

SUMMARY - MEETING NO. 307
HAWAII COMMUNITY DEVELOPMENT AUTHORITY
State of Hawaii

AMENDED

July 5, 2006 – 9:00 a.m.

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

ATTENDANCE

Members Present: C. Scott Bradley; Amanda Chang; Grady Chun; Barry Fukunaga (for Rodney Haraga, DOT); Michael Goshi; Paul Kimura; Jonathan Lai; Theodore Liu (DBEDT); Kay Mukaigawa; Stanley Shiraki (for Georgina Kawamura, B&F); and Katherine Thomason (for Russ Saito, DAGS).

Kalaeloa Members: Linda Chinn (for Micah Kane, DHHL); Kathy Sokugawa (for Henry Eng, DPP); Evelyn Souza; and Maeda Timson.

Member Absent: William Aila, Jr. (Kalaeloa Member)

Others Present: Daniel Dinell; Melvin Nishimoto (Deputy AG); Matthew Akamu; Pearlyn Fukuba; Arnold Imaoka; Lilinoe Lindsey; Cal Machida; Deepak Neupane; Teney Takahashi; and Jill Sugihara; (also, see Meeting Attendance Record).

I. ROLL CALL

The meeting of the Hawaii Community Development Authority (HCDA) was called to order on July 5, 2006, by Vice Chairperson Michael Goshi at 9:00 a.m. with the following roll call:

Member Bradley	Present
Member Chang	Present
Member Chun	Present, arrived at 9:08 a.m.
Member Fukunaga	Present
Member Goshi	Present
Member Kimura	Present

Member Lai	Present, arrived at 9:02 a.m.
Member Liu	Present
Member Mukaigawa	Present
Member Shiraki	Present
Member Thomason	Present
Member Chinn	Present, Left at 9:38 a.m.
Member Sokugawa	Present, Arrived at 9:01 a.m., Left at 9:38 a.m.
Member Souza	Present, Left at 9:10 a.m.
Member Timson	Present, Left at 9:38 a.m.

MATERIALS DISTRIBUTED

1. Agenda for July 5, 2006, Meeting;
2. Summary Minutes of Authority Meeting of June 7, 2006;
3. Report of the Executive Director;
4. Kalaeloa Status Report;
5. Information Item: Interpretation of Ground Lease Base Rent Adjustment for the University of Hawaii John A. Burns School of Medicine;
6. Information Item: Revision of Modification, Joint Development and Planned Development Permit for the Moana Vista Project (PD 2-05) Approved on December 7, 2005; and
7. Action Item: Recommend Approval to Authorize the Executive Director to Enter into an Agreement to Exclusively Negotiate with the Office of Hawaiian Affairs for Lot 1 of the Kakaako Waterfront for the Development of its Headquarters and a Cultural Center.

Vice Chairperson Goshi welcomed new Authority Members Scott Bradley and Amanda Chang and asked them to say a few words.

Member Bradley is currently the Managing Director of Coldwell Banker Pacific Properties. He stated that he was thrilled to be a part of the Authority and was looking forward to working with all of the Members.

Member Chang is an immigration lawyer at her own law firm. Additionally, she was a pre-school teacher and also a real estate broker. She was also looking forward to working with all of the Members.

II. ITEMS FOR ACTION – DISCUSSION AND/OR DECISION MAKING

1. Election of HCDA Officers for FY 2006-2007

Vice Chairperson Goshi opened the nominations for Chairperson, Vice Chairperson and Secretary. Member Liu nominated a slate of Michael Goshi as Chairperson, Paul Kimura as Vice Chairperson, and Jonathan Lai as Secretary. Member Liu stated that Member Goshi's experience with the Authority and professional background would be helpful to the Authority; Member Kimura's community input is of great value to the Authority; and Member Lai's contribution of organizing the review of the Executive Director and other aspects of HCDA is also valuable. Thus, Member Liu expressed that they would be a good slate of officers to guide the agency. Member Chinn seconded the motion.

Vice Chairperson Goshi asked whether there were any other nominations. There were none. He asked for a motion to close the nominations. It was moved by Member Mukaigawa to close the nominations and seconded by Member Thomason. By a unanimous vote of 13 to 0 with 2 excused (Members Chun and Lai), the nominations were closed. Since there was only one nomination for each position, Vice Chairperson Goshi suggested voting for the nominees as a slate. Member Lai arrived at this time. A vote for the slate was taken and unanimously approved with a vote of 14 to 0, with 1 excused (Member Chun).

Chairperson Goshi congratulated his fellow officers and thanked the Members for their support.

Chairperson Goshi took this opportunity to review the investigatory subcommittees and assignments. Since the Waterfront Request for Proposals (RFP) was cancelled, Chairperson Goshi dissolved the Waterfront RFP Evaluation, Negotiation Team, and Liaison subcommittees. He further stated that since the Kalaeloa subcommittee had completed its task of providing input for the Kalaeloa Master Plan and Strategic Plan, that subcommittee was also dissolved.

Chairperson Goshi stated that the following subcommittees would continue:

- 1) Honuakaha Roof subcommittee consists of Georgina Kawamura or her designee Stanley Shiraki, Paul Kimura and himself. This subcommittee's purpose is to serve as a resource to assist staff in moving the project forward.

- 2) The Housing subcommittee with Members Ted Liu or his designee Mark Anderson; Jonathan Lai, Georgina Kawamura or her designee Stanley Shiraki; and Kay Mukaigawa is tasked with providing input and guidance on HCDA's reserved housing rules.

Chairperson Goshi noted that the subcommittees are specific to the issues only and there can be no more than a quorum on any given subcommittee. As opportunities arise for new subcommittees, the new Members will have an opportunity to serve on these.

III. APPROVAL OF MINUTES

2. Minutes and Summary

Chairperson Goshi asked whether there were any corrections to the minutes of the regular meeting of June 7, 2006. There were none. It was moved by Member Liu and seconded by Member Bradley to approve the minutes as written. The motion passed 14 to 0, with 1 excused (Member Chun).

IV. 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 staff is continuing the review of the Mauka Area Plan and Rules. A focus group meeting for the Central Kakaako Business Service Precinct was held on June 5, 2006. Discussion centered on issues relating to small lot development and a general concern that the new rules need to be more small lot owner friendly. Additionally, an evening public information meeting was held on June 13, 2006, at Ward Warehouse. Approximately 120 people were present. Mr. Dinell acknowledged and thanked Member Kimura for attending that meeting. HCDA consultants from Plan Pacific gave a slideshow that presented the issues and opportunities of the Mauka Area. Comments, questions and suggestions were then solicited and are being compiled.
- A focus group meeting on reserved housing rules was held on June 16, 2006. The participants listed and ranked objectives, problems and solutions for providing reserved housing largely in Kakaako; but staff is also cognizant of the need to address Kalaeloa as well. Based on the group's feedback, there

will be additional outreach before proposing any revisions to the reserved housing rules.

- Mr. Dinell reported that he attended a recent City high capacity transit corridor meeting. He noted that staff is monitoring the issues and is working very closely with the City since there are opportunities for transit oriented development in both the Kakaako and Kalaeloa community development districts. A decision by the City Council is expected in late November/early December and staff will be ready to dovetail HCDA's plans into the City's transit plans.
- An informal survey on the Kakaako Waterfront, Makai Gateway, and Kewalo Basin Parks has been disseminated to stakeholders and users pursuant to the Authority's recommendation at the April 2006 meeting. Input received will be reported in the near future.
- Staff is drafting a competitive concession bid for the operation of two mobile food stands (lunch wagons) to provide services at the Kakaako Waterfront and Kewalo Basin Parks for park patrons since a common complaint was that there are no food or drink vendors available at either park. The notice to bid will be advertised later in July and, assuming that the minimum standards are met, the concession may begin as early as September 2006.
- Based on past experiences of park use over the Fourth of July holiday, the Asset Management team arranged for private security officers to patrol the Kakaako Waterfront Park. Staff attempted to schedule a special duty Honolulu Police Officer, but was unable to do so since officers were detailed to Ala Moana Park. No problems were reported except for large amounts of trash.
- Notice of termination of the Waterfront Request for Proposals (RFP) was sent to all the Best and Final Offerors in order to implement Authority action taken on June 7, 2006. As of that date, the Waterfront RFP, as outlined in HCDA's offering of January 12, 2005, has been cancelled. The Authority also directed staff to make recommendations to set up an Advisory Committee. Therefore, as part of HCDA's annual professional services solicitation, staff actively sought qualified facilitators. Staff is currently reviewing those submittals for qualifications, outlining a process, including formation of an advisory committee to review Waterfront project alternatives and provide recommendations to the Authority.

- The final disposition of legislation directly affecting HCDA is as follows:
 - On June 29, 2006, SB 2090, S.D. 2, H.D. 1, C.D. 1, became Act 251. It requires the Authority to adopt community and public notice procedures pursuant to Chapter 91 that shall include certain minimum standards that include:
 - A means to effectively engage the community in which the Authority is planning a development project to ensure that community concerns are received and considered by the Authority;
 - The posting of the Authority's proposed plans for development of community development districts, public hearing notices, and minutes of its proceedings on the Authority's website and any other information that the public may find useful so that it may meaningfully participate in the Authority's decision-making processes;
 - When rendering a decision regarding an amendment to any of the Authority's community development rules or the acceptance of a developer's proposal to develop lands, the Authority must render its decision at a public hearing separate from the hearing that the proposal was presented; and
 - Notification to the Senate President and Speaker of the House on any public hearing and a report detailing the public's reaction within a week of a public hearing.

Mr. Dinell noted that HCDA has already taken steps to comply with this law. The NCR Renovation Project Public Hearing will be the first action subject to these requirements. He also noted that there are specific posting and time specifications and a requirement that the public be afforded the opportunity to testify. HCDA currently meets all these requirements.

- Also on June 29, 2006, SB 2487, H.D. 1, C.D. 1, became Act 252. It adds two Members to the Authority to be nominated by the Governor from lists of at least three names submitted by the President of the Senate and Speaker of the House. Although these new members are not yet appointed, since the Act is effective upon approval, HCDA now has 18 eligible members to vote, although only 16 members

confirmed. Thus, there is a quorum requirement of 10 for matters related to HCDA as a whole, including Kalaeloa, and quorum requirement of seven for Kakaako matters. Staff has already notified the Governor's appointment office of the need to fill the two newly created positions.

- Due to become law, either with, or without the Governor's signature, is HB 2555, H.D. 2, S.D. 2, C.D. 1, which prohibits, with certain exceptions, HCDA from selling or otherwise assigning the fee simple interest in any lands in the Kakaako Community Development District to which the Authority in its corporate capacity holds title. This applies for both Mauka and Makai lands. The exceptions are for utility easements; remnants; grants to any State or County Department or Agency; or to private entities for purposes of any easement, roadway, or infrastructure improvements. The bill also prohibits the Authority from approving any plan or proposal for any residential development in the Makai Area. This applies to public and private lands.
- As reported at the June 7, 2006 meeting, the Governor previously signed HB 1880, H.D. 2, S.D. 2, C.D. 1, also known as Act 165, that transfers, effective July 1, 2006, jurisdiction of Piers 1 and 2 to the Department of Transportation (DOT) and the Foreign-Trade Zone. Staff is working with DOT on effectuating the Act.
- The financial report for May 2006 is attached. At the August meeting, the Executive Director will present the June fiscal year-end statement and the current fiscal year budget. Now that the Cancer Center received dedicated funding from the Legislature, Mr. Dinell stated he will update the Authority on the University's plans at the August meeting.
- The next Authority meeting will be held on August 2, 2006.

Member Chun arrived at 9:08 a.m. and Member Souza departed at 9:10 a.m.

Chairperson Goshi asked whether there were questions on the Executive Director's Report.

Member Kimura asked whether the Authority would suggest a preferred route in the City's mass transit plan. There are four routes, which pass through Kakaako, and Member Kimura is concerned about two of those routes.

Mr. Dinell responded that there was no plan to take a position on a specific Kakaako transit alignment. He stated that staff was monitoring the plan closely and that there are actually

five routes which pass through the area between downtown and Ala Moana, with four of them directly affecting Kakaako. Mr. Dinell said that this is a City led initiative with the City taking the lead; however, the Authority could discuss whether it wanted to take a position on a specific route or type of transit.

Member Kimura stated that he was concerned about the Waimanu Street route because it is a very narrow street, and the impact it would have on the businesses as well as the Queen, Kawaiahao and Halekauwila Street routes.

Mr. Dinell replied that the five alignments are Waimanu, Queen, Kawaiahao, Halekauwila and King Streets. However, King Street was the least desired on the part of the City. The other four alignments are through Kakaako. Mr. Dinell suggested that the topic be scheduled for discussion at a future meeting especially as transit affects Kalaeloa as well.

Member Liu was curious about the 19 park use permits that were issued in May 2006 and questioned how many permits were typically issued in a month and for what types of activities.

Mr. Dinell stated that the park permits are issued to functions with over 50 people and that 19 was a typical amount for a month with most events occurring on the weekends. Mr. Dinell explained that school groups are also issued permits to hold picnics during the school day. However, most of the permits are issued for birthday parties, family reunions, and even memorial services. The park has a strict rule about staking so as not to damage the irrigation system. Mr. Dinell said that people often confuse Kakaako Waterfront Park as a State Park, but he clarified that HCDA owns the land and pays for the maintenance of the park, which is a continuing challenge to keep the quality of the park at a high level.

Member Liu questioned whether the usage was high or low compared to other parks.

Mr. Dinell responded that it was probably lower, based on his observations of Ala Moana and Kapiolani Parks where there appears to be a higher utilization.

Member Liu asked with HB 2555 becoming law whether Mr. Dinell could foresee any buy backs of reserved housing units in the immediate future.

Mr. Dinell explained that the legislation doesn't have an exemption for selling reserved housing units. He explained that earlier this year, HCDA exercised an option to buy back a unit at 1133 Waimanu, which has 270 reserved housing units. The owner wanted to sell her unit and requested a waiver. HCDA refused the waiver and instead offered the owner the buy back price. The one bedroom ocean view unit was purchased for approximately \$225,000, which was based on the original purchase price, down payment and 7 percent per annum simple interest. The appraised value was \$360,000. The unit was then sold in fee for \$299,000 by HCDA as a reserved housing unit to a qualified buyer. To qualify, the buyer

cannot own any real property as a principal residence for the prior three years; the unit must become his/her principal residence; there are certain income and asset restrictions; the buyer must be a Hawaii resident and so forth. This practice kept the unit at an affordable rate helping to introduce home ownership to another individual and prevented the previous owner from making a windfall profit. In the future, HCDA would not be able to do this because of this law. HCDA could buy the unit, but couldn't then sell the unit to a reserved housing qualified buyer. HCDA would have to waive its right and allow the owner to make the windfall profit as it would become a market unit without any affordable housing restrictions. The implications for the future are for the Keola Lai project, which has 63 reserved units with a two-year buy back. HCDA has the first right in that period of time, but will not be able to keep the units affordable as it did so recently at 1133 Waimanu. Mr. Dinell further explained that the buy back period on 1133 Waimanu expires this summer so the impact is not as great now, but could be in the future.

Ms. Michelle Matson from the Save Our Kakaako coalition requested to speak on the GRG fish auction item included in the written Executive Director's Report.

Mr. Dinell provided background on Ms. Matson's request. He explained that there was a meeting held on the GRG site on June 19, 2006. Present at the meeting were: Department of Transportation (DOT) Director Rodney Haraga; DOT Deputy Director Barry Fukunaga; Department of Land and Natural Resources (DLNR) Deputy Director Bob Masuda; State Historic Preservation Division (SHPD) Administrator Melanie Chinen; State Architect Susan Tasaki; along with himself, Michelle Matson and other parties. The purpose of the meeting was to afford those expressing a desire to preserve the remaining structures on the GRG site to provide information as to why the demolition should not move forward as directed by the Authority and authorized by SHPD. SHPD previously directed staff on off site curation of the ice chute and authorized the demolition of the remaining building. Two days after the meeting, SHPD stated that no new information was presented that changed their previous determination.

As tenants, DOT is responsible to return the land to its pre-leased condition. Thus, staff informed DOT to proceed with the demolition.

On July 3, 2006, Peter Young, Chairperson of the Board of Land and Natural Resources, in his capacity as State Historic Preservation Officer, visited the site with Michelle Matson of the Save Our Kakaako coalition with HCDA Asset Management staff in attendance. Staff has not heard the outcome of that visit; however, Peter Young sent Mr. Dinell an e-mail requesting additional information.

Michelle Matson requested to comment.

Chairperson Goshi responded that he would like to keep to the schedule as there was a public hearing on the agenda, and that he would allow her to give her remarks at the end of the meeting.

Michelle Matson responded that it was her understanding that the public could comment on agenda items.

Deputy Attorney General Mel Nishimoto stated that was correct; however, the Chairperson has the option of deferring the matter to be heard later.

V. ITEMS FOR INFORMATION

A. Kalaeloa Status Report

Pearlyn Fukuba, Kalaeloa Program Specialist, summarized the Information Item distributed to the Authority concerning this matter.

Ms. Fukuba reported that the Kalaeloa Master Plan is pending the Governor's approval and concurrence by the U.S. Navy. Once received, staff will be able to issue the notice to proceed to Townscape, Inc. to develop the rules for Kalaeloa. These rules will supersede all other ordinances and rules on land use, planning, building and zoning.

Staff is continuing to discuss safety issues and concerns in the area with the Honolulu Police Department, Navy Public Safety Office, State Department of Transportation, and City Department of Transportation Services. A meeting was held on June 15, 2006, to address the concerns of the public such as the conditions of the roads, signage, and lighting. These interactions help to open up the dialogue between the agencies to communicate and coordinate what each agency is doing to improve the public safety for residents and those that come to work and recreate in the area. A third meeting is scheduled for July 20, 2006, and staff will continue to keep the Authority informed of the progress.

Staff made a presentation to the Kapolei Neighborhood Board on June 28, 2006, which included a status update as well as a handout on 10 safety tips such as being aware that cellular phone coverage may be spotty and who to call in an emergency. Last year, Kalaeloa had several brush fires; thus, staff is working with the Crash and Fire Crew at Kalaeloa Airport, with the intent of lessening the number and intensity of fires this year. Ms. Fukuba commented that keeping an open dialogue with the Neighborhood Board and the surrounding community is critical to keeping the area safe.

Staff also met with the State's High Technology Development Corporation on June 29, 2006, to provide an update on the status of Kalaeloa and the possibilities for establishing an innovation center or incubation program within the district.

The U.S. National Defense Authority Act of 2007 (HR 5122), Section 2841 requires the conveyance, sale or lease of approximately 499 acres of Navy land in Kalaeloa by September 30, 2008. On June 22, 2006, the U.S. Senate deleted the majority of the bill and inserted verbiage to amend the bill, which did not include the land conveyance provision regarding Kalaeloa. Staff will continue to track this legislation and will inform the Authority of its developments.

In closing, Ms. Fukuba thanked the Authority for its support in establishing a Kalaeloa field office. She noted that it is valuable to have a daily presence in the district as it helps to foster relationships with residents and businesses and provides an opportunity to share HCDA's vision for Kalaeloa.

Chairperson Goshi asked Members whether there were any questions.

Member Timson questioned how long it would take to get the Governor's approval on the Master Plan.

Mr. Dinell responded that the Master Plan is on the Administration's radar screen; however, the Governor's Policy Office has been extremely occupied with the large volume of proposed legislation this session. He asked Member Liu if he could elaborate since he was enlisted to help push the approval process forward.

Member Liu responded that the plan is under active consideration. The plan went through a very thorough process, but there are different points of view on the Master Plan and the Governor is considering all perspectives. Member Liu stated that he expected the approval to be forthcoming.

Member Timson questioned about the Navy's concurrence.

Mr. Dinell replied that Admiral Vitale's command will end shortly and Navy staff has indicated that he will address the Plan before he leaves. The Navy recognizes the value of having a plan and land use established in terms of moving Kalaeloa forward so staff remains optimistic.

Member Timson questioned if the Governor approves the plan, whether HCDA will proceed or wait for the Navy's concurrence.

Mr. Dinell responded that staff would give notice to proceed to Townscape, Inc. to start on the administrative rules whether the Navy concurs or not.

B. Kalaeloa Navy Report

Ms. Fukuba introduced Ms. Lynn Tanaka from the U.S. Navy.

Ms. Tanaka provided a brief update on the leasing program. The Navy began its marketing plan in February/March with Ford Island Properties and Colliers Monroe Friedlander to find tenants for its vacant parcels and buildings. The first parcel lease was signed in June 2006 with SWR Incorporated ("SWR"). The parcel is about 18 acres. SWR erected large canopy structures, which will be used for storing vehicles for deployed military personnel. The Navy received a call from Carmel Properties about the structures blocking part of a roadway so the Navy will meet with them to discuss what can be done.

Ms. Tanaka reported that there was tremendous interest in leasing of the chapel, the former furniture store, exchange store, and the old McDonald's in the downtown area. The intent for the Navy is to get tenants to clean up the area and not necessarily to make money.

In regards to the Navy's concurrence of the Master Plan, the Navy staff is working closely with Admiral Vitale. The Navy's comments and concurrence has to go through the Base Realignment and Closure regional as well as Washington, DC offices. Ms. Tanaka apologized for the delay and stated that the concurrence was forthcoming.

Mr. Dinell asked when the Admiral was leaving.

Ms. Tanaka responded that the change of command is in August and the two Admirals will get together on July 31, 2006.

Chairperson Goshi asked Members whether there were any questions.

Member Timson asked for clarification on the leases, whether they were temporary in nature.

Ms. Tanaka responded that it depended upon the land. She noted that lease that was just signed with SWR is until December 31, 2009.

Member Timson commented that she hoped that the Navy was not just leasing the space for the heck of it, but to ensure that the tenant makes the place decent and not to look like a used car lot.

Ms. Tanaka replied that it would not look like a car lot because the tenant has covered areas to keep the cars protected.

There being no further comments, Chairperson Goshi called a recess at 9:38 a.m. to allow the Kalaeloa Members (Members Chinn, Sokugawa, and Timson) to depart, as the remaining agenda items were Kakaako related. He then entered into Public Hearing on the Request by Cooke Clayton LLC for modifications from the Kakaako Community Development District Mauka Area Rules (M 1-06).

The meeting reconvened at 10:12 a.m.

Member Bradley, who had recused himself from the Public Hearing citing that his firm had discussions with Cooke Clayton LLC about brokering its project when it is completed, returned to the meeting.

V. ITEMS FOR INFORMATION - CONTINUED

C. Interpretation of Ground Lease Base Rent Adjustment for the University of Hawaii John A. Burns School of Medicine

Teney Takahashi summarized the Information Item distributed to the Authority concerning this matter.

Mr. Takahashi stated that the John A. Burns School of Medicine (JABSOM) lease contained a feature designed to prevent non-University tenants from benefiting from the favorable lease rent enjoyed by the University of Hawaii (UH) and its affiliates. The lease provides that JABSOM must pay HCDA an additional rent of 6 percent of fair market value of the space. The term “space” was not defined in the lease. The purpose of the Information Item is to propose a definitive interpretation and to solicit the Authority’s comments and suggestions.

Staff and JABSOM officials have discussed a procedure based on the following:

- The 6 percent capitalization rate will be applied to the pro-rata fair market value of the land only;

- The pro-rata ratio will be the square footage of the subleased space divided by the total square footage of the building;
- Fair market value will be determined by the most recent City and County of Honolulu real property tax assessed value of the land, adjusted annually when assessments are issued; and
- Either party may conduct an appraisal process, at their own expense, in the event it disagrees with the assessed value.

The resulting formula was shown on page four of the Information Item, and indicated in this case, an annual rent of \$1,210 a year.

Mr. Takahashi stated that the formula, if approved, would apply to all third party leases under the JABSOM land lease.

Mr. Takahashi noted that Ms. Lani Matsuo representing JABSOM was in the audience and asked whether there were any questions.

Mr. Dinell reiterated that there was no action on this item, but that staff brought it forward for the Authority's input.

Member Thomason commented that the City tax records reflect a 50 percent difference from what is actually built on the site. She wondered if there was any anticipation that it was going to be corrected for the record. Member Thomason quoted the note from page four of the Information Item, "Tax records reflect building area as 149,526 square feet; however, the actual area is 317,225 square feet."

Mr. Takahashi responded that it was just a matter of the City catching up.

Member Fukunaga questioned whether there was a definite interest on the part of UH to sublease its space.

Ms. Matsuo responded that the specific lease that generated the conversation is with HiBEAM, which is an entrepreneurial company. The company will be assisting the University in understanding how to commercialize their investment. There is limited space in the building and this specific lease would encompass 193 square feet.

Member Fukunaga stated that it was a small space and questioned why it was fractured out.

Mr. Takahashi interjected that Phase 2 of JABSOM has yet to be built and whatever is decided will also apply to Phase 2, which might contain a much larger space for private party tenants.

Member Liu asked whether other options and formulas were considered.

Mr. Dinell responded that staff looked at the undefined lease term “space” first as the land and building. At the same time, there was a fairness argument of what is reasonable and fair. Would it be reasonable for HCDA to include the cost of the building, which was reportedly \$150 million, plus the land, which would then create a higher multiplier factor and therefore generate more rent? Staff discussed it internally, but discounted this approach because HCDA didn’t pay for the building. Staff also looked at the appraisal that was done for the Cancer Research Center as a basis for the land value and found that to be in the range of \$83 - \$85. It was slightly higher than the \$76 that the City is reporting as JABSOM’s current land value. Staff came to the conclusion that for such a small lease to order a commercial appraisal would be counterproductive economically, but that it was important to reserve the right to do so. In the future, if there is a large sublease of space, the Authority could order a commercial appraisal to determine the land value and presumably get higher rent based on current land prices because, as Member Thomason pointed out, the City is woefully behind in updating its assessed values, particularly in this case where they generate no property tax revenue. If the Authority wants staff to look at other options and to bring them back to the Members, it can be done. It really came down to what is reasonable and fair and how HCDA can support the University in their mission in terms of research and development. Mr. Dinell noted that the lease is very clear that HCDA has the right to charge lease rent if the facility is being used by an entity other than the University, the Research Corporation of the University of Hawaii or affiliates of either. Thus, staff feels it is important not to let this issue pass unaddressed simply because it is only 193 square feet of space.

Mr. Takahashi commented that the going rate for office space rents in the area is about \$2 a square foot per month.

Member Chang questioned whether it would be only for HiBEAM or if it would be applied to future possible leases.

Mr. Takahashi responded that it would apply to all third party leases until the circumstances change to the degree that calls for revisiting the whole issue.

Member Chang asked what other area or space would be available to sublease in the future.

Ms. Matsuo responded that the only other area that would be affected at this point is a portion of the second floor of the Medical Education Building. She explained that during the development of the building a federal grant was obtained for \$6 million worth of scientific equipment. The grant stipulated that the University needed to provide office space to entrepreneurial companies to provide them access to the equipment. UH has set aside a total of eight offices to meet this requirement. UH would be able to lease the space in small portions and then the same sort of lease rent calculation would apply.

Member Chang asked for the size of the eight offices with workstations.

Ms. Matsuo responded that each office is about 90 square feet and each workstation is roughly 44 feet with an additional 10 percent common area allocation.

Member Chang stated that it would be a total of around 1,200 square feet and asked whether there was any other possible area that may be leased out.

Ms. Matsuo replied that they are very tight on space.

Member Liu commented that Phase 2 had 190,000 square feet and that it would be a uniform policy.

Mr. Dinell commented that the lease is clear that the Authority approves all subleases, which is why staff posed this as an informational item to establish a set policy. The policy would include whether to give the discretion to the Chairperson or the Executive Director to execute future subleases or to mandate that each sublease, no matter what size, be reviewed and acted upon by the Authority. The formula will create precedent. Thus, the question is whether the Authority wants staff to study additional formulas. The problem was that in the lease, the term “space” was not defined.

Member Shiraki asked whether the 6 percent cap rate was normal.

Mr. Dinell thought it was rather low.

Mr. Takahashi commented that the lease was negotiated in 2001.

Member Shiraki commented that Phase 2 was a big concern if other companies came in at that low rate.

Mr. Takahashi commented that 6 percent was on the low side and that today it is a range of 6 percent to 8 percent.

Member Shiraki stated that his concern was that it would set a precedent and wanted to know whether the rate would be for the research building or Phase 2.

Mr. Dinell responded that there is a single land lease for the entire 10 acres, which includes Phase 2. Thus, the 6 percent cap rate would apply to all portions of land covered in the lease.

Member Shiraki commented that there is a difference between Phase 2 and the company HiBEAM coming in now.

Mr. Takahashi replied that it was his understanding that the sublease would be done by a Memorandum of Understanding (MOU) and that it wouldn't change the lease.

Member Fukunaga questioned whether Mr. Takahashi was talking about Phase 2.

Mr. Takahashi commented that his understanding of how the deal is set up now is that if the Authority feels that it is inappropriate to continue this definition for space, then the issue could be opened up.

Member Shiraki questioned whether it was a precedent for Phase 1 and Phase 2.

Mr. Dinell responded that it could be, dependent upon how it is structured.

Chairperson Goshi asked whether a minimum could be placed in the language.

Mr. Takahashi responded that staff could set a minimum according to the formula and to make it clear that the formula that is applied today may not necessarily mean that it will be applied to all future leases.

Ms. Matsuo commented that HCDA could always approve or disapprove a lease. For example, in the event UH decided to lease out a whole floor, she thought that would trigger a very involved discussion with HCDA.

Mr. Takahashi noted that the Authority made it clear that the formula would become more of an issue for Phase 2.

Chairperson Goshi asked whether anyone in the audience wanted to comment. There were none.

Mr. Dinell expressed his appreciation for the direction of not creating an open ended precedent and to narrowly define this lease interpretation for HiBEAM only.

D. Revision of Modification, Joint Development and Planned Development Permit for the Moana Vista Project (PD 2-05) Approved on December 7, 2005

Member Bradley recused himself from the meeting as his firm represents the developer, KC Rainbow, in its other dealings.

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

Mr. Akamu reported that this was an Information Item on the proposed revisions to the Moana Vista Project, which was previously approved on December 7, 2005. The presentation provided an overview of the project as it was approved; recent developments that required changes to the project; and the applicant's proposed revisions.

The project is located along Kapiolani Boulevard, Kamakee and Waimanu Streets. One of the parcels is designated as a park/parking garage, which is part of the Mauka Area Plan.

The project is a planned development with a 3.8 FAR (floor area ratio). It is a joint development between the applicant KC Rainbow 2 Development Co. LLC and adjacent sites Obun Hawaii and Public Storage.

The Moana Vista Project has two sites: 1) the "Kapiolani site" and 2) a parcel on Waimanu Street, "Parcel 40." Adjacent sites are Obun Hawaii and Public Storage. Under the project, public parking would be provided on Parcel 40 and modification on the Kapiolani site fronting Waimanu Street was previously approved. The modification provided a more pedestrian friendly environment with storefronts along Waimanu Street. The project also includes industrial uses that were transferred from the Moana Pacific Project.

Recently, the applicant informed HCDA that Obun Hawaii has dropped out of the joint development with Moana Vista. As a result, the project has to reduce its floor area and reserved units. Also, due to the delay in schedule for ID-11

(Queen Street road improvements), HCDA has requested that the temporary parking lot on Parcel 40 be extended from March 2008 to December 2008. Consequently, construction of a parking structure and reserved housing on Parcel 40 cannot be started as planned.

Mr. Akamu provided a comparison of the project that was approved and the revisions proposed by the developer. He stated that the land area would be reduced by about 9,000 square feet and the total available floor area would be reduced by about 30,000 square feet. The Moana Vista utilization of floor area will be reduced by about 16,000 square feet and the number of residential units will drop to 492. The number of reserved units or rental housing has been reduced to 100 and public parking stalls on the parcel remains the same at 100. The 100 reserved housing units are still in compliance with HCDA rules for 20 percent of the total residential units.

The applicant is proposing to delete Obun Hawaii from the joint development; reduce the reserved housing units from 124 to 100 units; and locate all the reserved housing units on the Kapiolani site. The applicant concurs with HCDA's request to extend the temporary parking lot on Parcel 40 from March 2008 to December 2008. The discussion for interim parking will be deferred because there would be no interruption of parking due to construction on the Parcel 40 site.

In summary, the implications of the applicant's proposed revisions are that the reserved housing would be reduced by 24 units; deletion of Obun Hawaii from the joint development, which means that frontage along Waimanu Street would not be 100 percent integrated as was originally approved; and no expanded industrial space for Obun Hawaii would be provided in the Moana Vista podium. The Parcel 40 parking agreement would be extended to December 2008.

Mr. Akamu explained that the informational item is to solicit public and Authority input on this revision prior to finalizing the details of the project's revisions for the Authority review and action at the next meeting.

Chairperson Goshi commented that it is a major change from the original project. He asked if the neighborhood board was aware of the revisions.

Mr. Akamu responded that the developer attempted to make a presentation to the neighborhood board, but there was an issue about the agenda.

Mr. Dinell interjected that at the November 2005 meeting of the Ala Moana/Kakaako Neighborhood Board, Allen Leong from KC Rainbow 2

Development Co. LLC made a presentation, but because it wasn't listed on the agenda, the board could not take a vote. This could be an opportunity for the developer to contact the Neighborhood Board Chair to see whether they are interested in reviewing the proposed revisions. Mr. Dinell mentioned that one of the Neighborhood Board's concerns was about traffic. With the revision to the plan, there would be fewer units, so less traffic, but there is a statement that Waimanu Street would be widened to three traffic lanes and Mr. Dinell was not sure whether that would still be the case. He stated that the Neighborhood Board might want to know that, but staff can only direct the developer to talk to the board Chair to see whether there is some interest to present their project based on the news of Obun Hawaii dropping out of the joint development.

Mr. Leong commented that the neighborhood board doesn't take a vote to approve or disapprove a project. The Waimanu Street road widening would be subject to an improvement district that HCDA would carry out. Thus, whatever that road would look like would be under HCDA's jurisdiction.

Member Liu asked how different the project would look like with the revisions.

Mr. Leong responded that the rendering doesn't change.

Member Mukaigawa commented that only the street frontage would change since Obun Hawaii is not part of the joint development.

Member Liu asked whether there would be a decrease in units and if the massing would be different.

Mr. Leong replied that the Kapiolani site would remain the same.

Member Liu asked about the plans for Parcel 40 besides parking.

Mr. Leong responded that they still have available floor area to develop Parcel 40, but he couldn't tell when it would be built.

Member Liu asked for the size of the lot.

Mr. Dinell replied that it was a 30,000 square foot lot.

Member Mukaigawa asked whether reserved housing on Parcel 40 would make sense.

Mr. Leong stated that it created multiple issues because the building is too short to be economically efficient. It would be literally a parking level and maybe two floors of residences on it. The issue was whether both projects on the Kapiolani site and Parcel 40 would be finished around the same time; there would be a disruption of the temporary public parking arrangement option that HCDA has. KC Rainbow 2 Development Co. LLC was supposed to discuss with HCDA how to do an interim parking arrangement so that there would be no disruption of parking. When there is a break, meaning after building the Kapiolani site, the contractor leaves and then will have to be brought back to Parcel 40. This demobilization increases the costs. Mr. Leong didn't have a figure, so he couldn't tell what would happen. If the temporary parking arrangement is extended, depending on the length of disconnect, the general contractor costs would increase.

Member Kimura asked if there weren't any restrictions on Parcel 40, how the development would be different.

Mr. Leong replied that they would do a parking level with five stories of residences. They would keep it as a low rise so that it wouldn't block any residential views. They would also move as much of the reserved housing units across the street from the Kapiolani site to Parcel 40.

Member Kimura questioned how many reserved housing could be provided if the restriction was waived on the parking on Parcel 40.

Mr. Leong stated that they could provide 24 more units. There would be 56 units on the Parcel 40 site bringing the total of 120 – 130 reserved units.

Member Kimura asked if the restriction was waived on Parcel 40, they could provide 130 reserved units.

Mr. Leong replied that the construction would need to be dovetailed so as to keep the construction cost low.

Member Liu asked whether the massing of the Kapiolani site would change.

Mr. Leong responded that the building would remain the same.

Member Mukaigawa commented that only the reserved housing would move across the street and asked how many of the 130 reserved units would remain on the Kapiolani site.

Mr. Leong replied around 50.

Member Chang asked whether there would be enough parking spaces.

Mr. Leong replied that they would build a parking structure.

Member Mukaigawa asked whether the temporary parking was viable.

Mr. Dinell replied that HCDA and the developer have a parking agreement for Parcel 40 as temporary parking for ID-11 businesses through March 2008. The parking lot was completed in November 2005 when HCDA's obligation began, but due to the postponement of ID-11 HCDA has been renting those parking spaces to the general public. Since ID-11 was postponed, staff wanted to extend the agreement to accommodate the change. Mr. Dinell stated that at any point it could be renegotiated with the developer and brought back to the Authority for approval. The agreement is already in place to acquire up to 100 public permanent parking spaces.

Member Mukaigawa asked whether HCDA was breaking even or making money on renting out the parking spaces.

Mr. Dinell replied that HCDA is experiencing a small loss now on the Parcel 40 parking as expenses exceed revenue.

Member Chang asked if the restriction was waived would the developer be willing to build 56 units in a five-story structure.

Mr. Leong responded in the affirmative.

Member Kimura asked whether it would become a better development without the restriction.

Mr. Leong responded that it was a complex question to answer, but that it would optimize the use of the land.

Member Chang questioned, rather than matching the parking level of the Kapiolani site, whether it would be possible to add two more stories to provide more reserved units for the community.

Mr. Leong replied that they would not want to do that because it would block the views from units on the Kapiolani site.

Member Chun questioned, with the removal of Obun Hawaii from the joint development, whether that affected the transfer of uses that were previously approved.

Mr. Akamu replied that the transfer of uses remain the same with no change.

Member Liu stated that the Members needed to give staff guidance to negotiate the details so that it would be brought back for a decision.

Chairperson Goshi asked whether anyone from the audience wanted to make a comment on this issue.

Ms. Nancy Hedlund stated that she was from the Ala Moana/Kakaako Neighborhood Board. She encouraged Mr. Leong to present his project to the Neighborhood Board. The Neighborhood Board is not obligated to vote whether to pass or not to pass any project, but it could. There has been some hesitancy whether to bother to approve or not because it doesn't make a difference anyway. The project comes before the board, people comment and there is no authority given to the board. However, there could be a vote of endorsement.

Mr. Dinell commented that the important thing was that in November 2005, it wasn't on the Neighborhood Board agenda and by placing it on the agenda now, it would alert the general public and let them comment on it.

Dexter Okada, landowner on Queen Street, commented that the Parcel 40 lot was acquired as part of an agreement when the Governor approved ID-11 to provide temporary parking.

Mr. Dinell replied that was correct and that nothing has changed with regard to that commitment or the agreement that HCDA has with the developer for the parking. He stated that the discussion was helpful and more discussions with the developer need to take place before bringing it back to the Authority.

Mr. Leong stated that they will continue discussions with staff and will try to obtain permits. He would try to get on the July Neighborhood Board agenda to inform the community of its change in plans.

Chairperson Goshi asked whether there were any further comments. There were none.

II. ITEMS FOR ACTION – DISCUSSION AND/OR DECISION MAKING - CONTINUED

3. Recommend Approval to Authorize the Executive Director to Enter into an Agreement to Exclusively Negotiate with the Office of Hawaiian Affairs for Lot 1 of the Kakaako Waterfront for the Development of its Headquarters and a Cultural Center

Member Bradley reentered the meeting.

Deepak Neupane summarized the Action Item distributed to the Authority and presented the staff's recommendation.

Mr. Neupane reported that in June 2006, the Office of Hawaiian Affairs (OHA) made an informational presentation to the Authority and expressed interest in the 5.266-acre lot known as Lot 1 of the Kakaako Waterfront. OHA intends to develop approximately 30,000 square feet of office space and 30,000 square feet of general space for cultural activities, plus on site parking. OHA is seeking the property rent free. However, at the June 2006 Authority meeting, staff made its recommendation that an appraisal of the property should be done so that ceded land payment offset could be done at the State level.

Mr. Neupane introduced OHA Administrator Clyde Namuo and asked him to address the public access question Members had from the June meeting.

Mr. Namuo apologized for not attending the June meeting and asked for clarification on the public access question.

Chairperson Goshi responded that he should elaborate on the public access from the park to the facility as part of the continuous shoreline access that is desired by the Authority as part of its Makai Area Plan.

Mr. Namuo responded that OHA envisions the cultural center actually flowing into the park. The facility would be open to the public whereby any time during the day and in the evening when there are cultural events at the facility, people should be able to move from the park into the cultural center. The best scenario would be to cover the canal so that the park and the OHA office and cultural center would have no real division; that way people could flow from one to the other especially during cultural events when people could sit in the park for concerts. During the day OHA envisions that the facility would have exhibit space where people from the park might want to wander into the

building. Mr. Namuo didn't see any public access issues at all because OHA envisioned the center for the people who are at the park as well as for visitors to the cultural center.

Mr. Dinell clarified that OHA expressed the idea of covering the canal in the past, but he wanted to reiterate that HCDA does not have the funds programmed to do that. There are two large box drains that end at Keawe Street and then enter into the open channel. The Authority is aware that there are some structural problems that staff is going to be studying, at the same time they can study the possibility of box draining all the way to the ocean, but there are no funds programmed to do that. There are structural issues just going over the channel. There is a possibility of a bridge, but OHA envisions the whole channel covered.

Mr. Namuo commented that would be their preferred scenario and they understand that HCDA does not have the funds to repair the open channel, but they would be happy to join with HCDA in requesting funds from the Legislature to do so. He believed that it would be in the best interest not just for OHA, but for the park users as well as those who participate in the center's cultural activities. But OHA understands that there is no commitment.

Member Fukunaga questioned whether the box drain culvert was going to be conveyed over to the City.

Mr. Dinell responded that staff would like to convey the entire drainage system to the City because it is currently HCDA's responsibility. However, the system services a broader portion of Honolulu beyond the Kakaako district and HCDA does not have the ability to maintain it as the City has.

Member Shiraki commented that when OHA constructs the building that they should incorporate a bridge.

Mr. Namuo replied that certainly a bridge could be built, but they did not think it was satisfactory in terms of having the properties flowing together. He commented that the Ewa side of the park is underutilized and if the parcels ran together it would enliven the area. A bridge would be acceptable, but not ideal.

Member Shiraki commented that he was thinking of the fisherman who would be able walk from one end to the other. He asked how OHA planned to finance the project.

Mr. Namuo responded that the statute allows OHA to float bonds so they may do that. They may also draw down funds from their portfolio just to get the project completed. They are not waiting for funding by the Legislature because they tried twice. Mr. Namuo will try again next year, but the Legislature has issues with helping OHA fund this facility. The facility will not only be for Hawaiians, but it will be good for the entire community, which is why Mr. Namuo believes the Legislature should be involved. However, if the Legislature chooses not to, the OHA Trustees are committed to move forward.

Member Fukunaga noted that the property abuts the harbor cargo area and asked how they would separate the property.

Mr. Namuo stated that the container yard was not the best neighbor. However, the design of the facility could address the less than desirable activity. He commented that it would be wonderful if HCDA could take that land back. One of the issues that OHA has is the problem of adequate traffic access to its facility and without the Punchbowl Extension; it would limit access to the facility especially during evening cultural events.

Member Fukunaga commented that assuming that the container yard remains there, another point of access is through Forrest Avenue.

Mr. Namuo agreed that would be one point of access. The approval for the exclusive negotiations would allow OHA to do the environmental work, including traffic studies as necessary. OHA is aware that the site is currently being used to house the homeless and they have been in contact with the Governor's Chief of Staff.

Member Lai commented that last year when OHA made its first presentation, the facility would have limited public access, but it seems that is different now.

Mr. Namuo stated that he could not recall making that statement about the public use, but if he did so it was unintentional. It is an office building so depending on whether people have business to conduct with OHA, access is limited. However, access to the community center was never an issue because the vision for the cultural center was never exclusive in any way. The cultural events would be Hawaiian in nature, but participation in those events would not be limited in any way. In fact, OHA views the role of the cultural center as bringing culture to all of the people of Hawaii.

Mr. Neupane stated that staff recommends approval to authorize the Executive Director to enter into an Agreement with the Office of Hawaiian Affairs for exclusive negotiations until January 5, 2007, for the leasing of Lot 1 for its headquarters and a Hawaiian cultural center.

Chairperson Goshi requested, for discussion purposes, a motion to adopt staff's recommendation. It was moved by Member Mukaigawa and seconded by Member Kimura to adopt the staff's recommendation.

Chairperson Goshi asked whether there were any questions.

Member Shiraki asked what the Governor's Chief of Staff said about the project given the fact that part of the site is currently used as a homeless shelter.

Mr. Namuo replied that OHA would have access to the site for environmental work, but they don't expect the homeless to be out of the shelter until sometime next year. He stated that he didn't ask for the Governor's support, but assumed that at some point in time, a request for her support would be sought.

Mr. Dinell commented that the other tenant in the building is Rosette Steel which has a lease that runs until January 2007, which is around the same target time of March 2007 given to HCDA by the Governor's Office for the temporary emergency Next Step Homeless Shelter to vacate. Staff will continue to work with these tenants depending on developments.

Member Bradley commented that for the Kakaako Waterfront project, HCDA was criticized for the lack of public input. He was curious to know whether the agency was traveling down the same path by entering into exclusive negotiations on this project. Member Bradley thought it might be better to solicit input from the public.

Mr. Dinell stated that was a good question in terms of the Makai area. Previous determinations have been for the Cancer Research Center parcel to be located next to the JABSOM research center. The Pump Station lot is open for public discussion. In fact, the Authority authorized a small planning study for the lot. These Ewa parcels are not in the scale of the Waterfront Development, which encompassed 36 ½ acres. The Lot 1 parcel is 5 acres and has very low development potential. The FAR is .6 and the height limit is 45 feet. It was also considered a cultural bookend to the park. As far as public input goes, this is the fourth time this subject has been discussed as part of a HCDA meeting agenda and, to date, nobody has expressed opposition to

the concept. It has been on the front page of both Honolulu newspapers and members of the Legislature are aware of the proposal.

Mr. Neupane noted that there hasn't been any change in the allowed use; therefore, there is no public hearing required for this action.

There being no further discussion, Chairperson Goshi reminded Members that there was a motion on the table and called for a vote. The motion was unanimously approved 11 to 0, excluding Kalaeloa Members.

Chairperson Goshi allowed Ms. Matson three minutes to make her statement on the Executive Director's Report.

Ms. Matson stated that she would like to make a statement on the Executive Director's Report regarding a meeting on the remaining structures on the GRG site. In the Executive Director's Report it wasn't explained that the meeting was scheduled in an office environment with DOT, DLNR, and Dan Dinell in which she was going to present documentation on the issues. However, that meeting was subsequently changed to the site, which had no facility or opportunity to present the paperwork and research that was compiled on the historic structures. It was agreed at that meeting that she would provide the Executive Director and the Authority with this information and subsequently requested a presentation period for this meeting. Since that was not possible, Ms. Matson requested 20 to 30 minutes at the next meeting for the presentation and testimony. She stated that the report describes that no new information was presented. This is because the information hadn't been presented yet to the Administrator of the Historic Preservation Division because she remained outside during the part of the meeting when some of the new information was presented. Ms. Matson showed those present the documents that included this and additional information which she had given the Chairperson of the Board of Land and Natural Resources, Peter Young, with whom she subsequently scheduled a meeting to inspect the site with her and representatives of several interested groups. She thought that the cultural aspect of Kakaako needs to be acknowledged with OHA on one side and the historic complex that exists on the other. Ms. Matson stated that this identity is expressed in the HCDA's statute 206E-33 (6) that "Historic sites and culturally significant facilities, settings, or locations shall be preserved." Community members such as the Kewalo Boaters Association and Save Our Kakaako are concerned about the disappearance of these structures.

Chairperson Goshi stated that since the item was not on the agenda, he suggested to her to meet with staff and then if the need arises, it may be brought up in the future.

Ms. Matson noted that the work was ongoing and again requested time on the Authority's next agenda.

V. ADJOURNMENT

There being no further business, it was moved by Member Thomason and seconded by Member Lai to adjourn the meeting at 11:16 a.m. The motion passed 11 to 0, excluding the Kalaeloa Members.

Respectfully submitted,

/s/

Jonathan Lai
Secretary