

HCDA/Kewalo Ocean Activities Meeting
June 30, 2008 5:30 p.m.
University of Hawaii John A. Burns School of Medicine, Room MEB 301
Meeting Summary

I. Call to Order

The meeting, facilitated by Anthony Ching, HCDA Executive Director, was called to order by Mr. Ching introducing himself and asking each of the attendees to do the same. Mr. Ching reviewed the agenda posted on the board and told attendees that the purpose of this meeting was to review the outcome of the June 18, 2008 meeting, discuss the current rules versus the proposed rules in relation to the issues discussed at the May 21, and June 18, 2008 meetings, inform the attendees of the process and timeline to move forward, suggest the formation of a stakeholder working group, and discuss the next meetings' possible topics.

II. Prior Meeting

Mr. Ching noted that the meeting summaries for the May 21, 2008 (corrected version) and June 18, 2008 meetings were distributed. If there were any corrections to be made, the attendees were asked to notify the staff.

A follow up discussion on the Kewalo Inventory of Slips ensued. At the June 18, 2008 meeting, an inventory of the slips was posted showing revenue of approximately \$400,000 per year. Attendees commented that the annual revenue amount may not include daily rentals. Mr. Ching followed up with Dennis Okimoto, the harbor agent. Daily rental revenue is approximately \$96,000 per year, according to Mr. Okimoto.

Mr. Ching also reported to the attendees that the annual revenue amounts do not, but should, include dockage fees paid by the commercial fishing fleet (longliners) to the fish auction. At the next meeting, the amount collected from the longliners will be reported.

A meeting will be held with the Department of Transportation ("DOT") to discuss transition and financial matters and a follow up meeting will be scheduled with the stakeholders. Mr. Ching acknowledged that the revenue numbers need to be confirmed further, as Mr. Reg White said that a State auditor's report appears to indicate higher revenues. Mr. Ching believed that the fast land rental and parking charges revenue were included in the audited numbers but were not included in the \$400,000 harbor revenues, but ticket booth rentals, and rent from the commercial building (fronting Ala Moana Boulevard) were included. The financial review will also confirm what fast land revenues are included or not included with the harbor.

Mr. Ching then directed the attendees' attention to the sheets from prior meetings, posted on the board: in priority order, the harbor/facilities issues identified and

prioritized by attendees at the May 21, 2008 meeting; (ii) review of past accounts, (iii) HCDA’s operating principles, and (iv) ground rules. HCDA’s operating principles are:

- Support existing commercial harbor activities,
- Address deferred maintenance items,
- Ensure monies earned in Kewalo stay in Kewalo,
- Provide efficient and fiscally responsible management, and
- Work with stakeholders to make sure that Kewalo remains a viable asset to the State of Hawaii.

Tonight’s discussion on the rules, Mr. Ching mentioned, is appropriate since HCDA’s required a 30-day notice to resume rulemaking was mailed to the plaintiffs in the KOA lawsuit on May 27, 2008.

III. Proposed Rules

Mr. Ching, again, pointed to the sheet posted on the board which lists the harbor/facilities issues identified and prioritized by attendees at the May 21, 2008 meeting as follows:

- Adopt DOT rules “as is” (16)
- Preserve commercial fishing uses in harbor (12)
- Pedestrian access to harbor
- Improve ingress/egress to harbor (10)
- Fees (moorage, application, parking, % rent, drop, etc.) (10)
- Establish revenue generating activities, “activity generators” (9)
- HCDA’s lack of harbor operating experience (4)
- Have KOA manage the harbor (3)
- Deferred maintenance of facilities (2)
- No transfer fee; visibility from Ala Moana; crime and homelessness; security response; access for vessel maintenance (loading zone) (1)

Next, the attendees’ attention was directed to a sheet posted on the board as follows:

<u>Rates/Current Rules</u>	<u>Rates/Proposed Rules</u>
<p>Adopt DOT rules/rate schedule “as is”</p> <ul style="list-style-type: none"> • Rate schedule does not support repair and maintenance (R&M) 	<p>Rate schedule updated for Consumer Price Index (CPI)</p> <ul style="list-style-type: none"> • Rate schedule supports R&M and Capital Improvement Projects (CIP)
<p>Preserve commercial uses “restricted use”</p>	<ul style="list-style-type: none"> • Priority for commercial users • Rules preamble language will be added • While the repair and maintenance projects are pending, slips will only be available to commercial users

Pedestrian/vehicular access enhanced <ul style="list-style-type: none"> Schedule does not support 	Capital improvement projects <ul style="list-style-type: none"> Schedule supports R&M, CIP projects
Fees <ul style="list-style-type: none"> Deficit situation without support for R&M, CIP. 	Rate Scheduled tied to CPI <ul style="list-style-type: none"> Supports CIP, R&M

To illustrate that the current DOT rate schedule does not support the proposed repair and maintenance projects, Mr. Ching showed the attendees the following comparison between the DOT 2007 budget and HCDA's projected 2008 and 2010 budgets:

<u>DOT Budget (2007)</u>	<u>HCDA</u>	
Budgeted	2008	2010
\$533,963	\$605,252*	\$1,657,631**
Less operating costs, M&R, supplies, utilities	Less operating costs, M&R, supplies, utilities	Less operating costs, M&R, supplies, utilities
(\$144,925)***	(\$107,330)***	\$864,864***
* 2008 – 12.5% CPI adjustment, DOT actual occupancy. ** After capital improvement projects (CIP) completed near full occupancy. *** Before owner's expense, CIP, and debt service factored.		

The various operating costs allocable to the tenants in the harbor were read to the attendees by Mr. Ching and include security, landscaping, pest control, maintenance and repair, salary and benefits, janitorial service.

The attendees were given an opportunity to comment on the latest version of the proposed rules (version 6). Mr. Ching told the attendees he would listen to their comments, which could be submitted even after this meeting. The questions/comments from the attendees were listed on a sheet by Mr. Ching, labeled "Bin". Mr. Ching promised to respond to those and any other questions or comments on the proposed rules, but noted that his review of the chronology shows that the rules have been revised many times. The questions/comments in the "Bin" are as follows:

Bumping pleasure for commercial users.
Consider Honolulu Harbor, other factors, market study in design of projects.
When designing projects, consult/work with stakeholders not just existing permittees.
Rules allow for doubling of rent if HCDA makes improvements.
Can longliners pay for the slip as a group?
Permit form is new and was not vetted. <ul style="list-style-type: none"> Review and comments is needed on this item.
Harbor agent right to evict at anytime.
Proposed rules are overly burdensome with respect to ADA requirements.

IV. Process and Timeline for Rules

Mr. Ching shared the HCDA’s timeline for the adoption of the proposed rules:

<u>Rules</u>		<u>Improvement Projects</u>
July	SBRRB Presentation	
July – Aug.	DOT meeting <ul style="list-style-type: none"> • Follow-up stakeholders meeting 	
Sept.	Authority approval to send to Governor	Authority approval for design monies.
Oct./Nov.	Governor’s Review	↓
Dec.	Adoption of Rules	
		Improvements completed 2010

Stakeholders are, however, invited to continue to submit their comments and questions to HCDA.

Mr. Ching suggested that the stakeholders form an advisory working group that HCDA could consult with on proposed repair and maintenance projects and the operation and management of the harbor.

V. Next Meeting

The next meeting will be scheduled after HCDA meets with DOT officials regarding the transition and financial review.

Attachment: Exhibit A – Attendance List