

HCDA/Kewalo Ocean Activities Meeting
May 21, 2008, 5:30 p.m.
University of Hawaii John A. Burns School of Medicine, Room MEB 301
CORRECTED MEETING SUMMARY

I. Background

Responding to a request by two members (Reg White and Mike De Rego) for the HCDA to re-engage in discussions regarding Kewalo Basin, the operation and management of approximately 81 permittees and existing stakeholders were invited to a meeting facilitated by HCDA Executive Director, Anthony Ching. The purpose of the meeting was to:

- A. Acknowledge the industry wide economic and regulatory pressures faced by the commercial fishermen, charter fishing fleets, and tour operators.
- B. Identify, with input from the attendees, other issues relating to the future operation of Kewalo Basin.
- C. Share with the attendees the Hawaii Community Development Authority's (HCDA) operational priorities and guiding principles for the operation of Kewalo Basin.

II. Industry-Wide Issues

These are the industry-wide economic and regulatory issues identified by the attendees. The attendees acknowledged that these issues are caused by external factors, which are beyond the control of HCDA.¹

TALLY	INDUSTRY-WIDE ISSUES	VOTES
√√√	Rising fuel costs	6
√√	Regulatory restrictions on fishing operations	5
	Competition with operators at other harbors	
√	Income and excise taxes	
√	Slumping tourism market	6
	Overall economy	
	Reduced tourist spending	1
√√	Lack of harbor alternatives	3
	Competition with other attractions for tourism dollar	
√	Decline in fish stocks	2

¹ "Tally" - indicates other individuals concurred with the importance of a particular issue.

TALLY	INDUSTRY-WIDE ISSUES	VOTES
	Imported fish	
	Costs of labor and benefits	1
	Labor supply	1
√	Costs of maintenance	
	Pending OHA transfer	
	Legacy of business and business being available to successors	4
	Sustainability of food production (don't injure the resource)	1
√	Longevity, safety, and security of business	4
	Other regulations that cost money out of pocket (CG credential DOH wastewater)	2
	Rising cost of liability insurance	
	Rising cost of shipboard security	
	Basin infrastructure	3
	Unknown effects of global warming	
	Protecting one's business investment	3

III. Harbor/Facilities Issues

These are the issues related to the harbor and/or the facilities that can be addressed by HCDA in its operation and management of Kewalo Basin.

TALLY	HARBOR/FACILITIES ISSUES	VOTES
	Bus parking that does not bring in clients/customer	
√	Pedestrian access to harbor should be enhanced/maintained, including: <ul style="list-style-type: none"> • Taking advantage of proximity to Waikiki • Improving ingress/egress to harbor 	10
	Eliminate transfer fees	1
√√√	Establish revenue generating activities that attract visitors on Ewa and Makai lands (magnets) including the following: <ul style="list-style-type: none"> • CPAC findings will negatively affect harbor • Lack of activity generators (i.e., fish auction, stores, Fisherman's Wharf, fishing) • Lack of facility amenities (gray water pump out, fuel dock, restrooms, convenience store, bait shop) 	9
√√	Adopt DOT rules as is	16
	Have KOA manage the harbor	3
√	Fees (moorage, application, parking, % rent, drop, etc.)	10
√	Deferred maintenance of facilities	2
√	Visibility from Ala Moana Boulevard	1
	Lack of marketing support	
√√√√√	Preserving commercial fishing uses in harbor	12
	Inflexible administrative rules for harbor	

TALLY	HARBOR/FACILITIES ISSUES	VOTES
√√	HCDA's lack of harbor operating experience	4
	Property management adds additional layer of fees	
√	Retention of maintenance fees \$ surplus for harbor improvements	
	DOT refund of surplus funds	
	Crime and homelessness	1
	Reciprocity – buses and ships	
	Security response	1
	Access for maintenance vehicles to vessels (loading zone)	1
	Abandoned vessels	
	Transients not paying fair share	
	Harbor configuration	
	Displacement of existing users by pleasure craft	
	Lack of appropriate dry dock facilities ramp	
	Access to Kewalo from GGP properties over/under Ala Moana Boulevard	
	Continue park promenade to Ala Moana Boulevard	

After the voting was completed, a separate discussion ensued about the priority for the issuance of regular mooring permits to commercial boaters versus pleasure craft boaters. The following are the issues identified by the attendees:

Group feels that there would be no vacancies in harbor
There is sufficient need for commercial slips (illegal charters in Ala Wai)
Full-time slips only available to commercial
Temporary slips only to certified operators after commercial wait list exhausted

IV. Informational Items

The following items were provided to the audience for orientation and perspective.

- A. Kewalo Ocean Activities, et al vs. Dinell, et al. The attendees were informed that a final judgment in this lawsuit has been entered by Judge Karen Ahn and that an appeal has also been docketed.
- B. Funding Source. Reg White and Mike De Rego requested that the HCDA update stakeholders as to the financial position of Kewalo Basin. HCDA staff consulted with the DOT and issued the following statement. The following statement was read to the attendees:

“The entry of a final judgment (pending the outcome of the appeal) in the Kewalo Ocean Activities lawsuit necessitates that both the Department of Transportation (DOT) and HCDA move forward in transitioning the management of Kewalo Basin from the DOT to the HCDA. Given the pending appeal of the final judgment, the date for the transition has not yet been agreed upon.

The DOT has assured HCDA staff that it will work with the HCDA to ensure a smooth transition. Issues regarding the management of the harbor, security and maintenance have been identified. The transition will involve the transition of the management function from the DOT to the HCDA (i.e., administration of rules and management of daily operations), security, and maintenance of the Kewalo Basin. The DOT has already indicated a willingness to provide maintenance and management services to the HCDA on a contract basis until a replacement can be secured. In addition, the HCDA understands the need to have a security plan in place at the time of transition.

The parties will also jointly review the Kewalo Basin financial statements, using generally accepted accounting principles, to ensure that the statements are accurate in all material respects as of the date of transition. This review will quantify both the receipts and expenditures related to the operations at Kewalo Basin and will also address any legislative appropriation earmarked specifically for Kewalo Basin. It is our expectation that the review of the Kewalo Basin financial statements will enable us to put all financial issues to rest. Our initial indication is that the Kewalo Basin operations produced neither a significant surplus nor a significant deficit over the transition years and that there will be no significant amounts of money to be credited to the HCDA on the date of transfer.”

- C. Cost of a Private Harbor Manager. Messrs. White and De Rego also requested that the HCDA address the comparative costs of utilizing a third-party to manage the Basin versus the existing two civil servants. HCDA reported to the attendees that the proposed annual cost of a private manager is \$216,000, while the annual salary and benefits for the DOT manager and one staff person were \$284,000 for the year 2006. Mr. Ching noted that for the purposes of computing cost, we are obliged to add approximately 40% as a mandatory benefit overhead for civil servants.
- D. HCDA’s 30-day Notice to Resume Rulemaking. The attendees were informed that HCDA intends to provide Kewalo Ocean Activities and Kahala Catamarans, Inc. with a 30-day notice to

resume rulemaking for Kewalo Basin, and that a letter will be sent to Kewalo Ocean Activities and Kahala Catamarans, Inc.

V. HCDA's Guiding Principles for the Operation and Management of Kewalo Basin

Mr. Ching indicated that the following guiding principles would govern the HCDA's activity at Kewalo.

- A. Supporting existing commercial harbor activities.
- B. Addressing deferred maintenance items.
- C. Ensuring that monies earned in Kewalo Basin, stay in the harbor.
- D. Managing Kewalo Basin efficiently and in a fiscally responsible manner.
- E. Working with stakeholders to make sure that Kewalo Basin remains a viable commercial harbor asset for the State of Hawaii.

Attachment: Exhibit A – Attendance List