.

- Staff is continuing talks with the University of Hawaii regarding the Cancer Research Center of Hawaii. Exclusivity for negotiations on the 5.5 acre site expires on July 31, 2005. Staff hopes to bring the basic business terms of an agreement on development of the site to the Authority at the August meeting.
- In response to Member Shiraki’s question last month about the overall operating expenses, a follow-up operating budget spreadsheet was provided in the Members’ packets. The Kakaako project administrative expense is about \$2.2 million – 80 percent of which is personnel related. The Kalaeloa project totals \$168,000.
- Mr. Dinell announced that Governor Lingle would be signing the “Omnibus Affordable Housing Bill” on July 6 at 11:30 a.m. at HCDA’s Na Lei Hulu Kupuna project.

Chairperson Kometani requested that the minutes reflect that Members Anderson, Shiraki and Timson were now present. Chairperson Kometani asked if there were any questions for the Executive Director.

Member Anderson asked if there is anything that needs to be done if the Cancer Research Center exclusive negotiation expires on July 31 and the Authority's next meeting is on August 3.

Mr. Dinell responded that staff considered the possibility of extending the exclusive negotiation period, but would like to keep the pressure on the University in order to motivate them to come up with the basic terms. In the mean time, HCDA won't sign a deal with some other developer for that site.

Member Kimura asked when is the parking structure that is supposed to help the ID-11 businesses going to be built.

Mr. Dinell replied that discussion on the Transfer of Use action will occur later in the agenda. There will be 100 stalls in that parking structure set aside for HCDA. The timing is open to match the needs of both HCDA and the developer, so there is no firm timetable. Until the structure is built, there will be surface parking on the lot that will provide 80 interim parking stalls.

Member Kimura quoted item number 8 from the ID-11 section of the Executive Director's Report which states, "ID-11 is part of a systematic and holistic approach to planning and implementing infrastructure improvements." He was curious to know how far the plan progressed because there would be a lot of small businesses that would be affected.

Mr. Dinell responded that the infrastructure plan was part the Mauka Area Plan that was originally adopted in 1982, and over time has been updated. The plan addresses the future needs of the area and takes into consideration other developments expected in the Mauka Area.

Member Kimura commented that there were a lot of "feeder" streets that need improvement and wanted to know if ID-13 would be the last.

Mr. Dinell answered that there was a master roadway plan in the Mauka Area Plan. For instance, Queen Street is designated as a major street and Waimanu and Kawaiahao are designated as minor streets. He stated that staff recognized that planning should be conducted more from the grassroots level, involving the affected businesses earlier.

Chairperson Kometani commented that it doesn't make sense for HCDA to be paying just under 50 percent of its operating expenses or \$163,000 for renting office space when HCDA owns a building down the street where the agency could relocate and pay no rent at all.

Mr. Dinell responded that it was a point well-taken, and that the bulk of HCDA's non-personnel resources go to office rent. At present, the AAFES building is fully occupied by two state agencies namely, the Department of Public Safety and the Department of Health. Staff has discussed this in the past with Department of Accounting and General Services which is in charge of the allocation of space in State office buildings. Staff will bring it up again and try to pursue that possibility.

Member Lai asked how long the lease is for HCDA's office in the 677 Ala Moana Building.

Mr. Dinell replied that the lease for the space expires at the end of December 2006.

Since there were no further questions, Chairperson Kometani moved on to Items for Information.

IV. ITEMS FOR INFORMATION

A. Kalaeloa Status Report

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

Mr. Enomoto reported that work is continuing in regards to the Economic Development Administration (EDA) Grant for an economic master plan. A subcommittee meeting was held on June 22 where ideas, planning framework and financing strategies were discussed. These concepts will be discussed with area stakeholders at a workshop in Kapolei on July 12. A comprehensive presentation on the Draft Master Plan will be given to the Authority on August 3 and a community workshop will be conducted that night in Kapolei. Based on the feedback from the meeting, the plan will be revised and a public hearing tentatively scheduled on September 7.

Mr. Enomoto and Mr. Dinell met with local EDA Representative Gail Fujita on June 22, 2005, and updated her on the progress of HCDA's grant and discussed possibilities for future grant funding.

There were no new developments to report on the aircraft carrier strike group homeporting. The Base Realignment and Closure (BRAC) 2005 process is still on going and there was no inclusion of the aircraft carrier as part of the BRAC report. However, the Department of Defense (DOD) is currently undergoing its quadrennial review and the aircraft carrier decision will likely be a part of that report process. A report is expected towards the end of this

calendar year or in January 2006. Staff is also monitoring recent newspaper articles about the Pearl Harbor Naval Shipyard and the possibility of including it in the BRAC 2005 process.

The sale to Carmel Partners for the three rental housing areas at Kalaeloa has closed. Ford Island Properties is still in the process of trying to sell the On-Station Housing, which consists of about 28 units.

The Department of Hawaiian Home Lands (DHHL) is soliciting interest in a 60-acre commercial development project adjacent to Kalaeloa intersection of North-South Road and Kapolei Parkway. Staff will work with DHHL on connectivity issues with Kalaeloa.

Mr. Enomoto stated that he continues to receive calls regarding the use of space in Kalaeloa for commercial and industrial purposes as well as leasing of the Navy Chapel. He has been referring those inquiries to DHHL and the Navy, respectively.

The Navy BRAC program has restructured itself to form a new management office in San Diego that will be overseeing all the remaining conveyances of surplus lands at Kalaeloa. Mr. Enomoto is working with a new point of contact there on the conveyance of the utility systems. The sewer system is close to being turned over to the City and County but the water system and the electrical systems are still retained by the Navy. Both Hawaiian Electric Company and the Board of Water Supply have indicated to the Navy that they are not interested in accepting the respective systems. Staff is working with the parties and will incorporate them into the master planning process.

A meeting with Rear Admiral Mike Vitale is being scheduled to discuss the Navy's plans for the brokered lands and to provide an update on HCDA's master planning efforts.

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

Chairperson Kometani called a recess at 9:30 a.m. to allow the Kalaeloa Members (Members Aila, Eng, Souza and Timson) to depart, since the rest of the agenda was related to Kakaako issues. Member Chun also departed.

The meeting reconvened at 9:35 a.m.

B. Proposed Memorandum of Agreement for the Use of Piers 1 and 2 with the State Department of Transportation

Daniel Dinell summarized the Information Item distributed to the Authority concerning this matter.

Mr. Dinell explained that the purpose of the Information Item is to review the current situation and to ask the Authority for its input and sentiment regarding this issue. Since HCDA received jurisdiction approximately two decades ago, Piers 1 and 2 have been in active maritime use and under the operational control of the State DOT. While there is no formal lease agreement, the informal understanding is that DOT would continue maritime operations on the Piers 1 and 2 lands, collect revenues and be responsible for maintenance, security, tenant management and all the other operational matters.

Projections from DOT indicate increased use of Piers 1 and 2 as well as Honolulu Harbor, in general. As reported in January, February and March of 2005, discussions were on going at that time between HCDA and DOT on an agreement for HCDA lands utilized by DOT at Piers 1 and 2.

On April 6, 2005, at its regular meeting the Authority discussed and deferred action on executing a Memorandum of Agreement (MOA) because it was anticipated that the Legislature would pass a bill removing this area from HCDA's jurisdiction. Subsequently House Bill 85 passed the Legislature. However, due to a technical error, the Governor announced on June 24, her intent to veto the bill citing that it "imperils the extensive multi-million dollar pending Kakaako Waterfront Development Request for Proposals." The technical error involved the reversal of East and West in the description of the project area. The Governor felt strongly that she didn't want the error to adversely affect the Waterfront RFP.

Mr. Dinell explained that the proposed MOA is intended to provide the basis for a formal lease agreement to provide assurances and commitment for the DOT's continued utilization of Piers 1 and 2 for passenger cruise line activity and handling of manifested cargo. While the agreement will not resolve the root causes of the harbor capacity crisis currently faced by Honolulu Harbor, it will memorialize an operational agreement designed to balance the needs of both HCDA and DOT. Further, the agreement is intended to provide an impetus to DOT to address both the medium and long-term issues facing the harbor, while providing a framework for HCDA to implement actions necessary to advance the Makai Area Plan in the near term.

The proposed terms of the MOA are summarized as follows:

1. HCDA will continue to own the property.
2. DOT will have full authority over the management and use of the lease areas, can sublease, oversee all lease areas and receive revenues generated and pledge the same against any debt instruments.
3. DOT will own all capital improvements it has, or will purchase, and agrees that all improvements will be in conformance with applicable statutory provisions and rules. At the termination of the agreement, should DOT not be utilizing the maritime facilities in the lease area, HCDA will pay DOT the unamortized amount of any structures not readily removable. (Mr. Dinell noted that at the April 6 Authority meeting there was some concern expressed over this condition.)
4. The proposed term is for 20 years at \$1 a year, and every two years, DOT will report to HCDA on DOT's strategy, progress, timeline and lease-term needs to address the maritime requirements of Honolulu Harbor.
5. In the proposed MOA, HCDA may initiate planning and design of the Punchbowl Street Extension to Ilalo Street, and the Forrest Avenue realignment with the understanding that construction of these improvements would not occur sooner than 5 years from the date of the execution of the agreement. And then, such construction would begin only if a plan to address the operational uses and security needs of Piers 1 and 2 is in a manner that would not significantly affect the maritime activities is agreed to.
6. The agreement contains standard clauses on environmental health and safety, and compliance insurance.
7. HCDA and DOT agree to jointly pursue acquisition of the U.S. General Services Administration parking lot, which is surrounded on three sides by the lease area. If such lands are acquired, the title would be held by HCDA.
8. Not addressed in detail, but as part of the agreement that would be established in the lease, is the dispute resolution process.

Mr. Dinell concluded the Information Item.

Chairperson Kometani asked if there were any questions.

Member Haraga stated that, although the bill was announced to be on the veto list, it was his understanding that House Transportation Chair Souki and Senate Transportation Chair Inouye said that should there be an extended special override session, they would move to correct the language of the bill. The land to be transferred from the Kakaako Community Development District would be identified not by the compass direction of East and West but by identifying the parcel's legal description. Member Haraga suggested the Authority should wait and see what transpires in the next few weeks.

In addition, Member Haraga gave a brief summary of the current situation at the Foreign-Trade Zone (FTZ) and Piers 1 and 2. He stated that there was going to be a new shipper coming to Pier 1. An unnamed company will be shipping prehistoric water from the Antarctic. The foreign water will be dredged, desalinized on the ship and placed in large containers and brought to Piers 1 and 2 to be sold to foreign countries. The prehistoric water is said to contain zero bacteria so it is absolutely pure water that will be bottled. Sixty percent will be sold to Japan and forty percent will go to Menehune Water Company. Currently there isn't any space at Piers 1 and 2 for those containers and big vessels.

In addition, containers are currently stacked four high at Piers 1 and 2, which is an inefficient way of running an operation. The height of the containers would be limited to two if possible. Ideally, containers should be one high and put on vehicle chassis. DOT plans to demolish the CFS2 warehouse to create more space for more foreign cargo. It also plans to strengthen part of the pier area and add more lighting.

DOT is working with FTZ to see if it can repackage some of the goods and products in the containers within the FTZ instead of in the CFS2 warehouse. He said, "The bottom line is there just isn't enough space."

A task force has been put together called the "KMR – Kapalama Military Reservation – Task Force." That group will look specifically at domestic cargo because, by the year 2008, domestic cargo is expected to be out of harbor space.

Chairperson Kometani asked if there were any questions.

Member Shiraki clarified with Member Haraga that the issue is moot.

Member Haraga suggested waiting to see what the House and Senate would do. He stated that the Legislature was adamant that the maritime users are

strongly opposed to the MOA, and that they want DOT to take the property. DOT wants the land, but has to follow what the Governor has advised.

Chairperson Kometani asked if the Legislature would address this issue about the planning and design of Punchbowl Street.

Member Haraga replied that he didn't know. He thought the only thing they would do is to change the description about East and West of Forrest Avenue.

Mr. Dinell commented that the point about the Punchbowl Extension was in the language of the MOA. The Extension is an integral part of the Makai Area development. Staff recognizes that it would have some profound impacts on the maritime industry and the acquisition of the GSA lot is also critical. The purpose of the MOA is to try to get a process in place. But it appears that the sentiment is to wait and see what the Legislature might do to address HB 85, and then perhaps address the issue again at a future Authority meeting to update Members on the status of the situation. Mr. Dinell asked Member Haraga if the Legislature doesn't override the veto, whether DOT would want to try to reach an agreement on the MOA.

Member Haraga stated that the Chief of Staff stated that the transfer of jurisdiction would be included as an administrative bill in the next Legislative session.

Chairperson Kometani stated that if there were no further discussion, Items for Action would be addressed.

II. ITEMS FOR ACTION

4. Approval of Application for Planned Development Permit for the Keola Lai Project at 600 Queen Street (PD 1-05)

Matthew Akamu summarized the Action Item distributed to the Authority concerning this matter and made the staff recommendation.

Mr. Akamu stated that this Action Item is for a development permit for the Keola Lai project at 600 Queen Street. Keola Lai is a proposed mixed-use residential and commercial high-rise planned development project located in the Mauka area of the Kakaako district.

Mr. Akamu introduced Rick Stack, Vice President of Development with A&B Properties, Inc. Mr. Stack explained that A&B Properties is the manager and sole member of A&B Kakaako LLC which is the applicant for this project.

The project site is a 2.7-acre site, covering the whole block bounded by Queen, South, Kawaiahao, and Emily Streets diagonally across South Street from the new Honolulu Fire Department Headquarters and directly Makai of the Honolulu Advertiser complex. The site has a long history of both residential and industrial use dating from the late 1800's. In 1991, it was the site of the proposed Queen Emmalani project, which was issued a planned development permit. The developer at that time, started construction on the project and put about 1,300 concrete piles in the ground for the building foundation, and then determined that the market couldn't support the project, and thus stopped construction. The concrete piles are still on the site. Since then, the property has been operating on a month-to-month parking agreement with Diamond Parking. A&B purchased the property in August 2004.

Mr. Stack stated that the Keola Lai project will be a moderately-priced condominium. There are a total of 352 units designed in the project. There are one-, two- and three-bedroom units. For the market units, one-bedrooms start at \$340,000, two-bedrooms start at \$445,000 and three-bedrooms start at \$695,000. The primary market for this project is the two-bedroom units, so 70 percent of the project consists of two-bedroom units, 20 percent one-bedroom units, and 10 percent three-bedroom and penthouse units. The average size of a one-bedroom unit is 676 square feet, the two-bedroom unit is 985 square feet, the three-bedroom unit is 1,401 square feet, and the penthouse is 2,083 square feet.

Mr. Stack introduced Mike Leineweber, partner of Durrant Media Five and one of the project architects. Dr. Leineweber presented the design of the project. He said the residential tower's foundation will utilize the existing 1,300 piles, which is a key economic component of the project that will save both time and money.

The parking will be configured around the tower. On the corner of South and Queen will be commercial space with room for expansion in the future. Future commercial/retail expansion would also be possible on the corners of Queen and Emily, and South and Kawaiahao Streets. There will be large pedestrian plazas on the three corners with the opportunity to incorporate commercial space as a way to activate the plaza. If the market demand allows, the developer may expand the commercial space. If not, the space will remain as pedestrian plazas.

Vehicle access will be from Emily and South Streets with the primary residential entry access off of Queen Street and service access on Kawaiiahao Street. The vehicle access is provided through an extremely flexible circulation system that allows for entrance to exit from the parking garage on three major streets and a service entry and exit from a lightly used street.

Dr. Leineweber introduced Wes Deguchi, project architect from Durrant Media Five to discuss the architectural design. Mr. Deguchi described the project as basically a 42-story slender high-rise tower. The first five floors within the podium are primarily parking. There are a total of 687 parking spaces which is almost 200 stalls in excess of the required 490 stalls. Entry into the parking structure will be from the third level, which also serves as the main entry from Queen Street where tenants/residents can drive up and drop off passengers at the porte-cochere and enter into the main residential lobby. There are 25-covered guest parking spaces on this third level.

The recreational component is located on the fourth level, which is accessed through the mezzanine from the elevator lobby directly above the main lobby. Amenities on the recreational level include a pool, spa and fitness center. At the corner of South and Queen Streets will be a gazebo for passive viewing.

On the corner of South and Queen Streets at ground level, there will be a two-story commercial component that is about 10,000 square feet. The parking component for the commercial area will be accessed from South Street and will be directly behind the commercial component.

With respect to the residential tower, the exterior was designed with flexibility in mind so that the types of units could be interchanged. The horizontal and verticals panels are low-reflective bronze glass. The primary units are located facing South and Queen Streets with ocean views. Units facing the mountains have a similar type of finish.

Mr. Akamu explained the requirements of the reserved housing. The planned development option provided additional height density, and floor area as compared to base zone development, and in exchange, the developer must provide reserved housing. The specific requirement for reserved housing is that 20 percent of the residential units are required to be “reserved housing units.” There is an option whereby the developer can pay a fee in-lieu of providing the 20 percent reserved units, but that option is at the discretion of the Authority. In this project, the 20 percent requirement translates into 70 reserved units. Alternatively, if a fee is paid, that fee would be variable up to four percent of the market sales of that project. Reserved units are required to

be discounted for affordability. In this case, the prices are discounted to approximately 19 percent below the market price.

On the buyers side there is an income limit to qualify for purchase of these units based on 140 percent of the median income. There is also a buyback period during which there are restrictions, including: 1) the reserved housing unit owner has to be an owner-occupant of the unit; 2) the owner cannot sell it freely; and 3) the price of the unit can not be freely determined. After the buyback period expires, such restrictions are lifted so the person could sell it to anyone, at any price, except that the original price reduction accrues to HCDA. Another requirement is that the owner may not have owned a residence in the three years prior to purchase.

For this project, the maximum qualified income for the purchase of these reserved units is approximately \$95,000 annual household income. The buyback period is two-years. In the event of market sale after the buyback period, there will be an equity sharing amount established for each unit.

Mr. Akamu explained that the developer is proposing to provide 63 reserved housing units, which is 18 percent of the total number of units. They are also proposing to pay a fee in-lieu of providing the other seven required reserved units. Specifically, they are proposing to provide 14 one-bedroom units and 49 two-bedroom reserved units, which is proportional to the total number of one-bedroom and two-bedroom market units that they are proposing. The developer proposed \$301,000 as the average price for a reserved one-bedroom unit and \$358,000 for a reserved two-bedroom unit. The cash in-lieu fee would be determined by four percent of sales from the three-bedroom and penthouse units, which is estimated to be \$1.2 million.

Staff concurs with the developer's proposal regarding the mix of unit types and the number. However, staff recommends reducing the average price of the reserved one-bedroom units by approximately \$10,000, bringing the average reserved one-bedroom unit price to \$290,000. Staff felt that the price proposed for the one-bedroom was too close to the price proposed for the two-bedroom unit. These average prices would be fixed upon the Authority's approval of the development permit. Staff concurs with the estimated cash in-lieu fee of \$1.2 million proposed by the applicant. Additional staff recommendations are to establish two-year buyback periods for all reserved units.

Equity sharing is established by unit type. For the one-bedroom, the average equity sharing assigned to each unit would be approximately \$71,500. For the two-bedroom units, it would be approximately \$78,928 per unit. After the

two-year buyback period is finished, the reserved housing occupant can sell the unit to anyone, at any price, but by doing so the equity sharing amounts established here would accrue to HCDA.

For the public facilities dedication requirement, there could be a dedication of land, cash payment in-lieu of land, or combination of land dedication and a cash payment. The amount of land to be dedicated is determined by adding three percent of the commercial floor area and four percent of the market residential floor area. The cash payment would be equal to the value of this dedicated land area. In this case, the applicant is proposing to pay a cash fee to HCDA. For the commercial floor area the dedication calculation is about 304 square feet, with the calculation for the market residential floor area at about 15,048 square feet, for a total of 15,352 square feet. The previous owner had already dedicated some land to HCDA, which becomes a credit entitlement, and can be applied so as to allow the current applicant to reduce its public dedication fees. So, deducting the land dedicated by the previous owner to HCDA, the requirement for this proposed development is 13,443 square feet of land. Staff's recommendation is for the public facilities dedication fee to be established at \$1.26 million, based on a land value calculation of \$93.74 per square feet.

The project complies with all rules without modification or variance to the height, floor area requirements, permitted uses, front yard setbacks, view corridor setbacks, open space requirements, parking and loading, and recreation space. Open space and commercial storefronts are located near the Queen and South Streets corner; although, it is not possible under current rules, additional storefronts that were described by architects may be added along Kawaiahao and Emily Streets in the future to promote an active, pedestrian-friendly environment. The tower orientation of the project deviates from the guidelines under the rules, which are intended to minimize heat gain from the sun. Therefore, staff recommends that design solutions to promote energy efficiency be evaluated.

Mr. Akamu stated that staff recommends approval of the project, including: 1) the reserved housing proposal with staff's recommended unit prices and a cash in-lieu payment of approximately \$1.19 million; 2) fulfillment of the public facilities dedication requirement with a cash payment of approximately \$1.26 million; 3) proposed future retail spaces shall be an option for development subject to feasibility and new rules; and 4) all other recommendations included in the staff report and recommendations.

It was noted that the developer has used up all of its available floor area. If the developer wanted to expand its commercial space, adding additional floor area

would exceed the maximum Floor Area Ratio (FAR) and would also remove open space required under the rules as well. New rules would be necessary to add these desirable pedestrian-friendly developments to the project.

Chairperson Kometani asked if there were any questions.

Member Anderson asked if the Board had the authority to exceed the rules or provide incentives that are greater than the rules would allow.

Mr. Akamu responded in the negative saying that the rules needed to be followed. In the past, as with the Public Storage and Moana Pacific projects, there was an emphasis on creating a pedestrian-friendly street environment, which was incorporated into this proposed project as well.

The applicant allocated 10,000 square feet of allowable floor area for commercial use, which is concentrated on Queen and South Street corner. The remaining available FAR was allocated to the residential units to maximize the project's feasibility. Staff also asked the developer for a better design to make the streetfronts along Emily and Kawaiahao Streets more pleasant and active.

If HCDA were to require retail use along some of the side streets, it would cause an economic feasibility problem. In the future, staff is hopeful that conditions along these streets will lend themselves to leasing out retail spaces. The rules require the developer to limit floor area, but at the same time HCDA would like to see options for future potential for the block and hopes that rules could be adopted towards that end.

Member Goshi questioned who owns the option towards the future commercial space.

Mr. Akamu replied that is under discussion. Staff thinks that the developer would voluntarily accept being the party to be responsible for the development rights. But staff remains flexible in the event the developer may want to assign the development rights to some other party in the future.

Member Kimura asked if there was any mitigation for the loss of parking that will result from the closure of the parking lot that currently exists on the site.

Mr. Akamu responded that there isn't any specific replacement parking rule.

Member Kimura commented that in the last proposed development, the Authority asked the developer to provide some public parking.

Mr. Akamu replied that in this case, staff hadn't imposed that kind of criteria. Word of Life Church uses the existing lot right now for its services on the weekends and evenings, making it a heavily used parking lot even during non-business hours. Word of Life is working to find replacement parking somewhere else nearby.

Chairperson Kometani commented that, in the future, if there is a demand for more commercial space, the developer would have to come back to HCDA to ask to amend the rules to initiate construction of such space. This means that A&B, as the developer, cannot step away from the project because HCDA is imposing a condition on them to reserve the future commercial space potential.

Mr. Akamu responded that future additional commercial development is an option but that it has to be feasible for the developer. If it is not feasible, the developer doesn't have to incorporate it. If HCDA wants to promote more pedestrian-friendly environments, HCDA needs to adopt new rules to accommodate that kind of project. Staff has indicated to the developer that this option should be alive for about 10 years. If within 10 years, there isn't a rule change to formalize that option, it would expire.

Mr. Dinell added that if HCDA were to require the developer to build the retail and it was not successful, it would be a negative to the atmosphere on the street. The desire is to bring the retail uses out to the property line, something that the rules don't allow right now because of the required front yard setbacks. If the market timing is right and HCDA changes the rules, it might be feasible for the developer to then expand its commercial/retail space. If the rules are changed and there still is no market, then the expanded development won't occur because its viability is primarily driven by market forces.

If the developer lets the Association of Apartment Owners have the space, it would likely never get developed due to the difficulty of gaining consensus from so many owners. Staff recommended the developer record as part of the condo documents, the possibility for developing future commercial space.

Member Goshi commented that the FAR was too low to support physical development changes.

Mr. Dinell noted that for industrial space, there is a bonus of .3 FAR. Currently, there is no such mechanism in place for commercial space. Staff needs to decide if there should be guidelines for commercial space as well.

Chairperson Kometani asked that since HCDA desires that pedestrian-friendly environment, could HCDA initiate the right to impose the expansion. He pointed out that since the developer has construction liability, this imposed expansion would be an additional liability to the developer. If HCDA could initiate the expansion, then find developers to do it, the current developer won't have to worry about returning to complete the project.

Mr. Dinell responded that one of the concerns if HCDA does impose the expansion is that it would appear to be self-serving. HCDA would change the rule and then have the ability to direct the development. HCDA has to keep separate its regulatory hat and development hat. He asked if the developer had any comments.

Mr. Stack responded that the arrangement that Mr. Akamu described is acceptable to A&B and meets HCDA's intent in trying to increase the pedestrian experience along the streetfront. He understands that it would be made possible through the condominium documents as an option rather than an obligation, and that the market conditions would have to be right to proceed with the expansion.

Member Mukaigawa asked if there were any proposed maintenance fees and what would be the average for a two-bedroom unit.

Mr. Stack responded in the affirmative, and that the fees for the two-bedroom units would be in the high \$300 to mid-\$400 range dependent on the unit size.

Member Mukaigawa asked if the maintenance fees included basic utilities.

Mr. Stack replied that the maintenance fees will include water, cable television and all common area expenses. Electricity for the unit is individually billed.

Member Kondo asked about the estimated timeline for completion of the project.

Mr. Stack answered that the project hasn't gone to market yet, but if the sales go well, they would start construction early next year with a two-year construction time.

Member Anderson asked if a traffic study was conducted on the ramp that comes off of Queen Street, because Queen Street is very busy and making a left hand turn in the afternoon would be difficult.

Mr. Stack replied that they have a traffic consultant working on a traffic study. The consultant would work on any issues with the traffic review branch at the City. But for now there weren't any major traffic issues. There are three different access points to the project from Queen, Emily and South Streets and all three tie together in the parking garage, so residents coming in or leaving the project can do so from any of those access points. If it is difficult to make a left from Queen Street into the project, the resident could make a left on South Street on the arrow and come in on the South Street entrance.

Member Shiraki asked if action was required on this project today. He commented that he didn't think he could make a decision today and requested the decision be postponed. Member Shiraki asked to see staff's review of all the recommendations. He didn't see the basis for the recommendation, and asked why staff would accept provision of reserved housing at less than the requirement. He also asked how the four percent for the public facilities fees were determined.

Mr. Akamu replied that the public facilities formula is in HCDA rules.

Member Shiraki again asked why HCDA would forego the reserved housing in exchange for money.

Mr. Dinell responded that the applicant originally proposed only one-bedroom units to satisfy their reserved housing requirement. Staff worked with them to have 20 percent of the one-bedroom units, and 20 percent of the two-bedroom units, allocated to reserved housing. The thinking on the three-bedroom and penthouse units was that these were less likely needed in a reserved housing urban environment. If there was a need for a three-bedroom unit, the family of four or five wouldn't necessarily be looking for reserved housing in the city, so instead staff would take the reserved cash in-lieu fee for those units to apply to other projects. Staff's philosophy was to take the full complement of the one- and two-bedroom units and then take the four percent of the sales off the more luxury three-bedroom and penthouse units.

Member Goshi added that with the maintenance fee, it would be more on the high end and wouldn't be affordable.

Mr. Dinell confirmed that staff factored in the maintenance fee, mortgage insurance and property tax into the affordability of the unit. The prices are not necessarily affordable, but are meant to address the "gap group" in which a couple that makes \$60,000 - \$70,000 a year could have the ability to buy a unit in town.

Chairperson Kometani commented that realistically, there is no developer that provides affordable housing out of goodwill. The projects that are under construction in Kakaako now met the deadline for the reserved housing waiver so they didn't have to provide affordable housing. But since the reserved housing waiver has now expired, you'll see more reserved housing units provided.

Member Shiraki stated that staff didn't answer his question of why wasn't the full amount of reserved housing asked for. He said that HCDA didn't necessarily have to agree to provision of reserved three-bedroom units, but could have requested more reserved one- or two-bedroom units instead.

Chairperson Kometani responded that the maximum number of one- and two-bedroom units was accepted.

Mr. Akamu added that the provision of units was applied proportionately.

Member Shiraki asked why the units needed to be provided proportionately.

Mr. Akamu responded that they didn't have to be.

Mr. Dinell stated that Member Shiraki was suggesting that since the demand would be for one- and two-bedroom units that instead of accepting the provision of three-bedroom units, HCDA should have sought the full 20 percent of the floor area. For instance, he said you wouldn't want seven reserved two-bedroom units when you could get seven reserved three-bedroom units, which would probably be equal in floor area to 10 two-bedroom units in order to reach 20 percent. However, Mr. Dinell said his understanding of the rule is that the developer must provide 20 percent of the housing units as reserved housing.

Mr. Akamu added that the requirement is just a basic 20 percent. It isn't required to be provided proportionately. It would be at the discretion of the Authority to determine the number and size of reserved units on a case by case basis. The original proposal was for 60 one-bedroom and 10 two-bedroom units. Staff thought that proposal was disproportionate to market demands. So staff worked hard to get the developer to restructure its typical unit floor plan to create a marketable project that could accommodate a greater number of reserved two-bedroom units. Mr. Dinell added that original plan called for most of the one-bedroom units to be concentrated on the lower floors. Staff didn't want to create a stigma for the one-bedroom units, so now the units are more integrated amongst all the floors. From a social point of view staff,

wanted to ensure the building provided a better mix in the size and affordability of units in terms of their location within the building.

Member Mukaigawa commented that there are not a lot of three-bedroom type units for families in town. Whether or not there is a demand for these units depends on what kind of demographics you are looking for in a building like this.

Member Kimura asked about the planning for public parking if this project goes through and the Advertiser builds a condo on its adjacent parcel.

Mr. Dinell replied that the spaces in question are not currently public parking. They are private parking lots in which the owners are choosing to rent the spaces on a month-to-month basis.

Member Kimura asked if the provision of parking could be negotiated with the developers.

Mr. Dinell replied that the developers would likely inquire about what HCDA rules require provision of public parking.

Member Kimura said that HCDA could offer incentives to provide public parking.

Mr. Akamu stated that it is question about public parking in a public facility. In the plan there is a public facility program that is funded with impact fees. The applicant will be paying \$1.2 million, which will go into HCDA's revolving fund to help pay for the construction of public facilities. There is a nearby property that is designated as a Park/Parking garage that is owned by Kamehameha Schools. Potentially, HCDA could work with the developer of that lot to figure out a way to provide public parking at that location in conjunction with the private development that takes place on that entire block.

Mr. Akamu remembered that years ago the block was proposed for a development called "Water Park Towers." HCDA negotiated with the developer to have basement parking built for public parking under that whole block. Another site nearby that is designated as Park/Parking Garage is at Cooke and Kawaiahao Streets where the Imperial Plaza is. That site was designated as a Park/Parking Garage site, but it has already been built and instead the Imperial Plaza development provided a little urban park at the corner of Kawaiahao and Cooke Streets but no public parking, as is required as part of that particular development.

Another Park/Parking Garage site that is a little further away, is at Cooke Street between King and Kapiolani, and is owned by Hawaiian Electric Company. That is another possibility for a public parking garage. Within that vicinity those are the designated sites.

Member Shiraki asked what that designation means.

Mr. Akamu answered that it means that when there is sufficient demand, and there are enough moneys in the revolving fund for public facilities, HCDA can explore the possibility of acquiring the property and developing those parking structures.

Member Lai commented that, in this proposed project, there are actually almost 200 more parking stalls than the required 490 stalls.

Mr. Akamu stated that the developer is exceeding HCDA's requirements, but that it is part of its marketing program to sell the market residential units with two parking stalls per unit.

Member Lai clarified that it wouldn't be for public use just additional parking spaces.

Chairperson Kometani asked Mr. Akamu to state the staff's recommendation again.

Mr. Akamu repeated that staff's recommendation is for approval of the reserved housing proposal, at staff's recommended reserved unit average pricing of \$290,000 for one-bedroom, \$358,000 for two-bedroom units, and a cash in-lieu payment of approximately \$1.2 million for non-provision of seven units. Staff also recommends approval of a public facilities dedication fee, which is estimated to be \$1.26 million, and approval of the potential add on future retail storefronts on Kawaiahao and Emily Streets subject to feasibility and adoption of new rules. Other recommendations are listed in the staff report.

Chairperson Kometani requested a motion to adopt the staff's recommendation. It was moved by Member Goshi and seconded by Member Lai to adopt the staff's recommendation.

Member Shiraki said that he was still not satisfied with the answers provided on the discussion about the reserved housing. He stated that there was no reasoning for why the recommendation should be accepted.

Member Goshi commented that he didn't think seven units would make a dent on the affordable housing issue. The point is to get more supply into the market. He thought that providing some affordable units and taking the cash for the remaining seven penthouse type units for development of future reserved housing was a reasonable adjustment.

Member Anderson questioned if there was a way to exceed the floor area ratio through a variance to provide the extra units as a bonus to increase the supply.

Mr. Akamu replied that it hasn't been done before, and that it would be difficult because it would trigger into a variance requirement to increase the allowable FAR. As far as Member Shiraki's question about the reserved housing units, Mr. Akamu stated that it would be possible to have seven more two-bedroom units. That would be at the Authority's discretion. He explained that staff was concentrating on working with the developer to get the best mix of one- and two-bedroom units at the best possible pricing.

Mr. Akamu explained the equity sharing number. The equity sharing numbers represent the discount from market prices of about \$72,000 for one-bedrooms and about \$79,000 for two-bedrooms. Prior to reaching this number, the applicant was pricing the one-bedroom units at about \$312,000. Staff thought that was too high and should be more affordable, so asked the developer to reduce the price to \$10,000 to about \$300,000 for the average one-bedroom unit. After that proposal was submitted, staff thought that still wasn't enough, so asked that the price be further reduced to \$290,000 for the average one-bedroom unit. So the equity sharing averages represent staff's efforts to reduce the prices of the units as affordable a price as possible for those targeted reserved households that are making roughly \$70,000 to \$94,000 a year.

Member Mukaigawa asked if the reserved two-bedroom units get one parking space and the market two-bedroom units get two parking spaces.

Mr. Akamu answered in the affirmative that the equity sharing is based on a market value but adjusted to one parking stall.

Mr. Dinell added that when the units are sold, the equity share accrues to about \$4.5 million to HCDA's revolving fund.

Chairperson Kometani questioned whether the equity share was one time only.

Mr. Dinell responded in the affirmative.

Chairperson Kometani clarified that there was a two-year buyback period.

Mr. Akamu replied in the affirmative. After the buyback period has expired, the unit reverts to market class.

Mr. Dinell added that the equity share occurs upon the first sale.

Member Shiraki asked how the \$71,000 and \$79,000 was calculated.

Mr. Akamu answered that the developer has a proposed market price for the one-bedroom and two-bedroom units, which is used as a reference point. Staff asked the developer to reduce the reserved two-bedroom price to compensate for the fact that the reserved units have just one parking stall, while the market two-bedroom units have two parking stalls.

Chairperson Kometani asked if there were any further questions.

There being no further comments, a vote was taken and the motion was approved 7 to 2 opposed (Members Kimura and Shiraki) with 2 excused (Members Chun and Haraga) and excluding the Kalaeloa Members.

Member Kimura said that he is not against the project but would like to table the issue.

Member Shiraki also stated that he is not against the project, but didn't feel that he had all the facts. He stated that, in the future, he would like to have, in writing, a full explanation of the project and reasoning for the staff's recommendations.

Member Kimura added that he would like to get an evaluation of the impact of the development to the existing people who are working and living in and around that area, especially with regard to parking.

Member Lai commented that the Queen Emmalani project was going to built in 1991 at that site. He didn't understand why HCDA would need to spend money, time and effort to research the parking situation. If the Queen Emmalani project had been developed, there would be no discussion about the impact on Word of Life or other businesses using that parking. He said people should be grateful for the fact that, for the last few years they had parking on a private parking lot.

Mr. Dinell stated that the comments made were helpful and that, in the future, staff will include addressing them in the staff's recommendation.

5. Approval of Transfer of Uses Between the Moana Pacific Planned Development Project (PD 1-03) and the Honolulu Design Center Base Zone Development Project (MUZ 80-01)

Matthew Akamu summarized the Action Item distributed to the Authority concerning this matter and made the staff recommendation.

Mr. Akamu explained that this is an Action Item to allow the Transfer of Uses between the Moana Pacific and the Honolulu Design Center projects. The Parcel 40 site is a Park/Parking Garage as recently designated by the Authority. The request also transfers commercial uses to the Moana Pacific project, and industrial uses to the Honolulu Design Project. The justification for this approval is to provide public parking on the Parcel 40 public facilities site.

The Moana Pacific project was approved as a planned development by HCDA in December 2003. The project will have two 41-story towers with 706 residential units and approximately 80,000 square feet of industrial use. In the approval of the project by the Authority, there was a desire to improve the design of Phase 3 along Kapiolani Boulevard with a more pedestrian-friendly design to take advantage of the monkey pod tree canopy, and by creating an area for people to congregate.

The Honolulu Design Center is a commercial industrial low-rise project that was approved by the Authority in September 2001. It is a joint development between the site on Kapiolani Boulevard and Parcel 40. The uses proposed on the Kapiolani site are proposed for relocation into Phase 3 of the Moana Pacific project. With the Transfer of Uses, the Kapiolani and Parcel 40 sites could be jointly developed into a mixed-use high-rise project later.

The proposed parking lot on the Parcel 40 site is being constructed for HCDA by the developer. HCDA has executed a letter of agreement with the developer. In that agreement, the developer, KC Rainbow Development LLC (KCR) states that it is acquiring the Honolulu Design Center project. Further, KCR has agreed to develop public parking on Parcel 40, and that this would qualify for the proposed Transfer of Uses between Phase 3 of the Moana Pacific and the Honolulu Design Center projects. In the short-term, the developer will provide temporary surface parking for the businesses affected by the Improvement District 11 construction. In the long-term, a permanent public parking structure is proposed in conjunction with a high-rise development on the site.

The Authority adopted the rule allowing Transfer of Uses two months ago. The criteria for approval are: 1) one of the lots must be a public facility; 2) lots can be anywhere in the Mauka Area; and 3) the lots must be under the same ownership. Under the new rule for lots that meet these criteria, uses can be transferred but not the floor area. This means that between the two sites for which uses are being transferred, the floor area of each site cannot be increased; only uses are affected by the transfer. Lastly, transferred uses must be permitted.

Mr. Akamu summarized by saying the proposed Transfer of Uses would exchange commercial and industrial uses between the Moana Pacific and Honolulu Design Center projects. Phase 3 of the Moana Pacific would replace most of its industrial uses with commercial uses from the Honolulu Design Center. Honolulu Design Center would receive the industrial uses from Moana Pacific Phase 3. KCR, the owner of both projects, will provide public parking on Parcel 40 for HCDA, and the Honolulu Design Center project would be developed in Phase 3 as a permitted commercial use.

Mr. Akamu stated the staff's recommendation for the approval of the proposed Transfer of Uses between the Moana Pacific and Honolulu Design Center Projects and to authorize the Executive Director to approve amendments to each project's Development Permits pursuant to the approved Transfer of Uses.

Chairperson Kometani requested, for discussion purposes, a motion to adopt staff's recommendation. It was moved by Member Kondo and seconded by Member Thomason to adopt the staff's recommendation.

There being no comments or discussion, a vote was taken and the motion was approved 8 to 0 with 3 excused (Members Anderson, Chun and Haraga) and excluding the Kalaeloa Members.

6. Approval to Expend Revolving Funds to Contract for Security Services for Kakaako Waterfront Park, Kewalo Basin Park and Kakaako Makai Gateway Park

Richard Kuitunen summarized the Action Item distributed to the Authority concerning this matter and made the staff recommendation.

Mr. Kuitunen stated that the parks cover 41 acres and were completed between 1990 and 1998. Shortly after completion of the parks, HCDA contracted for

security services. The last contract was a one-year term with two one-year extensions that expired as of June 30, 2005, at the annual cost of \$98,509.62.

Historically, the scope of services included management of special duty police officers, roving patrols at Kewalo Basin Park and Makai Gateway Park during the night and on the weekends, security stationed at Kewalo Basin Park and additional services as requested.

The current RFP was issued with competitive bids being due on June 27, 2005. Its scope was the same as the previous contracts except the onsite service at Kewalo Basin Park was eliminated, and Honolulu Police Department (HPD) daily patrols to Kewalo Basin were added. Fourteen bid packets were picked up, and four proposals were submitted with a price range of \$103,499.05 to \$168,020.00 per year. Star Protection Agency submitted the lowest responsible bid.

Security services for the Waterfront area is one of the costs included in the Waterfront Association Common Area Maintenance charges to be reimbursed by lessees as they develop their sites. Currently, the only lessee that is contributing, or should be contributing, is the University of Hawaii (UH) John A. Burns School of Medicine and the UH controlled parking on the site of the future Cancer Research Center, the combination of which provides 33 percent of the current budget.

Since the security service has been in place, HPD has advised that they have not had reports of assaults, and the number of car break-ins has decreased. Previously, HPD reported problems with public drinking on the premises. However, with the new rules and regulations in place, security and HPD personnel can issue citations and enforce the rules.

Mr. Kuitunen stated that the staff recommends approval to authorize the Executive Director to execute a one-year contract for security services with two one-year options to extend with Star Protection Agency, and expend revolving funds in the amount not to exceed \$103,499.05 per year.

Chairperson Kometani requested, for discussion purposes, a motion to adopt staff's recommendation. It was moved by Member Lai and seconded by Member Shiraki to adopt the staff's recommendation.

There being no further comments, a vote was taken and the motion was approved 8 to 0 with 3 excused (Members Anderson, Chun and Haraga) and excluding the Kalaeloa Members.

7. Approval to Expend General Obligation Bond Funds, Advertise for Bids, and Award Contracts for Survey and Cadastral Work, Demolition, Environmental Analysis, and Remediation Plans and Cost Estimates, for Preparing Approximately 36½ Acres included in the Kakaako Waterfront Request for Proposals for Development

Deepak Neupane summarized the Action Item distributed to the Authority concerning this matter and made the staff recommendation.

Mr. Neupane stated that the work that needs to be done is cadastral, boundary surveys and environmental work. There are two areas where environmental studies are currently being conducted. The Honolulu Marine site study is being done in conjunction with the Department of Health (DOH) and the Environmental Protection Agency which have recently issued their draft report. The other area in need of environmental studies is next to the Children's Discovery Center where the ID-12 project is. In this case, environmental work is being conducted on seven acres in a partnership with DOH and the Army Corps of Engineers.

The area that needs additional environmental work is the area at Point Panic and part of the current Honolulu City and County Waste Management parcel. No survey work has yet been conducted on the RFP site. There are numerous structures including the Pacific Biosciences Research Center (PBRC), as well as the former Look Lab, Honolulu Marine, and the Fisherman's Wharf restaurant, which need to be demolished.

The environmental study would be taken into Phase 2 study and then a cost estimate will be prepared to determine how much it will cost to remediate the site. Remediation itself is not part of the scope of work. The reason for that is because the appropriate remediation is dependent on what is proposed on the Waterfront RFP sites. Until there is a definite building foot-print, staff wouldn't know what remediation option to choose. Offerors know that the actual remediation is going to be part of the master developer's responsibility. HCDA will provide the master developer with the Phase 2 report and the cost estimates for several different options. The developer would do the actual subdivision.

The total cost for the proposed work is estimated to be \$2,700,000. This includes demolition and environmental work, consulting services for the environmental work, as well as consulting for the demolition scope of work. The breakdown of the cost estimate is \$1.5 million for demolition work; \$1 million for environmental work; \$100,000 for survey cadastral work; and

\$100,000 for documentation and determining the scope of work for demolition.

Mr. Neupane stated that the staff recommends approval to expend up to \$2,700,000 in General Obligation Bond funds, advertise for bids and award contracts for survey and cadastral work, demolition, environmental analysis, and remediation plans and cost estimates, for preparing approximately 36½ acres of land included in the Kakaako Waterfront Request-for-Proposals for development. Expenditure of the funds would be subject to the approval and release of funds by the Governor.

Chairperson Kometani requested, for discussion purposes, a motion to adopt staff's recommendation. It was moved by Member Kondo and seconded by Member Thomason to adopt the staff's recommendation.

Member Shiraki asked if the money was released.

Mr. Dinell responded that the money was appropriated last year for the purposes of Makai Area improvements. The total appropriation is \$4.2 million. Staff is requesting allocation of \$2.7 million for the purposes stated by Mr. Neupane.

Mr. Neupane noted that the expenditure is subject to approval of the Governor.

Chairperson Kometani asked if the lease requires Honolulu Marine to participate and if the City would clean up its lands.

Mr. Neupane responded that the City will be cleaning its site, but the caveat is that it only needs to clean the contaminants that it generated. The site was a landfill, and there are contaminants from the past, so there would be some residual responsibility for HCDA. Even if the City cleans the site, HCDA must determine the extent of the remaining contamination and attempt to remediate that residual contamination.

Member Shiraki asked if staff received approval from the University to demolish the Look Lab.

Mr. Dinell responded that the Look Lab actually belongs to HCDA. The University previously transferred ownership of the lab to HCDA. Honolulu Marine is on a lease with DOT-Harbors and is relocating to Keehi Lagoon, but the building belongs to HCDA. The Fisherman's Wharf restaurant is on a month-to-month lease. When it vacates the premises, the building belongs to

the State. The PBRC at Point Panic is a University facility that still needs a timetable for relocation because that site is key to the RFP.

Mr. Neupane mentioned that two structures – the radio tower and John Dominis restaurant – would remain undisturbed.

Chairperson Kometani asked how long the lease was for John Dominis.

Mr. Kuitunen replied that the lease lasts until 2042.

There being no further comments, a vote was taken and the motion was approved 8 to 0 with 3 excused (Members Anderson, Chun and Haraga) and excluding the Kalaeloa Members.

VI. ADJOURNMENT

There being no further business, it was moved by Member Kondo and seconded by Member Mukaigawa to adjourn the meeting at 11:20 a.m. The motion passed 8 to 0, with 3 excused (Members Anderson, Chun and Haraga) and excluding Kalaeloa Members.

Respectfully submitted,

/s/

Paul Kimura
Secretary