

SUMMARY - MEETING NO. 301
HAWAII COMMUNITY DEVELOPMENT AUTHORITY
State of Hawaii

January 11, 2006 – 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, DBEDT); Grady Chun; Barry Fukunaga (for Rodney Haraga, DOT); Michael Goshi; Scott Kami (for Georgina Kawamura, B&F); Paul Kimura; James Kometani; Gary Kondo; Kay Mukaigawa; and Katherine Thomason (for Russ Saito, DAGS).

Members Absent: Jonathan Lai

Others Present: Daniel Dinell; Melvin Nishimoto (Deputy AG); Matthew Akamu; Richard Kuitunen; Steve Miyamoto; Deepak Neupane; Jill Sugihara; Teney Takahashi; and Susan Tamura (also, see Meeting Attendance Record).

I. ROLL CALL

The meeting of the Hawaii Community Development Authority (HCDA) was called to order on January 11, 2006, by Chairperson James Kometani at 9:00 a.m. with the following roll call:

Chairperson Kometani	Present
Member Anderson	Present, Arrived at 9:05 a.m., Left at 10:35 a.m.
Member Chun	Present, Arrived at 9:10 a.m.
Member Fukunaga	Present
Member Goshi	Present
Member Kami	Present
Member Kimura	Present
Member Kondo	Present, Arrived at 9:05 a.m.
Member Mukaigawa	Present, Arrived at 9:10 a.m.
Member Thomason	Present

MATERIALS DISTRIBUTED

1. Agenda for January 11, 2006, Meeting;
2. Summary Minutes of Authority Meeting of December 7, 2005;
3. Summary of Public Hearing on December 7, 2005;
4. Report of the Executive Director;
5. Kewalo Basin Tenant Survey;
6. Kalaeloa Status Report;
7. Letter from Steven Colon, Hunt Building Company, Ltd. Regarding the Kakaako Waterfront Project ;
8. Letter from Jan Yokota, University of Hawaii, Monthly Progress Report on the Cancer Research Center project;
9. Information Item: Subcommittee Report on the Revised Proposal Presented by A&B Properties, Inc. for the Kakaako Waterfront Project;
10. Information Item: Project Information and Update on Improvement District 11 (ID-11);
11. Corrections to the minutes of December 7, 2005 (Distributed at the meeting);
12. Letter from Lawrence Chun, Regarding the Kakaako Waterfront Project (Distributed at the meeting);
13. Letter from State Senator Carol Fukunaga and City Councilmember Ann Kobayashi Regarding Improvement District 11 (Distributed at the meeting);
14. People's Preferred Plan (Distributed by Michael Kliks);
15. Honolulu Shoreline 1810 – 2010 (Distributed by Michael Kliks); and
16. Honolulu Historic Waterfront District: 2006-2026 (Distributed by Michael Kliks)

II. APPROVAL OF MINUTES

Chairperson Kometani explained that the approval of the minutes was deferred until additional Members of the Authority were present. Since the minutes of December 7, 2005, contained items of interest to the Kalaeloa Community Development District, approval of the minutes require a vote of nine Members.

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 HCDA executed a buyback of a one-bedroom reserved housing unit at 1133 Waimanu Street for a purchase price of

\$226,203.15. An appraisal was ordered and the unit was valued at \$360,000. Terada Real Estate was selected to broker the unit. To preserve affordability, the price was set at \$299,000. Pursuant to HCDA Rules, the unit was advertised on December 4 and 11, 2005, with public open houses on each of those days. The applications are being reviewed to confirm the qualifications of the selected party and alternates. Upon confirmation of qualifications, a Deposit Receipt Offer and Acceptance will be entered into with an anticipated closing in February 2006.

Mr. Dinell explained that to qualify for a reserved housing unit, a purchaser must be a Hawaii resident, earn less than 140 percent of the median income for a family of four, not own other real property as a residence for the past three years, and meet certain asset limits and other conditions. This is a program designed to help first time homebuyers who earn too much money for low-income housing, but not enough for market priced units. Proceeds from the sale and future equity sharing from the unit will go into HCDA's reserved housing sub-account.

- In anticipation of the State Department of Transportation (DOT) Harbors Division ending its management of Kewalo Basin, administrative rules have been drafted and sent to the Advisory Task Force for comments. The Advisory Task Force Members are: Kapiolani Gomes of Morning Star Cruises; Thomas Hahn of Hawaii Korean Longline; Lance Parker of A&B Properties, Inc.; Deepak Neupane and Richard Kuitunen of HCDA; and Bill Davis and Scott Cunningham of the State DOT. A non-voting representative from the Charter boat operators has also been added. A survey has been distributed to Kewalo Basin tenants, as well as the Friends of Kewalo Basin Association, with a request for input by January 15, 2006. The Advisory Task Force will provide input on the draft rules by January 13, 2006, and tenant survey information will be shared. HCDA presented the draft rules to the Small Business Regulatory Review Board on January 10, 2006, which is a necessary step prior to getting the Governor's approval to hold a public hearing.
- Staff is continuing discussions with A&B Properties, Inc. (A&B) on the Kakaako Waterfront Development Project. HCDA's legal team is working on the Letter of Intent. Today's meeting includes an Information Item to discuss A&B's proposed changes presented to the Authority on December 7, 2005. Mr. Dinell noted that a letter was received from Hunt Building Company, on behalf of Kewalo Nui Partners, the number two ranked developer, indicating their continued interest in the Waterfront Development Project.

- Mr. Dinell also distributed to Members a letter from Mr. Lawrence Chun expressing his concerns that the Waterfront Development Project's residential component should remain as three towers and should not be reduced to two towers with associated parking podium and liner.
- The new exclusive negotiations agreement for the Cancer Research Center of Hawaii was transmitted to the University of Hawaii (UH) for review and signature on December 14, 2005. The University selected Townsend Capital as the developer for the John A. Burns School of Medicine (JABSOM) Phase II. A status update from UH was included in the Members' packet.
- Mr. Dinell reported that Ms. Miko Dargitz-Hallett, HCDA's Legislative and Community Coordinator, tendered her resignation effective January 18, 2006. Mr. Dinell expressed his appreciation for her expertise and enthusiasm for the mission of HCDA. A recruitment process to fill her position is underway with an interim solution planned, given that the Legislative Session starts on January 18, 2006.
- Mr. Dinell noted that Authority meeting minutes and agendas from 2004 and 2005 are on HCDA's website as per a suggestion from State Senator Carol Fukunaga. When HCDA's webmaster returns from vacation, minutes from 2002 and 2003 will also be posted.

Chairperson Kometani called a short recess at 9:10 a.m. for administrative matters. The meeting reconvened at 9:12 a.m.

Chairperson Kometani requested that the minutes reflect that Members Anderson and Kondo were in attendance.

Chairperson Kometani asked if there were any questions for the Executive Director.

Chairperson Kometani had a question regarding the participation in the Kewalo Basin tenants' survey. He did not know where the common area of the boundaries were located.

Mr. Dinell responded that all the tenants of Kewalo Basin boat slip owners have received a copy of the survey. As an adjacent user in the area, staff thought it would be helpful to get the Friends of Kewalo Basin Park Association's input. Thus, a tenant survey was sent to Ron Iwami, President of the Friends of Kewalo Basin Park Association for the group's input. The boundary lines for the basin are the boat harbor and the slips along with the metered parking area. The non-metered parking area as well as the net shed is part of the Park.

There were no other questions.

Chairperson Kometani requested that the minutes reflect that Members Chun and Mukaigawa were in attendance.

IV. ITEMS FOR INFORMATION

A. Subcommittee Report on the Revised Proposal Presented by A&B Properties, Inc. for the Kakaako Waterfront Project

Chairperson Kometani made it clear that this was an Informational Item and that no action or vote was scheduled. He noted that should members of the public wish to make a comment, they could do so after the staff report was presented. He then asked Deepak Neupane to present the report on behalf of the Subcommittee. Mr. Neupane summarized the Information Item distributed to the Authority concerning this matter.

Mr. Neupane reported that on December 7, 2005, A&B Properties, Inc. (A&B) submitted a revised proposal for the Authority to consider.

A&B proposed the following changes:

1. No development at Kewalo Basin Park;
2. Removal of the pedestrian bridge over the entrance of Kewalo Basin;
3. Removal of one structure on the Diamond Head/Mauka side of Kewalo Basin;
4. No development on the Point Panic site;
5. Additional parking at Point Panic site; and
6. Reduce the number of residential “pods” (tower with associated podium and parking) from three to two.

Mr. Neupane stated that the Waterfront Subcommittee met and reviewed the proposal. The Subcommittee believes that the revised proposal eliminates some of the public and iconic elements from the original proposal; however, it understands that the revisions are based on the feedback from the community.

The Subcommittee recommended the following for the Authority to consider:

1. Accept the revised proposal of no development at Kewalo Basin Park;
2. Accept the elimination of the bridge over the entrance of Kewalo Basin; however, further efforts in design should be made in strengthening the connection on the Mauka side of Kewalo Basin to link the East and West portions of the Request for Proposal site;

3. Accept removal of one structure on the Diamond Head/Mauka side of Kewalo Basin;
4. Accept removal of the structure at the Point Panic site and recommend that the site be made a part of the Kakaako Waterfront Park;
5. Accept additional parking proposed at the Point Panic site; however, more thought needs to be given in designing the parking location so that the park space and public enjoyment of the area can be maximized;
6. Accept removal of one residential pod and recommend to A&B that both residential pods be located on the Mauka side of the site thereby keeping the Makai portion of the site open; and
7. Request A&B to explore the possibility of including residential units over the retail structures along the Ewa side of Kewalo Basin.

Mr. Neupane reported that the Subcommittee also concurs with postponement of the prescribed January 16, 2006, deadline for executing the Letter of Intent. The Subcommittee also concurs with the Executive Director's commitment to the Ala Moana/Kakaako Neighborhood Board not to make a decision on signing the Letter of Intent prior to its scheduled meeting on January 24, 2006, and to extend the deadline for signing the Letter of Intent to February 2006. This is intended to provide adequate time for A&B to incorporate the feedback on the revised proposal by the Authority and the community.

The Subcommittee also discussed some general concepts in order to provide a framework for the use of the proceeds from the project. A more detailed discussion needs to occur on the potential use of the proceeds when the financial deal is finalized based on the revised proposal.

Chairperson Kometani asked if there was anyone in the audience who wished to provide comments on the subject matter. He reminded them that their statements were limited to three minutes.

Michael Kliks speaking on behalf of Save Kakaako Makai (the group), offered an alternative plan referred to as the "People's Preferred Plan." He stated that it is similar to the A&B plan except there is no residential component. There would also be no transfer of public lands to private ownership. Instead, Dr. Kliks explained that they tried to create a gathering place for people to come to live, recreate, and work in the urban core.

The group developed a revenue generating aspect with a traditional Native Hawaiian Village. There would be locally run and operated businesses to

provide services to visitors to the park. Facilities would be for entertainment, training, learning, practicing and performing Hawaii's native arts and crafts. Dr. Kliks reported that the group's business plan suggests that they can earn enough money to keep the facility going without the residential component. He stated that the group is aware that it is an evolving process where things can be moved around.

One thing that the group objected to in A&B's project was the location of the Hula Kai. Dr. Kliks stated that they thought that it should not be in the area of Point Panic because the area is already too congested. Instead, the Hula Kai should be moved closer to the existing amphitheater, and the amphitheater should be expanded to interact with the Office of Hawaiian Affairs' (OHA) plan for its headquarters to be located nearby. OHA's plans include a canoe shed, hula halau, and meeting place. In addition, JABSOM has a state-of-the-art conference center with multimedia facilities that could be integrated into this performing, practice and learning, Hawaiian arts immersion area. It could also include instrument learning such as the native Hawaiian flute and drumming

The Native Hawaiian Arts and Crafts Performance Center will be open to the paying public to generate revenue; but will be sealed off from the rest of the public park area. It is not anticipated that there would be a problem with tourists throwing their cigarette butts in the park.

Dr. Kliks informed Members that Wayne Takamine would discuss the additional details of the plan while Michelle Matson would discuss the fiscal aspects of it. He stated that opponents of the A&B and HCDA project have been criticized for not having a plan and the group is here to say that they do.

Dr. Kliks clarified that the group does not oppose A&B and have also worked with HCDA for many years; it is just a disagreement on what should be done with the land.

Wayne Takamine noted that the People's Preferred Plan was based on trying to create a better landscape for the park as a whole. The people who contributed to the plan were people from the Kakaako Neighborhood Board, Diamond Head Citizens Advisory Committee and Kewalo Basin. The main concept is a "Lei of the Land" walkway that goes around the Kewalo Basin area. A new bandstand is being proposed at the gateway park for multi-cultural festivals, swap meets, and craft fairs. Other facilities include a Community Center, Hawaiian Performing Arts Center, Fish Market and Farmer's Market, and Canoe House. The plan calls for improved landscaping

and parking at Point Panic with an improved keiki fishing area, restrooms, concession and a Seafarer Shrine.

The economic venue is called, the “Historic Hawaiian Fishing Village” and will be located along the side where Fisherman’s Wharf is located, to the center of the Kewalo Peninsula. Mr. Takamine stated that the mission of the complex was to preserve, perpetuate and share the richness of Hawaii’s history and culture through depictions, demonstrations, performances, storytelling to visitors and residents. The vision of the Historic Hawaiian Fishing Village is to depict a Native Village. It would also include exhibits of important Hawaiian artifacts, hands-on interactive arts and craft demonstrations and storytelling venues for Hawaiian legends and stories from other cultures that have immigrated to Hawaii. It would be for visitors to experience and share in the legacy of the Hawaiian culture and also to share in the multi-cultural experience of those people who immigrated to Hawaii.

The main setting would be around King Kamehameha I so there would be shacks, huts, and a menehune fishpond along with lo‘i for kalo, and a native Hawaiian forest. Other attractions in the complex would be a traditional canoe building facility, which would have exhibits and display the Hokulea, as well as, start building the next generation of voyaging canoes. In the Hawaiian Surfing Museum would be huge displays of classic surfboards, displays of the Duke Kahanamoku era with big tankers and perhaps an acrylic surfing wave with surfing icons like Eddie Akau and other past surfing legends. Gift shops and restaurants will also be on site to generate revenue.

Mr. Takamine cited the examples of Diamond Head State Monument Park and Arizona Memorial, both of which attract over one million tourists a year. Based on an average of 2,500 people a day, with spending of about \$50 per visitor, it is estimated that the project will generate \$46 million annually.

Michelle Matson introduced herself as a member of the Save Kakaako Makai group as well as a member of the Diamond Head Citizen Advisory Committee. She stated that the Diamond Head Citizen Advisory Committee has a history of preserving public space and forming ways to obtain grants and other resources. Ms. Matson stated that she agrees with Vicky Takamine’s statement in her editorial that “nobody wants a dump.” She stated that Kakaako Makai is valuable land that should be used for public access because it is the last remaining shoreline in Honolulu for recreational, cultural and educational uses.

In Ms. Matson’s opinion, the “People’s Preferred Plan” offers the best of all things day and night and does not sell the public’s precious shoreline space.

The “People’s Preferred Plan” is a traditional Hawaiian Fishing Village, surfing museum, and a performing arts center. It is enriched with green open space sweeping the shoreline with unobstructed views of Diamond Head, Punchbowl and the Koolaus, with panoramic views of rolling surf and dynamic sunsets. The Plan includes a community center and sustainable retail operations such as the farmers market and fish market that reflect the traditional Hawaiian way of trading from the mountains to the sea and offers the large open space for multi-cultural events and festivals.

The group proposed to finance the elements of this project through public and private efforts including Federal and State appropriations and non-profit corporation grants, private contributions and investments by business stakeholders.

Chairperson Kometani asked the Members if they had any questions that they would like to direct to the three presenters regarding the “People’s Preferred Plan.”

Member Mukaigawa asked if there was a rough idea on the overall cost of the project.

Ms. Matson replied that they needed to do more work on that. She stated that they also needed to get more groups involved, particularly Hawaiian groups to determine their preferences.

Member Mukaigawa asked what would be the proposed fee for entering the park.

Mr. Takamine responded that they looked at various venues such as the Magic of Polynesia and the Polynesian Cultural Center, which run in the range of \$50.00. The other attractions such as Diamond Head are cheaper. Mr. Takamine stated there could be separate fees for entering the park and for visiting the other attractions such as the performance hales where there would be various performances and storytelling. The gift shop and restaurants are also revenue-generating entities. He stated that the total package is not clear as this plan was just a concept.

Dr. Kliks clarified that the admission fee is for the Historic Hawaiian Village and not to the Kakaako Park.

Member Anderson asked if they could describe how an average local resident would spend \$50 at the park on a typical day.

Mr. Takamine responded that it was geared more for people that are visiting Hawaii and that the cost of \$50 is not the admission fee, but the average, visitors spent at the attraction. The admission fee might be around \$20 and after lunch the visitor might end up spending \$50. He stated that they would have to do more studying on that; but felt that with strategic alliances with tour companies, and package tours, it might be possible.

Member Kondo asked for clarification whether the Village would be geared primarily for the tourist market.

Mr. Takamine replied that they are looking at the tourist market because of the daytime, but also envision the project as an educational type facility for residents also.

Ms. Matson added that it was geared for both residents and visitors and that it would benefit them both. The venue would be highly educational and also entertaining. The group believes that this plan deserves consideration because it shows potential to be self-sustaining as well as be a unique feature that Honolulu doesn't have – a comprehensive Hawaiian environment in one place.

Chairperson Kometani asked with such a detailed plan, why the group didn't submit a plan when the request for proposals was announced a year ago. He also asked if the group consulted with the Friends of Kewalo Basin Park Association. Chairperson Kometani stated that there was public outcry to keep the Waterfront local and that they didn't want a tourist attraction, yet the "People's Preferred Plan" seemed to rely heavily on tourists. His understanding was that the general public preferred Kakaako Park for residents.

Ms. Matson responded that they listened very closely to the Friends of Kewalo Basin Park Association and worked with them. She stated that the area was large enough to embrace both interests and that it was large enough to bring the public in so they could take advantage and enjoy the shoreline. The area is large enough to create an interesting attraction for visitors and residents. It would be discriminatory to say that the area is for only one group, the residents have a beach life and the visitors want to learn and see more things about Hawaii's culture. Both interests should be considered in developing the park and bringing people together.

Dr. Kliks asked Chairperson Kometani to repeat the questions.

Chairperson Kometani asked why they weren't part of the request for proposals.

Dr. Kliks responded that they weren't notified that the EA was going to be filed. He stated that other groups were notified, but their group was not. Although they are on HCDA's mailing list and he receives the notices for meetings and HCDA's newsletter, "Kakaako Connection," his group along with the Hawaii State Bodysurfing Association, and Point Panic Bodysurfing Club, weren't notified of the events and that it would happen so quickly.

Mr. Dinell clarified that the method used to solicit proposals was not an EA, or Environmental Assessment, but a Request for Proposal, or RFP. The RFP was posted on the December 2004 and January 2005 regular meeting agendas and the RFP discussed in the "Kakaako Connection" newsletter.

Dr. Kliks commented that they didn't realize that it was moving ahead so quickly. He stated that in the past he has responded to RFPs going back to Andy Anderson and even prior to that to reiterate that they don't want any residential in the Makai area. They do, however, want a cultural center, and a community beach center. As to why they did not respond to the RFP, Dr. Kliks stated that they were not a consulting group or contractor. He then asked, why nobody came to them before the RFP was formulated. If HCDA had done so, they would have been told these things and a lot of time would have been saved. He cited that under Hawaii Revised Statutes 533 that as a State agency, HCDA is required by law to consult and notify all agencies, individuals, and interested parties when dealing with public lands.

Dr. Kliks said that they did consult with Friends of Kewalo Basin Park Association, and that they had a reiteration of the same plan. Their goal was to find some way to satisfy everybody's needs and generate revenues for the park. Although, Dr. Kliks stated that some of them do not believe that it is necessary. He stated that the parks under the City and County of Honolulu, such as, the Central Oahu Regional Park, have no revenue generation. The group hopes that the Village would not be just another Polynesian Cultural Center, but hopes that it would be more interactive where people would pay to participate in classes, learn songs, dance, or language, all of which would help subsidize the State's other interests.

Mr. Takamine suggested that the entrance to this Village would be on Ilalo Street to control the traffic.

Member Fukunaga stated that he was trying to understand how it would be administered or undertaken and asked if these were separate developments

that would occur within the available land areas under the jurisdiction of HCDA.

Dr. Kliks responded that it would be administered by HCDA along with public and private grants money.

Member Fukunaga commented that the marina was not addressed.

Dr. Kliks replied that when the lease expires in 2036 it should become something else. The group's proposal calls for a keiki fishing village and canoe launching facility. He stated that was another objection to the A&B plan, that the renderings show beautiful pristine empty land, but is not possible because John Dominis has a lease until 2042; the radio tower is leased until 2028; and the marine repair facility lease expires in 2035. In their plans, these elements remain and they have designed around them. Things will slowly evolve and be replaced 10, 20, or 30 years from now.

Member Goshi stated that these are tough philosophical times in terms of different issues facing the people in the State. He expressed his concerns that ventures like this may default and fall back on the taxpayers. He stated that people are looking for balance. There are issues about tax relief, cost of gasoline, not to mention the rising social costs. People are living longer and tend to need more services. These are the philosophical issues that are being faced today and the answer to that has always been to defer because it is convenient. As a Member of the Authority for six years, Member Goshi stated that he tries to seek a balance and the need to drive toward financial sustainability on the State side. He questioned that if the venues didn't work out, would the group be comfortable with the project falling to the taxpayers to cover shortfalls by paying additional taxes.

Ms. Matson responded that as with any development, there are risks. She stated that their concept is presented as an alternative plan and they were trying to balance shoreline access and recreation for people and that it is a quality of life issue. Ms. Matson believes that federal grants are available and funds could be obtained from private and non-profit foundations. She didn't see it to be a burden on the taxpayer at this time. They needed to create a plan that the people supported and then look at how it can be funded after it is finalized.

Dr. Kliks added that it might be possible to obtain funds through legislative initiatives under the Legacy Lands Act and obtaining income from the Bureau of Conveyance sales. He stated that there are various ways to finance the project and that they would explore those ways if HCDA moves forward with

this plan. He noted that HCDA is an experienced organization and that it could find out how to do these things and explore the options. Dr. Kliks mentioned that Kamehameha Schools Bishop Estate is a contingent landowner as well as OHA. He stated that OHA could claim the entire Kakaako Makai area and noted that their headquarters will be located there. There is synergy in the area with OHA, JABSOM, Cancer Research Center and Kamehameha Schools Life Science Center in the area. Dr. Kliks suggested that the costs could be shared with help from OHA, Kamehameha Schools, legislative assistance and private funding. He didn't think that their proposal was very expensive compared to constructing a three-story building.

Member Goshi asked why this particular piece of property that has for many years been an industrial base now become a focus of opposition when A&B's plan would add more park and green space and make the area more accessible.

Dr. Kliks stated that it was the State and City and County's decision to utilize the area for industrial uses as a dump, incinerator, and waste yard with associated pollutants. Since it was there, the people accepted it with the understanding that in the future it would change. The answer to why it is important is that there is no other central core open urban shoreline area in Honolulu that is available. The group sees this as the last open area and last chance to do something to preserve it. Although the high-rise condos are overpriced, they think it is a good idea, but it does not belong in Kakaako Makai, that it might be better in Kapolei, Kalaeloa or Kakaako Mauka. The group recognizes the need to preserve the open space for the people of the City and County of Honolulu.

Member Goshi commented that it is a philosophical question as the Authority moves forward. It is a challenge for the Authority either to seek a balance or continue on a path to defer things to the future where taxes will increase and affect the quality of life for our children. He thanked the group for being at the meeting.

Dr. Kliks mentioned that this is just a small part of the cookie; the whole cookie involves sustainability. If the bird flu arrives here in the next five years, tourism will evaporate. He mentioned that if there was a natural disaster, it could inundate the whole plain and release all the waste into the ocean. Dr. Kliks questioned what happened to the idea of creating Kapolei as the second city and he thought that A&B should focus their development out there. The proposed condominiums would be wonderful in Kapolei or Kalaeloa.

Member Fukunaga commented that the “People’s Preferred Plan” was similar in size to A&B’s project. The same amount of space would be retained for park, the fishing village on Kewalo side is still considered as a commercial enterprise because it is tourist oriented, and the surf museum is equivalent to the area that is proposed for the condominium development. He didn’t see any significant difference; just the change in methodology of financing the venture and in the case of the people’s plan through grants and multiple sources of funding that would still be retained with HCDA. The open space would be sustained by having the economic engine to sponsor the perpetual retention of the areas as parklands.

Ms. Matson responded that they are offering different ways to fund the plan. She reported that the Diamond Head Citizen Advisory Committee is forming a non-profit organization to accept grants to implement the Diamond Head Master Plan. The Master Plan itself cost \$3 million, which was funded by the State. The plan has many components including: buildings to be renovated; historic sculptures to be renovated; and a people mover system. But, they are confident that they can do it with creative funding rather than having a developer build high rises around Diamond Head. History suggests that it doesn’t work, and she thinks that it is not going to work for Kakaako either.

Member Goshi noted that housing has become an issue and having affordable housing built in Kakaako. He asked if the group had any comment on that.

Ms. Matson responded by asking why the housing cannot be built in Kakaako Mauka to finance the Kakaako Makai recreational areas.

Member Anderson replied that Ala Moana Boulevard is a divider and that people are reluctant to cross over Ala Moana, which is why the Authority is trying to blend the area.

Ms. Matson commented that it is the same problem with Aloha Tower Marketplace. There have been proposals for bridges or narrowing Nimitz Highway. There is a need to bring the masses from Kakaako Mauka to Kakaako Makai because that is their recreational area. She suggested that the State plan better ways to accommodate pedestrians to bring them to Kakaako Makai.

Mr. Takamine commented that A&B’s plan would provide 20 percent affordable housing. He asked why it was only 20 percent and not 100 percent and said that it was probably because it wouldn’t be affordable for A&B to do the project. He compared the prime Waterfront area to that of Malibu, California and said that there wasn’t much affordable housing there. The

demand for the property would go at a premium rate. Mr. Takamine said that he went to put a bid for the Keola Lai project and the rate for a 2-bedroom unit was \$400,000, for the second phase it was \$580,000, and the third phase with a Makai view was selling for \$780,000. He didn't understand how there could be affordable housing in this area.

Member Goshi answered that HCDA is looking for a holistic plan. There was discussion about some of the proceeds going into other areas for affordable housing. He stated that what has been learned is the importance of having people in the area, because if you walk around at night the Makai area is deserted just as it is in many downtown urban settings. If you get people in the area at night, it would make the area more active and vibrant.

Dr. Kliks stated that if there were attractions open at night, people would be there. The people wanted the park open at night, but HCDA closed it when construction on ID-12 started. People fish, recreate and swim at night, but now the cars are being towed and nobody goes there at night. He noted that there were at least 100 homeless people there at night and 1,200 cats.

Chairperson Kometani asked if there were any other individuals wishing to make statements.

Virginia Acoc, who lives at One Waterfront Tower, asked the group whether they did not respond to the RFP because in addition to not being notified about the solicitation, they felt confident that HCDA would adhere to the guidelines that were originally presented and therefore, didn't feel there was any need for great concern.

Dr. Kliks replied in the affirmative.

Nancy Hedlund stated that she had been working with the Save Kakaako Makai group on the plan. She noted that although she is a strategic planner, she is not a planner. She sits on the Kakaako/Ala Moana Neighborhood Board. Ms. Hedlund believes that the neighborhood is where the communication should occur. It seemed that communication was lacking in the process. She asked that Members listen to what the plan represents. The fact is there are other alternatives and the people in attendance have good intentions in bringing the alternatives forward. Ms. Hedlund stated that if it was a true participatory strategic planning process, the needs would have been brought to the table first before developing the RFP. By the time the RFP was released, the residential component had already been included and the community did not have a chance to bring that to the table. A participatory planning session would have discussion back and forth about the questions

that were raised such as housing, economics, and the view plane. Ms. Hedlund noted that HCDA has been effective, but this is a wake up call and called for a better communication process where all the issues are placed on the table first and then develop the RFP.

Derrick Kiyabu stated that he works in Kakaako and surfs at Kewalo. He said that there is a lot of community concern for a solid public input process. He suggested that HCDA slow down the process to allow for community input and to explore other options of sustainability. As far as putting residential on the Makai side, it could be locking in a certain community that is no longer representative of Hawaii; it could be affluent people who don't necessarily live here. Mr. Kiyabu commented that although the Authority followed all the rules as far as posting notices and publicizing the meetings, the everyday people don't understand the RFP process and how to get involved and speak up. He suggested that the Authority be more sensitive to the grassroots outcry that is being rallied.

Mr. Dinell reported that he just received correspondence from the Friends of Kewalo Basin Park Association, which includes a series of newspaper articles and letters to the editor. Their two main points are: 1) opposition to the sale of public lands under the towers to a private developer; and 2) reform of HCDA to include more effective public input in the decision making process. Mr. Dinell routed the folder to the Members.

Chairperson Kometani asked if there were any questions that should be addressed to Deepak Neupane.

Member Fukunaga requested for clarification on Item #1 that states, "no development on Kewalo Basin Park" and whether that meant none of the originally proposed improvements.

Mr. Neupane replied that it was determined that it would remain a park.

Member Fukunaga asked about the status of the net shed.

Mr. Neupane answered that it would stay the way it is and probably would be turned into a community center. Originally A&B proposed a restaurant, but that has been eliminated.

Member Chun questioned how the proposed changes to the A&B proposal fit into the Makai Area Plan and the original Waterfront concept.

Mr. Neupane responded that it is consistent with the project goals of the 2002 Business Plan. Some of the components changed, but philosophically it still embodies the live, work, learn and play concept. The project goals remain the same.

Chairperson Kometani reminded everyone that there was no decision to be made on this issue; it was just for informational purposes.

Chairperson Kometani called a short recess at 10:20 a.m. to set up for the next presentation. The meeting was reconvened at 10:25 a.m.

B. Project Information and Update on Improvement District 11 (ID-11)

Susan Tamura and Steve Miyamoto summarized the Information Item distributed to the Authority concerning this matter.

Ms. Tamura reported that at the last Authority meeting on December 7, 2005, the Authority requested staff to provide background information on the Improvement District 11 (ID-11) project including information on the basis for design as well as a summary of the public participation process.

The presentation was provided in two parts: Ms. Tamura presented the background on the Mauka Area Roadway Plan and the basis for design while Mr. Miyamoto provided information on the ID-11 public participation process and the guidelines.

Ms. Tamura explained that the Mauka Area Plan and Rules were adopted in 1982, and were formulated to guide the district's redevelopment over a 30-year period. A key element of the Mauka Area Plan is the network of planned roadways that are needed to accommodate and facilitate traffic throughout the district. The Mauka Area Roadway Plan provides the basis for all Improvement District projects.

The original roadway plan envisioned a one-way couplet that would increase traffic-bearing capacity between downtown Honolulu and the Ala Moana area. Ms. Tamura defined couplet as two one-way streets that work together to improve traffic flow with increased vehicular capacity; an example would be, King and Beretania Streets. The original couplet shows Queen Street as the Ewa bound roadway and the Pohukaina/Auahi Streets as the Diamond Head bound roadway.

In mid 1997, concerns were raised by the Kakaako Improvement Association that a couplet was not needed for the district. The Authority subsequently initiated a traffic study to assess the need for a couplet. Results of the study indicated that until an additional seven million square feet of floor area is developed, Queen Street alone would be preferable to a couplet system. Based on the pace of development, it was estimated that it would take approximately 25 – 30 years to add the floor area needed to justify the couplet.

In early 1999, Victoria Ward Limited initiated a Mauka Plan amendment that would amend the roadway plan for the Queen/Halekauwila Street couplet. In August 1999, the Authority approved the plan amendment; however, directed staff to proceed with Queen Street improvements rather than the implementation of the couplet. Since the couplet would not be needed for another 25 - 30 years, an improved Queen Street would meet capacity requirements in the near-term and minimize the impacts to businesses along the couplet route. Queen Street improvements include a 4-lane roadway with curb parking.

In addition to the 1997 traffic study, a traffic assessment was completed in November 2005 by Charlier Associates as part of the Mauka Amendment Project. The preliminary transportation assessment confirmed that the design of ID-11 is consistent with the proposed roadway plan for the Mauka Area. At most, future restriping of the roadway may be necessary to accommodate bicycles. The assessment also confirmed the need for all existing streets with the planned curb-to-curb widths. Ms. Tamura concluded with the statement that Queen Street is proposed to serve as a local street through the district.

Mr. Miyamoto explained the Improvement District program in general and then reviewed the ID-11 project. He showed a map of all the Improvement District (ID) projects that HCDA implemented and completed in the course of 20 years in the Kakaako district. He explained that constructing infrastructure improvements in the streets of Kakaako and assessing specially benefiting property owners for the cost of providing these improvements are mandated in Chapter 206E of the Hawaii Revised Statutes (HRS).

HCDA completed 10 ID projects in Kakaako and ID-11 is the continuation of the ID program. In nine of the projects including ID-11, specially benefiting property owners have been assessed a portion of the construction costs. The ID program provides an equitable way to share the associated costs of providing necessary improvements for infrastructure improvements among the State government, public utility companies, and property owners. Without the program, individual property owners would have the additional financial

burden of paying for the entire costs of the design and construction improvements to accommodate redevelopment.

Hawaii Revised Statutes, Chapter 206E also states that the construction of the infrastructure improvements shall comply with the ordinances and rules of the county in which the development district is located. Chapter 19, Title 15 of the Hawaii Administrative Rules (HAR), was adopted for the implementation of the improvement district program and also states that the public facilities shall become part of the county system, and shall be operated and maintained by the county.

Improvement District 1, in the Mauka area of Kakaako was established with the adoption of Chapter 20, Title 15, HAR, and subsequent projects have been established to rule amendments in Chapter 20. The rules allow the Authority to identify and initiate procedures to establish potential improvement districts. These procedures include, the start of design in accordance with the Mauka Area Plan and county standards, determining the assessment area and the method of the assessment, estimating project costs and assessment amounts and doing appraisals for necessary land acquisitions. All this information is compiled into a preliminary assessment report for the proposed improvement district.

With a flow chart, Mr. Miyamoto described the approval process starting with the Authority authorizing the initiation of the project and the start of the design. After the assessment report has been completed, rules are drafted to amend Chapter 20 to establish the proposed improvement district project. In order to adopt the rules, the Authority must hold a public hearing to hear testimony on the proposed project and the rule amendments. The Authority then votes whether to adopt the rules. If the rules are adopted, the rules are sent to the Small Business Regulatory Review Board (SBRRB) for their review. The rules are then sent to the Governor's Office for approval with the recommendations from the SBRRB. If the Governor decides to approve the rules, then HCDA can go to bid for the construction of the project. A final assessment report is compiled and the cost for the assessment amounts can be finalized for the assessment report based on the actual costs noted in the lowest bid proposal. Subsequently a second public hearing is conducted and the Authority can choose whether or not to adopt the rules. If the rules are adopted, then it goes to the SBRRB for the second time, and then to the Governor. If the Governor approves the final rules and final assessment amounts, HCDA can then construct and upon completion, dedicate the project to the City.

Mr. Miyamoto added that for all projects, HCDA has always conducted additional informal public informational meetings to discuss the assessment method and the assessment amounts, and the proposed project in general prior to each public hearing.

In 1999, funds were appropriated for the construction of the Queen Street Extension and improvements in Queen Street between Ward Avenue and Kamakee Street. Initially funds were used to construct the Queen Street Extension. Additional funds were appropriated in 2002 to continue the project into Queen Street. Mr. Miyamoto noted that both announcements were published in HCDA's Kakaako Connection and also posted on HCDA's website.

The initial design and the preliminary assessments for ID-11 were sent to affected property owners by certified mail. The documents contained their assessment amounts and notice of the public hearing. As required, two public hearings were conducted on April 7, 2004, and November 3, 2004. In addition to the two required public hearings, a total of six public informational meetings were conducted prior to the public hearings.

In response to public input at the April public hearing, the Authority directed staff to reevaluate the assessment method to lessen the impact of the assessments. The Authority convened, two additional meetings, to review and approve an alternate method of assessment. The approved method reduces the final assessments for small property owners by as much as 58 percent and was adopted by the Authority at its regular meeting, following the November 3, 2004 hearing.

The Small Business Regulatory Review Board discussed ID-11 at three meetings and recommended that the Governor's office fully review the impacts of the project.

In January 2005, HCDA Executive Director and staff conducted an in-person survey to determine the parking needs of the businesses on Queen Street.

Parking agreements have been executed to secure parking on Kaiwaihao Street and on portions of Victoria Ward Properties. Parking will also be available on the site of the Mauka Park located along the Queen Street Extension. Lastly, HCDA's Executive Director has had numerous meetings with businesses, City Officials, State Legislators, the Governor and the Governor's staff regarding ID-11 prior to, and after the Governor's approval of the final rules on April 14, 2005.

With regard to the public input on the design of ID-11, the law states that the infrastructure must be in compliance with the county standards as well as with the Mauka Area Plan. It is the intent to dedicate all the improvements districts to the City and County of Honolulu upon completion and if the design does not comply with its standards, the county could possibly not accept the dedication.

Mr. Miyamoto explained that since staff submits construction plans for the county's review and approval and must comply with the county's comments to revise the plans for acceptance, public input for the design of ID-11 was limited to determining the size and locations of individual driveways and some locations for electrical transformers. Staff has met with, and contacted, the affected businesses to try to accommodate all of their requests, subject to the approval of the county.

Staff has inquired about constructing a 6-foot wide sidewalk area instead of an 8-foot wide sidewalk, but was only allowed to do so in front of one property to avoid the impact of refacing an existing building. The total 60-foot right-of-way for Queen Street is acceptable to the county, although Queen Street will be widened to more than 60-feet at the Kamakee intersection per the county's requirement. As indicated in the table of milestone dates and events in the Members' packet, all the required procedures were followed to establish ID-11. Additional steps were taken with additional Authority meetings, the parking survey, and numerous meetings with businesses to address public concerns.

As far as the status of the project, final approval of the construction plans is pending with the City and County of Honolulu and the public utility companies. All but one property owner has accepted HCDA's offers to purchase portions of their property needed for ID-11. Staff has requested the Deputy Attorney General to commence condemnation proceedings for that one property and portions of Queen Street and Cummins Street, which are recorded as privately owned. The construction of the temporary parking lot, on Kawaiahao Street has been completed. Kiewit Pacific, the contractor for ID-11, will prepare the temporary parking area in the Mauka Park and the agreements for the remaining parking areas on Victoria Ward properties have been executed. Staff anticipates the start of construction in late March 2006.

Chairperson Kometani asked Members if they had any questions.

Member Kimura commented that the initial plans were completed before public input was taken at the two public hearings so the public had no chance to submit their concerns.

Mr. Miyamoto replied that the project was designed according to county standards and that there were limitations on what could be done. Staff worked with the affected individuals to best accommodate their requests for driveway locations, most were satisfied except one.

Member Kimura expressed his concerns that when the ID projects started, most of those properties were big parcels and most of the property owners wanted the ID so they could redevelop. But for ID-11, Member Kimura gathered from the public hearings, that most of the businesses and property owners wouldn't benefit from the project because of the assessment and the loss of parking. Thus, HCDA is going against the wishes of the small business owners so there needs to be an adjustment. The property owners will not financially benefit from the project; in fact, they are losing parking, they will have to deal with construction interruptions, and, on top of that, be assessed. Unless they sell their property, they are not going to benefit. It is an added cost to the small businesses. Small businesses in Kakaako have survived a lot of hardships, and Member Kimura would hate to see the small businesses close because a State agency forced them to.

Member Kimura stated that he hoped this Authority would adopt some changes when it comes to an adverse type of situation. Small businesses want the roads to be improved, but not at the expense of going out of business. Member Kimura urged the Members to come up with a win-win or win-break even type of solution.

Member Kimura also expressed his concerns about transparency in the process. He did not think the process was totally transparent because the property owners did not know it was coming down until it was done.

Chairperson Kometani commented that the design of the plan was based on the City and County standards and the Mauka Area traffic plan.

Mr. Miyamoto responded that ID-11 is a continuation of the ID program. Staff realized after the first public hearing was held that there would be concerns about the assessments. The Authority met twice to adopt an alternative method of assessment and to reduce the assessment because of the impact to small businesses. It is different from any other ID in that respect, because assessments have never been discounted in the past.

Mr. Dinell added that after the first public hearing was held in April, staff spent a lot of time on alternative assessment methods. There were initially over a dozen alternatives and four were brought forward to the Authority in

August 2004. The Authority instructed staff once again to rework it and staff came back in September with an assessment method based on the amount of assessments that all the other Mauka area private businesses paid in previous projects.

Mr. Dinell reminded the Members that in the past, IDs were done on properties with large landowners for example, Kamehameha Schools. The landowners would then pass the assessments on to their tenants. So whether it is a large or small landowner, the tenants typically are the ones who pay.

Initially people were notified through the Kakaako Connection, which is distributed to 6,500 people in the Kakaako area. In 1999, discussions started. In 2002, there were more discussions and in 2003, letters were sent out saying that HCDA is commencing with the improvement district design and in 2004, there were the notices for informational hearings. The informational meetings were held both in the day and night – because it was difficult for small businesses and people to come to a meeting during the workday. The meetings were held at 2:00 p.m. and 6:00 p.m. at the Ward Warehouse meeting room and parking was free.

The major areas of concern were: 1) the assessment amounts; 2) parking; and 3) the design. With regard to the assessments, staff came up with alternatives and at the end, the Authority selected the alternative that was based on a sliding scale so that landowners who owned lots of 10,000 square feet or less received the maximum adjustment, landowners between 10,000 – 80,000 square feet were on a sliding scale and landowners over 80,000 square feet, which had the maximum potential to redevelop under HCDA rules, got no adjustment.

Mr. Dinell reiterated the parking plan as outlined by Mr. Miyamoto. There are both temporary (parking during construction) and permanent parking (after construction). The temporary parking will be free to accommodate businesses for the inconvenience during construction, but the permanent parking will have a fee. Currently property owners are enjoying free parking in the public right-of-way. Exhibit B of the packet showed photos of the current conditions on Queen Street of flooding, no pedestrian access, and haphazard parking.

In regard to design of the street, Mr. Dinell stated that it is up to the City and public utility companies as to what they are willing to accept. If the City were to tell staff that they would take 6-foot sidewalks for the whole length of the street and put it in writing, then staff can design it. But the challenge is working with the City. Staff has also asked whether the width of the traffic

lanes could be reduced and the City's reaction was that nobody wants to do that because it seems to be sacrosanct. Staff has worked diligently to address concerns and questions.

Member Kimura questioned whether the infrastructure improvements that are going in are more for small businesses or more for heavy duty high rises.

Mr. Miyamoto responded that the infrastructure improvements are built for redevelopment.

Member Kimura then asked if the businesses were paying for more than what they need.

Mr. Miyamoto answered that they are paying their share. As existing property owners, they have the opportunity to redevelop which is what the infrastructure is for.

Chairperson Kometani responded that he thought the infrastructure was consistent throughout the ID projects.

Member Kimura commented that if the improvements are wanted, then the businesses don't mind, but they don't really need it, so that becomes an issue.

Mr. Dinell clarified Member Kimura's question that the individual landowner is paying for its potential benefit of redeveloping his lot and not paying for a heavy duty infrastructure that is needed down the street.

Member Kimura asked who was responsible for infrastructure. He believed that the City would be responsible and not the property owner unless they decide to develop their land. He thought that it was unfair to bill the small businesses for infrastructure that they did not need.

Member Goshi commented that the major cost of placing the infrastructure does not rely on the size of the pipe, but in planning the trenches. He understood what Member Kimura was saying. If a property was outside the Kakaako boundary and the property was developed, the owner would have to pay the majority of the cost.

Member Kimura asked for clarification that the City wouldn't pay for it.

Member Goshi responded that the City wouldn't pay for it. If the property is outside of an improvement district, the owner would pay for most of it and if the infrastructure is adequate, the owner may end up paying for something

down the road. He stated that he understood that it was a timing issue and that everybody's timing is not the same. An ID may be disruptive, but if they went ahead, the cost would be shared and most of the cost would be paid by the State.

Member Kimura commented that Queen Street, where ID-11 is located, has not been improved for 40 years and that it is the City's responsibility for improving it. He mentioned that before Jeremy Harris left office, all of Queen Street was improved, except for that portion.

Chairperson Kometani asked if it was done by HCDA or the City and County.

Mr. Miyamoto responded that the most recent improvements that the City did on Queen Street was to repave it from downtown to Ward Avenue, but it did not include drainage and other improvements.

Member Fukunaga commented that the City is maintaining the road and paved areas even when they don't have title to it. The problem seems to be that it is an impact on the smaller businesses. HCDA makes the improvements for design capacity. Member Fukunaga assumed that is why the sliding scale methodology was developed to address the problem. He asked if the formula would be used in the future or if it was unique to this area.

Mr. Miyamoto responded that it is unique to the area.

Member Fukunaga could understand the problem that HCDA is asking the property owners for the following: 1) accept the change that comes with the improvement, which would mean loss of parking; 2) accept the assessment for the improvements; and 3) once that development goes in, property owners are compelled to develop their spaces by themselves, which means double the cost associated with that. Once the improvements are in, it would not be possible for them to continue to retain the existing facility in the current state and they would be faced with additional costs. Member Fukunaga stated that he didn't know if part of HCDA's mission would be to take this into greater consideration and adjust the assessments accordingly, over and beyond the scale that was established. He also realizes the dilemma in setting precedence when others have paid their share. The next segment is headed for even smaller properties, which would be more challenging. There is also the question of what kind of road is envisioned and whether to pursue it.

Chairperson Kometani stated that the individual owner can develop their property at a lesser amount than if they went to the City to develop their

property; the owner would have to pay 100 percent of their cost to improve their frontage.

Member Fukunaga replied that he understood that.

Chairperson Kometani reiterated that if the owner wanted to develop his property, he would have to pay for it himself.

Member Fukunaga remarked that he didn't think that owners would necessarily do the improvements on their own, but more as a collective effort with the State. Since HCDA is improving Kakaako to a level that has not been experienced, maybe HCDA should assume some sort of responsibility over and above that, such as the Kakaako Makai development.

Chairperson Kometani responded that he didn't think the decision was made with the understanding that when the owners developed their own property after ID-11 is completed that they would come to HCDA for some participation in the cost.

Member Fukunaga clarified that he meant, that by lowering their assessment, the owners can then spend more of their own money to make their own improvements. Member Fukunaga asked that after the drainage and sidewalk improvements are in place and the area is pedestrian-friendly, how would these businesses have enough to upgrade their facilities to fit into the neighborhood.

Chairperson Kometani responded that for the Mauka Area Plan, Member Goshi suggested to staff to review some of the smaller properties and concede in the design guidelines to allow them to do what they want to do.

Member Goshi said that he understood what Member Kimura was saying. It is just that the value of the property is phantom, not realized immediately. Every business has its own timing, but the opportunity is now. If it doesn't happen, it may never happen and the property owners would have to pay on their own. The owners need to look at the floor area ratios that are available. Staff is looking at increasing that potential. They have to look at the vision, 10 – 20 years down the road.

Member Fukunaga remarked that we want to make sure that there is room for small businesses and that they are not pushed out of the neighborhood. That is the danger that only large landowners exist because the smaller properties have sold out or consolidated. HCDA's intent is to try to create this

neighborhood community, just as in the past, a population of residents and small businesses.

Member Kimura noted that Kakaako businesses are very stable. There are very few businesses that develop their property; a lot of them are multi-generational. Some have been in Kakaako since the 1940's or earlier. The businesses are not transient. They are local, pay taxes, are good citizens, and they should be taken care of.

Member Thomason stated that she was one of the Members that were in attendance when the Authority approved the method of assessment based on the sliding scale. In fact, she said that she was a proponent of that and thought it was a good idea. She didn't consider the thought that the Authority would be faced with it again for another ID project. Member Thomason suggested revisiting the methodology for the sake of those Members who were not familiar with the process. It would be helpful to review how the scale is being used because the scale could be moved in either direction and may move again, if there is good reason to do so. Member Thomason invited discussion about having the new Members look at how the sliding scale was developed and revisiting that once more.

Chairperson Kometani asked the staff for the status on the process because the appraisal on the land was completed and all except one individual accepted the offers the price was appraised at.

Mr. Dinell reminded the Members that in August 2004, an alternative that was presented would have reduced property assessments, but would have cost the State more money. The feedback from the Administration representatives at that time was that it was too much because the State subsidy would be \$2 million. With the sliding scale it was reduced to \$1.5 million. Thus, there is a consideration of how much of the pot is available and balancing that. The methodology was not decided on in one meeting, there were several discussions about it.

Chairperson Kometani stated that he didn't feel it was fair to the other Authority Members to discuss it again and that if the new Members had any questions, he advised them to ask staff for the full explanation of the mechanics and calculation that was put before the Authority. He mentioned to the new Members that it was a process, where staff presented the methodology at two or three meetings, and were sent back to reconfigure and finally settle on the sliding scale. So there was a lot of time and effort by both staff and Members to come to a decision.

Mr. Dinell reminded Members that the other consideration was the fact that in previous ID projects, businesses were assessed and if there was a radical departure from that methodology there might be a claim from those businesses about the fairness of the process. That is the reason why the scale was centered on the 28 percent, which was the average of all previous Mauka area improvement districts. It provided a defensible legal position. If it were to be reviewed again, there could be potential ramifications and liabilities should someone say that is not fair.

Member Thomason stated that she understood and that she would have liked to see it as part of today's discussion. She didn't think it would take a lot of discussion to go through the explanation. She asked if the new Members reviewed how it was done.

Member Mukaigawa responded that the Chairman asked the new Members if they had any questions to bring it forward. She noted that she read the material.

Member Thomason stated that she wanted to be sure that the newer Members had benefit of how the methodology was derived and if there were any questions.

Member Kimura asked the Members if they were a small business and the State came to them to say that they would take away frontage from their property, parking would be lost, road construction would last at least 18 months, and then bill them for the improvements, would they accept that. He said that he personally, would not accept that. If the owner had asked for the improvements, that would be a different story, but it is being forced on these businesses.

At the two public hearings, there was more testimony in opposition to the project. The Authority passed it even though the testimony was predominantly against the project. Member Kimura asked how many of the issues have been resolved for instance the parking, the drainage with the City and mass transit. He also commented that John Whalen's plan is not completed. He would like the Authority to rethink ID-11; not cancel it, but rethink it through when all the variables are settled to make a good calculated decision.

Chairperson Kometani questioned staff about the status of the plan with the City and asked for a timetable.

Mr. Miyamoto responded that the consultants have said that this is the third and fourth review of the plans by the City and County of Honolulu. The consultants have complied with the all comments regarding drainage, sewage and traffic concerns. It is anticipated that the City and County will be ready to sign off the plans at the end of January; that is assuming that the City doesn't have any other comments.

Chairperson Kometani asked if that was the design side.

Member Kimura asked about the drainage.

Mr. Miyamoto replied that drainage structures were added to address the City's concern without taking away any driveways that were promised.

Chairperson Kometani asked about the status of the parking.

Mr. Dinell responded that there is an agreement for the Kawaiahao Parcel 40 parking lot and an agreement with Victoria Ward on a parcel between Tropical Lamp and Shade and Ray's Transmission, which would be exclusive to HCDA. HCDA would lease the property on an on-going basis and staff is entering a 10-year lease with three renewals. Temporary parking will be provided on Lot D near Ross' from Monday through Saturday, 5:30 a.m. to 6:00 p.m. On weekends and nights it would not be exclusive to the improvement district. Parking is available at the Mauka Park site as well.

Member Mukaigawa asked whether the business owners offered any suggestions.

Member Kimura stated that some business owners were in attendance.

Chairperson Kometani said that he wanted to take all the questions from the Members first, and then invite the public to testify.

Member Kimura commented that one suggestion was for a three-lane street – two-lanes for traffic and one-lane for parking that would eliminate the need to condemn the parking in front of the owners' properties. Member Kimura noted that east to west streets flow better than the Mauka to Makai Streets so it wouldn't matter how many lanes of traffic Queen Street had; it would still back up to Ward Avenue and Piikoi Street, because Piikoi bottlenecks to a one-lane left turn. As it is, people speed down Queen Street, so if it becomes a four-lane roadway, it would be much worst. The Queen Street Extension is four-lanes, but it is more like two-lanes because there is parking. The other

concerns are the assessment and the length of the construction. Somebody thought that closing the entire street would help the contractor to finish.

Chairperson Kometani asked if there were any other questions for staff. There were none. He then asked members of the public who wanted to testify on this subject to come forward. He reminded them that their remarks should be three minutes.

Christine Kaneshiro stated that she has a printing business located in ID-13. She stated that she couldn't understand how HCDA could proceed when there were so many unanswered questions about parking and mass transit. As far as temporary parking, HCDA is dictating where the parking would be for the businesses, but some of the lots are too far. She owns a printing business and can't see someone carrying boxes to their cars one block away. Ms. Kaneshiro said that the assessments are still too high and she would have to take out a loan. She spoke to some of the small businesses from previous improvement districts and a lot of them closed or moved out of the area, the improvements didn't benefit them. Ms. Kaneshiro stated that they have been trying to tell the Authority that the ID won't benefit them. The Authority listened, but she didn't know if enough was being done so that they could stay in business.

Ms. Kaneshiro stated that the ID-11 owners signed and accepted the valuation of the frontage because they had to survive. If they didn't sign, then their property would be condemned. Ms. Kaneshiro noted that the Small Business Regulatory Review Board opposed some of the amendments. In answer to Member Mukaigawa's question, she said that there were many suggestions that were not accepted. She stated that they offered suggestions many times during the process, but the Authority wouldn't listen.

Chairperson Kometani asked if there were any questions for Ms. Kaneshiro. There were none.

Jack Hamada stated that he is a concerned citizen for all the small business owners in Kakaako. He questioned if the City would approve the licenses for the condominiums being built now if there weren't any Queen Street Extension or widening of Kamakee Street.

Mr. Miyamoto replied that he could not answer for the City.

Chairperson Kometani clarified that Mr. Miyamoto worked for HCDA and that he is not a consultant.

Mr. Hamada then asked who worked for the City.

Mr. Dinell responded that nobody in attendance worked for the City.

Chairperson Kometani restated the question of whether the developers who are building the high rises currently under construction, Koolani and Hokua, were required to have all the improvements made that are affecting the streets to their projects in order to obtain their building permit.

Mr. Dinell replied that Hokua and Koolani predated his appointment as Executive Director. He explained, however, that when a developer comes to HCDA to develop a project, staff does a project eligibility, whereby preliminary plans are sent to the Board of Water Supply for water capacity; Department of Planning and Permitting for traffic and sewer capacity review; and to the State Office of Historic Preservation for archaeological concerns. In the case of Hokua and Koolani, the City's comment was they needed to increase sewer capacity for the high-rise buildings. Thus, those two buildings were required to build a relief sewer line that runs from Koolani through HCDA's future park, where there is an easement, and then goes across Ala Moana Boulevard where it connects with a large sewer trunk line. Hundred percent of the cost is borne by the developer. The Koolani developer also paid for frontage improvements on Waimanu Street that cost a little over \$1 million. HCDA actually constructed the improvements as part of ID-10 and the developer reimbursed HCDA for the cost of these Waimanu Street improvements. This is, Mr. Dinell explained, what Member Goshi was talking about since the City has an ordinance called "2412," where if someone is developing a property, they need to bring the frontage up to the City standards. There are areas where it is unimproved and then improved and unimproved again. Those kinds of pockets will occur within the City except in those areas where there is an overall improvement district program. The City will tell the developer that they must improve the frontage of the development.

Chairperson Kometani reiterated that the cost was borne by the property owner.

Mr. Dinell stated that the improvement district is a systematic way of providing the stage for redevelopment of the Kakaako area. In the case of Koolani and Hokua, they had to pay for the roadway and sewer expenses directly related to their respective projects.

Member Chun restated the question whether the IDs were required for the building permit.

Mr. Dinell replied in the negative.

Chairperson Kometani confirmed that it is not a requirement.

Mr. Hamada said that he was talking about building permits and asked whether the improvements were needed to access the roadways.

Mr. Dinell reiterated that when the proposed development goes through the project eligibility process, if the infrastructure is not there, the City will advise the applicant of that.

Discussion went back and forth between Mr. Hamada and Mr. Dinell on this point.

Member Fukunaga interjected that the improvements are being made to correct the current situation of flooding and under capacity and lack of sidewalks. The small business tenants are arguing for a smaller narrower road.

Mr. Dinell said that Queen Street is four-lanes at Cooke and Kamakee.

Mr. Hamada went back to the previous discussion and Member Fukunaga tried to explain that the improvement district was not needed specifically for the Hokua or Koolani developments. However, both developers had to make infrastructure improvements, which the City requested, at their own expense.

Mr. Hamada asked the Chairperson if he wrote a letter to the Director would he get an answer.

Chairperson Kometani responded in the affirmative and encouraged Mr. Hamada to write a letter and promised that he would get a response back.

Dexter Okada stated that he is a third generation businessman located in the ID-11 project area. His business has been located on Queen Street for over 50 years and they have dealt with the flooding. Mr. Okada thanked Steve Miyamoto and Susan Tamura for always responding to his questions. He stated that the Mauka Area Plan is not designed for small businesses. When John Whalen presented his project, it was mentioned that it was a super block type of plan. Back then, the small businesses felt that their concerns didn't matter and the State's position was "if you don't like it, move out." But he noticed in HCDA's mission statement about supporting existing businesses, so they had hope.

Mr. Okada said that in 2003, the businesses found out there was a plan, but nobody talked to them about it. He would have liked someone to discuss the plan with them before it was finalized. The first thing they noticed was that there was no parking. Then in January 2004, they got their assessment and public notice. They did not know it was going to be in that amount. Mr. Okada then said he read the rules and the words “specially benefit” kept popping up. He has asked, but still hasn’t gotten a response as to what that means. Mr. Okada complained that the businesses have been paying property taxes for years and with the assessments, they feel that they are being double taxed, and now the rates have increased.

Mr. Okada stated that they worked through the process, attended all the public hearings, but they feel as though they were talking to the wall. They went to the Small Business Regulatory Review Board and the Board agreed with them. They met with the Governor, and her staff, but still no progress. It seems as though from day one, ID-11 would go through no matter what. The businesses offered a lot of suggestions, but still nobody listened. The plans right now favor big developers. Mr. Dinell mentioned they can’t change the assessment because of prior improvement districts, but there is a reason why that area is called “Kakaako Central Business District.” It was realized a long time ago that it is a problem area for small landowners.

Mr. Okada said that they have tried to look at alternatives and ways to develop their property or by consolidating with others, but the landowner loses out. So they don’t see how the improvements will benefit them. On top of that, construction may last for two years. Some businesses won’t be able to survive. They are not against improvement because it is needed, but it will kill their businesses.

Member Goshi stated that part of the funds comes from the State, if the improvements don’t get done, the funds are lost and what if it never comes back. Member Goshi asked whether businesses would be comfortable with that situation.

Mr. Okada replied that it could come back and there could be better, more creative ideas. He suggested creating a small business area, such as Chinatown, where exemptions were made to develop it.

Member Goshi stated that the FAR is set for bigger lots, staff is looking at changing the requirements that can potentially change the future developments. The Authority is trying to come to a level of understanding because it is complicated.

Mr. Okada replied that he has met several times with Mr. Dinell and he would like to be part of the plan. Mr. Okada would like to see more out of the box thinking. It is counterproductive if everyone is concerned about traffic and mass transit, but if you construct a building, the rules say you have to have a certain amount of parking. HCDA should work with the City for more creative solutions.

Member Goshi agreed that it is structured to the ways the codes are written. He suggested that rules and guidelines need to be amended as it pertains to small properties so that in the future there is more room for growth. Member Goshi is talking more long-term and with the pooling of monies, owners wouldn't have to pay the cost of redevelopment by themselves. As far as timing, everybody has his or her own situation. It is how owners look at their asset. Parking ratios, parking requirements, and floor area ratios can be amended with the small businesses in mind.

Mr. Dinell stated that staff is in that process right now. The Advisory Committee will look at reshaping the rules so that the small businesses have incentives to redevelop, but they won't be able to redevelop if there is no proper infrastructure in place. The ID program is about pooling funds together and making the improvements as a whole rather than one person wanting to redevelop and paying for it on his own or not being able to do it because they can't change the whole system. The preliminary transportation plan says that the distance from curb-to-curb will not change so the widths of the roadways will not change.

Mr. Okada responded that for the traffic study, the businesses were not consulted on how they used the roads. The majority of the traffic is transient. The road is for through traffic because the businesses don't need four-lanes. The businesses are asking to think outside of the box, so they can survive. There needs to be rules to allow them to build without parking; for example, apartments above their storefronts would be simple and affordable. In effect, he stated, there would be affordable housing in the area and if you can't park, it would be the perfect model of live, work and play.

Member Goshi stated that is what is happening all over the country. A lot of urban cities have relaxed parking requirements and increased floor area based on how much you can afford to build. It is a long-term view. Member Goshi suggested that he sit down and talk with the businesses.

Chairperson Kometani asked if that was part of the Mauka Area Plan process for businesses to be able to come and give their input.

Ms. Tamura responded that a big part would be getting the businesses, residents and Kakaako users to participate in the process. The first step is an Advisory Committee. Public meetings are included in the contract scope of work.

Chairperson Kometani told Member Goshi that dialogue should be part of the Mauka Area Plan and advised Mr. Okada that is his opportunity. Chairperson Kometani's point is that the idea to develop Mr. Okada's property maybe beyond his generation.

Mr. Okada responded that he is talking about right now, where ID-11 is going to hurt the small businesses. He commented that it should wait until the discussions are over.

Clifford Garcia stated that he owns Tropical Lamp and Shade located on Queen Street in the ID-11 project area. He said that his father started that business in 1943 right after the war. They have coped with the way the streets have been for over 60 years. Mr. Garcia said that he knows the improvements are needed and that he is not against it. The street has been two-lanes and it has been fine. They have been using the parking in front of their shop for 60 years and will lose it. This will hurt his business. Along Queen Street from Cooke Street to downtown, there are only three parking stalls with meters. There is no permanent parking structure planned for this improvement district. On the plan it says that the parking meters that will be placed on Queen Street will be temporary, when traffic gets bad they will be pulled out and there won't be any parking.

Mr. Garcia said that the only way for him to stay in business would be to break the front of his building to create parking which would cost a lot of money and then he is being assessed. The State is taking away two feet of his property that he doesn't want to give away.

Mr. Garcia proposed that Queen Street be two-lanes; add the sidewalks and drainage, and sell him the property in front of his business. That money could be used toward the project. He could see the justification in spending the money because his property would then be larger and he would have parking in front of his business.

Mr. Garcia stated that they don't need four-lanes on Queen Street. Traffic is bumper to bumper from 3:00 p.m. and if you have parking meters with tow away zones, he still won't be able to operate his business.

Two years ago on January 2, Mr. Garcia received a certified mail saying that his assessment will be \$135,000. He complained that he did not receive a certified mail telling him that HCDA is planning the project before this. Everybody has to comply with an 8-foot sidewalk except for one business, which is allowed a 6-foot sidewalk. Mr. Garcia said he researched and HCDA approved the plans for this business to reface the building in 1999. This business should have been set back so that everyone got a fair shake. He said that it doesn't make sense that one property gets a 6-foot sidewalk and everybody else needs an 8-foot sidewalk.

Mr. Garcia wished for the plans to be on hold. He suggested that the street should be two-lanes and the whole district should be redeveloped into an "old Kakaako." A lot of small businesses are in the area. Mr. Garcia stated that only General Growth is benefiting from the improvement and not any of the small businesses.

Mr. Hamada stated that he didn't want to write the letter so Mr. Dinell offered to sit down with him after the meeting to take his questions down, and then he would respond.

Member Kimura asked what the next step would be.

Chairperson Kometani stated that Member Thomason asked to revisit the calculations of the methodology, but he advised the new Members to ask staff about the process. Since the material provided was for informational purposes only and no vote or motion could take place, Chairperson Kometani said he would speak to Members individually and get their thoughts.

Mr. Dinell distributed a copy of a letter received from State Senator Carol Fukunaga and City Councilmember Ann Kobayashi asking to defer construction of ID-11 and ID-13 pending selection of the high capacity transit corridor final route.

As there were now nine Members present, Chairperson Kometani suggested taking the approval of the minutes into consideration.

II. APPROVAL OF MINUTES

1. Minutes and Summary

Chairperson Kometani stated that there were various corrections to the minutes of the regular meeting of December 7, 2005, and the corrections were

distributed to Members. Chairperson Kometani asked if there were any further corrections to be made. There were none. There were no corrections to the summary of the public hearing of December 7, 2005. Chairperson Kometani asked for a motion to approve both minutes, as amended. It was moved by Member Kondo and seconded by Member Thomason to approve the minutes, as amended. The motion passed 9 to 0 with 1 excused (Member Anderson).

Chairperson Kometani asked Members if there were any matters that should be brought up at this time. There were none.

VI. ADJOURNMENT

There being no further business, it was moved by Member Mukaigawa and seconded by Member Thomason to adjourn the meeting at 12:10 p.m. The motion passed 9 to 0 with 1 excused (Member Anderson).

Respectfully submitted,

/s/

Paul Kimura
Secretary