

SUMMARY - MEETING NO. 294  
HAWAII COMMUNITY DEVELOPMENT AUTHORITY  
State of Hawaii

June 1, 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; Grady Chun; Rodney Haraga; Paul Kimura; James Kometani; Gary Kondo; Jonathan Lai; Allan Los Banos, Jr.; Stanley Shiraki (for Georgina Kawamura); Katherine Thomason (for Russ Saito); Linda Chinn (for Micah Kane); Henry Eng; and Evelyn Souza.

Members Absent: Michael Goshi; William Aila, Jr.; and Maeda Timson.

Others Present: Daniel Dinell; Melvin Nishimoto; Matthew Akamu; Miko Dargitz-Hallett; Stanton Enomoto; Chong Gu; Neal Imada; Richard Kuitunen; Cal Machida; Steve Miyamoto; Wendi Reyes; Teney Takahashi; 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 June 1, 2005, by Chairperson James Kometani at 9:02 a.m. with the following roll call:

|                      |                               |
|----------------------|-------------------------------|
| Chairperson Kometani | Present                       |
| Member Anderson      | Present                       |
| Member Chun          | Present                       |
| Member Haraga        | Present, left at 10:05 a.m.   |
| Member Kimura        | Present                       |
| Member Kondo         | Present, arrived at 9:07 a.m. |
| Member Lai           | Present, arrived at 9:03 a.m. |
| Member Los Banos     | Present                       |
| Member Shiraki       | Present                       |

|                 |                               |
|-----------------|-------------------------------|
| Member Thomason | Present                       |
| Member Chinn    | Present, arrived at 9:06 a.m. |
| Member Eng      | Present, arrived at 9:05 a.m. |
| Member Souza    | Present                       |

MATERIALS DISTRIBUTED

1. Agenda for June 1, 2005 Meeting;
2. Summary Minutes of Special Meeting of April 27, 2005;
3. Summary Minutes of Public Hearing of April 27, 2005;
4. Summary Minutes of Authority Meeting of May 4, 2005;
5. Summary Minutes of Public Hearing of May 4, 2005;
6. Report of the Executive Director;
7. Kalaeloa Status Report;
8. Action Item: Approval of the FY 2006 Kakaako Community Development District Operating Budget and Authorization for the Executive Director to Expend Revolving Funds;
9. Action Item: Approval of the FY 2006 Kalaeloa Community Development District Operating Budget and Authorization for the Executive Director to Expend Revolving Funds;
10. Action Item: Approval to Expend General Obligation Bond Funds, Advertise for Bids and Award Contracts for the Demolition of the Kewalo Basin Marine Mammal Laboratory at Kewalo Basin and the Restoration of the Site;
11. Kalaeloa Strategic Plan (distributed at the meeting);
12. Revised Kalaeloa Operating Budget (distributed at the meeting); and
13. Executive Session Material Pertaining to the Performance of the Executive Director (distributed at the meeting).

Chairperson Kometani thanked Member Los Banos for his service on the Authority and noted that Member Los Banos has been a valuable Member of the Authority since April 2001. His term expires on June 30, 2005. Member Los Banos served on the Kalaeloa Subcommittee which was responsible for creating the recently adopted Kalaeloa Strategic Plan.

Member Los Banos thanked the Members for allowing him to be a part of the group. He stated that it has been a very educational experience and he learned a lot from everyone's different points of view in all the discussions during the Authority meetings. He commended everyone for a job well done and for being a part of the "field of dreams." Member Los Banos said that he looked upon Kakaako as the "field of dreams" of which exciting things will happen. He also commended and thanked the staff for helping the Authority understand the whole process and keeping the Authority informed. He noted that he would still be keeping an eye on the progress of projects in Kakaako.

## II. APPROVAL OF MINUTES

### 1. Minutes and Summary

Chairperson Kometani explained that there were several minutes to be approved. He asked Members if there were any corrections to the minutes of the April 27, 2005 special meeting. There were none. He asked if there were any corrections to the summary of the public hearing on April 27, 2005. There were none. Chairperson Kometani asked if there were any corrections to the minutes of the May 4, 2005 meeting. There were none. He asked if there were any corrections to the summary of the public hearing on May 4, 2005. There were none.

Member Shiraki asked if he was not present at the April 27 meeting why it was not noted as such. Mr. Dinell explained that since Ms. Kawamura is named the ex-officio member of the Authority, she is the one noted as being absent should her designee not be in attendance.

It was moved by Member Thomason and seconded by Member Souza to approve the summaries and the minutes. The motion passed 12 to 0 with 1 excused (Member Kondo).

## III. REPORT OF THE EXECUTIVE DIRECTOR

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

- Mr. Dinell reported that \$11 million in federal New Market Tax Credits was received by the consortium led by Kamehameha Schools to develop the Honolulu Ford site adjacent to the medical school for a life science incubation center. The effort was supported by HCDA and should help further the vision of creating a platform for strengthening and diversifying the economy. It will also add to the development momentum in Kakaako.
- Staff is proceeding with the residential land use amendment for the Kakaako Waterfront. The draft Environmental Assessment was filed with the Office of Environmental Quality Control on May 12, 2005. It is currently in the comment submittal phase.
- A Request for Proposals for consultant services to prepare a policy and development strategy plan for the Historic Ala Moana Pump Station and developable lands in the Ewa portion of Kakaako Makai area was issued.

Several proposals were received by the May 30 deadline. The evaluation committee intends to make a recommendation by mid-June.

- A meeting on Improvement District 11 (Queen Street improvements from Kamakee Street to Ward Avenue) has been scheduled for Thursday, June 2. Originally, the meeting was to be held on May 12, but scheduling conflicts prevented it. The intent is for interested business owners to meet with City officials and HCDA engineers to discuss the project design. In response to media inquiries about the project, a fact sheet was prepared and distributed to Members.
- Staff has ordered a land appraisal for the Cancer Research Center site and expects it by mid-June. Work is continuing on the documentation as discussions between UH as lessee and Townsend Capital as sub-lessee continue.
- Staff is accelerating bond redemptions for several older Improvement District projects that include Improvement Districts 1, 2 and 3. This was previously authorized by Authority action and the plan was confirmed by HCDA's Deputy Attorney General. Mr. Dinell noted that thanks to HCDA's Administrative Services Officer Chong Gu's investigation and initiative, HCDA will save the State a little over \$100,000 in direct costs relative to interest as well as indirect cost savings. The bonds will be fully paid off by January 1, 2006. Since these were older bonds, the interest rate was as high as 7 percent.
- Staff completed comments and recommendations on measures relating to HCDA that passed the State Legislature during the 2005 regular session and forwarded them to the Governor's Office.

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

Chairperson Kometani recommended that two people be added to the Architectural Advisory Committee in order to incorporate community input into the Kakaako Waterfront Request for Proposal (RFP) process without changing the RFP. The two people that will be added are: John Breinich, Chair of the Ala Moana/Kakaako Neighborhood Board, and Jay Kadowaki, Vice President of the Kakaako Improvement Association. The other current members of the Architectural Advisory Committee consist of: Mike Goshi, Juli Kimura and John Hara, who are all professional architects. The Architectural Advisory Committee will provide advice and comments to assist the Authority in the evaluation of the proposals. The collective weight of this evaluation factor is 10 percent.

Chairperson Kometani also noted that the election of officers will be taken up at the next Authority meeting in July.

#### IV. ITEM FOR INFORMATION

##### A. Kalaeloa Status Report

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

Mr. Enomoto updated Members on the U.S. Economic Development Agency Grant. He reported that at the last Authority meeting, the Authority adopted the Kalaeloa Strategic Plan. The final copy of the plan was distributed to the Members. Mr. Enomoto credited Townscape staff and the Kalaeloa Subcommittee for their hard work. He noted that on the last page of the plan are the near-term priority actions and timelines which will serve as the work plan for the next five years.

In regards to the Master Planning contract with Belt Collins, several meetings, workshops, and a two-day planning charette were held during the month of May. A workshop on May 11 with area stakeholders refined some of the needs and interests of the surrounding community and government agencies. Additionally, Belt Collins conducted over a dozen interviews with select landowners, government officials, community members, and *kupuna* (native Hawaiian elders) from the area to get their perspectives on Kalaeloa. The response reaffirmed what was in the Strategic Plan with respect to the needs for recreation, education, resource protection, as well as employment opportunities in Kalaeloa. It culminated with a two-day planning charette with Belt Collins on May 16 and 17. Staff participated throughout the entire charette and the Kalaeloa Subcommittee attended for a portion of the second day to provide input. Mr. Enomoto reported that a lot of good ideas were discussed with respect to land use, development phasing, and infrastructure improvements. Belt Collins is still in the process of tying things together. Once that is completed, the Kalaeloa Subcommittee will be reconvened in late June to review the progress and keep the process moving forward.

Regarding the Navy and the aircraft carrier strike group homeporting issue, on May 13, Secretary of Defense Donald Rumsfeld presented his recommendations to the Base Realignment and Closure (BRAC) Commission and within those recommendations no reference was made to the aircraft carrier coming to Hawaii. However, there is still a possibility that the Commission can insert the carrier homeporting into its recommendations

before they go to the President. However, there are specific requirements that need to be met in order to do so.

In addition, there have been other media stories about the carrier coming separate from the BRAC process. One of those mentioned is the Department of Defense quadrennial review and the findings of that review process are due to be released in February 2006. In the meantime, staff is continuing with the master planning effort. A component of that master planning effort is to assess the potential impact should the carrier strike group be homeported in Hawaii.

The Navy is in the process of preparing closing documents with prospective buyer, Carmel Properties, for the purchase of three large rental housing areas: Makai, Orion, and Orion Park. Carmel Properties is also considering buying the On Station housing property. Mr. Enomoto said that he would be meeting with Carmel Properties again to get an update on the status of its purchase and its intentions for their Kalaeloa properties.

With respect to the Fort Barrette Road Widening project, the Department of Transportation (DOT) responded to HCDA's request for improvements at the intersection of Fort Barrette and Roosevelt Road. A copy of the response letter was provided in the Members' packets. DOT indicated its willingness to include the demolition of structures at the intersection as part of the widening project. However, DOT will not be doing the improvements until 2007 when the whole widening project begins. Staff will keep working with DOT on other issues such as signage, relocating the bus stop at the entrance, and providing dedicated turn lanes, bike paths, and sidewalks.

Mr. Enomoto reported that there was a fire in Kalaeloa last week near the intersection of Corregidor and Roosevelt Avenues in the eastern part of Kalaeloa. The Federal Aviation Administration site is in the vicinity, but most of it is open land. The fire burned approximately 50 acres. A 17-year old boy started the fire by playing with fireworks and turned himself into the Kapolei Police Station. The matter was referred to the federal government for investigation since the incident occurred on Navy retained land.

Chairperson Kometani asked if Members had any questions.

Member Anderson commented that the Strategic Plan was a very good handout. He said that he would bring it to the next Waiialae/Kahala Neighborhood Board meeting because people have been asking what's going on in Kalaeloa.

Mr. Enomoto noted that a copy is also posted on HCDA's website.

Chairperson Kometani thanked the Kalaeloa Authority Members, Allan Los Banos and Mike Goshi, all of whom served on the Subcommittee, for a job well done.

Moving on to the Items for Action, Chairperson Kometani stated that Chong Gu would provide an overview of the entire HCDA financial position before presenting the staff's recommendation on the Kakaako and Kalaeloa operating budgets for Fiscal Year (FY) 2006.

## V. ITEMS FOR ACTION

### 5. Approval of the FY 2006 Kakaako Community Development District Operating Budget and Authorization for the Executive Director to Expend Revolving Funds

Chong Gu reviewed the current and projected revolving fund balances and provided a recap of the legislative appropriations from the 2005 legislative session.

Mr. Gu explained that Section 206E-16 establishes the HCDA revolving fund, which is managed by the Authority. Except as to the administrative expenditures, and except as otherwise provided by law, expenditures from any revolving fund administered by the Authority may be made by the Authority without appropriation or allotment of the Legislature; provided that no expenditure shall be made from and no obligation shall be incurred against any revolving fund in excess of the amount standing to the credit of the fund or for any purpose for which the fund may not lawfully be expended.

Sub-accounts from the Kakaako revolving fund are maintained separately to properly account for revenue and their restricted usage. One of the sub-accounts is made up of public facility dedication fees. The main revenues for this sub-account are the public facility dedication fees which are collected from private developers for the construction of public facilities to help offset the impacts of development. The funds are restricted for the purchase, creation, expansion or improvement of public facilities such as schools, parks, and community facilities within the Kakaako Community Development District.

The actual available fund balances for the fiscal year ending June 30, 2004, is \$1,038,414. For the fiscal year ending June 30, 2005, the estimated balance is \$1,442,686. For the fiscal year ending June 30, 2006, the estimated balance is

\$4,277,038. The balances reflect the net result of expected payments into the fund minus contracts and commitments. Major commitments under this program include a \$5 million set-aside for a Kakaako elementary school and \$1.2 million for construction of Queen Street Parks. The major expected revenue for FY 2006 is a \$2.75 million dedication fee collection from the Hokua planned development project.

The second revolving fund sub-account is reserved housing fees, which are collected from private developers in-lieu of the provision of reserved housing units as required by the Kakaako Mauka Area Rules. With the expiration of the reserved housing waiver in 2004, the Authority's preference is to require developers to construct the reserved housing units instead of paying an in-lieu fee. Therefore, HCDA does not anticipate much revenue coming into this fund over the next two years.

The third revolving fund sub-account is the Improvement District (ID) sub-account. This sub-account is for revenues such as assessment collection and expenditures for HCDA's ID projects. The Authority has approved expenditure of funds from this sub-account to supplement ID projects where legislative appropriations are insufficient. For instance, \$1 million from this sub-account was committed to supplement legislative appropriation for the ID-10 project. The Authority approved expenditure of about \$8.9 million from this sub-account to supplement the \$6.5 million legislative appropriation for the ID-11 project. The main recurring revenues into this sub-account are the annual assessment of \$245,000 from the landowners of Improvement Districts 4, 5, 7 and 9.

The last revolving fund sub-account is made up of rent and other revenues. Of all the sub-accounts, this is the only one that can be used for general program costs as well as special projects. Generally, there are three types of uses: 1) Kakaako administrative expenses (\$400,000 for FY 05, and \$450,000 for each of FY 2006 and 2007); 2) the maintenance of the Kakaako Waterfront and Makai Gateway Parks and other HCDA assets for a total of about \$600,000 annually including a \$208,000 payment to Department of Land and Natural Resources' State Parks Division, and \$267,000 for private landscape services; and 3) projects that benefit the entire Kakaako district, such as revisions to the Kakaako Plans and Rules. Rental income is estimated at \$1.02 million for FY 2005 and \$1.05 million for FY 2006.

Mr. Gu asked Members if there were any questions before moving on to the Kalaeloa revolving funds. There were none.

Mr. Gu noted that HCDA took over the fund of the Barbers Point Naval Air Station Redevelopment Commission in July 2002. Since then, the main expenses have been for payroll. The estimated beginning balance for FY 2006 is \$29,188 with expenditures estimated at \$51,850. Mr. Gu said that the budget exceeds the available funds by \$31,641 and the deficit will be recouped by conducting another round of assessments for landowners in Kalaeloa.

Mr. Gu then presented the 2005 Legislative appropriations. The Legislature appropriated \$262,281 in General Funds for FY 2006 and \$288,245 for FY 2007 for two permanent Kakaako positions and two temporary Kalaeloa positions. There is an expenditure ceiling of \$2.5 million in Special funds for assessment bond payments. There is a Federal fund appropriation of \$12,865 for FY 2006 for the remainder of the Kalaeloa Economic Development Administration grant which expires in September 2005. Revolving Funds expenditure ceilings are set in the amount of \$546,725 for FY 2006 and \$533,860 for FY 2007. The Legislature appropriated new monies for General Obligation Bond Funds in the amount of \$3,103,000 for FY 2006 and \$2,603,000 for FY 2007.

Mr. Gu proceeded to detail the funding. For the total revolving fund expenditure ceiling of \$546,725 for FY 2006, \$450,000 is for Kakaako administrative expenses, and \$96,725 is for Kalaeloa administrative expenses. Included in the total revolving fund expenditure ceiling of \$533,860 for FY 2007, \$450,000 is for Kakaako administrative expenses, and \$83,860 is for Kalaeloa administrative expenses.

Regarding General Obligation Bond Funds, \$1 million was appropriated for FY 2007 for Makai improvements, including the possible relocation of existing tenants in the Makai area for the Waterfront development; \$1.603 million was appropriated for FY 2006 and FY 2007 for payroll and fringe benefits for 19 positions; \$1 million was appropriated for FY 2006 for Kewalo Basin Park Improvements, including the demolition of the former Kewalo Basin Marine Mammal Lab; and \$500,000 was appropriated for FY 2006 for a traffic study in Kakaako and the surrounding areas of Makiki, Punchbowl and Ala Moana.

Chairperson Kometani asked the Members if they had any questions.

Member Shiraki asked what was the \$2.5 million in special funds for.

Mr. Gu responded that it is the expenditure ceiling for an assessment reserve fund for Improvement Districts 1, 2 and 3. This fund receives assessment collected from landowners in the Improvement Districts 1, 2 and 3, and

services the assessment bonds by making payments for interest, principal and services fees.

Member Anderson asked if there was a goal to eventually switch methods of funding.

Mr. Dinell responded that ultimately, staff is aiming to balance HCDA's activity level with revenues that are coming in. In particular, the Waterfront RFP area has the potential of generating a good sum of money for the revolving fund and the Kakaako project. HCDA is not at the mature stage yet, but reaching self sufficiency is the ultimate goal. Revenue sources are needed to achieve that goal.

Mr. Gu stated that HCDA's staff costs currently run about \$1.8 million. This includes legislative authorization for three additional staff. HCDA anticipates total administrative costs of \$510,000; \$450,000 for Kakaako and the balance for Kalaeloa. Recurring expenditures are about \$600,000 to \$650,000 annually for maintenance of the the parks and other HCDA assets. So, on an annual basis HCDA currently spends about \$3 million, for staff costs, administrative expenses, and asset management.

Currently the asset management section produces approximately \$1 million in revenues annually. It is anticipated that an additional \$245,000 per year until 2018 will be collected from assessments, creating a steady cash flow. With the current revolving fund balance, and at the current rate of around 3 percent, the entire revolving fund earns about \$600,000 in interest income annually, which is divided proportionately amongst the various sub-accounts.

Mr. Dinell stated that the Common Area Maintenance (CAM) charge for the Makai Area was approved by the Authority several years ago and is now ready for implementation. Now that the medical school is operational, it can be charged the CAM fee. The structure in place is similar to an Association of Apartment Owners; the owners of the different land parcels pay a proportionate share of the upkeep of the Makai Area, which consists mostly of the security and maintenance for the parks, and landscaping of the medians. Staff is also in discussions with Kamehameha Schools about adding its Makai Area parcels (Honolulu Ford and Pfluegger sites) into the CAM structure as well.

Member Shiraki inquired about when it was going to be implemented.

Mr. Dinell replied that staff just needed to send a letter to the University letting them know that their first payment is due.

Member Shiraki commented that HCDA should send the invoice even if the University can't pay it.

Mr. Dinell stated that the University is well aware of the pending invoice because it is part of their lease.

Member Shiraki requested a composite sheet to show the total cost for operating HCDA. He stated that the administrative expense budget only shows one portion of the fund. He stated that he would like to see the breakdown of the personal services, fringe benefits and the rest of the budget.

Mr. Dinell replied that staff can determine that breakdown and present it at the next Authority meeting.

Member Anderson stated that he attended a housing symposium and the word "TIF" or "Tax Increment Financing" was mentioned. He wondered how much of a revenue stream that would create for HCDA. He asked if there was any way of calculating that potential revenue and showing that along with the breakdown.

Mr. Dinell responded that "TIF," or Tax Increment Financing, is allowed by State law. However, the TIF district needs to be established and approved at the County level. Staff has floated this idea in response to concerns about ID-11 and actually helped draft some legislation to create a TIF district for introduction at the County level. There is reluctance on the City's part to give up incremental increases in the property tax to pay off the improvements because the City is currently enjoying 100 percent of that revenue. HCDA doesn't have the ability to take property tax from the County; however, Mr. Dinell said that TIF is a very powerful tool that is used by 95 percent of the redevelopment agencies on the mainland.

Mr. Dinell explained how the program would work. He stated that if a particular parcel has a base year property tax of \$100 per year and the County creates a TIF district, if that parcel's property tax increases to, for example, \$150 per year, the increment of \$50 gets diverted to the redevelopment agency to pay down the bonds that were used to finance the construction of the improvements, while the County continues to collect the original \$100. When the bonds are fully paid off, the entire property tax would return to the County for its general fund. TIF is a very powerful tool that is much less painful than paying full property tax and then paying HCDA an additional assessment on top of that, which is the current situation in ID-11, and has been the case with all of HCDA's previous ID projects.

Chairperson Kometani commented that he and Mr. Dinell went to the City to help the businesses get relief.

Mr. Dinell stated that the Authority approved the modified assessment method that saved the smaller property owners a large amount of money. However, there is still a \$3 million bill that is being paid for by property owners of ID-11 and it just becomes more palatable if that \$3 million is paid through property taxes as opposed to a special assessment on top of the property tax. Mr. Dinell commented that the County is strapped for money and there won't be an easy answer.

Chairperson Kometani asked if there were any further questions. There were none. Mr. Gu continued with the budget presentation.

Mr. Gu stated that the FY 2006 administrative budget for Kakaako was included in the Members' packet as Exhibit A under Tab 5. Highlights of the Kakaako budget included: \$60,000 for personal services for the Deputy Attorney General assigned to HCDA; \$3,000 for transportation and \$3,400 for per diem for HCDA Members and staff to attend the Hawaii Congress of Planning Officials (HCPO) conference to be held, this year, on a neighbor island; and services for a fee totals \$71,200 of which \$34,000 is for the required outside independent audit.

Mr. Gu stated the staff recommends authorizing the Executive Director to expend Kakaako revolving funds for the Kakaako Community Development District administrative expenses in an amount not to exceed \$450,000 for the upcoming fiscal year which runs from July 1, 2005 through June 30, 2006, subject to the approval of the Governor as may be required.

Chairperson Kometani noted that this item excludes the Kaleloa Members from voting. He requested, for discussion purposes, a motion to adopt the staff's recommendation. It was moved by Member Shiraki and seconded by Member Los Banos to adopt the staff's recommendation.

Member Shiraki stated that he didn't have a problem with the motion but thought that the Authority should also approve the non-administrative expenses. He asked how the \$1.6 million for staff would be paid on July 1, 2006.

Mr. Gu responded that there was some balance carried over from last year in case the allotment process is not completed in time to pay for the payroll for the first quarter of FY 2006.

Member Shiraki questioned why the Authority was approving the revolving fund expenditures and not the CIP expenditures or General Fund expenditures.

Mr. Dinell replied that it was his understanding that the Authority did not approve the General Fund expenditure after the Governor approved the budget and approval to release staff expenditures are requested to the Governor through Budget and Finance. Last year, was the first time the Authority approved the operating budget because it was taken out of the revolving fund. Next fiscal year is the same; it will be taken out of the revolving fund.

Member Shiraki asked if by law, the Authority needed to approve that.

Mr. Dinell responded that it was by practice, that if the expenditure from the revolving fund was over \$10,000, the request would be made to the Authority for its approval. He asked Miko Dargitz-Hallett if she knew historically if the Authority approved the staff expenditure.

Ms. Dargitz-Hallett stated that the administrative costs required an allotment by the Governor's Office. Also a request to the Governor's Office for allotment of CIP funds to pay staff is needed.

Mr. Dinell asked if the Authority needed to authorize the request for allotment.

Ms. Dargitz-Hallett responded that she didn't believe so because it hadn't been done in the past.

Member Shiraki commented that, if it was just a practice and not a requirement, that either all funds or none should be approved because it was inconsistent.

Mr. Dinell suggested that at the next Authority meeting, staff will present, as requested, the total budget including the General Fund, administrative expenses, Revolving Fund, and staff expenses to get a picture of what it would cost to operate HCDA's Kakaako Office and Kalaeloa Office. Staff will also check whether there is a requirement for Authority's approval to request the Governor to release the \$1.6 million for staff expenses and proceed accordingly. However, staff would at least like to get approval for the administrative expenses.

There being no further comments, a vote was taken and the motion was approved 10 to 0, excluding the Kalaeloa Members (Members Chinn, Eng, and Souza).

6. Approval of the FY 2006 Kalaeloa Community Development District Operating Budget and Authorization for the Executive Director to Expend Revolving Funds

Chong Gu distributed a revised budget for the Kalaeloa Community Development District. He explained that the main difference between the budget originally distributed and the revised budget is that the revised budget supports expenses for office space for Kalaeloa. Mr. Gu highlighted the revolving fund expenditure of \$9,198 for salaries which is the required state matching amount for the federal grant.

Mr. Gu explained that the current balance of \$29,188 would be carried over to the next fiscal year but that it will not be enough to cover the FY 2006 budget so there would be a deficit. Thus, requiring implementation of a full round of assessments. The full assessment amount is being developed by staff and would be presented to the Authority at a later meeting.

Mr. Dinell commented that staff will not spend money that is not available.

Mr. Gu stated the staff's recommendation to authorize the Executive Director to expend Kalaeloa revolving funds for the Kalaeloa Community Development District administrative expenses in an amount not to exceed \$61,048 for the upcoming fiscal year period from July 1, 2005 to June 30, 2006, subject to the approval of the Governor as may be required.

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

Mr. Dinell added that at the next meeting, staff will do the same thing for the Kalaeloa budget as was requested by Member Shiraki for the Kakaako budget. He added, however, that it would be helpful to get the administrative expenses approved at this time.

Member Anderson requested an overall summary of revenues and their sources.

Mr. Dinell responded in the affirmative.

There being no further comments, a vote was taken and the motion was approved 13 to 0.

7. Approval to Expend General Obligation Bond Funds, Advertise for Bids and Award Contracts for the Demolition of the Kewalo Basin Marine Mammal Laboratory at Kewalo Basin and the Restoration of the Site

Susan Tamura summarized the Action Item distributed to the Authority concerning this matter and made the staff recommendation.

Ms. Tamura stated that the staff is requesting Authority approval to expend up to \$1,000,000 in General Obligation Bond Funds, to advertise for bids and award contracts for the demolition of the Kewalo Basin Marine Mammal Laboratory (“Mammal Lab”). The project also includes restoration of the site for park use.

The Mammal Lab is located within the Makai Area along the Diamond Head boundary of the Kakaako Community Development District, adjacent to Ala Moana Beach Park. The site was vacated by the Mammal Lab in March 2005. The 2005 State Legislature appropriated \$1 million for the demolition and restoration of the site.

The site currently contains three buildings and two dolphin tanks. Pursuant to the original Revocable Permit between the University of Hawaii (UH) and Department of Land and Natural Resources (DLNR), the UH is required to restore the site to its original condition. According to maps provided in the revocable permit, the original condition of the property included the two dolphin tanks and two structures. UH added two upstairs rooms to the Makai buildings as well as a watch tower overlooking the dolphin tanks. The Revocable Permit requires the UH to demolish these minor structures. In an effort to expedite the demolition process, staff proposes that HCDA manage the project and initially pay for the entire cost. Upon completion of the project, HCDA will seek reimbursement from UH for its respective demolition and restoration costs as required by the revocable permit.

In addition to the demolition, the project is anticipated to include environmental remediation including asbestos and lead paint removal, capping of a seawater well, filling of a cesspool, possible repair of the revetment, landscaping and hardscaping. Restoration of the area will also include the former Kewalo Marine Service Station site; this is located just Mauka of the Mammal Lab. The site is vacant and enclosed with a chain link fence.

Staff believes that the demolition of the existing Mammal Lab structures and restoration of the site supports Makai Area redevelopment activities. The project will visually enhance the Kewalo Basin area by opening up the waterfront, connecting Kewalo Basin with Ala Moana Beach. Currently, there

is an outstanding scenic promenade that dead-ends into the Mammal Lab. On the Ala Moana Beach side, the Mammal Lab is a major barrier between the two areas.

The project will also eliminate a potential safety problem with regard to vagrants illegally occupying the facility, as it is currently vacant.

Staff is requesting approval to expend up to \$1 million in General Obligation Bond Funds, advertise for bids and award contracts for the demolition of the Kewalo Basin Marine Mammal Laboratory and the restoration of the site, subject to the release of funds and approval of 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 Lai to adopt the staff's recommendation.

Member Shiraki asked for the timeline for the project.

Ms. Tamura responded that the remediation permitting takes about 10 months. An environmental study would also be required and then after that, the demolition would take about two or three months.

Member Shiraki commented that the original request was for \$2.5 million.

Mr. Dinell responded the original amount that HCDA gave the University was about \$2 million and those funds were returned to the State's Treasury. In requesting the supplemental CIP, HCDA sought \$2 million to make it a part of the park. Without going to bid, staff doesn't know exactly how much the demolition and site restoration is going to cost. But the Legislature made a \$1 million appropriation. If the project ends up costing more when it is put out to bid, staff will have to come back to the Authority for additional funds. Staff hopes that the demolition can be accomplished within the appropriated amount. The real question is what unknown environmental problems may exist on this site. There may be asbestos, and there is a well that needs to be capped, as well as a cesspool, among other things. Next door to the site was an underground gas tank, but that was removed and staff believes the site is clear of environmental contamination, but needs to ensure that both sites are clear for park use. Any remaining monies will be used for landscaping the promenade for park-type use and perhaps incorporation of a small concession-type operation that can produce revenue for HCDA.

Chairperson Kometani asked if the site was part of the Waterfront Development RFP.

Mr. Dinell responded in the affirmative and noted that is why it should be as cost efficient as possible. Improvements would be minimal with walkways, grass, landscaping and perhaps a light structure for a pad for a refreshment type stand. There wouldn't be any major structures because it would cause a visual barrier and block the connectivity of the Waterfront, Kewalo Basin and Ala Moana Beach Parks.

Member Chun asked since the site is part of the RFP what would be the likelihood that the whole area might be changed with the RFP.

Mr. Dinell replied that might be possible, but he is confident that no RFP bidder would want to keep it in the present form which is why the demolition and minimal improvements should go on regardless.

Member Lai asked if there was any way to parallel the process in negotiating with the UH on a certain amount that they should pay.

Mr. Dinell responded that HCDA is planning to charge the University for the removal of additions that HCDA can prove the University built. Part of the revocable permit states that when the permit is canceled or the tenant leaves the site, the tenant must return it to its pre-existing condition. The revocable permit clearly shows that the tanks were there. The plan is to bid out the whole project and break out the cost of the demolition of the watch tower and second floor structures, and bill the University for the expense.

Member Anderson questioned if a dolphin tank was there before the UH came to the facility.

Mr. Dinell responded that the dolphin tanks were there. It was previously a shark tank and exhibit.

There being no further comments, a vote was taken and the motion was approved 10 to 0, excluding the Kalaeloa Members (Members Chinn, Eng, and Souza).

## VI. EXECUTIVE SESSION

Chairperson Kometani asked for a motion to enter into Executive Session to discuss the following item:

Executive Director Performance Evaluation, Pursuant to Section 92-5(a)(2), Hawaii Revised Statutes.

Chairperson Kometani stated that the session was for Members only.

It was moved by Member Thomason and seconded by Member Kondo to enter into Executive Session. The motion carried 13 to 0. Member Haraga departed the meeting at this time.

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The Hawaii Community Development Authority entered into Executive Session at 10:05 a.m.

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It was moved by Member Anderson and seconded by Member Shiraki to reconvene the regular meeting. The motion was carried 12 to 0 with 1 excused (Member Haraga).

The meeting was reconvened at 10:25 a.m.

VII. ADJOURNMENT

There being no further business, it was moved by Member Los Banos and seconded by Member Anderson to adjourn the meeting at 10:25 a.m. The motion passed 12 to 0, with 1 excused (Member Haraga).

Respectfully submitted,

/s/

Paul Kimura  
Secretary