

Minutes of a Special Meeting
of the Members of the
Hawaii Community Development Authority,
State of Hawaii

Wednesday, August 21, 2013

KAKAAKO

I. CALL TO ORDER/ROLL CALL

A special meeting of the Kakaako Members of the Hawaii Community Development Authority (“Authority”), a body corporate and public instrumentality of the State of Hawaii, was called to order by Mr. Brian Lee, Chairperson of the Authority, at 1:32 p.m. on Wednesday, August 21, 2013, at the Authority’s principal executive offices at 461 Cooke Street, Honolulu, Hawaii, pursuant to Article IV, Section 1 of the Authority’s Bylaws.

Members Present: Mary Alice Evans (DBEDT)
Randy Grune (DOT)
Miles Kamimura (exited at 2:05 p.m.)
Brian Lee
Lois Mitsunaga
Luis Salaveria (DBF)
Dean Seki (DAGS) (exited at 2:20 p.m.)

Members Absent: None

Others Present: Anthony Ching, Executive Director
Lori Tanigawa, Deputy Attorney General
Deepak Neupane, Kakaako Director of Planning and Development
Chris Sadayasu, Asset Manager
Shelby Hoota, Program Specialist
Patricia Yoshino, Secretary
Holly Hackett, Court Reporter

MATERIALS DISTRIBUTED:

1. Decision Making: Shall the Authority Authorize the Executive Director to Enter Into a Thirty (30) Year Lease Agreement with an Option to Extend an Additional Ten (10) Years with KB Marina L.P. for the Kewalo Basin Harbor in Accordance with the Terms and Conditions Recommended by the Hawaii Community Development Authority Staff Report;
2. Decision Making: Shall the Authority Authorize the Executive Director to Enter into an Exclusive Negotiations Agreement with Illuminage Group, Inc. for the

Potential Lease and Development of a Portion of Kakaako Waterfront Park (TMK: 2-1-60: 08 por.) for a Family-Oriented Theme Park;

3. Decision Making: Shall the Authority Authorize the Executive Director to Enter into an Exclusive Negotiations Agreement with Goodluck Corporation and/or Take and Give Needs Co., Ltd for the Potential Lease and Development of a Portion of Fast Land along the Diamondhead Side of Kewalo Basin (Portion of TMK 2-1-058:128) for a Mixed Use Development including Parking and Negotiate a Lease and Development Agreement.

II. REPORT OF THE EXECUTIVE DIRECTOR

Executive Director Ching stated he would defer his report until the next regular Authority meeting.

III. KAKAAKO MATTERS

1. Decision Making: Shall the Authority Authorize the Executive Director to Enter Into a Thirty (30) Year Lease Agreement with an Option to Extend an Additional Ten (10) Years with KB Marina L.P. for the Kewalo Basin Harbor in Accordance with the Terms and Conditions Recommended by the Hawaii Community Development Authority Staff Report?

Mr. Ching summarized the staff report via a PowerPoint presentation (see Exhibit A). He noted that Mr. Jim Hayes and Mr. Charles Barclay from Almar were in the audience. He also noted the presence of the Office of Hawaiian Affairs (“OHA”) Chairperson Colette Machado.

Member Kamimura stated that he had not had time to review the 40-page lease and was not prepared to discuss or vote on the item.

PUBLIC TESTIMONY:

Mr. Stuart Neal stated he was a boater with a sailing vessel currently in Kewalo. He has observed the management style and felt the people involved were professional and understood the sailing and boating industry. It would a positive step to allow them to make the investments and manage the endeavor.

Mr. Nick Fidelibus stated he was a commercial operator out of Kewalo Basin since 2009 and was also on the Kewalo Basin Stakeholders group. He was opposed to the lease since the stakeholders had not been able to see the report and were being held in the dark.

Member Grune stated he had attended a couple of the stakeholder meetings. He stated that the plan was generally what he had seen a year or two ago and did not understand why the testifier was saying it was new to him.

Mr. Fidelibus replied that the plan was basically the same. However, none of the concerns brought up at the meeting were addressed to the stakeholders. He was not comfortable not seeing the report and not knowing whether the concerns were handled or ignored.

Mr. Mike DeRego stated he operated 3 charter fishing vessels out of Kewalo and his family has been there for more than 60 years. He was not opposed to the project, but opposed to being in the dark. The State needs to be responsible in how it assigns the commercial small boat asset which is an income-producing property. He was disappointed with a lot of the maintenance of the harbor and wanted to make sure these things will be taken care of.

Member Salaveria noted that the proposed lessee would be putting in \$18 million worth of improvements into the harbor. He asked Mr. DeRego if there was a need for those improvements.

Mr. DeRego replied that the extra 100 slips are probably not needed and commercial operators do not need extra competition. However, the harbor needs to be fixed, some slips need a lot of work, and wave gauges or wave suppressors would be great. The project had merit but the State should be careful not to give away the land so quickly. According to the rules, once the facility is completed, his rent will be doubled. Also the additional competitors in the harbor could be lethal to his business.

Mr. Rob Harrington stated he has a charter fishing boat at Kewalo Basin. He was not in disagreement with the project as something needs to be done to attract people to the basin and increase their business. He wanted to see more transparency from the HCDA and Almar. He needed advance notice to know if he would have to adjust his business and adapt in order to keep going.

Mr. Aedward Los Banos from OHA stated that OHA would continue its plan for Fisherman's Wharf with or without the piers.

Ms. Colette Machado, Chairperson of OHA, thanked Mr. Ching for his patience with the trustees and administrative staff during the 16-month period of discussion. They were fully aware of the length of the Environmental Impact Statement process and were not surprised that improvements were needed at the harbor. Their issue was the Fisherman's Wharf portion and how it would benefit the OHA. The OHA had no authority with the Kewalo Basin as it falls under the HCDA. She was present to continue to work out a good relationship with the HCDA. OHA was in the process of looking at each of their parcels to determine the best and highest use. They might relocate their corporate headquarters to one of

the parcels and wanted to create a cultural concept that would showcase the nation of Hawaii. A special meeting had been called yesterday to raise opposition to the project. However, she stated she was present to say the HCDA should continue as OHA had no authority in the waters. It was under HCDA and they want to work together.

Mr. Wayne Takamine, chair of the Kakaako Makai Community Planning Advisory Council (“CPAC”), stated he had been following the project since it started as a 50-year lease and has now changed to a 30-year lease with a 10-year extension. He felt that action should be deferred since once the lease is signed, it is a binding thing. It would be helpful to disclose more information about the lease so the boaters know what is going on. He was concerned that there was only 5 day notice for the stakeholders meeting. Since this is a special meeting, his group did not have a change to coordinate and get feedback.

Chairperson Lee stated his concern that Member Kamimura did not have a chance to review some of the documents. He asked if any other Members felt more time was needed for review.

Member Seki agreed that more time was needed.

Member Salaveria stated one of his perspectives is to understand the financing on the Project. He wanted to know the expected return and period of time for someone to make an investment of \$18 million. Outside of having a third-party public/private partnership, in this case it would be left up to the taxpayer.

PUBLIC TESTIMONY - continued

Ms. Michelle Matson asked if the stakeholders would have the opportunity to review the substantive portions of the lease. It is a public document and the public is entitled to understand what they would be facing in the future.

Member Grune asked if that was something to be discussed in Executive Session.

Chairperson Lee stated Ms. Matson was asking if there was anything in the contract that they could look over.

Mr. Ching stated that the public is rightfully concerned about what direction the harbor would go. The business document is still confidential. Once the lease is signed, then it would be open to the public. However, the rate schedule, operating rules, and principal business arrangements are set by the rules which were adopted in 2009 and govern all activities.

Mr. DeRego stated he understood where the rates are going. The biggest concern is what was going to be done with the major asset and how it would

benefit the State financially.

Chairperson Lee deferred the agenda item to the next meeting.

Member Kamimura exited the meeting at 2:05 p.m.

- 2. Decision Making: Shall the Authority Authorize the Executive Director to Enter into an Exclusive Negotiations Agreement with Illuminage Group, Inc. for the Potential Lease and Development of a Portion of Kakaako Waterfront Park (TMK: 2-1-60: 08 por.) for a Family-Oriented Theme Park?

Chairperson Lee stated that the Authority had determined it was necessary to convene an executive meeting on the agenda item. Public testimony would be accepted after the executive meeting.

Chairperson Lee entertained a motion for the Authority to convene in Executive Session pursuant to Section 92-5 (a)(3), Hawaii Revised Statutes.

A motion was made by Member Grune and seconded by Member Mitsunaga.

A roll call vote was conducted.

Ayes: Members Evans, Grune, Lee, Mitsunaga, Salaveria and Seki.

Nays: None.

The motion passed 6 to 0 with 3 excused (Members Kamimura and 2 vacant positions).

Chairperson Lee asked that Ms. Tanigawa, Mr. Ching, Mr. Neupane, Mr. Sadayasu, and Ms. Yoshino join the executive meeting.

 Pursuant to Section 92-5(a)(3), Hawaii Revised Statutes, the Authority convened in Executive Session at 2:07 p.m.

Member Seki exited the meeting at 2:20 p.m.

The regular meeting was reconvened at 2:22 p.m.

Mr. Ching summarized the staff report in the packet distributed to Members. He explained the process for the exclusive negotiations agreement via a PowerPoint presentation (see Exhibit B).

Chairperson Lee asked whether Members had any questions. There were none.

PUBLIC TESTIMONY:

Ms. Michelle Matson stated she was president of the Oahu Island Parks Conservancy and executive officer of the CPAC. She distributed a copy of the vision and guiding principles for Kakaako Makai to Members. The proposal to consume a third of Kakaako Waterfront public parkland for a commercial venture was questionable. No community briefing had been scheduled for the light show attraction. She was concerned that the attraction might bar activities that the public currently enjoys, and the seabirds should be protected from light on the ocean at night. The solar panels should be placed in existing buildings downtown and receive a greater amount of revenue for Kakaako. The commercial venture could be placed anywhere inland of the Special Management Area without consuming the limited shoreline recreational open space. The HCDA should not have decision making prior to community input.

Mr. Ching explained the agenda item was the kickoff for the consultation and analysis. The park uses were not being foreclosed and would still be maintained without charge for park users. The Environment Assessment would consider matters such as shoreline lights not disorienting near shore birds.

Mr. Wayne Takamine from CPAC asked if the boundaries would be fenced off and gated. There was usually a presentation of a project and then decision making at a subsequent meeting. The special session was not the same procedure as typically done and he wondered if the item could have been deferred.

Mr. Ching replied that access to the area would be controlled.

Member Salaveria noted that there were a lot of requests for additional information. He asked whether staff could get more information without being authorized to talk to the entity involved.

Mr. Ching replied that there was a conceptual idea, but to initiate the process, staff would need the authorization. Otherwise, the Illuminage group would not have any incentive to spend money or time to analyze and come up with a specific proposal to present to the Authority and stakeholders.

Member Salaveria asked for clarification that no project was being approved at this time.

Mr. Ching confirmed that only approval for initiation of discussion was being sought.

Chairperson Lee asked if there would be more public hearing and other opportunities for the public to provide input. If the project was not supported, then the proposal would be retracted.

Mr. Ching replied in the affirmative. There would be stakeholder types of briefing sessions including the Neighborhood Board and other existing advisory groups that have interests in the area. If it were mutually decided the project would not proceed, then there would be no decision making item.

Chairperson Lee entertained a motion for the Authority to authorize the Executive Director to enter into an exclusive negotiations agreement with Illuminage Group, Inc. for the potential lease and development of a portion of Kakaako Waterfront Park (TMK: 2-1-60: 08 por.) for a family-oriented theme park.

A motion was made by Member Evans and seconded by Member Salaveria.

A roll call vote was conducted.

Ayes: Members Evans, Grune, Lee, Mitsunaga and Salaveria.

Nays: None.

The motion passed 5 to 0 with 4 excused (Members Kamimura and Seki and 2 vacant positions).

3. Decision Making: Shall the Authority Authorize the Executive Director to Enter into an Exclusive Negotiations Agreement with Goodluck Corporation and/or Take and Give Needs Co., Ltd for the Potential Lease and Development of a Portion of Fast Land along the Diamondhead Side of Kewalo Basin (Portion of TMK 2-1-058:128) for a Mixed Use Development including Parking and Negotiate a Lease and Development Agreement?

Mr. Ching summarized the staff report via a PowerPoint presentation (see Exhibit C). He explained that the Authority was briefed on the substance of the proposal during an executive session on July 3, 2013. The proposal sought to develop a portion of fast lands on the Diamond Head side of Kewalo Basin for a limited mixed-use and parking development. The discussion does not touch the portion of land further down on the site of the old Dolphin Lab. The HCDA will still entertain any proposals by the City and County of Honolulu ("City") for a lifeguard facility. The purpose of the agenda item was to allow staff to authorize negotiations to move forward and to initiate an Environmental Assessment process with the attendant consultation required by Chapter 343.

Member Salaveria asked if the site was currently a parking lot and restrooms serving the harbor.

Mr. Ching responded in the affirmative. The parking lot was operated by a concessionaire.

Member Grune asked if the development would preclude the lifeguard office.

Mr. Ching replied that more discussions were needed. He did not know where the City would want the office located and their requirement or ability to develop.

Member Grune asked if the developer would put in all the capital improvements.

Mr. Ching replied in the affirmative. If the design and business plan that would provide percentage rent based on an agreed upon appraisal value for the land is acceptable to the Authority, the developer would be responsible for constructing, operating and maintaining over the lease period.

Member Evans asked if the current surface lot was a paid or free lot.

Mr. Ching responded that it was a paid lot. The lots at Waterfront and Kewalo Basin Park are free for park users. Lots outside the park areas are paid lots.

PUBLIC TESTIMONY:

Mr. Wayne Takamine from CPAC stated that this part of the park was part of the Master Planning process. He had talked about a lifeguard station with Jim Howell and Jesse Broder Van Dyke of the Mayor's office. The current lifeguard station was at the Natatorium, but the status was in question. The new project was consistent with the conceptual Master Plan for a parking lot, some shops, small retail, restaurants, etc. He was not sure about the wedding chapel. The lifeguard station would have jet skis near the harbor area. He stated that there was supposed to be a traffic study for Kewalo Basin that should be coordinated with the study.

Ms. Michelle Matson, Oahu Island Parks Conservancy and CPAC stated that the Ocean Safety Division of the City was very interested in the site. They were looking at a training center and headquarters since the Natatorium site is in question by the administration. She hoped that everyone could work together to have a joint project that incorporates the Ocean Safety Division's needs to serve Ala Moana Park, Kewalo Basin and surfers offshore.

Chairperson Lee entertained a motion for the Authority to authorize the Executive Director to enter into an exclusive negotiations agreement with Goodluck Corporation and/or Take and Give Needs Co., Ltd for the potential lease and development of a portion of fast land along the Diamondhead Side of Kewalo Basin (Portion of TMK 2-1-058:128) for a mixed use development including parking and negotiate a lease and development agreement.

A motion was made by Member Salaveria and seconded by Member Mitsunaga.

Member Salaveria stated it was just an exclusive negotiation agreement and that nothing was technically being approved. He noted that there seemed to be 2 particular potential uses for the site; one that serves a public purpose with ocean safety and another with a potential commercial application. The Authority and the public would need to understand what the actual cost would be for each potential use. There was a lot of public pressure for government to be self-sustaining; however, it cannot be self-sustaining if there is an associated cost.

A roll call vote was conducted.

Ayes: Members Evans, Grune, Lee, Mitsunaga and Salaveria.

Nays: None.

The motion passed 5 to 0 with 4 excused (Members Kamimura and Seki and 2 vacant positions).

V. ADJOURNMENT

A motion to adjourn was made by Member Grune and seconded by Member Mitsunaga. By a show of hands vote, the motion carried unanimously.

The meeting adjourned at 3:08 p.m.

Respectfully submitted,

/s/

Miles Kamimura
Secretary

Attachments: Exhibit A - Kewalo Basin Harbor
Exhibit B - ENA Process for Illuminage
Exhibit C - Good Luck Corporation

Note: The transcript of this meeting contains a verbatim record and should be consulted if additional detail is desired.

KAKAAKO SPECIAL Meeting

Kewalo Basin Harbor Lease
Staff Report

- HCDA Assumed Operational Responsibility for the Harbor on March 2009
- August 2009 Retained Moffat & Nichol to Design & Obtain Required Permits for Harbor Repair & Improvements
- EIS Has Been Completed
- COE, SMA & CDUA Have Been Issued for the Project
- Project Costs Estimated at ≈ \$22M

Chronology & Status

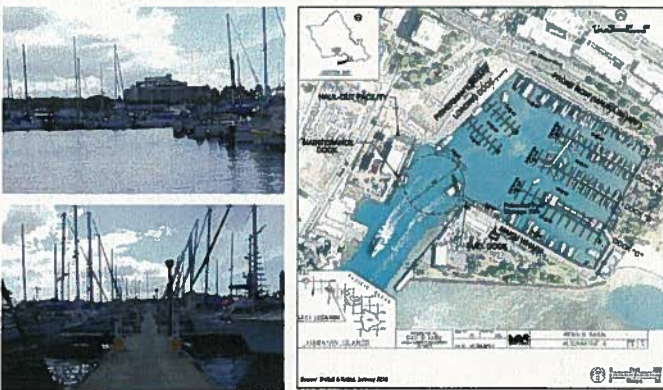
- 30 Year w/10 Year Option or Straight 40 Year Term
- KB Marina L.P. = Lessee
- Base Rent Plus Percentage Rent
- Lease Reopening for 31st Year
- Lessee Responsible for Construction of All Permitted Improvements
 - Approximately 100 New Slips
 - Renovation, Fortification & Extension of Existing Piers and Docks

Business Terms

- Coordination w/OHA
- Assignment
 - Shared Equity Provision
- Rent Reopening after 30th Year
- ReCalculation of Base Rent
 - Years 4-30 – 75% of Previous Three (3) Years Annual Rent (Includes Both Base and Percentage Rent)
- General Terms & Conditions to be Finalized
 - Indemnity
 - Mortgage Assurance

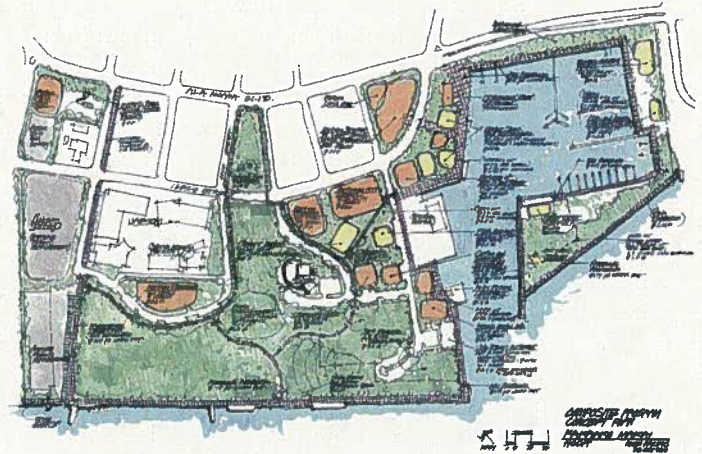
Other Lease Issues

Kewalo Basin Harbor Repairs



KAKA'AKO SPECIAL Meeting

Exclusive Negotiation Agreement w/Illuminage Group LLC
Staff Report



- Authorize Negotiations
- Initiate Environmental Assessment Process
- Stakeholder Consultation
- Lease Approval
- Development Permit Application
- Neighborhood Board/Stakeholder Consultation
- §206E-5.6 Public Hearings
- Development Permit Approval
- SMA Permit Application
- Construction

Timeline

- LED Light Exposition Park
 - Seasonal Themed Displays
- Passive Recreation and Exhibits
- Showcase for Local Entertainment
- Interactive Displays
- Educational Function
 - Benefits of PV and Alternate Energy Power to Sustain Waterfront & Exposition Park
- PV Power for Park Utilities & Exposition Park

Project Profile

- Family Friendly Entertainment Option
- Maintain Access to Shoreline
- Activate Underutilized Area of Park (Night & Day)
- Commercial Return to Sustain Park Activities & Maintenance
- Develop Sustainable Source of Power for Park Operations
- Historical & Cultural Themes
- Potential Showcase for Local Talent

Potential Benefits





Boundary
Ocean Access



KAKA'AKO SPECIAL Meeting

Good Luck Corporation/Take & Give Needs
Staff Report



- Authorize Negotiations
- Initiate Environmental Assessment Process
- Stakeholder Consultation
- Lease Approval
- Development Permit Application
- Neighborhood Board/Stakeholder Consultation
- §206E-5.6 Public Hearings
- Development Permit Approval
- SMA Permit Application
- Construction

Timeline

Proposed Conditions

Existing Land Area: 291,898 sq ft
Existing Building Area: 13,000 sq ft
Existing Parking: 100 stalls

Development Potential

Maximum Height = 45'-0"
FAR = 0.2
Allow. Floor Area (Less existing) = 45,348 sq ft

Parking Potential

Required Parking (With Existing): 300 stalls
S Mechanical + S Conventional = 385 stalls
Parking Floor Area: 90,000 sq ft



Kewalo Basin Development.



Proposed Conditions

Existing Land Area: 291,898 sq ft
Existing Building Area: 13,000 sq ft
Existing Parking: 100 stalls

Development Potential

Maximum Height = 45'-0"
FAR = 0.2
Allow. Floor Area (Less existing) = 45,348 sq ft

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S Mechanical + S Conventional = 385 stalls
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Kewalo Basin Development.