

SUMMARY - MEETING NO. 328
HAWAII COMMUNITY DEVELOPMENT AUTHORITY
State of Hawaii

April 2, 2008 – 9:00 a.m.

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

ATTENDANCE

Members Present: Grady Chun; Joseph Dwight, IV; Michael Formby (for Brennon Morioka, DOT); Paul Kimura; Jonathan Lai; Dexter Okada; Robert Piper (for Georgina Kawamura, B&F); and Russ Saito (DAGS).

Kalaelo Members: Linda Chinn (for Micah Kane, DHHL); Henry Eng (DPP); Stanton Enomoto; Evelyn Souza; and Maeda Timson.

Members Absent: C. Scott Bradley; Amanda Chang; Christopher Kobayashi; Theodore Liu (DBEDT); and Kay Mukaigawa.

Others Present: Anthony Ching; Diane Taira (Supervising Deputy AG); Eugene Won (Deputy AG); Matthew Akamu; Gloria Chong; Pearlyn Fukuba; Chong Gu; Loretta Ho; Neal Imada; Arnold Imaoka; Annette Kawasaki; Christy Kiyabu; Richard Kuitunen; Lilinoe Lindsey; Tesha Malama; Steve Miyamoto; Craig Nakamoto; Deepak Neupane; Wendi Reyes; 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 April 2, 2008, by Chairperson Lai at 9:04 a.m. with the following roll call:

Chairperson Lai	Present
Member Chun	Present, arrived at 9:05 a.m.
Member Dwight	Present, left at 12:30 p.m.
Member Formby	Present, left at 10:32 a.m.
Member Kimura	Present, left at 10:30 a.m., returned at 11:00 a.m.

Member Okada	Present
Member Piper	Present, left at 12:30 p.m.
Member Saito	Present
Member Chinn	Present
Member Eng	Present, arrived at 9:15 a.m., left at 10:55 a.m., returned at 12:10 p.m.
Member Enomoto	Present, arrived at 9:26 a.m.
Member Souza	Present
Member Timson	Present

MATERIALS DISTRIBUTED

1. Amended Agenda for April 2, 2008 Meeting;
2. Summary Minutes of Authority Meeting of March 5, 2008;
3. Financial Report of February 2008;
4. Kalaeloa Status Report;
6. Information: Less than Fair Market Interim Lease Between USA and HCDA for Building 36 at the Former Barber's Point Naval Air Station, Barbers Point, Hawaii;
7. Executive Session: Confidential Material on Lease of Lands at Kalaeloa – Navy/Hunt Lease (distributed at the meeting);
8. Information: Navy Region Hawaii Kalaeloa/Ford Island Update (distributed at the meeting);
9. Information: Kalaeloa Budget (distributed at the meeting);
10. Information: Kalaeloa Assessments (distributed at the meeting);
11. Information: Kalaeloa Workshop PowerPoint Slides (distributed at the meeting); and
12. Information: Kalaeloa Community Development District Authority Members Workshop on Status Reports, Expanding Outreach and Project Planning.

Chairperson Lai introduced Deputy Attorney General Eugene Won who was seated in the audience. He would be providing the Authority legal counsel assigned exclusively to HCDA. However, Supervising Deputy Attorney General Diane Taira was seated at the table and would provide the legal counsel at this meeting.

II. APPROVAL OF MINUTES

1. Minutes of the Regular Meeting of March 5, 2008

Chairperson Lai asked whether there were any corrections to the minutes of the March 5, 2008 meeting. There were no corrections offered by Members. It was then moved by Member Saito and seconded by Member Souza to approve the minutes as written. By a show of hands, the motion passed 10 to 0 with 3 excused (Members Chun; Eng; and Enomoto).

III. ITEMS FOR INFORMATION

A. Kalaeloa Status Report

Chairperson Lai noted that typically staff would summarize the written report and allow Members to ask follow-up questions of any agency representative who might be present. However, due to a recent vacancy the Hawaii Public Housing Authority was not able to produce a report. The Navy representative provided a report that was distributed to the Members at the meeting. Chairperson Lai asked that the Members defer their questions to Navy after its presentation.

B. Presentation by Navy and Hunt on the Conveyance of 499 Acres of Kalaeloa Lands

Chairperson Lai announced that the United States Navy and Hunt Development would make a presentation on the conveyance of 499 acres of land at Kalaeloa. Prior to the presentation, he invited any member of the public to provide public testimony on the agenda item. He asked that they limit their comments to no more than three minutes. There was no public testimony provided.

Chairperson Lai noted that a representative from Hunt Development and Executive Director Ching had just recently had a discussion seeking to identify elements of mutual understanding with respect to the shared objectives for the future of Kalaeloa. Chairperson Lai offered his personal hope and encouragement that discussions would be fruitful and called upon the Executive Director to provide the Authority with reports as to the status of the discussions as appropriate.

Tesha Malama introduced Lynn Tanaka from the US Navy Region Hawaii and Dev Braganza Project Manager from Hunt Development/Ford Island Properties.

Ms. Tanaka apologized for not meeting the deadline for mailing out the Navy Status Report. She presented her report and it was distributed at the meeting (see Exhibit A).

Member Timson asked when the eventual conveyance of the land to Hunt would be.

Ms. Tanaka replied that the lease is not to exceed 40 years and the intent is for Hunt to take it in fee.

Member Timson asked why it would have to wait 40 years.

Mr. Braganza responded that it was initially structured as a lease and that allows Hunt to finance it for 40 years. It is primarily a financing issue.

Member Timson questioned whether it had to do with building and permitting issues and asked whether the Navy still owns the land would Hunt still need to get permits to build.

Mr. Braganza stated that Hunt would still need to obtain permits, but not through the City. The federal permitting process is different from the City process. However, they would still need to obtain a few State permits.

Member Timson commented that Hunt was off the hook since it didn't need to go through the City permitting process.

Mr. Braganza responded that was not correct. They are working through the federal process, which in some ways is more arduous and in some ways more streamlined. Currently, the City has a lot of backlog in permits. The Navy has less development so the process is more expeditious.

Mr. Braganza started his presentation off by saying that he views Kalaeloa as a golden opportunity. He realizes that with Hunt coming into the deal that everyone feels uneasy about it. Mr. Braganza and Executive Director Ching are in discussion about putting together an agreement on how to work together.

The buildings at Kalaeloa are in bad condition. The copper thieves stole all the copper and when they did that, the thieves tore apart the walls to get to the piping system. Since the water was not turned off, most of the buildings were flooded. However, Mr. Braganza sees it as a golden opportunity to make something happen.

Also the challenges associated in developing Kalaeloa is that HCDA's own estimate shows at full development the project is negative \$220 million and that figure is four years old. It might be double or triple that amount by now.

Mr. Braganza has been in discussions with the Veterans Administration (VA) about reactivating the clinic. The clinic is going to take approximately \$10 million to renovate. He is hoping to get the VA as an anchor tenant. The condition of the building is one of the best in the brokered lands. By fixing up the building, it would create jobs in the area.

Hunt's focus for the property is to create jobs. Hunt met with elected officials and the feedback that they received was to focus on jobs, not housing. There would be a component of housing in some infill areas where it makes sense, but the main focus would be on job creation.

In the short-term, Mr. Braganza has partnered with the Navy Police and they have been towing cars. Hunt already owns some property in Kalaeloa that is called On-Station. Some of the parcels with housing that they received from the Navy in 2003 were subsequently sold to Carmel Partners. However, Hunt retained a parcel of housing that is On-Station. Recently, there have been instances of dumping; therefore, they had to spend some money to clean up the area and tow the cars away.

Mr. Ching and Mr. Braganza are working on a Memorandum of Understanding (MOU) on how to work together. On a positive note many of the items that are in the Kalaeloa Master Plan, Hunt is working on. Though it will take some time to put the document together, Mr. Braganza thought that it could be done in a fairly timely manner.

In terms of the community amenities, which is a major concern for the community, Mr. Braganza has talked to Ms. Malama about it and Hunt is working on a transition plan that would include all the community amenities that exist. Since they are waiting for the Admiral to approve that agreement, he could not release that information publicly.

Under the Navy's short-term leasing program, there would be no change. However, some of the leases are free of charge so he expects to renegotiate those leases as they were former Navy companies.

The City and County license agreement has expired on the existing ball fields. He expects to renew those license agreements.

In the short-term, Hunt needs to get the property under control. They can't start building things and have them stolen or vandalized. So they are working very closely with the police. In fact they are exploring the possibility of locating a police substation at Kalaeloa.

Hunt is focusing on clearing grounds, trimming the grass, cutting the underbrush so that the dumping and criminal activity sites are visible. A previous clean up under the Navy cost \$250,000.

A number of buildings cannot be recovered so they need to be demolished. An estimate they received on demolishing a building on Ford Island smaller than those at Kalaeloa was estimated at \$600,000.

Those are major investments that Hunt has to do upfront and Mr. Braganza is working internally to raise the funds to do it. There are a number of people that want to lease additional buildings, but Hunt would need to make improvements to all the buildings first, since the buildings are not in condition to be leased as is. Once renovations are made and as more people move into the area, that should help reduce crime in the area.

Concurrently, Hunt is looking at two new developments to the area as well. One is the Veterans Administration project and the other is a major federal user in a 90,000 to 120,000 square feet area at the entrance of Kalaeloa, which is expected to bring jobs into the area. Mr. Braganza is uncertain whether they will be successful in bringing in those iconic users to the area since there are a lot of financial challenges; but they are trying very hard.

Utilities remain an issue and Hunt is trying to find ways to fund and support that. Mr. Braganza has an engineer on board from Maui who has done a lot of sustainable designs so they are looking at ways to build utility systems better, smarter, faster and at a lower cost.

Member Timson stated that she had a number of comments and questions. She is concerned that Hunt would not need to go through the permitting process. She blames the Navy for doing this and sees no community benefit as the \$60 million is being spent on Ford Island and not the Kalaeloa community. There are school, road and infrastructure issues that other developers have to pay their fair share and Hunt would not. Member Timson asked that since Hawaiian Electric Company and Board of Water Supply does not want the system, would that mean that Hunt would be their own utility company.

Mr. Braganza responded that Hunt does need to go through a permitting process, but it is a different process. They would be building to the City and County code and it would be safe.

Member Timson asked whether Hunt would need to go through the City.

Mr. Braganza replied that when they do construction work on military bases, they hire a third party contractor to review all of their work for the City and County. As the developer, they want to ensure that the buildings are safe and things are done in an appropriate manner to avoid any liability. While, they would primarily seek State and Federal approvals, they would still interact with the City. Mr. Braganza has already met with the Mayor's office. They are not trying to abandon the community. The reality is this process would help move the redevelopment along faster. The Navy has been a good partner. The main reason for doing a 40-year lease is to come under Federal zoning because there are no HCDA rules in place. Since 2003, Hunt has had the On-Station property, but has not been able to do anything there because nobody knows what the zoning is. If Hunt were to take the property in Kalaeloa in fee, nothing would happen. The condition of the property is a problem. It is not a perfect solution, but it would be good for the community.

Member Timson noted that there have been discussions between the State and the Navy about acquiring the property. Member Timson wonders whether Hunt would contribute to schools, roads and infrastructure development.

Mr. Braganza stated that it is still early in the process and he didn't know the answer to that. They won't be able to develop without the infrastructure in place. They are just three months on the job, so they still need to plan it out and figure out a way to pay for all of it or most of it.

Member Timson clarified that the outlying communities would be affected by the condition of the Kalaeloa roadways. The other developers who develop in the region have to pay for schools and road infrastructure.

Mr. Braganza didn't have the answer to that since there haven't been any discussions on that. He would discuss that with HCDA as they move forward. Kalaeloa has challenges different from many of the other areas in the region. Their focus on jobs should help to reduce traffic. Creating jobs and other opportunities in the area would help the community.

Member Timson commented that she is aware of the situation in Kalaeloa since she has been involved in the area since 1996 and knows of its

challenges. All the other developers are expected to do their fair share, so she expects the same from Hunt. She would have more faith if the State were able to negotiate with the Navy. As a community representative she would be watching and commented that there should be some cost share paid by Hunt for the surrounding infrastructure.

Mr. Braganza understood her concern and would look into it as they move forward.

Member Piper thanked Mr. Braganza for addressing the Authority. He shared Member Timson's concerns. He wanted to know what Hunt's plans were in soliciting input from the community. The community has been very active in Kalaeloa even when the State, City or the Navy wasn't looking after the area, the community organizers were doing things that nobody else would. How the area is developed is important to the Hawaiians. Member Piper wanted to know what role the community input would play.

Mr. Braganza stated that he has been working with the political representatives in the area. Since it is still early in the process, he doesn't have anything to tell people yet. He recently spoke to Representative Sharon Har and she requested a public meeting. Mr. Braganza didn't know when that would take place. He would like to get through the agreement with HCDA first, and then go out to the community meetings. They have met with all the political representatives that they could.

Member Piper cautioned that the community plays an important role and it is not enough to just deal with the elected officials. Kalaeloa is a long-term project and he thanked Hunt for stepping up and investing in the area. He asked that they incorporate community input.

Mr. Braganza committed to working with the community. Unfortunately, his time lately has been focussed on putting out fires and trying to get things under control. The other thing is that they haven't closed on the property yet so it is difficult to talk to the community when they don't officially own the property yet. They are in the area doing things even before they close. Not many developers would do that, but they are trying to be proactive. He asked for a little patience.

Member Saito commented that there must have been something that attracted Hunt to the 500 acres in Kalaeloa to make it a sweet deal. It is prime real estate on Roosevelt Avenue that is the most developable area. Hunt must have some ideas in mind with what they will do even if they don't have the details.

Ms. Tanaka noted that as part of the conveyance process, the Navy has to do an environmental assessment, which is equivalent to the State's Environmental Impact Statement process.

Mr. Braganza stated that he was the person who developed Ford Island. He worked seven days a week on it, so it pained him when they shut the project down after a year. There were some challenges. The Navy has been a good partner to his company. The Kalaeloa deal would not be his first choice as it is incredibly challenging starting out at negative \$220 million. He believes that they can make it work and that they can do incredible things there. Mr. Braganza would work with HCDA on the MOU and keep the community informed. However, he doesn't have answers today. They are just starting the planning process.

Member Saito commented that the 500 acres could have been conveyed to a lot of different organizations, but the Navy chose Hunt, a non-DOD agency, to convey to. The Navy needs to let the community know the reason why it makes sense for them.

Ms. Tanaka stated that the Navy was in a bind. The agreement tentatively allowed the Navy to resolve the issues without any taxpayer's funds. If Ford Island were transferred back to the Navy, the Navy would have to pay. Therefore, all the numbers have to work out on the Navy side. As the Navy conveys the property to Hunt, the Navy has to go through the Environmental Assessment process. The Navy has used HCDA's master plan as guidelines to follow.

Mr. Braganza stated that in 2003, Hunt had the opportunity to purchase the 499 acres. But they didn't do it as it happened shortly after 9/11 and there was a lot of concern in the market and they were already taking a risk with the properties that they had already acquired in Kalaeloa.

Member Dwight commented that Mr. Braganza mentioned working with HCDA on a MOU. He asked absent of the MOU, whether Hunt's position was that HCDA had jurisdiction of the development.

Mr. Braganza replied that he didn't have the answer to the jurisdiction issue. They are trying to figure it out and hoped that they could work with HCDA on that. When they take the land in fee, HCDA would have jurisdiction at that point. But during the interim, it is questionable.

Member Eng thought that it would be reasonable for the Navy and Hunt to fund its fair share on infrastructure because of the impact to the community as it develops.

Mr. Braganza responded that the question was premature because they did not know what the development was going to be or how the fair share would work yet. They would have to work on the utilities and compute the numbers and figure out how much they could spend.

Member Eng stated that it is clear that as the developer, they have to take care of their immediate needs within their property. He was looking for a commitment that whatever gets built, that they would be committed to paying its fair share. It is really important because if there is no commitment, there would be larger problems.

Mr. Braganza replied that he needed to understand the issues first. He can't give a blanket commitment on everything - infrastructure wise, because he didn't know what that would mean yet.

Member Eng stated that he was looking for an agreement in concept to provide infrastructure outside the parcel boundaries, which would be a direct result of the development's impact.

Mr. Braganza stated that he could commit to that.

Member Souza commented as a community member that the community feels short-changed in the Navy deal. The community knew HCDA's master plan. Now Hunt would be coming in and has 40 years to tell the community what they would do. It is not fair to the community. She reiterated what other Members have stated, that Hunt needs to include the community. Going to the elected officials from the beginning was not a good plan. There are community boards and talk story sessions that are available to introduce the company to them. The community is outraged.

Mr. Braganza appreciated Member Souza's input. He is not out there to cause problems. He along with the Navy reached out to the State to try to work with them to get the land upfront. They sent letters to DBEDT, but unfortunately the deal didn't work out. He is committed to working with the community. The Authority can beat him up or figure out a way to work together. Hunt brings money and expertise to the table so they could get a lot of things done. It is the Authority's choice to beat him up or work with him to make the project happen. He admitted that he is not perfect and is going to make mistakes along the way. But he is trying very hard. Mr. Braganza is excited

about the project and wants to develop something that the community would like.

Member Souza commented that the State would have invested in the project. Stating how much money Hunt was spending does not impress the community.

Mr. Braganza understood her point. But from his perspective he has a big pile of debt to worry about and it scares him.

Member Souza commented that they wouldn't do it if they weren't going to make a hefty profit.

Mr. Braganza stated that HCDA's report shows a negative \$220 million after 20 years of development. He has to fix that. But it is a big challenge. He would like to be able to work with HCDA to get there.

Member Souza asked whether he would commit to working with HCDA on a draft.

Mr. Braganza replied that he is working with Executive Director Ching on it.

Member Kimura commented that Ms. Tanaka mentioned that HCDA's master plan was the model for the Environmental Assessment. He asked her whether the Navy would make that a requirement to follow the plan.

Ms. Tanaka responded that would be between FIP and HCDA.

Member Kimura asked when they convey the property to make it a condition to follow HCDA's master plan.

Ms. Tanaka replied that in order to convey the property, the Navy has to do an Environmental Assessment and the master plan was the only document available. She stated that they may not follow it exactly.

Member Enomoto asked whether the Navy or the Admiral concurred with the Master Plan.

Ms. Tanaka replied that the BRAC PMO would be the one to concur and she needed to check with them because they weren't sure that they had to give their concurrence.

Member Enomoto asked whether there was a letter from the Navy concurring with the Master Plan.

Ms. Tanaka replied in the negative.

Member Saito wanted to know what was the deal that fell through with DBEDT.

Mr. Braganza responded that originally DBEDT and HCDA were working to get funding. The Governor announced that she wanted the land and spoke to the Navy about obtaining the land as a public conveyance for free. However, this particular land had to be conveyed at fair market value. Senator Inouye weighed in and determined that it had to be fair market value. There was legislation proposed to obtain state funding, but it didn't pass. At the Federal level, legislation was put in that required conveyance by 2008. Therefore, as the State didn't have funds to purchase the property, federal law required that it be sold at fair market value.

Member Saito commented that he understood the Federal legislation language, but asked what was the thought process or principle involved in conveying the 499 acres.

Ms. Tanaka responded that it was to develop Ford Island and to allow the Navy to sell the property, which was in the Ford Island legislation.

Mr. Braganza explained that the legislation allowed the Navy to sell certain parcels of land throughout Oahu in order to fund the redevelopment of Ford Island. The \$84 million came in originally from Ford Island. The 500 acres were not part of the transaction reached in 2003 because at that time the market wasn't very good.

Ms. Tanaka added that the Navy was looking at innovative ways to help develop Ford Island.

Chairperson Lai asked what was the fair market value offered by the State.

Mr. Braganza replied that he did not know the exact figure, but it was approximately \$75 million – high \$80 million. They did not do an appraisal.

Member Piper commented 500 acres for \$75 million and asked whether the Navy had appraisers.

Ms. Tanaka responded that they had third party appraisers.

Member Piper stated that as a taxpayer, he was appalled at the deal. The Navy entered into a contract with Hunt to do work on Ford Island and in exchange was given the opportunity to develop 40 acres of property there. In order to make Hunt whole, the Navy is making the decision to give 500 acres of prime property in Kalaeloa along with extended leases at Iroquois Point. It doesn't make sense. He again implored the Navy and Hunt to get community input.

Ms. Tanaka commented that she agreed with Member Piper.

Mr. Braganza stated that other appraisals done by HCDA came up with \$30 - \$45 million. Hunt paid almost double. He asked that the Authority research HCDA's appraisals on the property. When they were working with the State the value of the purchase was targeted at \$45 million. The point is that the appraisals were higher than HCDA's appraisals and what the State was willing to purchase the property for. There is significant liability associated with the 500 acres as well as the decreased value from an appraiser's standpoint.

Member Okada commented that it disturbed him that the project would not need City review and approval and that it seemed that the purpose of the lease is to bypass the State's permitting process.

Mr. Braganza replied that it was primarily a zoning issue. Currently, there is no zoning on the property. If the project is done in the traditional manner, nothing would get done. So they had to find a solution to get the value high enough to make the entire Navy deal work and they also wanted to move forward in a reasonable timeframe. Zoning is an issue. In Kalaeloa there are squatters and there is a major dumping problem. They had to spend \$20,000 - \$30,000 to clean up the dumping. Working with HCDA, they were able to put leases on the property to help with the security issues. That is a good example of how working together, things can happen out in Kalaeloa. He expects that will continue as they move forward. They have a difficult problem to solve and this is the solution, though it is not perfect.

Member Saito asked what the timeframe was for moving from lease to fee.

Mr. Braganza answered that he did not know.

Member Saito commented that they could construct in three to five years. He asked what would happen to all the restrictions that they bypassed once the land is conveyed to fee.

Mr. Braganza expected that they would work with HCDA and get a letter of concurrence on what they would build. But it is still an ongoing discussion that needs to be worked out.

Member Saito asked once they take it in fee would it then become county zoning.

Member Eng state that there is no zoning; it is zoned as P-1.

Member Saito asked whether after the constructions were completed without building permits and it is conveyed in fee would the City try to retroactively tell Hunt that they did not have building permits.

Member Eng responded that was a good question that he didn't have an answer for. Under the present situation, they could proceed under Navy ownership. Once it transfers, the Land Use Ordinance has a provision for it to automatically go to preservation district, holding the zoning until it decides what the zoning for the building is.

Member Formby commented that the Navy is now going through the Environmental Assessment review which would be released shortly. He asked whether the draft was sent to HCDA and would the community have an opportunity to comment. He was curious to find out how much community input was in the document.

Ms. Tanaka replied that she would check.

Member Kimura noted that it was early in the process, but asked how soon Hunt would have a master plan.

Mr. Braganza stated that there are a lot of ideas. Colliers Monroe and Friedlander recently did a market study for them. Hunt is now working on a timing perspective. His guess is that they may have something in six months. He commented that at some time the master plan might change. One of the big drivers of the area is the airport. Over the next 10 years, things might change with the airport. A lot of things would be fluid as dynamics of the community change over time and in a manner that cannot be predicted today.

Member Saito noted that they would need some pretty good plans before they go out to the community. He asked who would be involved.

Mr. Braganza replied that the plan outlines some intensive uses between the properties. As time passes, they would have time to develop the plans.

Member Saito asked who has received those plans for comments.

Ms. Tanaka replied that she would get back to the Authority.

Member Formby asked who was conducting the EA on behalf of the Navy and could HCDA get a copy of the draft so it could be reviewed.

Member Saito commented that HCDA should get a copy because it would be affected by the plan.

Member Okada asked that since the lease between the Navy and Hunt has not been finalized would it be possible for the Navy to put in the lease that Hunt would need to follow the master plan and have it approved by HCDA.

Ms. Tanaka replied that she would need to check with their legal counsel.

Member Okada stated his concern was that if Hunt comes up with a plan, it would just have to satisfy the Navy. The community would like some input and requested that language be put into the lease itself that they (Hunt) would need HCDA's approval.

Mr. Braganza commented that this is a different process, it is not Kakaako. He is working with Mr. Ching on how to work together on the zoning process. It is a very challenging project out there. They have to follow the regulatory process under the Navy regulations and on top of that they are working with HCDA on additional regulations.

Member Timson stated that the community's perspective is this company is coming in and is not going to be bound by anything. The environmental process has started, yet HCDA has not seen it and it would be completed in a few months. She found it hard to believe that though there are financial problems associated with the property, that Hunt would not make money on Kalaeloa at some point, otherwise the company would not be in operation. The community is concerned because the company is not bound by anything. People change, and then there is another perspective; the community has witnessed this over the years and it is frustrating.

Mr. Braganza stated that was a good point; there are changes to the Administration, legal standards, and in community viewpoints. It is a work in progress and everyone has to work together. There is a golden opportunity

here. A lot depends on how HCDA works together with Hunt. He is trying to fix the situation and make everybody comfortable with it.

Member Souza commented that Mr. Braganza stated that the outcome depends on HCDA. HCDA feels left out, especially the community. With the EA being released in a few months, she did not see where they engaged the community.

Mr. Braganza stated that the buck stopped with him. He would take responsibility for everything and try to fix it. If there is a problem, call him. He has committed to engaging the community, but he can't do it yet, maybe in three months. He would try to do a better job and if he is making a mistake, he should be told. He is looking for solutions, because he doesn't have all the answers.

Member Souza noted that Mr. Braganza spoke to Representative Har, but she hasn't spoken to the community or HCDA.

Mr. Braganza stated that they had preliminary conversations. He doesn't want to pass the buck to her. It is his fault that no report had been made to the community.

Member Chinn commented that community input is important. DHHL owns about 500 acres in the same area and they have not had a chance to discuss their development with the community. Infrastructure is important to all the landowners out there. She asked that when he has a meeting that he should include all the landowners in the area in the discussion.

Member Enomoto stated that there seems to be a regulatory gap between what the Navy can do on its property without having to consult with the plan. Until HCDA promulgates its Administrative Rules or sets the zoning for the district, it would remain in a gray area. If Hunt takes the land in fee, then City and County rules apply and it goes to P-2. It would be incumbent on staff and HCDA to craft that MOU with Hunt. He is not sure what the terms of the MOU would be.

Mr. Braganza stated that discussion is just beginning.

Member Enomoto commented that HCDA should craft a MOU with the Navy to ensure that the requirements of the master plan are being fulfilled. He relayed that a few years ago the Navy had a lease and in the process it blocked the road and the community was frustrated that access to the road was

blocked. The Navy and HCDA could work out an agreement where critical infrastructure such as roadways is somehow kept open and public.

Member Kimura excused himself from the meeting at 10:30 a.m.

Mr. Braganza stated that most of the roadways have already been transferred to the City and the State. He appreciated the proactive approach to address those things up front. The more ways that they work together with HCDA would be helpful to him.

Chairperson Lai thanked Ms. Tanaka and Mr. Braganza for their presentation and stated that the Authority looked forward to hearing more as the process moved forward.

Chairperson Lai requested that the record reflect that Members Chun, Eng and Enomoto were present.

V. EXECUTIVE SESSION

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

2. Lease of Lands at Kalaeloa: a) Lease of Building 36; and b) Navy/Hunt Lease pursuant to Section 92-5(a)(3) and 92-5(a)(4), Hawaii Revised Statutes, to deliberate regarding the authority of persons designated by the board to conduct negotiations involving the acquisition of public property, and/or to consult with the board's attorney on questions and issues pertaining to the board's powers, duties, privileges, immunities, and liabilities.

Chairperson Lai noted for the public that they would be asked to vacate the conference room while the Authority conducted deliberations on the above matter. He estimated that the discussion would take approximately one hour at which time the Authority would reconvene for an Action Item on the Execution of Lease of Building 36. Following the Executive Session and Action Item, Executive Director Ching would be conducting a workshop on matters pertaining to Kalaeloa for the benefit of the Authority and staff. While the workshop is intended to promote greater understanding and dialogue between staff and the Members, the public is welcome to observe. Chairperson Lai noted that there would be no decision-making or action taken during the workshop.

Since there were no questions regarding the procedures, Chairperson Lai entertained a motion to convene into the Executive Session. It was moved by Member Souza and seconded by Member Enomoto to enter into Executive Session. The motion carried 11 to 0 with 2 excused (Members Formby and Kimura).

Chairperson Lai requested that Executive Director Anthony Ching; Supervising Deputy Attorney General Diane Taira; Deputy Attorney General Eugene Won; Director of Planning and Development for Kalaeloa Tesha Malama; Director of Communications Craig Nakamoto; and Secretary Jill Sugihara join the Executive Session.

The Hawaii Community Development Authority entered into Executive Session at 10:32 a.m.

Member Kimura returned to the meeting at 11:00 a.m.

It was moved by Member Souza and seconded by Member Saito to reconvene the regular meeting. The motion was carried 12 to 0 with 1 excused (Member Formby).

The meeting was reconvened at 12:20 p.m.

V. ACTION ITEM

3. Request to Approve Execution of Interim Lease between the United States of America and the Hawaii Community Development Authority for Building 36 at the Former Naval Air Station Barbers Point, Hawaii.

Chairperson Lai noted that the Members had had an opportunity to review the proposed lease for Building 36 and asked whether there were any questions for the Attorney General's Office or of staff.

Since there were no questions or further discussion, Chairperson Lai solicited the pleasure of the Authority. Member Timson moved to accept the Interim Lease between the United States of America and the Hawaii Community Development Authority for Building 36 at the Former Naval Air Station Barbers Point, Hawaii. Member Dwight seconded the motion.

A roll call vote was conducted.

Ayes: Members Chun, Dwight, Kimura, Okada, Piper, Saito, Chinn, Eng, Enomoto, Souza, Timson, and Chairperson Lai.

Nays: None

The motion carried 12 to 0 with 1 excused (Member Formby).

Chairperson Lai called for a recess at 12:22 p.m. to allow the HCDA staff to join the meeting.

Members Dwight and Piper left the meeting at 12:30 p.m.

The meeting was reconvened at 12:37 p.m.

VI. WORKSHOP FOR MEMBERS

Chairperson Lai turned the workshop portion of the meeting to the Executive Director who would lead the discussions. Attached is Mr. Ching's PowerPoint presentation on the workshop (see Exhibits B and C).

Lunch was served as an integral part of the meeting during the Kalaeloa Workshop.

Member Saito asked what the revenue estimate was and what produces revenue.

Mr. Ching replied that the plan talks about how the State might generate revenues through entitlements in the course of developing land. The discussion with Hunt is clear in noting that while they may produce development, they would take the money that HCDA might have otherwise expected as its own revenues. Thus, the financing plan is ruined if HCDA does not have the 500 acres to work with as a potential revenue source. The short fall would be greater and it would have to be carried by State tax dollars or other CIP funding. Financing from grants would produce only a small amount of money.

Chairperson Lai stated that Mr. Braganza's negative \$220 million figure is not for just developing the 500 acres, but rather the whole Kalaeloa development district.

Mr. Ching affirmed that it would be for the whole district.

Member Timson asked what happens if those assessed don't pay. She asked why Carmel did not pay everything that was owed.

Mr. Ching responded that Carmel is paying its assessment on a semi-annual basis.

Member Timson commented that in the past when HCDA tried to collect, there wasn't anything that could be done to assure payment e.g., National Guard.

Mr. Ching replied that there should be a mechanism in place where the landowners would feel obliged to pay given enough time to plan for the payment. HCDA would let them know the projects that are being planned. They should pay for their fair share, but if they can't pay for it then the project is not going to get completed unless there is a CIP appropriation or grant-in-aid. Mr. Ching explained in his presentation that CIP funding is strictly designated for the Kakaako district and pays for Kakaako staff. Mr. Ching proposed to relax that restriction on the CIP funding to include the Kalaeloa district whereby Kakaako staff would be able to assist with work being done in the Kalaeloa district. Mr. Ching asked the Members their thoughts on relaxing the Kakaako and Kalaeloa restriction.

Member Saito asked what was the total budget for the four people for Kalaeloa.

Mr. Ching explained that there are only two Kalaeloa staff members. The other two positions are the Executive Director and the Secretary to the Executive Director. The four employees are covered under general funds.

Member Saito asked whether that was part of the general fund restrictions.

Mr. Ching explained that the project funding comes out of the revolving fund and proceeds come from the assessments. Out of \$800,000 assessed only \$240,000 have been paid. That hampers the ability to plan and do any projects.

Member Kimura asked whether there was a collection mechanism.

Mr. Ching replied in the negative.

Ms. Malama explained that the National Guard could not pay the assessment because 60% of their funding is from the federal government. However, if there is an infrastructure project that would affect their area, it doesn't negate them from contributing.

Mr. Ching stated that instead of going after the landowners, which he didn't think would be very effective, he would base the budget on projects that are worthy in pursuing. The office expenses would be capped. He would ask for projects that are needed and develop a budget for those projects. The landowners can figure out how much they can contribute, and then go back to the Legislature to say that the landowners have contributed this much, but this is the balance that is needed. The

assessment would be based on an incentive policy. If they contribute, they would get something back in return rather than an enforcement policy, which is punitive.

Member Saito and Mr. Ching engaged in a discussion about the \$196,000 budget for salaries and office expenses.

Ms. Malama clarified that the personnel cost was projected to hire a project manager for the district and not the salary of the current Kalaeloa staff.

Mr. Ching stated that the \$196,000 budget be discarded and a new budget should be developed which is based on the projects that the landowners are willing to contribute towards.

Member Saito stated that projects should be funded by CIP and salaries and operating expenses should be handled separately.

Mr. Ching responded that is how it is being done in the Kakaako district and that is the model. However, in the interim, he would like to relax the restriction on the existing appropriation for staff wages and benefits to assist the entire HCDA jurisdiction.

Member Saito stated that this proposal would need Legislative approval.

Mr. Ching replied in the affirmative. However, he wanted to get the Authority's approval first. He would then ask DBEDT and B&F for approval.

Member Saito questioned whether it was too late for this year.

Mr. Ching replied that the budget hadn't crossed over yet.

Member Saito didn't think it would be a problem for the next budget cycle.

Member Eng asked whether any monies were collected and whether it was done the same way in Kakaako.

Mr. Ching said that for Kakaako assessments were collected from private entities and not state agencies. In Kalaeloa the landowners are all government agencies.

Member Souza commented that the assessment calculation is based on the acreage amount. She asked whether it would be possible to calculate it based on usage rather than acreage because some of the acreage is not being used. Use a different rate sheet like for water, household is calculated differently from a condo. She asked whether it would be fairer if it was based on actual generating income.

Mr. Ching replied that this could be a better way. The greater issue would be to identify the budget figure that would be assessed. If it was based on the project benefit it might be easier to collect and enforce.

Member Saito said that the first step would be to ask that the restriction be relaxed. Relative to the assessment, he agreed that assessment based on acres didn't make sense. It might be based on the percentage of service that is provided.

Mr. Ching stated that this was good feedback. He would proceed on getting specific allocation for staff wages similar to Kakaako and ask for CIP project monies separately. Communities and stakeholders have to be involved in the development of the project basis.

Member Saito commented that everybody should be included in the budget cycle. Everyone should be convened in a series of meetings and where they would be asked what their plans are.

Mr. Ching responded that staff needs to be efficient in obtaining that feedback.

Member Timson stated that the question remains what would be done to those that won't pay the assessment. The National Guard is a good example if the assessments are based on usage. The National Guard uses the area more than the people who live there do.

Mr. Ching stated that if the National Guard is prohibited from paying there is a greater issue. It may not be worth fighting over and more effective to just ask the State Legislature for the money to get the project completed.

Member Saito stated that there would be a four percent cut across the board on everyone's budget.

Member Chinn asked whether Townscape was helping HCDA with the Administrative Rules and asked for the status.

Mr. Ching replied that there was a glitch in the contract management. The Rules need to get done as soon as possible and ensure that there is community feedback on the Rules.

Member Saito asked whether he was talking about Chapter 91.

Mr. Ching replied in the affirmative.

Mr. Ching continued his presentation on the public outreach portion.

Member Timson commented that the community groups that were formed – Kalaeloa Advisory Team, Kalaeloa Community Network Group, and Kalaeloa Public Safety Group – are important and that staff should be sensitive to them because they are doing the work for HCDA without getting paid. They are doing things on a voluntary basis. Member Timson relayed that she recently drove to Kalaeloa on a Sunday and was stopped by a Navy checkpoint that was doing identification checks. That was created because of the community groups that were formed. The entrance is beautiful and those groups created that. She wants to ensure that the Kalaeloa staff has touch with these community outreach groups.

Mr. Ching did not disagree. However, he is also a taskmaster and staff has to also work on the Rules. Staff will also have to manage projects too.

Member Saito commented that Chapter 21 has procedural requirements regarding notice to the public. He assumed that there would be a complete set of Administrative Rules to govern Kalaeloa.

Mr. Ching noted that a component of the Rules that need to be developed would be a master plan regulatory function. In that way if Hunt or anybody else does a master plan there would be strict requirements to meet. Thus, rule making is important. Community input is also important and this would be an ongoing effort. At the same time staff has to work on the Rules and manage projects.

Member Timson stated that Hunt should be made aware that HCDA believes that it has the authority to say that these are the rules and they need to follow them. The Authority is tasking the Executive Director to communicate to Hunt advising them of this in writing.

Chairperson Lai added that it is important to note that Hunt and everyone else knows that they are bound by the jurisdiction of HCDA. So staff should work on a letter that is clear to Hunt and the Navy.

Mr. Ching asked whether the Chairperson wanted him to draft a letter for his signature asserting HCDA's jurisdiction in Kalaeloa.

Chairperson Lai replied in the affirmative.

Mr. Ching clarified that staff should draft for the Chairperson's signature the position of the Authority and how to move forward with Hunt's development.

Mr. Ching stated that he would work with Chairperson Lai in drafting the correspondence to Hunt and the Navy.

Member Timson commented that perhaps everybody needs a friendly reminder on the assessments. HCDA is assessing your agency because it has the authority to do so and that way there is one message to everyone that HCDA is in charge.

Member Saito noted that the commercial ventures pay, it is the government agencies that do not.

Member Chinn noted that DHHL paid.

Member Saito asked whether Honolulu Police Department (HPD) patrols the Kalaeloa area.

Ms. Malama responded that over the last year, the Navy security has added 15 new recruits in the area. Last year there would be 14 vehicle break-ins every weekend, since January of this year, there has been only one. That is the result of the Public Safety group. There are about 60 different volunteers who are focused on different areas in the community. The Navy has increased their watch and HPD has increased their morning and last watch in the district. Mr. Braganza mentioned the work he has been doing in removing vehicles that is because the Kalaeloa Public Safety Group is the avenue he is utilizing to do this work.

Member Saito asked whether the two-man four-hour patrol was in addition to HPD's own staff.

Mr. Ching replied in the affirmative that HCDA would pay for a uniform security contract. Other options would be to see whether the Sheriff could provide some coverage.

Member Saito stated that the Sheriff's department has the same staffing issues; they don't have enough.

Mr. Ching commented that they want positions and not cash. They want a CIP position that they can fill because of the count. At some point private security is going to ultimately cost more.

Member Saito noted that private security is ineffective because the people don't listen.

Mr. Ching suggested for efficiency in reviewing the activity reports, if Members have specific questions, they may give it to staff prior to the meeting so that the agencies can come prepared to respond.

Member Timson commented that she feels that the reports are important and should remain on a month to month basis because it keeps their feet to the fire. Some times it is hard to ask a question if you don't know what is going on. The problem that HCDA had in the past was that they didn't know what was going on out there. But with the reports, the Authority was finally able to get them on board. She appreciated Tesha's monthly reports because she is out there on a daily basis. The reports are an important way to let the agencies know that HCDA is watching them and will help them do their job better.

Mr. Ching clarified that the monthly activity report requesting the narrative and information would be done routinely.

Member Timson replied in the affirmative. The agencies don't always have to come. But it should be done every month so the Authority knows what's going on out there.

Mr. Ching stated that he would make it a standard procedure to get monthly reports from those agencies.

Member Souza commented that it doesn't necessarily have to be negative, but the Authority would want to celebrate the good things as well.

Member Timson noted that they could tell the Authority anything, just as long as they say something of substance.

Member Saito asked whether the Administrative Rules would have a Table of Contents.

Ms. Malama replied in the affirmative.

Mr. Ching stated that the model would be the Kakaako Mauka Rules, but it would be extensive to cover enforcement, non-compliance, master plan approval process, zoning categories, design guidelines for common areas as well as private property setbacks. He would get the table of contents to the Authority Members and keep everyone informed as to how the Rules were progressing. Staff is obliged to send correspondence from the Chairperson indicating HCDA's desire to be kept apprised to maintain certain leases and Navy matters.

Ms. Malama provided a brief update on the rules. The Kalaeloa Advisory Team was put together in October 2007 and from there, subcommittees were established. The

subcommittee has been meeting twice a month discussing land uses. As soon as a sizable chunk has been discussed it would hit the rest of the community groups' agendas and also sent to the Authority as part of the staff report.

VII. ADJOURNMENT

There being no further business, it was moved by Member Enomoto and seconded by Member Saito to adjourn the meeting at 1:55 p.m. By a show of hands, the motion passed 10 to 0, with 3 excused (Members Dwight, Formby, and Piper).

Respectfully submitted,

/s/

Jonathan Lai
Chairperson