

**STATE OF HAWAI‘I
HAWAI‘I COMMUNITY DEVELOPMENT AUTHORITY
KALAELOA MEETING**

Wednesday, March 6, 2024

MINUTES

I. CALL TO ORDER/ROLL CALL

The Hawai‘i Community Development Authority (“Authority” or “Board”), a body corporate and a public instrumentality of the State of Hawai‘i (“State”) met in-person at the HCDA’s physical meeting site, American Brewery Building, 547 Queen Street, 2nd floor Board room and provided an option to attend virtually (utilizing the State-supported Zoom Meeting platform) for a Regular meeting on March 6, 2024.

HCDA Chairperson, Chason Ishii, called the March 6, 2024, HCDA Kalaeloa Authority Regular meeting to order at 11:00 a.m.

Acknowledgment that the Meeting is Being Convened Virtually

Craig Nakamoto, Executive Director, reiterated the wording contained in the Meeting Agenda regarding the guidelines and directives provided by Section 92-3.7, Hawai‘i Revised Statutes (“HRS”), to enable public boards and commissions to conduct business virtually with a meeting site open to the public.

About the foregoing, Mr. Nakamoto reiterated wording contained in the Meeting Agenda noting that HCDA welcomes public attendance via the Zoom link provided and also at the meeting site, located at The American Brewery Building, 547 Queen Street, 2nd Floor Board room, Honolulu, Hawai‘i, 96813. He also noted HCDA also welcomes public comment and public participation via submission of written or oral testimony. Mr. Nakamoto stated that individuals, if any, from the public who have requested to provide testimony are on standby and will be permitted to speak during the public testimony session of the specific agenda item. Mr. Nakamoto also noted the time limits for public testimony.

Chair Ishii conducted the roll call. Those present and excused were as follows:

Members Present: Chason Ishii, Chairperson
Sterling Higa, Vice-Chairperson
Peter Apo, Secretary
Melissa Miranda-Johnson, DOT (Ex-Officio)
Mark Anderson, B&F (Ex Officio)
Tim Streitz, City & County of HNL DPP (Ex-Officio)
Mary Alice Evans, DBEDT (Ex-Officio)

Members Excused: David Rae
Kalaeloa Member (Vacant)

A quorum was present.

Legal Counsel: Kelly Suzuka, Deputy Attorney General
Kevin Tongg, Deputy Attorney General

Staff Present: Craig Nakamoto, HCDA Executive Director
Garet Sasaki, HCDA Chief Financial Officer
Lindsey Doi, HCDA Director of Asset Management
Mark Hakoda, HCDA Director of Capital Improvement Projects
Francine Murray, HCDA Community Outreach Officer
Tommilyn Soares, HCDA Executive Secretary
Ryan Tam, HCDA Director of Planning and Development

II. APPROVAL OF MINUTES

Regular Meeting Minutes of December 6, 2023

Chair Ishii asked for comments or corrections. There were none. The meeting minutes were approved as presented.

III. DECISION MAKING

Consider Authorizing the Executive Director to Extend or Not to Extend the Exclusive Negotiations Agreement and Right of Entry Agreement, Dated March 15, 2021, with HK Management LLC, For an Additional Three (3) Month Period, regarding the Honokea Surf Villages Project, Proposed To Be Located on an approximately 19.4 Acre Parcel Located in the Kalaeloa Community Development District, at Tax Map Key: (1) 9-1-013:068 [no postal address] on Account of the Inability of the Hawaii Community Development Authority and HK Management LLC and its Principals to Agree on the Essential Terms of a Ground Lease.

Mr. Craig Nakamoto, Executive Director, Mr. Garet Sasaki, CFO, and Lindsey Doi, Asset Manager, presented the staff report included in the board packet. Mr. Nakamoto highlighted the following key points:

- Recognition of the overwhelming public voice, and appreciation for all testimonies received
- Context of HCDA's Approval Process
 - As HCDA is the landowner for the subject property, the board shall review and may approve terms of a ground lease with HK Management
 - As HCDA is the regulatory and zoning authority for the Kalaeloa district, the Board shall review and may approve the zoning application
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- Current Impediments
 - Standard ground lease terms and term have yet to be discussed, but the following two pivotal issues are at the forefront of discussions:
 - Lease rent: HCDA procured for a broker opinion of value, which sets the rent at \$610,000/year initially with inflation; the applicant has opted not to get a broker opinion of value or an MAI appraisal.

- The applicant disagrees with the existing broker opinion of value, claiming that it is flawed.
- Restoration fund: in an effort to be good stewards of State property and avoid being left with improvements that are not usable, a restoration fund ensures that the applicant is financially capable of restoring the property to its pre-development state at the lease termination or the lessee's abandonment of the project.
 - No zoning application has been submitted yet; applicant is pending SHPD concurrence. Once submitted, HCDA will schedule the presentation and decision-making hearings.

Member Higa asked to confirm that, if the motion is adopted as written to *not* extend the agreement, HCDA would not be able to accept any proposals from HK Management—even if it is agreeable—once the current exclusive negotiation agreement and right-of-entry expires.

Executive Director Nakamoto clarified that if the exclusive negotiations agreement is not extended, the discussion between HCDA and HK Management may still continue, so long as that is the direction of the Board. However, the negotiations would no longer need to be exclusive in that case. If the board approves the extension, discussion between the two parties would likewise still continue, but with the exclusivity still in place. He added that if the parties agree on these terms in discussion, HK Management must still seek board approval for their zoning application.

Member Miranda-Johnson asked if there are other plans for this site, or if there are other parties that have shown interest in the site.

Executive Director Nakamoto answered that currently there are no other parties that have shown interest in the site, but because the exclusive negotiations agreement is in place, HCDA has not sought out any other interest either. If the agreement expires and/or the applicant's project does not proceed, HCDA has the ability to post an RFP for this property to explore other uses for this property.

In regards to the restoration fund, Member Miranda-Johnson asked if the cost for removal of the injection wells should be solely HK Management's expense, or if HCDA is crediting HK Management for the removal since it would have to be taken care of by HCDA or another party regardless.

Executive Director Nakamoto answered that if the equipment in question were more general improvements to the land (piping, electrical conduits, etc.), then he would agree that it would be unfair to impose the cost of removal on HK Management. However, since the three injection wells, in addition to the large wavepool, are specific to this business and unlikely to be needed in the plans of the next lessee, he feels that it is reasonable to ask HK Management to remove their improvements when their lease expires.

Member Evans commented that it seems the applicant did their due diligence for the project and the land usage, and given the number of supporting testimonies, it warrants an extension of their exclusive negotiations agreement for an additional three months. She

acknowledged that the terms mentioned still need to be agreed upon and the zoning application still needs to be submitted and approved by the board.

Member Apo agreed with Member Evans, but added that he feels uncomfortable with the idea of requiring the land occupant to require the removal of their development, in addition to the costs of the development itself. He acknowledged that he is not an expert in financing for development and that there is areas of flexibility in the situation, and understands that much of the discussion is for the protection of HCDA and State assets. He opted to reserve his further comments for after the testimonies.

Member Streitz notes that the initial length of the agreement was for 18 months, and asked why the extension is only proposed for 3 months.

Executive Director Nakamoto answered that it is possible to extend for another 18 months but feels that is too long, which is not ideal for both parties. He reiterated that a lot of discussion has already taken place since the start of the initial agreement, and believes that the remaining discussions and agreements can be made in the proposed 3 months.

Charles Hunter, legal counsel for HK Management LLC, along with Brian Keaulana, presented on behalf of the applicant. Mr. Hunter thanked Executive Director Nakamoto for the discussions thus far and echoed his explanation of the presented situation. The planning of this project began 8 years, and HK Management believes it aligns with the goals of the Kalaeloa Master Plan. Mr. Keaulana provided a brief history of his personal life and his values on family and community, which led him to find ways to instill these values in the future generations, and believes that this project will provide a way to do that. He thanked everyone that appeared in person and those that provided their testimonies, regardless of their stance.

Collectively, Mr. Hunter and Mr. Keaulana presented HK Management's opinion on the following:

- Rent lease: difficulty accepting the findings in the broker opinion of value, claiming it may be an inaccurate and unreliable estimate
- Restoration fund: suggested that the fund amount be incrementally built rather than a lumpsum amount at the start of the lease
- Delay in zoning application submission: wanted to first seek out permission and approval from the communities affected
- Extension of exclusive negotiation agreement: suggests a six-month extension is more appropriate as there may be delays with the Attorney General's office
- Possible permitted-interaction group: unsure if it is necessary, but willing to comply so long as the board and HCDA deem it appropriate

There were no further questions or comments from the Board.

Public Testimony

Chair Ishii called for public testimony. There were 214 written testimonies received, and 21 inquiries to provide oral testimony.

Oral testimonies in support of HK Management LLC, were made from the following:

1. Eric Walton (AccesSurf board member, adaptive athlete) – In Support
2. Jerry Heller (AccesSurf patron, parent of adaptive surfer, Big Wave Risk Assessment Group member) – In Support
3. Cara Short (AccesSurf) – In Support
4. Dawn Hunt (local resident and waterwoman) - In Support
5. Judith Knieriem – In Support
6. Jade Vaughan (UH Athletics alum, Team Canada) – In Support
7. Irish Barber (IATSE 665 business agent / Film Industry) – In Support
8. Michael Wigle (IATSE, Local 800 production designer) – In Support
9. Chris Delaunay (Pacific Resource Partnership) – In Support
10. Lena Suzuki (Waianae resident) – In Support
11. Alex Ratcliffe (Naval Special Warfare) – In Support
12. Chris Cocrotois (AccesSurf coach) – In Support
13. Peter Rucci (surfer) – In Support
14. Katherine MacNeil (G70 principal and parent of surfer) – In Support
15. Carson Magoon (community member) – In Support
16. Kihaapiilani Kahalelau (local resident and film production assistant) – In Support
17. Mitchell Tynanes (Ewa Beach NB Chair) – In Support
18. William “Billy” Roehl (marine biologist) – In Support
19. Ted Peck (Holu Hou Energy, former administrator at State Energy Office) – In Support
20. Kiran Polk (Kapolei Chamber of Commerce Executive Director) – In Support
21. Tesha Malama (Ewa Beach resident) – In Support

Member Apo expressed his thanks for the testimonies and the discussions that have taken place. He commented that he would like to see more efforts in spreading the affordability of risk, and hopes to see more balance and management of the risk factor in this and future scenarios.

Member Streitz asked HK Management LLC about the accuracy of the intended uses mentioned by the testifiers (i.e., accessible surfing, lifeguard and tactical training, cultural education, etc.).

Mr. Hunter affirmed that the intended uses mentioned by the testifiers is an accurate vision of this project.

Member Streitz asked how accessible the facilities and services would be to the general community.

Mr. Steve Yuen, HK Management LLC, explained that the property will have an open design with communal areas for gathering and leisure at no cost, as well as a parking lot to accommodate a large capacity. There will be a cost to use the training and recreation facilities, but it will be open and in close proximity to the gathering areas so spectators are able to watch for free.

MOTION:

Chair Ishii asked for a motion to Authorize the Executive Director to Extend or Not to Extend the Exclusive Negotiations Agreement and Right of Entry Agreement, Dated March 15, 2021, with HK Management LLC, For an Additional Three (3) Month Period, regarding the Honokea Surf Villages Project, Proposed To Be Located on an approximately 19.4 Acre Parcel Located in the Kalaeloa Community Development District, at Tax Map Key: (1) 9-1-013:068 [no postal address] on Account of the Inability of the Hawaii Community Development Authority and HK Management LLC and its Principals to Agree on the Essential Terms of a Ground Lease.

An amended motion was proposed and made by Vice Chair Higa.

Chair Ishii asked for an amended motion to Authorize the Executive Director to Extend the Exclusive Negotiations Agreement and Right of Entry Agreement, Dated March 15, 2021, with HK Management LLC, For an Additional Six (6) Month Period, regarding the Honokea Surf Villages Project, Proposed To Be Located on an approximately 19.4 Acre Parcel Located in the Kalaeloa Community Development District, at Tax Map Key: (1) 9-1-013:068 [no postal address] on Account of the Inability of the Hawaii Community Development Authority and HK Management LLC and its Principals to Agree on the Essential Terms of a Ground Lease.

Member Apo seconded the motion.

Member Higa suggested to get Senator Glenn Wakai’s attention on this project, and possibly provide state resources to help this project, given its anticipated contributions to economic development and athletics in the State.

Mr. Garet Sasaki conducted the roll call vote. Motion passed with 6 ayes, 2 excused, and 1 vacant position.

IV. INFORMATION & DISCUSSION

Presentation by HCDA Staff on the Kalaeloa Community Development District Electrical Survey for the Handover of the Existing Electrical Grid from Naval Facilities Engineering Systems Command (NAVFAC) Hawaii to the Hawaiian Electric Company (HECO).

Mr. Mark Hakoda, HCDA Director of Capital Improvements, presented the staff report included in the board packet. HECO is currently contracted by NAVFAC to conduct a survey of existing electrical facilities in Kalaeloa, in order to estimate and ultimately, handover the existing grid to the HECO company. HECO, along with subcontractor Power Engineers, are conducting Light Detecting and Ranging (LiDAR) and aerial drone surveying, which will be used towards the final cost estimate and design for the electrical grid handover.

There were no questions or comments from the Board.

Public Testimony

Chair Ishii called for public testimony. There were no inquiries to provide oral testimony, and no written testimonies were received.

V. REPORT OF THE EXECUTIVE DIRECTOR

Monthly Report and Other Status Reports

Approved permit applications that did not require HRS 206E-5.6 public hearings.

ED Nakamoto referred to the Executive Director’s report provided in the board packet and noted that he is available for any questions board members may have.

There were no questions or comments from the Board.

Public Testimony

Chair Ishii called for public testimony. There were no inquiries to provide oral testimony, and no written testimonies were received.

VI. ADJOURNMENT

Chair Ishii thanked those who joined today’s meeting on Zoom and adjourned the meeting at 12:52 p.m.

peter apo

Peter Apo, Secretary

May 1, 2024

Date Approved by the Board