

SUMMARY - MEETING NO. 306
HAWAII COMMUNITY DEVELOPMENT AUTHORITY
State of Hawaii

June 7, 2006 – 9:00 a.m.

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

ATTENDANCE

Members Present: Michael Goshi; Paul Kimura; James Kometani; Gary Kondo; 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); and Evelyn Souza.

Members Absent: Grady Chun; Rodney Haraga (DOT); William Aila, Jr. (Kalaeloa Member); and Maeda Timson (Kalaeloa Member).

Others Present: Daniel Dinell; Melvin Nishimoto (Deputy AG); Stanton Enomoto; Arnold Imaoka; Richard Kuitunen; 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 June 7, 2006, by Chairperson James Kometani at 9:00 a.m. with the following roll call:

Chairperson Kometani	Present
Member Goshi	Present
Member Kimura	Present
Member Kondo	Present
Member Lai	Present
Member Liu	Present
Member Mukaigawa	Present, arrived at 9:07 a.m.

Member Shiraki	Present, arrived at 9:13 a.m.
Member Thomason	Present
Member Chinn	Present, Arrived at 11:00 a.m.
Member Sokugawa	Present, Arrived at 11:00 a.m.
Member Souza	Present, Arrived at 11:00 a.m.

MATERIALS DISTRIBUTED

1. Agenda for June 7, 2006, Meeting;
2. Summary Minutes of Authority Meeting of May 3, 2006;
3. Report of the Executive Director;
4. Kalaeloa Status Report;
5. Information Item: Presentation by Cooke Clayton LLC on the Proposed 720 Kapiolani Boulevard NCR Building Renovation Project;
6. Information Item: Update on Request by the Office of Hawaiian Affairs for Development of its Headquarters and a Cultural Center on Lot 1 of the Kakaako Waterfront;
7. Action Item: Recommend Approval to Expend Revolving Funds to Contract for Security Services for Kakaako Waterfront Park, Kewalo Basin Park and Kakaako Makai Gateway Park;
8. Action Item: Decisions Relating to the Kakaako Waterfront January 12, 2005 Request for Proposals and Authority Options Relative to House Bill 2555, H. D. 2, S. D. 2, C. D. 1, Relating to the Hawaii Community Development Authority; and
9. House Bill 2555, H. D. 2, S. D. 2, C. D. 1, Relating to the Hawaii Community Development Authority (distributed at the meeting); and
10. Executive Session: Executive Director Performance Evaluation (distributed at the meeting).

Vice Chairperson Goshi thanked Chairperson Kometani and Member Kondo on behalf of the entire board for their service on the Authority. Since both of their terms expire on June 30, 2006 today will be their last regular meeting. Member Kondo has served on the Authority since April 2002 and Chairperson Kometani has served on the Authority since May 2001.

Chairperson Kometani introduced two new Members of the Authority – Amanda Chang and Scott Bradley – both of whom were present and part of the audience.

Chairperson Kometani explained that Ms. Chang replaces him as an At-Large Member. She is an attorney specializing in immigration law. Prior to her law career, she was the President and Principal Broker of Amanda Chang Realty, Inc. and a real estate broker and supervisor at Prudential Locations, Inc. Ms. Chang was also a teacher. She serves on the Boards of the

Christian Legal Society, Syngman Rhee Society, and Korean American Bar Association of Hawaii.

Mr. Bradley replaces Member Kondo as a County Member. He is the Managing Director of Coldwell Banker Pacific Properties. He has been a realtor in Hawaii for 22 years. He is the director of the National Association of Realtors and the Chair of the Hawaii Chapter of the Young Presidents Organization and is on the Board of Directors for the Hawaii Historic Foundation, American Red Cross, Hawaii Business Roundtable, and the Diamond Head Theatre.

Chairperson Kometani explained that Ms. Chang and Mr. Bradley were recently confirmed by the State Senate for terms that start on July 1, 2006, and run until June 30, 2010.

II. APPROVAL OF MINUTES

Chairperson Kometani deferred approval of the minutes, as nine Members are needed to approve the minutes that include both Kakaako and Kalaeloa items.

III. REPORT OF THE EXECUTIVE DIRECTOR

Daniel Dinell noted that the full Executive Director's report was enclosed in the packet distributed to the Authority Members, and highlighted and updated the following:

- Mr. Dinell announced that there would be a public informational meeting to discuss the Mauka Area Plan and Rules on June 13, 2006, at 6:30 p.m., at the Ward Warehouse, Kakaako Room. A meeting notification was sent to all property owners and lessees on record; community members and agencies who requested notification; the Ala Moana/Kakaako Neighborhood Board; and the Kakaako Improvement Association. The meeting notice was also posted on HCDA's website and a media advisory was sent out. A project update will be presented at the Authority's August meeting.
- The Housing Subcommittee was given an overview of planning and zoning issues by staff on April 27, 2006. A focus group session to elicit input from interested parties on the reserved housing issue is scheduled for June 16, 2006.
- The Department of Transportation (DOT) Harbor's contractor has completed demolition of all the structures at the abandoned GRG fish auction site except the ice chute and adjoining wooden structure. The State Historic Preservation

Division (SHPD) has approved demolition of the fishing gear building and offsite curation of the ice chute. Photo documentation has been completed and submitted to SHPD. Staff is coordinating demolition of the final structures with DOT Harbors.

- Notice to Proceed was issued on April 24, 2006, to Park Engineering to proceed with environmental remediation and preparation of demolition plans and site improvements for the former University of Hawaii Marine Mammal Laboratory at Kewalo Basin.
- The Fiscal Year 2005 Audit was recently completed and distributed to Members. The audit will be posted on HCDA's website.
- On June 2, 2006, the Governor signed HB 1880, H. D. 2, S. D. 2, C. D. 1 that transfers jurisdiction over Piers 1 and 2 from the HCDA to the State DOT and Foreign-Trade Zone, effective July 1, 2006.
- In May, the Pearl Harbor Kiwanis Club conducted a clean-up of the Historic Ala Moana Pump Station grounds. The group has expressed interest in adopting the site as an ongoing beautification project. HCDA is currently working on a Development Strategy Plan for the site and adjacent land. In the meantime, improvements planned include: installation of a water meter and irrigation system to water the grass around the building; and the removal of the dirt on the Diamond Head side of the lot to create a small parking area.

Chairperson Kometani asked whether there were questions on the Executive Director's Report. There were none.

IV. ITEMS FOR INFORMATION

A. Presentation by Cooke Clayton LLC on the Proposed 720 Kapiolani Boulevard NCR Building Renovation Project

Arnold Imaoka summarized the Information Item distributed to the Authority concerning this matter.

Mr. Imaoka explained that HCDA, through its Mauka Area Plan and Rules, has sought to accommodate different types of residential projects from single family dwellings to high-rise development. The project being presented is an example of a smaller scale project that will add diversity and character to the area.

The applicant, Cooke Clayton LLC, is proposing the adaptive reuse of the former NCR building into a mixed-use commercial and residential loft project.

The project is being processed as a Base Zone development which allows a density of 1.5 FAR and height of 45 feet. As a Base Zone development project, no reserved housing is required as would be in the case of planned development projects that include incentives for higher density and height.

Mr. Imaoka explained that the purpose of today's presentation is for the applicant to provide general project information. At the July 5, 2006 Authority meeting, a public hearing will be conducted and public comments solicited on a request for modifications from height and rear yard setback requirements. At the August 2, 2006 Authority meeting, staff anticipates a decision on the modifications and development permit.

Mr. Imaoka introduced Chris Deuchar of Cooke Clayton LLC.

Mr. Deuchar explained that the NCR building is the former National Cash Register Building located on Kapiolani Boulevard and Cooke Street. The project is across the street from the Imperial Plaza and BMW, on its Ewa side is the Lexus dealership, and Yanagi Sushi and the Waterhouse Building are nearby.

Cooke Clayton LLC purchased the property in January 2005. The initial intent was to renovate the building, keeping it as an office building and possibly include a car dealership. As the owners started to move forward and became more familiar with the building as well as the rules of Kakaako, they started to look at doing something different for Kakaako as well as for Honolulu in general. They decided on a loft type mixed-use project.

Mr. Deuchar explained the background of the building. The original building was the Young Building. In 1949, NCR acquired it and built the 60-foot tower portion as well as the back portion with two stories. Since it was originally an office building, there is a height of approximately 12 feet from floor to ceiling. Cooke Clayton LLC elected to save the building since it is extremely well built so there is much value in the existing structure. There was quite a bit of asbestos in the building, which was removed and remediated. The building abuts the property line with about an eight foot overhang onto the sidewalk area along Kapiolani Boulevard that will need to be setback. The property is zoned MUZ (Mixed-Use Zoning).

Cooke Clayton looked at various projects in San Diego, San Francisco, and Portland for inspiration. They decided that they did not want to do a planned development high-rise, but more of a mid-rise development. They also wanted to keep construction cost down to provide a non-luxury product because the site offers no views.

As it stands, the existing ground floor contains about 15,000 square feet. Cooke Clayton is proposing to set the building back 15 feet off Kapiolani Boulevard and a portion of Cooke Street to open up the intersection as well as create an area where people can gather with 7,300 square feet of retail space. They are hoping to have a coffee kiosk with some tables and chairs. Parking will be located in back of the existing building and also on the second floor.

Parking stalls will also be provided on the first floor for the residential units. The loft units will be above the retail and parking areas. The units will vary in ceiling height because of the sloping parking ramp below. Some of the units will take advantage of the height with some of the units having a second story. The rest of the units will vary in ceiling height from 10-feet to 13-feet. In the existing tower, there will be four units and then eight units on the new portion above the parking lot. To give the building an urban feel, they have created roof top decks. There will be a common area where building tenants can gather to barbecue and each of the top floor units, as well as two units on the second floor, will have their own private roof top deck areas where they can have planters or outdoor barbecue areas.

Mr. Deuchar ended his presentation with a sketch of the elevation of the project and thanked Mr. Imaoka for guiding them through the Kakaako rules.

Chairperson Kometani asked Members whether they had any questions.

Member Goshi commented that it was an outstanding design and thought that there should be more projects like this one. He asked, based on the experience in developing similar projects on the mainland, whether the project could have benefited by having a higher FAR.

Mr. Deuchar clarified that although they were inspired by projects on the mainland, his company has not developed any projects like this on the mainland. He responded that if they had more FAR, they could have built more. But, he noted, then they would start looking at other types of developments. There is a limit as to what can be built height- and volume-wise, depending on the type of construction. They are using the existing concrete building and anything new would be light gauge metal, which has limits as to what can be done.

Member Goshi commented that because it is a renovation project they could get by with less FAR for the area, but for a new project they would probably need more FAR to offset the cost.

Mr. Deuchar responded that there is a lot of value in the existing building. The other challenge was the structure's odd configuration. They have run into many obstacles, partly because of the depth of the property and partly due to using the existing structure.

Member Goshi stated that the rules limit what people can do so the Authority always question the developers on the problems they encounter.

Mr. Deuchar responded that the challenge was with the site layout, and with adapting the existing the structure. The FAR plays a big part in any development, but land cost is also a major factor.

Member Mukaigawa asked what the projected sales price of the residential units would be.

Mr. Deuchar responded that he didn't know as yet because they are just beginning the design phase. However, in their minds they did not want it to be a luxury product. They want to build a nice product, but not on the high end.

Member Mukaigawa noticed that there were 100 parking stalls and asked whether they would provide two parking stalls per unit.

Mr. Deuchar answered in the affirmative. Since the project doesn't have height and views and no pool area with a lot of amenities, the maintenance fees should be lower keeping the units on the affordable side. Thus, they wanted to give every unit two parking stalls with the exception of two studios, which will only have one stall each. The project actually contains 21 more stalls than HCDA rules require.

Member Mukaigawa questioned how many stalls would be allotted for commercial use.

Mr. Deuchar responded 28 stalls and the requirement is for 17.

Chairperson Kometani thanked Mr. Deuchar for his presentation.

Chairperson Kometani requested that the record reflect that Members Mukaigawa and Shiraki were present and stated that the approval of the minutes could be taken up at this time.

II. APPROVAL OF MINUTES

1. Minutes and Summary

Chairperson Kometani asked whether there were any corrections to the minutes of the regular meeting of May 3, 2006. There were none. It was moved by Member Liu and seconded by Member Goshi to approve the minutes as written. The motion passed 9 to 0, with 3 excused (Members Chinn, Sokugawa and Souza).

IV. ITEMS FOR INFORMATION - CONTINUED

B. Update on Request by the Office of Hawaiian Affairs for Development of its Headquarters and a Cultural Center on Lot 1 of the Kakaako Waterfront

Deepak Neupane summarized the Information Item distributed to the Authority concerning this matter.

Mr. Neupane reported that in April 2005, the Office of Hawaiian Affairs (OHA) made an informational presentation to the Authority indicating its interest in leasing a 5.3-acre parcel known as Lot 1 in the Kakaako Waterfront near the John A. Burns School of Medicine (JABSOM). At that time, OHA presented schematic plans for its proposed headquarters and cultural center.

In February 2006, HCDA received a letter from OHA requesting exclusive negotiations for the site. In March 2006, staff responded to OHA deferring action on the request because at that time several legislative bills could have affected HCDA's ability to enter into that agreement.

Mr. Neupane explained that with the 2006 Legislative Session over, there are no new laws impeding HCDA's ability to enter into an agreement with OHA. The purpose of today's Information Item is to update the Authority on discussions with OHA, and receive feedback on its proposal.

OHA intends to develop an approximately 30,000 square foot office building with another 30,000 square feet of general space for cultural activities and

exhibitions and on-site parking. OHA is seeking the property rent free. However, staff believes an appraisal of the property should be done so as to have ceded land payment credits be offset at the State level. OHA would be paying the Waterfront Association Common Area Maintenance fee based on land acreage.

Mr. Neupane introduced Bob Takushi, Special Assistant to the OHA Administrator, to make the presentation.

Mr. Takushi introduced Mark Glick, OHA Economic Development Program Manager and OHA project architects from Architects Hawaii – Stan Yasumoto, Jeff Nakamura, and Wes Yoon.

Mr. Takushi explained that Clyde Namuo, OHA Administrator, was accompanying the Trustees to Washington, D.C. to lobby for the passage of the Akaka Bill. Thus, Mr. Namuo was not present at the meeting, but appeared in a video message. In the video Mr. Namuo assured the Authority that the OHA Trustees were committed to the project and that funds have been appropriated by the Trustees to commence the environmental work, which would be required to move the project forward. He requested the Authority to approve OHA's request for a six-month exclusive right to determine the viability for advancing the project.

Mr. Glick briefly summarized OHA's mission - to work towards the betterment of Native Hawaiians in Hawaii and wherever they exist throughout the world. OHA is managed by a nine member elected board of Trustees who set policy for the Office. They have delegated the administration of the agency to the Administrator. OHA's strategic plan addresses a number of key areas: health; education; housing; culture; governance; and economic development.

The proposed project has far reaching implications for all of those areas. They see it as a community center, business center, and office building.

Mr. Glick introduced Wes Yoon to discuss how the project fits with OHA and the Native Hawaiian agenda.

Mr. Yoon clarified that he did not work for Architects Hawaii. He currently serves as the Director of Cultural Affairs at the Royal Hawaiian Shopping Center and is also on the Native Hawaiian Advisory Council Board to OHA. Mr. Yoon started with a brief *pule* (prayer) in Hawaiian and an explanation of the history and importance of Kakaako to Hawaiians.

Architects Hawaii was charged with three basic tasks in order for OHA to proceed with negotiations with HCDA: 1) develop a conceptual site plan to preliminary schematic design; 2) establish the needs assessment; and 3) develop the area program or function of spaces.

Mr. Yoon explained that the concept of the project goes back to the origin of creation, illustrated through inspirational sketches. The embodiment of the Hawaiian culture is balance (*pono*) and harmony operating from the three *piko* – the head, the belly button and the genitals. The head contains wisdom, the belly button represents the gut feeling, and genitals represent the future generation. OHA is trying to build a nation. Its core message is teaching the children how to be leaders for tomorrow.

The site basically establishes *pono*, yin and yang, with two sides. The cultural center will represent the natural side, which grows from the ocean into the environment. The other side is the building, which was conscientiously designed not to maximize the building floor area. The ground floor would house auxiliary offices and the community functions would be held in the center, where there could be a variety of classes taught such as hula. The second floor would contain the OHA offices and other auxiliary offices. The top floor would be set aside for the Trustees' offices. Vehicular traffic would be from the Mauka side from Keawe Street. Parking would be provided on-site with 180 stalls.

Mr. Yoon requested as they go into negotiations that the Authority considers all of the people, not just what makes sense on paper, but what makes sense to the populace.

Chairperson Kometani asked whether there were any questions.

Mr. Dinell reminded everyone that this was an Informational Item only and that action wouldn't be taken today. The presentation was more for discussion purposes to see whether there were any concerns and questions for OHA.

Member Liu asked how long was the "Next Step" homeless shelter scheduled to be on the proposed site.

Mr. Dinell responded that when the Housing and Community Development Corporation of Hawaii (HCDCH) approached HCDA in April 2006, they indicated that the homeless shelter was temporary in nature and would be there between nine to 12 months. Mr. Dinell explained that OHA wanted an indication from the Authority whether this particular site was suitable and

whether the Authority would allow them to do the environmental site work. The environmental borings would not impact the on-going homeless shelter or other tenant on the site. The idea is that should the Authority decide to proceed, by that time the homeless shelter wouldn't be needed any longer.

Chairperson Kometani asked whether an Action Item would be on the July 5 agenda.

Mr. Dinell responded that was the intent after questions, concerns, or issues and ideas were expressed from this session.

Member Liu asked whether the Action Item would be for a six-month exclusive negotiation period.

Mr. Dinell responded that is what OHA requested. He stated that if the Authority thinks that it is too short or too long, it can be modified.

Member Liu requested explanation of the Trustees' discussions and decisions on the allocation of the budget for this project.

Mr. Takushi answered that the OHA Board has appropriated funds to cover the environmental work and due diligence for the necessary borings and site reviews. They will be requesting money for their 2007 budget to include monies for Architects Hawaii. They will also attempt to go back to the Legislature for some planning and design funds.

Member Lai commented that last year, it was mentioned that the project was mainly for OHA with limited public use and asked whether there was a change in thought to make it more accessible to the public at large.

Mr. Takushi responded that OHA wants to create a centerpiece of distinction. He noted that by nature the Hawaiian culture doesn't exclude anybody, it brings everybody in. Initially the priority goals were for Hawaiian organizations. But he envisions the outside community also participating. That's his vision, so he will check with the Administrator and come back next time to elaborate on that.

Mr. Dinell stated that should the project move forward, there needs to be a lot of thought on how to connect the OHA site with the Kakaako Waterfront Park in terms of access. In relation to Member Lai's question, he asked how public are the grounds going to be since the public park is right across the drainage canal.

Mr. Takushi responded that their vision would be to cover the culvert with grass and that the grounds would flow from the park into the OHA area because their activities may overflow to the park.

Mr. Dinell commented that it is the deadest part of the Waterfront Park.

Mr. Takushi stated that OHA would enliven this area.

Mr. Dinell responded that is what staff wants, but noted there are no monies programmed to cover the drainage canal.

Chairperson Kometani thanked Mr. Takushi for their presentation.

V. EXECUTIVE SESSION

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

Discussion on Authority's liability with regard to the Kakaako Waterfront January 12, 2005 Request for Proposals as a result of House Bill 2555, H. D. 2, S. D. 2, C. D. 1, Relating to the Hawaii Community Development Authority, pursuant to Section 92-5(a)(4), HRS.

It was moved by Member Kondo and seconded by Member Lai to enter into Executive Session. The motion carried 9 to 0, excluding Kalaeloa Members.

Chairperson Kometani requested the following individuals join the Executive Session: Deputy Attorney General, Melvin Nishimoto; Executive Director, Daniel Dinell; Director of Planning and Development, Teney Takahashi; and Project Director, Deepak Neupane.

The Hawaii Community Development Authority entered into Executive Session at 9:50 a.m.

It was moved by Member Lai and seconded by Member Mukaigawa to reconvene the regular meeting. The motion was carried 9 to 0, excluding Kalaeloa Members.

The meeting was reconvened at 11:00 a.m.

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

3. Recommend Approval to Expend Revolving Funds to Contract for Security Services for Kakaako Waterfront Park, Kewalo Basin Park and Kakaako Makai Gateway Park

Alex Kagawa summarized the Action Item distributed to the Authority and presented the staff's recommendation.

Mr. Kagawa explained that the security contract provides service to the Kakaako Waterfront Park, Kewalo Basin Park and Makai Gateway Park. The contractor is responsible for managing the Honolulu Police Department's (HPD) special duty officers who patrol at least four hours daily. The contractor also provides its own security officers who conduct random patrols. The contract requires the use of six checkpoints. Staff believes that due to the combination of the special duty officers and the contract officers, there have been few incidents in the parks. Outside of this contract, HPD is not required to patrol HCDA's parks; however, HCDA continues to work closely with HPD by informing HPD of illegal activities and requesting patrol assistance as necessary.

The current contract expires on June 30, 2006, and is held by Star Protection Agency. The annual cost is \$103,499. Star Protection Agency had the option to extend their contract at the same price, but chose not to do so. An invitation for bid was solicited resulting in three submittals ranging in price from \$108,811 to \$142,489. Star Protection Agency submitted the lowest responsible bid for \$108,811.10.

Mr. Kagawa noted that the cost of the security is also part of the Waterfront Association Common Area Maintenance and currently JABSOM is the only other member beside HCDA and their share is 33 percent.

Therefore, staff recommends approval to authorize the Executive Director to execute a one-year contract for security services with two one-year options with Star Protection Agency, Hawaii, LLC and to expend funds from the leasing and management sub-account of the Hawaii Community Development Revolving Fund in the amount not to exceed \$108,811.10 per year.

Chairperson Kometani requested, for discussion purposes, a motion to adopt staff's recommendation. It was moved by Member Kondo and seconded by Member Shiraki to adopt the staff's recommendation.

Chairperson Kometani asked whether there were any questions. There were none. A vote was taken and the motion was unanimously approved 9 to 0, excluding Kalaeloa Members.

4. Decisions Relating to the Kakaako Waterfront January 12, 2005 Request for Proposals and Authority Options Relative to House Bill 2555, H. D. 2, S. D. 2, C. D. 1, Relating to the Hawaii Community Development Authority

Teney Takahashi summarized the Action Item distributed to the Authority and presented the staff's recommendation.

Mr. Takahashi stated that on January 12, 2005, the Authority issued the Kakaako Waterfront Request for Proposals (RFP). The RFP stated that HCDA would try to complete the land use amendment to allow residential use, but did not guarantee its approval, nor did it require a residential land use component in the proposal. However, all of the proposals included a residential land use component.

On September 7, 2005, the Authority held a public hearing regarding the rezoning from commercial to mixed use and subsequently approved the land use amendment. On September 14, 2005, the Authority selected A&B Properties, Inc. as the number one ranked developer.

In May 2006, the Legislature passed House Bill 2555, H. D. 2, S. D. 2, C. D. 1 that prohibits HCDA from: (1) selling or assigning the fee simple interest in any lands to which it holds title in the Kakaako Community Development District except for some specific exemptions; and (2) approving any plan or proposal for residential development in the area Makai of Ala Moana Boulevard. This bill has not yet been acted upon by the Governor.

The Legislature also adopted House Concurrent Resolution 30 that urges HCDA to rescind the RFP and any commitment made to A&B Properties and to convene a stakeholders group to participate in the planning for "Kakaako Makai."

On May 3, 2006, staff provided information to the Authority on the establishment of an Advisory Committee to recommend the most beneficial use for the Waterfront lands included in the RFP.

A&B Properties issued a statement indicating that without the residential component it would not be willing to pursue the current RFP.

The RFP stipulates that if an agreement cannot be reached with the number one ranked developer, the Authority may either: (1) terminate the RFP process; or (2) begin discussions with the priority listed offeror next in line for award.

Hawaii Administrative Rules provide that if a contemplated amendment significantly changes the nature of the procurement, the request for proposal should be canceled and a new RFP issued. Since residential use was initially allowed, the retrospective prohibition of residential development will constitute a significant amendment that changes the nature of the procurement and a basis for canceling the current RFP.

Mr. Takahashi also noted that if the Authority forms an Advisory Committee the outcome will probably be different than the current RFP, and could also constitute a significant amendment and a basis for canceling the current RFP.

Therefore, the following was recommended:

1. The Authority recommend that the Governor veto HB 2555 on the basis that the prohibition of residential development in the Makai area adversely and materially impacts the Authority's ability to fulfill its mission and to achieve an important public good of developing affordable and workforce housing.
2. Notwithstanding whether HB 2555 is vetoed, the Authority notes the legislative and public opposition to the sale of state land in the Makai area and agrees to adopt and impose a prohibition on the transfer of fee interest in any state lands it controls in the Makai area.
3. As the prohibition on transfer of fee interest is a material change to the RFP, the Authority terminates the RFP effective immediately and that staff notifies all priority listed offerors.
4. The Authority directs the Executive Director to make recommendations for an Advisory Committee as outlined at its May 3, 2006 meeting for the purposes of providing input for a new Waterfront Development Plan.

Chairperson Kometani requested, for discussion purposes, a motion to adopt this recommendation. It was moved by Member Liu and seconded by Member Lai to adopt the recommendation.

Chairperson Kometani asked whether there were any questions.

Member Liu spoke in favor of the motion. He stated that he believed that the motion achieves the Legislature's intent when it started on the path of HB 2555. There was a lot of community opposition to the sale of State lands and the motion achieves that through the self-legislation of a prohibition on transfer of any fee interest of any State lands in the Makai area. Member Liu was personally troubled by the prohibition of any residential development in the Makai area for the following reasons:

- Hearings held on HB 2555 focused on the sale of State lands; however, when the bill went into Conference Committee the prohibition on residential development was inserted into the House bill language and there was never an opportunity for anybody to testify on the no residential part specifically. This restrictive language did not appear in the bill until the very last Senate Committee before going to Conference.
- HB 2555 would prohibit residential units for not just State lands, but private landowners as well, which raises certain constitutional issues. The implication of that is that Kamehameha Schools has a life science project on which it was contemplating the development of affordable rental units that would target the researchers, professors, graduate students, who will be working at the medical school and the new cancer research center. Such a development would no longer be possible should this bill become law.
- There is a significant crisis in the lack of affordable and workforce housing throughout Hawaii, especially on Oahu. There is a possibility that there might be an agreement that one area that might be considered is to provide affordable and workforce housing for people who would work at the life science cluster or in the entire Kakaako area.
- The bill affects HCDA's ability to fulfill its mission and more importantly impedes fulfilling a very important public demand to provide affordable and workforce housing.

Member Liu underscored that for those that are concerned about the sale of State lands, the Authority will adopt and impose a prohibition on such transfers. Since that causes a material change in the RFP, the procurement code allows HCDA to terminate the RFP, which means taking a new look at the Waterfront development. By establishing an Advisory Committee, there

should be good input from the community and it is important to explore all options, except for the sale of State lands.

Chairperson Kometani asked whether there was anyone in the audience who wanted to make a statement on this matter.

Michelle Matson helped to coordinate the shoreline park plan for Kakaako that is called “The People’s Plan.” Ms. Matson stated that HB 2555 was consistent throughout the hearings including residential components. The residential prohibition did not surprisingly materialize during Conference Committee. It was subject to revenue bonds in the beginning and Senator Taniguchi made sure that it was included in the bill at the hearing. There was consistent testimony throughout the legislative session on “no sale of public lands” and “no residential units on public lands.” By building private residential units on public lands, this restricts the public land for private use.

Ms. Matson stated there are other plans being presented where there is no sale of public land and that residential does not need to be built in order to make it a sustainable public use area, including a park and many other educational and cultural amenities for the people.

The testimony at the Legislature was clear and the people spoke loudly and consistently that the plan was not going to work well for the future of this shoreline peninsula. It is an open place that needs to be dedicated to public use and there is another viable plan that needs to be considered.

Member Goshi pointed out that the law affects private land owners such as Bishop Estate.

Ms. Matson stated that the elements of inverse condemnation do not apply to this situation because there would be no taking of private land; rather HB 2555 simply places a restriction on use. She went on to say that this restriction reverts to the purposes of the Makai area as originally intended, not the residential use that was allowed by HCDA at the last minute. She acknowledged that while it could be difficult to know whether a court would, or would not, find inverse condemnation in this case, because such an inquiry is on a case by case basis, the fact tends to show that it is unlikely. She also noted that in reviewing information from Kamehameha Schools’ first presentation on its proposed life sciences-based development; they never mentioned a residential element. She cited a Star Bulletin news article from September 2004 whereby Kamehameha Schools would develop research oriented facilities Makai of Ala Moana Boulevard and develop residential and commercial on the Mauka side. Ms. Matson requested the Authority to defer

its decision until the issues are researched thoroughly and that they speak to stakeholders.

Member Goshi commented an Advisory Committee is being established and suggested that Ms. Matson be open and trust where the process leads to. He thought that it was too early to make a decision on someone else's property and thought that it was important to allow the process to flow.

Ms. Matson responded that the public and Legislature was very sure about the legislation. If HCDA chooses to go against that, its image would not continue to be as well thought of, in contrast to if the right decisions were made.

Brian Shimokawa, from the Save Our Kakaako coalition, stated that he came to the meeting in December when Kamehameha Schools requested to terminate its Master Plan. At that time, they did not mention the word "residential." He personally thought that it was too late for them to complain about it now. Kamehameha Schools had their chance to oppose the bill, but they did not. They only spoke once in favor of building residential on their private land. Kamehameha Schools owns land in the Mauka area where they can build residential units. Mr. Shimokawa stressed the bottom line is no residential Makai of Ala Moana Boulevard.

Nancy Hedlund, member of the Ala Moana/Kakaako Neighborhood Board, went on record in support of the points that Michelle Matson made. She stated that she sat through many hearings and that the residential issue was on the table and did not just suddenly appear. Ms. Hedlund noted that there was enormous support for the legislation. She agreed with previous statements that it looked bad to go on record when so many have spoken for the legislation. She also stated that Kamehameha Schools never said anything about residential on their property and commented that Kakaako Makai couldn't possibly solve Oahu's workforce housing issues. Ms. Hedlund urged the Authority to take more testimony about the issue and to let HB 2555 stand. She also commented that the Advisory Committee was restricted to the footprint of the previous RFP and thus, would be going outside of its boundaries if it has any opinions about the Kamehameha Schools property.

Ron Iwami, from the Save Our Kakaako coalition, stated that his organization stands by the bill it pushed so hard to pass – no sale of public land and no residential at all. He stated that the people and Legislature have spoken with strong force behind this bill. He didn't think it was fair that a small group like HCDA could go against such a strong voice. Mr. Iwami commented that had public input been solicited at the September 7 Authority meeting where the

zoning was changed from commercial to residential, we wouldn't be in this situation right now.

Mr. Dinell clarified and re-read the staff recommendation because it seemed that it was not clear to everyone. Mr. Dinell then questioned Mr. Iwami if his group was opposed to all the recommendations, including terminating the RFP.

Mr. Iwami stated that he did not agree with pushing for the veto of the bill.

Mr. Dinell asked whether his organization supported the part of HCDA terminating the RFP.

Mr. Iwami replied in the affirmative. He clarified that he was concerned about HCDA recommending a veto of the bill because his group stood behind the bill that they worked so hard for. He stated that they liked the part about terminating the RFP, and getting the Advisory Committee established as well as the board taking the policy not sell land in the Makai area.

Mr. Dinell restated that Save Our Kakaako liked three of the four points and that they didn't like the idea of the Authority suggesting the veto of HB 2555.

Senator Gordon Trimble, representing Senate District 12, stated that he relayed to Mr. Dinell not to change the designation of the Makai area to residential. He went on record before the issue filtered through the Legislature. Senator Trimble stated that there are three members of the Legislature present – perhaps not all three of them agree with the assertion made by Director Liu that the banning of residential Makai of Ala Moana was done in Conference Committee. There were many bills affecting HCDA that went through the legislative process and combined pieces and parts where there had been broad public support. He stated that there is a difference between the Legislature banning the sale of State lands in Kakaako and the HCDA board saying that it would prohibit the sale, because that would still allow the Authority to undo it at a later time. The Legislature could have passed it in a resolution, but choose to put it into law. Senator Trimble stated that the sentiment in the Legislature is fairly broad based when it concerns both sale and fee and residential use in the Makai area.

Representative Beverly Harbin, representing House District 28, stated that although her District does not include Kakaako, she is still interested because of her involvement in Kakaako. She was also involved in working with Chair Kanoho of the House Water, Land and Ocean Committee in dealing with the issues of Kakaako Makai. Representative Harbin stated that she is very

disappointed that the Governor and HCDA is using Kamehameha Schools as an excuse. She is also very disappointed in Kamehameha Schools for being missing in action during the legislative session. Kamehameha Schools had an opportunity to be at the Legislature and everybody had a chance to be involved in the outcome of the bill, but Kamehameha Schools was missing. Representative Harbin expressed that to use them now, and for Kamehameha Schools to allow themselves to be used by this Administration and this Authority, as a reason to veto a bill that the people in the Legislature worked really hard for is not only disrespectful to the people and to the Legislature, but an absolute embarrassment. She stated that Kamehameha Schools has the ability to come back to the Legislature at the next session and change whatever they don't like. Perhaps the Legislature did go over board on infringing on private lands, but she questioned whether Kamehameha Schools is "private land" because they are operating as a trust and the lands that they hold are for the betterment of the children of Hawaii. Kamehameha Schools have not publicly stated whether or not they are encouraging the Governor to veto. Therefore, her recommendation is to build bridges with the public, stand down and let the Governor make her own decision.

Mr. Dinell commented that since Representative Harbin has a history with the Kakaako Improvement Association (KIA) most recently co-chairing its Governmental Affairs Committee, he asked her what is KIA's position with regard to residential land use Makai of Ala Moana Boulevard.

Representative Harbin stated that she has always taken the position along with KIA for no residential on public land.

Mr. Dinell asked whether KIA supports the right for Kamehameha Schools to have residential on its lands Makai of Ala Moana Boulevard.

Representative Harbin replied that she didn't believe there was a position on allowing Kamehameha Schools to do residential on their lands on Kakaako Makai. But KIA is adamantly unanimous in no residential on public lands. She stated that when language was emerging, she saw the people, Victoria Ward, and A&B, but Kamehameha Schools was missing. Representative Harbin believes that Kamehameha Schools was absent because they consented to the concept that the public was getting at, which is to preserve the shoreline of Kakaako.

Jack Hamada requested that there be a roll call vote on this particular item.

Chairperson Kometani assured him that all Members' votes would be recorded at the appropriate time.

Representative Anne Stevens, representing House District 23, stated that she would be asking the Governor to sign HB 2555. The Governor was approached by the concerned citizens and she did not take action, but instead waited for the Legislature. The intent of the Legislature was not to have any residential on the Makai side of Ala Moana. There were several bills that dealt with HCDA, a few of them fell off the agenda, and the one that survived was HB 2555, which was to prohibit the sale of public land and to prohibit residential Makai of Ala Moana. That was the intent of the Legislature, which is why it was voted for unanimously in the Senate and with only one negative vote in the House.

Representative Stevens commented that of the four points that were listed in the staff recommendations, the concern is HCDA does not have a record of providing projects with workforce housing. Projects have 20 percent or 30 percent affordable housing, but there aren't any projects coming forward that have affordable housing. If affordable housing was provided in the past then people might be a little more receptive of that kind of proposal, but HCDA's record over the years has not delivered workforce housing. It has only been on the high end with 20 percent affordable.

Representative Stevens also stated that she was in attendance at the meeting when Kamehameha Schools proposed their project and they did not present any idea of having a residential component. Kamehameha Schools has about 10 acres on the Makai side and 30 acres on the Mauka side. Their housing should be located on the larger Mauka side. Representative Stevens expressed that the Board should not make the recommendation to the Governor to veto the bill, especially since she asked the concerned citizens to go to the Legislature and the Legislature spoke. It isn't proper for the Administration to step in.

There being no further comments, Chairperson Kometani reminded Members that a motion was on the table to adopt the recommendation outlined by Mr. Takahashi. A vote was taken and the motion was unanimously approved 9 to 0, excluding Kalaeloa Members. [Those in favor were Members: Goshi, Kimura, Kometani, Kondo, Lai, Liu, Mukaigawa, Shiraki and Thomason. Members Chun and Haraga were absent.]

Chairperson Kometani welcomed Kalaeloa Members (Chinn, Sokugawa and Souza) to the table. He extended his congratulations to Members Souza and Timson on their reappointments to the Authority. He noted that their terms will expire on June 30, 2010.

IV. ITEMS FOR INFORMATION - CONTINUATION

C. Kalaeloa Status Report

Stanton Enomoto summarized the Information Item distributed to the Authority concerning this matter.

Mr. Enomoto reported that the Kalaeloa Master Plan is still waiting for approval by the Governor and the U.S. Navy.

In the meantime, staff is continuing work on the community development rules. On June 5, 2006, Townscape, Inc. was awarded a contract for preparing the community development rules. The contract language is being finalized for review and it is expected that the contract will be signed shortly.

In response to comments raised by Authority members regarding the public safety issues in Kalaeloa, a meeting was held on May 8, 2006, with the Honolulu Police Department and the Navy Public Safety Office. Concerns were discussed about enforcement issues that have risen in the district. It was also a good opportunity to have the Navy and City enforcement agencies in the same room to establish the lines of communication, roles and responsibilities. A second meeting is scheduled for June 15, 2006, and will be expanded to include both City Department of Transportation Services as well as the State Department of Transportation. The intent is to broaden the discussions and look at other issues, such as signage, lighting, roadway maintenance, and especially during the summer, fires in the district are a major concern.

On May 12, 2006, a dedication ceremony for HCDA's new field office was held in Building 1756. A number of Authority Members, staff, stakeholders, and elected officials attended.

The U.S. House of Representatives passed the Defense Authorization Act of 2007, with language directing the Secretary of the Navy to convey about 500 acres in Kalaeloa no later than September 30, 2008. That bill has passed out of the House and is in the Senate. The House Armed Services Committee Report that accompanied the bill also strongly urged the Navy to dispose of the remaining Base Realignment and Closure (BRAC) properties and other conveyances by September 30, 2008. Those properties would include the City's park lands and even the unallocated lands along the eastern portion of Kalaeloa, as well as the remaining 277 acres that is supposed to go to the Department of Hawaiian Home Lands (DHHL).

Chairperson Kometani asked Members whether there were any questions. There were none.

D. Kalaeloa Navy Report

Mr. Enomoto explained that Ms. Lynn Tanaka from the U.S. Navy was in attendance earlier in the meeting; however, had to leave. Mr. Enomoto relayed her announcements. With regard to the Navy's short term leasing program, the Navy's agent, Ford Island Properties, is very close to signing a lease that would run from June 2006 through December 2009 for an empty lot. The tenant would be storing military vehicles, similar to a tenant on lands owned by DHHL. The Navy is also in the process of evaluating various offers for the downtown area - the old McDonalds, the Navy PX and the furniture store, located in the shopping mall area of Kalaeloa.

The Navy is also working on ground maintenance in all of their land holdings especially in the portion of Kalaeloa near Barbers Point Elementary School, and within the downtown area.

Chairperson Kometani asked Members whether there were any questions. There were none.

V. EXECUTIVE SESSION

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

Executive Director Performance Evaluation, Pursuant to Section 92-5(a)(2), Hawaii Revised Statutes.

Chairperson Kometani stated that this session would be for Members only.

It was moved by Member Liu and seconded by Member Kondo to enter into Executive Session. The motion carried 12 to 0.

The Hawaii Community Development Authority entered into Executive Session at 11:55 a.m.

It was moved by Member Liu and seconded by Member Kondo to reconvene the regular meeting. The motion was carried 12 to 0.

The meeting was reconvened at 12:07 a.m.

V. ADJOURNMENT

There being no further business, it was moved by Member Lai and seconded by Member Kondo to adjourn the meeting at 12:07 a.m. The motion passed 12 to 0.

Respectfully submitted,

Paul Kimura
Secretary