

BOARD OF TRUSTEES

Colette Y. Machado, *Chairperson*Peter Apo, *Vice Chairperson*Rowena Akana, *Trustee At-Large*S. Haunani Apoliona, *Trustee At-Large*Donald B. Cataluna, *Kaua'i/Ni'ihau Trustee*C. Hulu Lindsey, *Maui Trustee*Robert K. Lindsey, Jr., *Hawai'i Trustee*Oswald K. Stender, *Trustee At-Large*John Waihe'e IV, *Trustee At-Large*

STATE OF HAWAII'
OFFICE OF HAWAIIAN AFFAIRS
 711 KAPI'OLANI BOULEVARD, SUITE 500
 HONOLULU, HAWAII 96813

DEUTENANT GOVERNOR

12 OCT -5 12 59

MEETING OF THE BOARD OF TRUSTEES**DATE:** Thursday, October 11, 2012**TIME:** 9:00 a.m.**PLACE:** OHA Board Room, Suite 500
711 Kapiolani Blvd.
Honolulu, HI 96813**AGENDA**

- I. Call to Order
- II. Approval of Minutes
 - A. September 27, 2012
- III. Community Concerns*
- IV. Unfinished Business
 - A. Ka Pouhana/CEO's Update on Ho'oulu Lahui Aloha & OHA activities.
 - 1. Resource Management Line of Business
 - 2. OHA Preliminary Transition Plan to Gentry Pacific Design Center
 - 3. Updates of Kaka'ako Makai planning
- V. New Business
 - A. Committee on Asset and Resource Management
 - 1. ARM 12-09 FY 2013 Total Operating Budget Realignment #2
 - 2. ARM 12-10 OHA's General Funds and Preliminary Community Grants Biennium Budgets for Fiscal Biennium Periods 2013/2014 and 2014/2015
 - B. Committee on Beneficiary Advocacy and Empowerment
 - 1. BAE 12-03 Transfer of the authority to exercise oversight of the Native Hawaiian Historic Preservation Council (NHHPC).
- VI. Executive Session**
 - A. Consideration of the Board's Ad Hoc Committee's recommendation for Ka Pouhana's six month review. *Per HRS § 92-5 (a)(2).*
 - B. Attorney-Client legal advisory by Board Attorneys Neil T. Proto, Esq. of Schnader Attorneys At Law; lawyer representative, Denis Dwyer of Williams & Jensen, PLLC, and OHA Board Counsel Robert G. Klein, Esq., re: questions and issues pertaining to the Board's powers and duties under its federal recognition initiative. *Pursuant to HRS 92-5(a)(4).* Teleconference at 11:30 a.m. (HST)
 - C. Legal advisory and status update by Ka Pouhana, Administration consultants, Board Counsel Robert G. Klein, Esq., and OHA Corporate Counsel Ernest Kimoto, Esq. re: questions and issues pertaining to the Board's powers, duties, and liabilities as trustees and managers of cultural and preservation real property to acquire certain property by donation. *Pursuant to HRS § 92-5(a)(4).*
 - D. Legal advisory and status update by Ka Pouhana, Administration consultants, OHA staff, Board Counsel Robert G. Klein Esq., OHA Corporate Counsel Ernest Kimoto, Esq. and Sheryl S. Nicholson, Esq. on questions and issues pertaining to the Board's powers, duties, privileges, immunities and liabilities regarding Land Surrounding Kukaniloko. *Pursuant to HRS 92-5(a)(3) and 92-5 (a)(4)*
 - E. Approval of Executive Session Minutes September 27, 2012.
- VII. Beneficiary Comments*
- VIII. Announcements
- IX. Adjournment

*Notice: Persons wishing to provide testimony are requested to submit 10 copies of their testimony to the Chief Executive Officer at 711 Kapi'olani Blvd., Suite 500, Honolulu, HI, 96813 or fax to 594-1865, 48 hours prior to the scheduled meeting. Persons wishing to testify orally may do so at the meeting, provided that oral testimony shall be limited to five minutes. ** Notice: This portion of the meeting will be closed pursuant to HRS § 92-5. For further information, please call 594-1954.

Colette Y. Machado

Trustee Colette Y. Machado
 Chairperson, Board of Trustees

9/26/12

Date

STATE OF HAWAII
OFFICE OF HAWAIIAN AFFAIRS
KAPI'OLANI BLVD., 5TH FLOOR
HONOLULU, HI 96813

Minutes of the Office of Hawaiian Affairs Board of Trustees
Thursday, October 11, 2012 9:00 a.m.

ATTENDANCE:

TRUSTEE ROWENA AKANA (ARRIVED 9:59 AM)
TRUSTEE PETER APO (ARRIVED 9:14 AM)
TRUSTEE HAUNANI APOLIONA
TRUSTEE C. HULU LINDSEY
TRUSTEE ROBERT K. LINDSEY JR
TRUSTEE COLETTE Y. MACHADO
TRUSTEE JOHN WAIHE'E IV (ARRIVED 9:08 AM)
TRUSTEE OSWALD STENDER

ROBERT G. KLEIN ESQ., BOT COUNSEL

ADMINISTRATION STAFF:

KAMANA'OPONO CRABBE, KA POUHANA
AEDWARD LOS BANOS
BREANN NU'UHIWA, ADV
HAWLEY IONA, CFO
ERNEST KIMOTO, CC
KEHAU ABAD, CED
JERRY NORRIS, COMP
JIM MCMAHON, ADV
KEITH YABUSAKI, TAP
LORNA LOEBL, AS
MOMILANI LAZO, CEO
KAIWINUI YOON, LMP
MEHANA HIND, KO
KEALOHA FOX, DEMO

EXCUSED:

TRUSTEE DONALD B. CATALUNA

BOT STAFF:

CAROL HO'OMANAWANUI, COS
LEAH BURROWS-NU'UANU, BOT SEC
DAYNA PA, TRUSTEE AIDE
ANI PANG, TRUSTEE AIDE
NATHAN TAKEUCHI, TRUSTEE AIDE
CAPSUN POE, TRUSTEE AIDE
LEIANN DURANT, TRUSTEE AIDE
REYNOLD FREITAS, TRUSTEE AIDE
CRAYN AKINA, TRUSTEE AIDE
KAMA HOPKINS, TRUSTEE AIDE
LEHUA ITOKAZU, TRUSTEE SEC
MAKANA CHAI, TRUSTEE SEC
SHIRLEY NAKANISHI, TRUSTEE SEC

ADMINISTRATION STAFF:

JOHN KIM, CONTROLLER
KOALANI KAULUKUKUI, LMP

GUESTS

SHERYL NICHOLSON ESQ.
EVERETT DOWLING
ROB IOPA
MARK HIGA

I. CALL TO ORDER

Chairperson Machado Calls the Board of Trustees meeting to order at 9:07 a.m. Roll call is taken; those present are Trustees Apoliona, Hulu Lindsey, Robert Lindsey, Machado and Stender constituting a quorum of five (5) trustees. Trustee Cataluna has submitted a letter of excuse for today's meeting. Trustees Akana, Apo and Waihe'e are expected to arrive shortly.

Chairperson Machado Asks for a 72 hour waiver for material received from yesterday's ARM Committee Meeting. The waiver is for the following agenda item:

V. New Business

A. Committee on Asset and Resource Management

1. ARM 12-09 FY 2013 Total Operating Budget Realignment #2
2. ARM 12-10 OHA's General Funds and Preliminary Community Grants
Biennium Budgets for Fiscal Biennium Periods 2013/2014 and 2014/2015

Trustee Robert Lindsey Moves to approve a 72 hour waiver for item V.A.1.

Trustee Stender Seconds the motion.

Hearing no discussion, Chairperson Machado asks for a roll call vote.

Trustee Stender Moves to approve a 72 hour waiver for item V.A.1.

Trustee Apoliona Seconds the motion.

TRUSTEE	1	2	'AE (YES)	A'OLE (NO)	KANALUA ABSTAIN	EXCUSED
TRUSTEE ROWENA AKANA						Not Present
TRUSTEE PETER APO						Not Present
TRUSTEE HAUNANI APOLIONA			X			
TRUSTEE DONALD CATALUNA						X
TRUSTEE HULU LINDSEY			X			
TRUSTEE ROBERT LINDSEY	X		X			
TRUSTEE OSWALD STENDER		X	X			
TRUSTEE JOHN WAIHE'E			X			
TRUSTEE COLETTE MACHADO			X			
TOTAL VOTE COUNT			6			2/1
MOTION: [X] UNANIMOUS [] PASSED [] DEFERRED [] FAILED						
Motion passes with six (6) YES votes, two (2) NOT PRESENT and one (1) EXCUSED.						

II. APPROVAL OF MINUTES

Chairperson Machado Asks for a motion to approve the minutes of September 27, 2012.

Trustee Hulu Lindsey Moves to approve the minutes of September 27, 2012.

Trustee Stender Seconds the motion.

Hearing no discussion, Chairperson Machado asks for a roll call vote.

Trustee Hulu Lindsey Moves to approve the minutes of September 27, 2012.

Trustee Stender Seconds the motion.

TRUSTEE	1	2	'AE (YES)	A'OLE (NO)	KANALUA ABSTAIN	EXCUSED
TRUSTEE ROWENA AKANA						Not Present
TRUSTEE PETER APO						Not Present
TRUSTEE HAUNANI APOLIONA			X			
TRUSTEE DONALD CATALUNA						X
TRUSTEE HULU LINDSEY	X		X			
TRUSTEE ROBERT LINDSEY			X			
TRUSTEE OSWALD STENDER		X	X			
TRUSTEE JOHN WAIHE'E			X			
TRUSTEE COLETTE MACHADO			X			
TOTAL VOTE COUNT			6			2/1
MOTION: [X] UNANIMOUS [] PASSED [] DEFERRED [] FAILED						
Motion passes with six (6) YES votes, two (2) NOT PRESENT and one (1) EXCUSED.						

III. COMMUNITY CONCERNS

Chairperson Machado Notes that there are no beneficiaries signed up to speak under this section of the agenda.

IV. UNFINISHED BUSINESS

A. KA POUHANA/CEO'S UPDATE ON HO'OULU LAHUI ALOHA & OHA ACTIVITIES.

1. RESOURCE MANAGEMENT LINE OF BUSINESS

Chairperson Machado Calls on Ka Pouhana Crabbe to provide his update on OHA activities.

Ka Pouhana Crabbe States Chief Financial Officer Hawley Iona will be presenting on the Resource Management Line of Business as well as the transition plan to Gentry Pacific.

CFO Iona Reminds trustees that OHA is in the middle of the financial audit. It's OHA's annual audit that began in October and should end by December. She also reminds trustees that OHA will be having a state on it this year. They are waiting for Marion Higa to contact OHA with written notice to expect her.

She thanks Scott Watanabe for traveling to Washington DC to set up the network in that office. It is the first time the Washington DC office has connection to OHA's servers. An additional component may include Skype for meetings and updates. It's working out really well.

Regarding Legacy Lands, the rock fall mitigation in Waimea Valley was successfully completed. The community was very pleased with what we were able to do. There are some expectations now that we mitigated, neighbors have noticed that there may be other areas susceptible to rock falls. She informs Trustees that Administration does not intend to mitigate any further. Staff will keep an eye on the situation until such time as it becomes necessary to further mitigate.

With regard to Wao Kele O Puna, OHA has been successful in moving forward now that we have a Land Manager Pua Ishibashi on board. Trustees may have the opportunity to meet him at the all staff meeting on October 12. Mr. Ishibashi has been a wonderful asset to the team. He is diligently working on the Stewardship Management Plan and has made strides with OHA's forestry rules. In the coming weeks Corp. Counsel will be meeting with Chief Advocate to discuss the forestry rules within the co-management plan with DLNR (Department of Land and Natural Resources). The co-management plan needs to be completed by 2016.

Waialua Courthouse has been vacated in anticipation of performing beside improvements which will commence in the next couple of weeks. The improvements would take between 2 to 3 months to complete. Once those improvements are completed OHA intends to lease the courthouse. Kamehameha Schools has shown interest in leasing the property.

With regard to the management of Gentry Pacific, CFO Iona thanks Kaiwinui Yoon and Kim Miller for working on the facility and the issues OHA has faced. All leasing decisions still go up to the COO and CEO, and are not made at the staff level. She asked if Trustees have any questions.

Trustee Apoliona Asks how much the mitigation costs were.

CFO Iona States the total costs for mitigating the rock fall was just shy of \$80,000.

Trustee Robert Lindsey Asks if the budget for the management of Wao Kele O Puna is still \$250,000.

CFO Iona Confirms the managements costs are still at \$250,000.

Trustee Robert Lindsey Asks what OHA gets from the Department of Land and Natural Resources for the management of Wao Kele O Puna.

CFO Iona States part of the MOA specifies that OHA needs to allocate up to \$220,000 annually. It is OHA's responsibility to come up with a budget. Her understanding is that OHA has not done this to date. Moving forward OHA will submit a budget. We are late for this year but she's asking her division to submit a budget anyway. It is also her understanding that OHA and DLNR are very disconnected when it comes to the spending of the money.

OHA's funding goes toward the salary of Julie Leialoha who is with DOFAW (Division of Forestry and Wildlife). Funding also goes toward mitigation efforts. OHA has contributed to controlling the strawberry guava and similar efforts. OHA has received reports for 2010 and 2011, we are still waiting for reports from 2012. Moving forward we have requested for an evaluation to be done by our internal Program Improvement division primarily because we have been very concerned with how the money has been utilized.

Trustee Robert Lindsey States he will be forever grateful that Pua Ishibashi is on staff. OHA was lucky to get him on board.

Trustee Hulu Lindsey Asks if OHA provides one lump sum payment, or pays on invoices?

CFO Iona States OHA cuts checks based on submitted reports. She adds that a report was submitted in 2011, which OHA agreed with, and paid out the \$228,000. To date OHA has spent \$228,000 each year.

She states she has been with OHA for five years and her understanding is that the reports have always been delinquent and it's been difficult to get the reports from DLNR. She's hoping the internal evaluation will help with identifying some very specific procedures that DLNR will have to follow. It will help establish a process on how they submit reports and the timeliness of their reports.

Chairperson Machado Asks if it is possible to distribute the MOA to all Trustees which would explain the agreement and obligations of both OHA and DLNR. She adds perhaps Ka Pouhana should reach out to DLNR Chair William Aila. She also notes that the new Deputy of DLNR is Esther Kia'aina. She suggests a connection be made for one-on-one discussions so the matter doesn't become confrontational. OHA needs to improve that relationship.

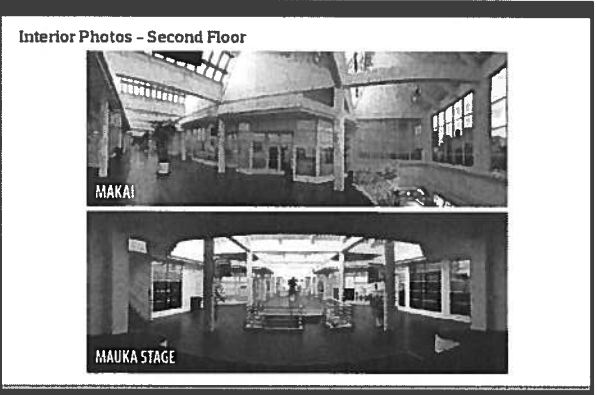
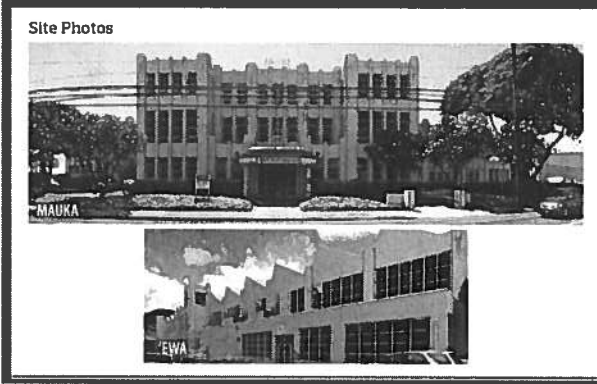
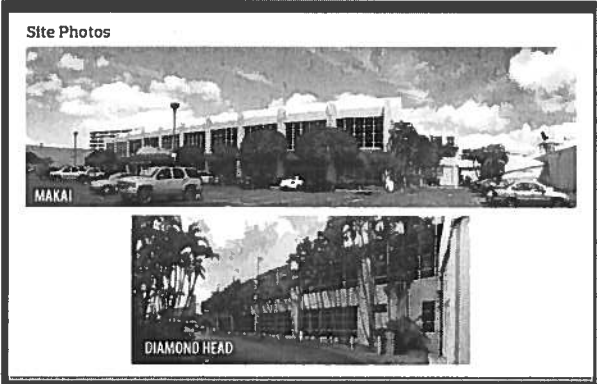
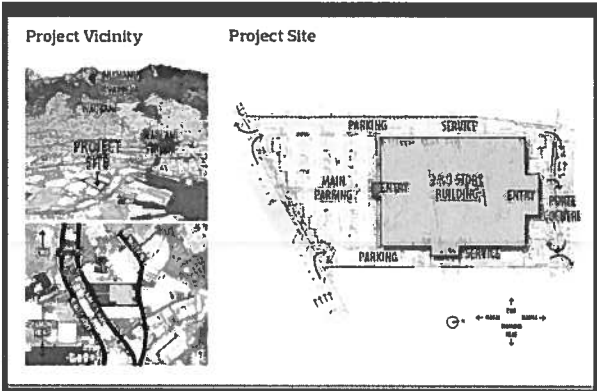
She asks if there any further questions from Trustees. Hearing none she asks Ka Pouhana Crabbe to move on to the next item on the agenda.

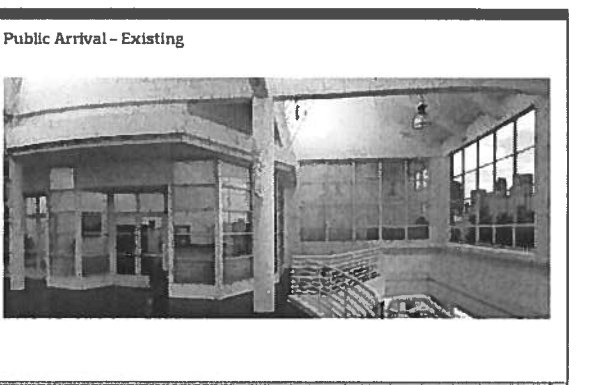
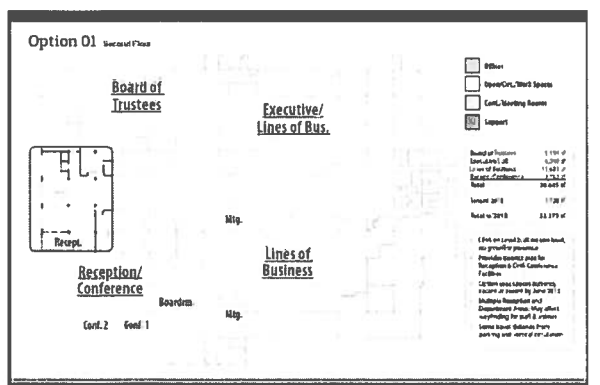
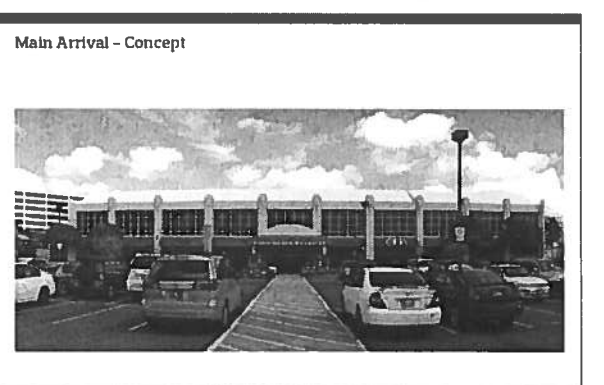
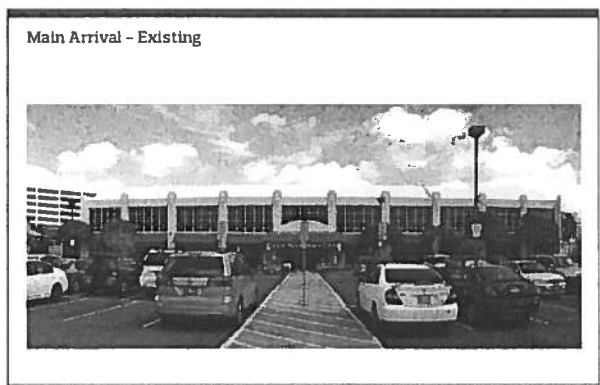
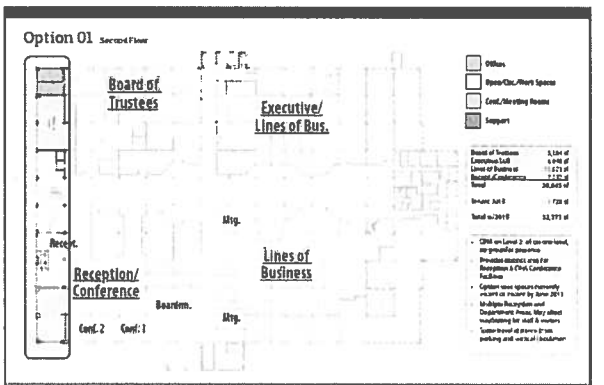
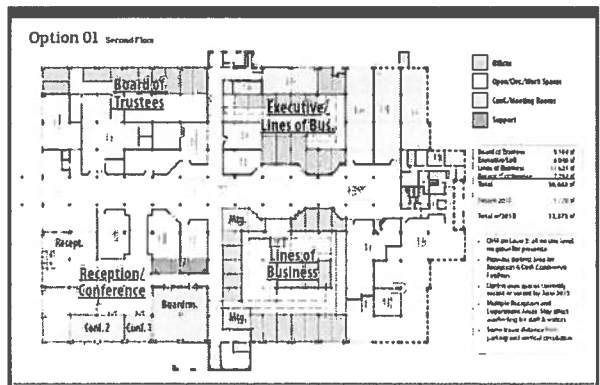
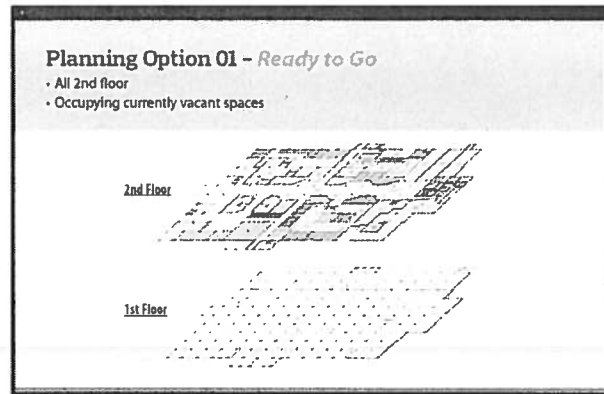
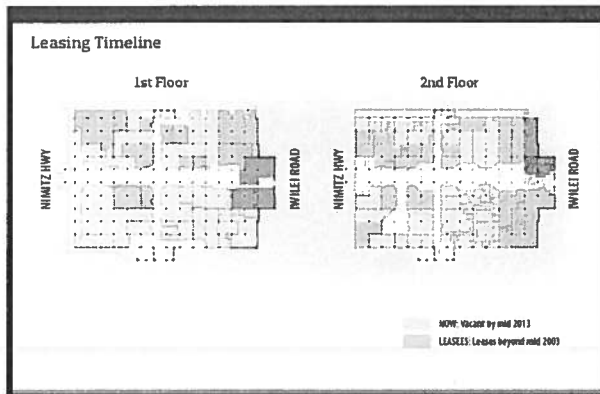
2. OHA PRELIMINARY TRANSITION PLAN TO GENTRY PACIFIC DESIGN CENTER

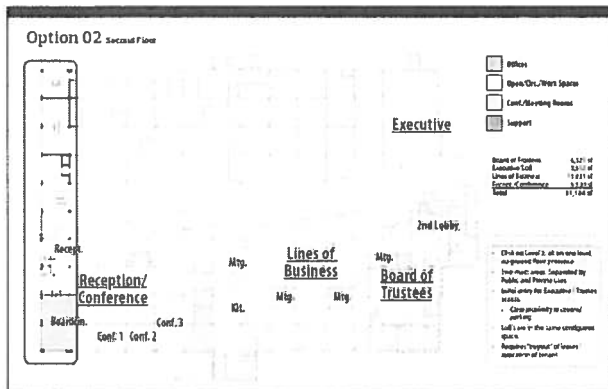
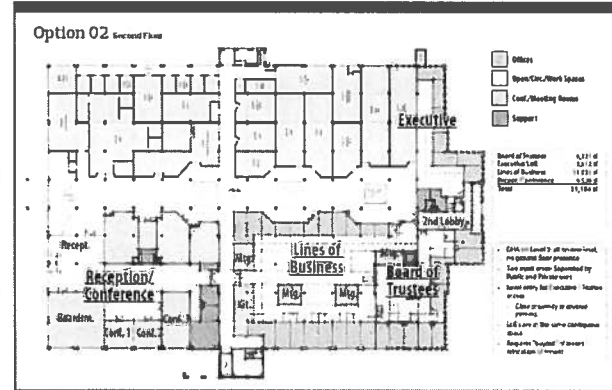
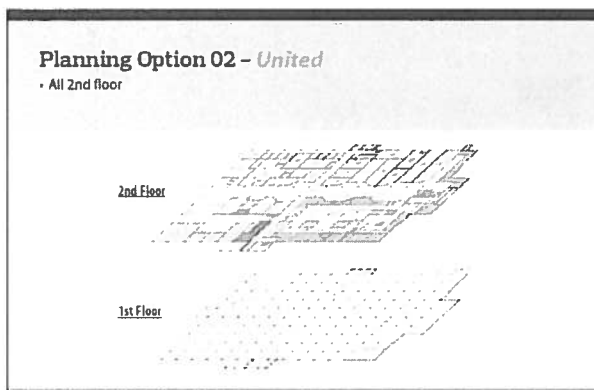
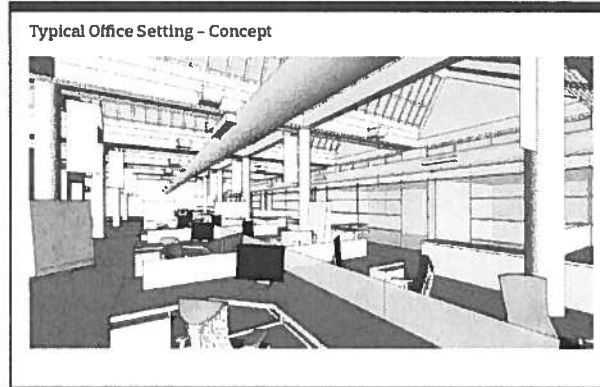
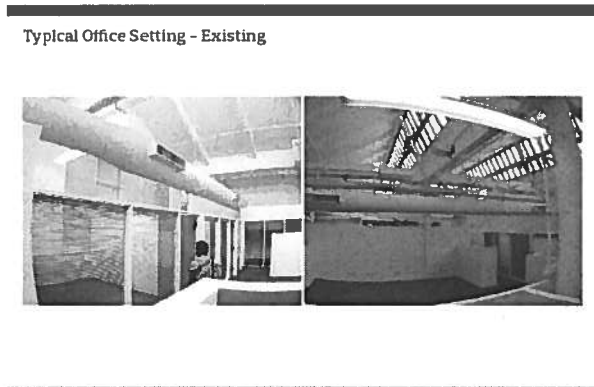
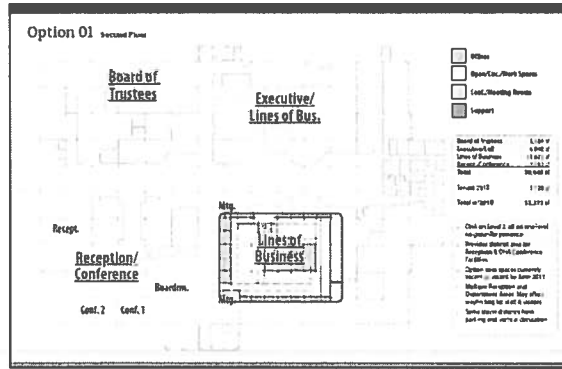
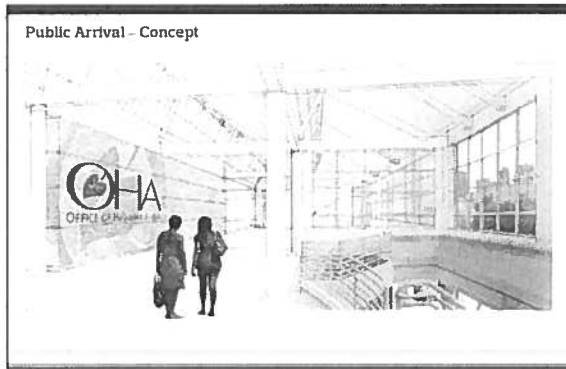
CFO Iona invites Mr. Rob Iopa and the members of WCIT Architecture to come to the board table to present the options for the transition of OHA to the Gentry Pacific facility.

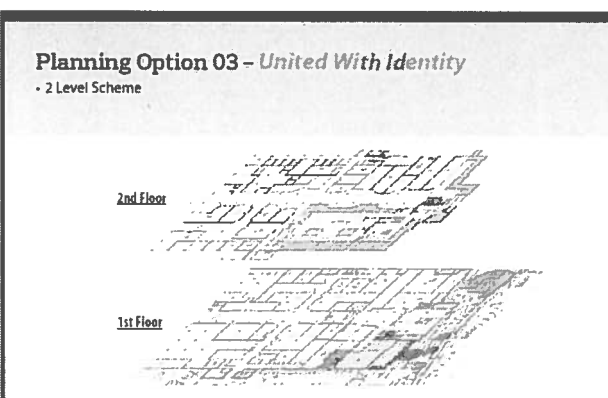
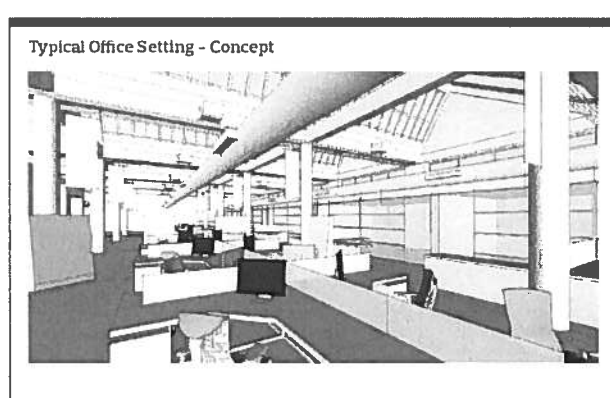
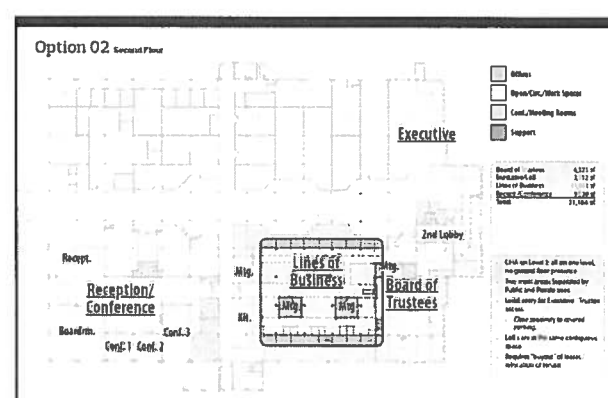
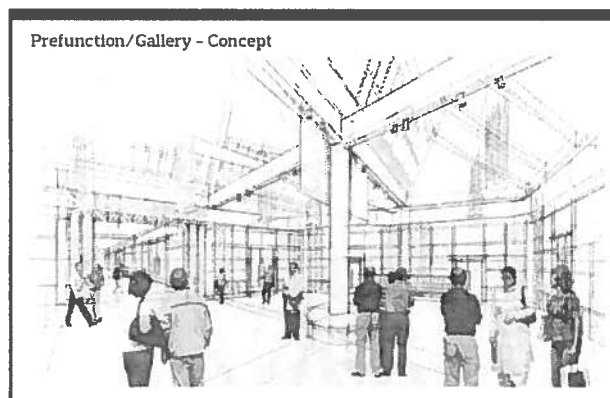
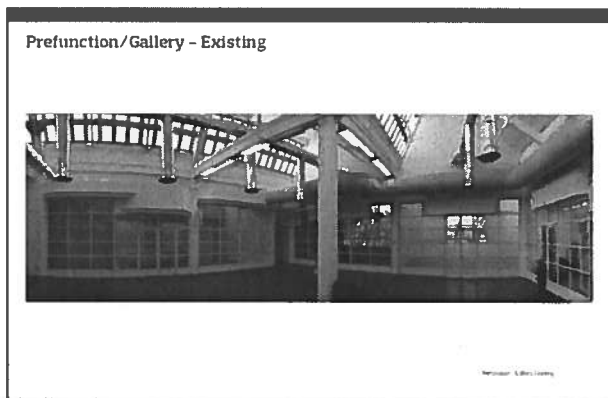
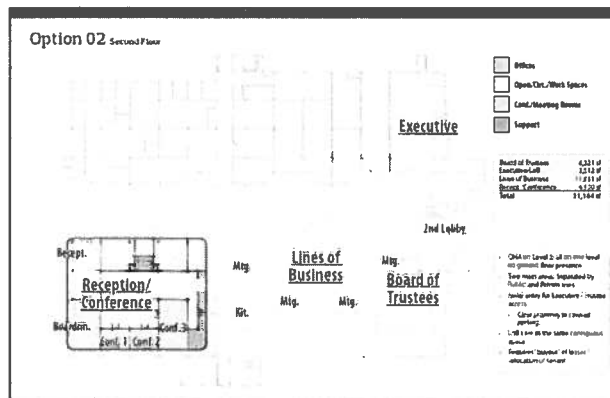
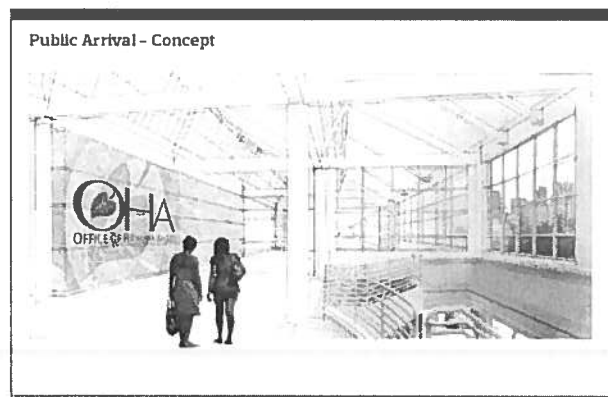
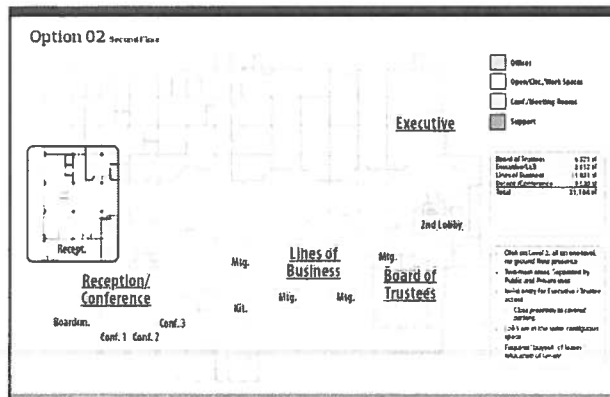
Chairperson Machado Welcomes Mr. Rob Iopa of Architecture to the Board table.

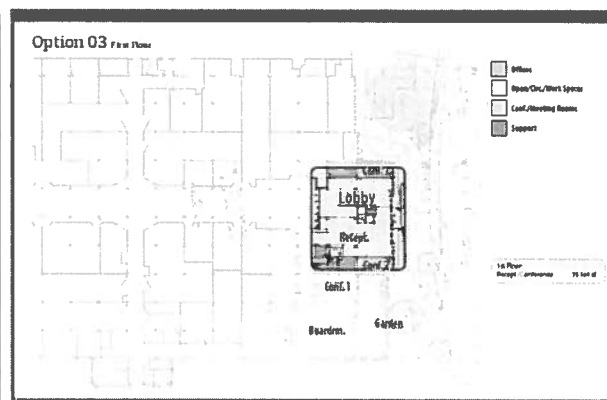
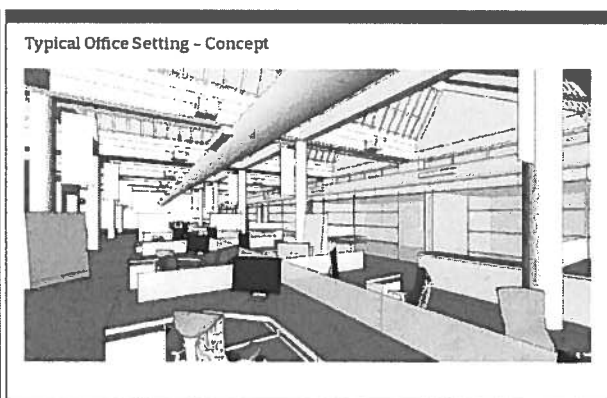
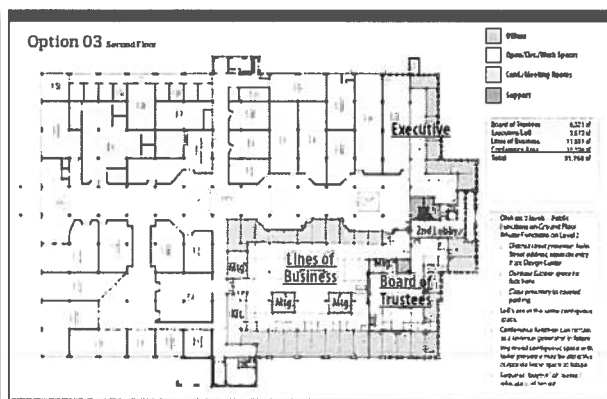
Mr. Iopa Presents the 49 slide presentation titled *OHA Office Renovation Studies*. He describes three scenarios for OHA’s transition to the Gentry Pacific Design Center.







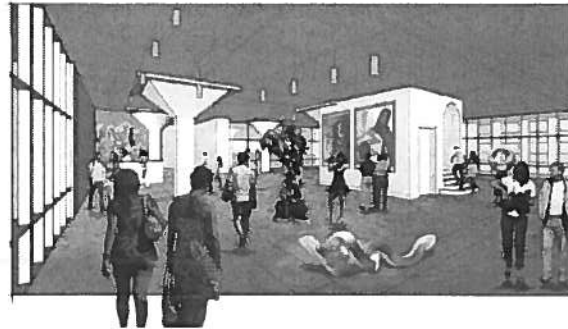




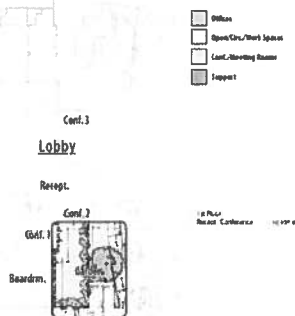
First Floor Lobby/Gallery - Existing



First Floor Lobby/Gallery - Concept



Option 03 2nd Floor



Mauka Garden - Existing



Mauka Garden - Concept



Option 01 - Cost Summary

- All 2nd floor
- Occupying currently vacant spaces
- OHK on Level 2, all on one level, no ground floor presence
- Provides distinct area for Reception & OHK Conference Facilities

- Option uses spaces currently vacant or vacant by June 2013.
- Multiple Reception and Department Areas May affect wayfinding for staff & visitors
- Some travel distance from parking and vertical circulation

2nd Floor



1st Floor



Capital Improvements: \$582,341 New system furniture for open work areas

Total Floor Area	30,645 sf
Due Diligence Repairs ¹	\$667,000
Construction (inc. demo) ²	\$2,529,212
Soft Costs	\$478,532
FF&E ³	\$466,800
Moving	\$253,090
SUBTOTAL	\$4,388,634
Project Contingency (15%)	\$658,295
PROJECT TOTAL	\$5,046,929
New TL (Food Market)	\$2,000,000

Option 02 - Cost Summary

- All 2nd floor
- OHK on Level 2, all on one level, no ground floor presence
- Two main areas separated by Public and Private uses

- Needs entry for Executive / Trustee access.
- Close proximity to covered parking
- Lobby is in the same contiguous space
- Requires "bypass" of lobby / relocation of tenant

2nd Floor



1st Floor



Capital Improvements: \$582,341 New system furniture for open work areas

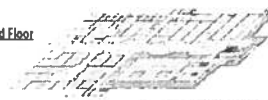
Total Floor Area	31,184 sf
Due Diligence Repairs ¹	\$667,000
Construction (inc. demo) ²	\$2,590,290
Soft Costs	\$488,594
FF&E ³	\$466,800
Moving	\$253,090
SUBTOTAL	\$4,465,774
Project Contingency (15%)	\$669,866
PROJECT TOTAL	\$5,135,640
New TL (Food Market)	\$2,000,000

Option 03 - Cost Summary

- 2 Level Scheme
- OHK on 2 levels - Public Functions on Ground Floor, Private Functions on Level 2
- Distinct lower pavilion: Subterranean lobby, separate entry from Garage Complex
- Our door Garden access for functions
- Close proximity to covered parking

- Lobby is in the same contiguous space.
- Conference Function can maintain as a permanent pavilion in future
- Improved contiguous space with indoor presence may be attractive corporate lease space to business
- Requires "bypass" of lobby/entrance of vacant

2nd Floor

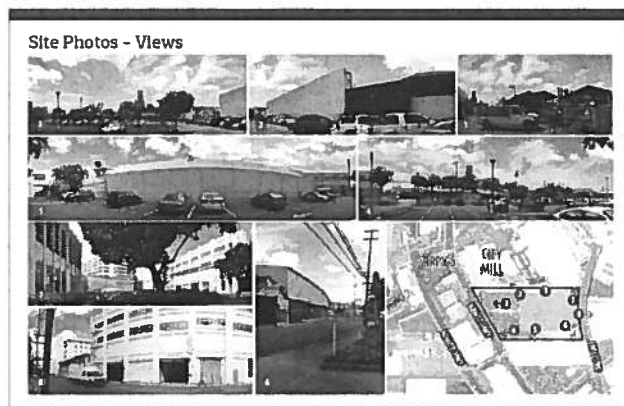
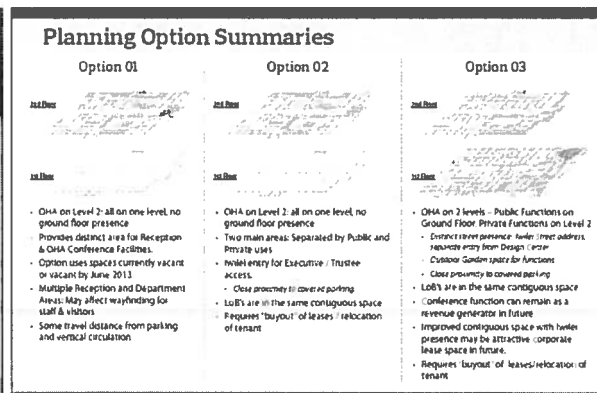


1st Floor



Capital Improvements: \$582,341 New system furniture for open work areas

Total Floor Area	31,768 sf
Due Diligence Repairs ¹	\$667,000
Construction (inc. demo) ²	\$2,688,208
Soft Costs	\$503,281
FF&E ³	\$466,800
Moving	\$253,090
SUBTOTAL	\$4,578,379
Project Contingency (15%)	\$686,757
PROJECT TOTAL	\$5,265,136
New TL (Food Market)	\$2,000,000



Chairperson Machado Thanks Mr. Iopa for his presentation and asks Trustees if they have any questions.

Trustee Hulu Lindsey Asks if all three options require some sort of buy out or relocation of tenants.

Mr. Iopa States that Option 1 is proposed with existing open spaces. OHA could begin the work associated with Option 1 immediately. He adds that if OHA were to be completely moved to the new location by the end of 2013 option one would be the easiest.

Trustee Hulu Lindsey States her opinion is that Option 1 is the least desirable. She doesn't like the thought of other companies being right next door to the Board of Trustee offices.

CFO Iona States one thing that hasn't been mentioned yet is the timeline. Option 1 allows the Office of Hawaiian Affairs to begin moving during the month of June and be completely moved-in by December. Those months are very critical Administration does not want to be moving offices during the legislative session.

With Options 2 and 3, OHA could start moving during the same period but will likely take longer. Options 2 and 3 may take several months longer, at least into the first quarter of 2014.

Trustee Robert Lindsey Thanks Mr. Iopa for his presentation and states that he likes all three options.

Chairperson Machado Asks if the money for the renovations will be borrowed from a bank.

COO Los Banos States a line of credit is still available from the Bank of Hawaii for any costs associated with the move. Securing the line of credit is something that OHA needs to do before the end of October. The action item may come before the Board very soon.

CFO Iona States in addition to the line of credit for the renovations, Administration will have to come to the Board for a capital improvements budget. The action that is being presented to the Board of Trustees today for Gentry is only on its operating budget and not the capital improvements.

Any tenants that are currently coming to the table for leasing at Gentry that are asking OHA to provide them with tenant improvement costs have not been approved. The primary reason for this is because we do not have a budget for it. Either way administration is going to have to ask for additional funding.

Trustee Hulu Lindsey Asks why staff approved the three leases in the last month when everyone knows we need to move into the space.

COO Los Banos States initially staff was contemplating the big existing blocks and it touches on the point that trustee Stender spoke about OHA's inability to engage a space planner early in the process would have helped. Their initial plans were something along the lines of options one and two. This is what made sense to them initially. He adds it was an oversight on their part.

Trustee Apoliona Asks if there is the projected rail corridor along Nimitz Highway that may affect the property.

Mr. Iopa States he believes the corridor will run along the ocean side of Zippys.

CFO Iona Asks if it is the will of the board to bring back all three options for consideration. She states they were hoping to have some idea of which option trustees were leaning toward.

Chairperson Machado Asks to have the three options put back upon the collaborator.

CFO Iona States the only costs that have not been considered are costs related to relocating a tenant. Any potential lease buyouts will also cost additional funds and what Mr. Iopa has on the board. It's not just about asking the tenant to relocate its paying for their relocation.

Chairperson Machado Starts with Trustee Stender for comments on the options provided.

Trustee Stender States that the board needs to keep in mind that this is not a permanent location for OHA. The other thing is the cost. He states that he likes Option 3 because it prepares the building for when OHA moves out. It's an investment for the future so that when OHA moves out the next tenant will have a quality environment. The costs are better today than it will be if we wait till we move out. He adds that she wants OHA to think of the area as Iwilei and not Nimitz.

Trustee Apo States Option 3 will provide the best long-term return on OHA's investment. It also creates a desirable space for when OHA leaves. If you measure the difference between the three options financially Option 3 is definitely the best option. He wants her beneficiaries and workers to be proud to come to the office. He understands it's hard to put a value on it but he thinks it's important for the psyche of the organization to work in an environment that helps us to be more productive and focused. Lastly he believes option three shows OHA acting more like a nation.

Trustee Robert Lindsey Agrees that trustee Stender and Trustee Apo that Option 3 will be the best option for the organization. He thinks it will be money well spent. For him it will be a place where OHA's beneficiaries will look forward to visiting. He encourages the pu'u honua concept.

Trustee Waihe'e States he prefers Option 3 as well.

Trustee Hulu Lindsey Asks to hear what Ka Pouhana and the staff feel about the options.

Ka Pouhana Crabbe States this is the first time he has seen the plans. Looking at the various options he likes the idea of connecting with the outside as stated in Option 3. His concern is with the staff and the design of the space. He is contemplating looking at work modules. Administration was looking to be as conservative as possible knowing this would be a temporary situation. The comments by Trustees about the maximum return on the investment makes Option 3 the best.

Trustee Hulu Lindsey States the difference in cost between Options 1 and 3 is not that big. She prefers Option 3. She thinks OHA's branding should be on the front and the back whether it is a design center or not. She thinks they've done a marvelous job coming up with the three options.

Trustee Apoliona Concurs with Option 3 for the same reason. She has concerns about parking for staff. The gold mine for the staff she worries of how staff parking will be accommodated.

Trustee Robert Lindsey States for those from the neighbor islands it will be Bus #19.

Trustee Stender Thinks it's a good idea for management to find out where staff can find available parking in the area and the price ranges. Information on all possible modes of transportation and their prices will be valuable to our staff. Perhaps even information on childcare in the area will be helpful. These are the things our employees will be concerned about.

He also thinks it's a good idea to have an exercise room for our employees with a shower. A lot of businesses are providing those kinds of amenities for their employees.

Chairperson Machado Thanks Mr. Iopa for his presentation. It seems pretty clear that trustees are leaning toward option number three. She looks forward to the ARM Committee's recommendation for the Gentry renovation budget.

3. UPDATES OF KAKA'AKO MAKAI PLANNING

Chairperson Machado Calls on Ka Pouhana Crabbe to introduce the next item.

Ka Pouhana Crabbe Calls on COO Los Banos to provide the update.

COO Los Banos Reviews and highlights a memo distributed to trustees on October 5, 2012. In the interest of time he highlights the following updates:

1. HCDA Board Reorganization
2. Subdivision/Conveyance of Remaining Parcels
3. Almar LLC Harbor Development Plan (i.e. "finger piers")
4. Honolulu Marine Rent Arbitration
5. Procurement of Master Plan Activities
6. Hiring for Kaka'ako Makai Positions
7. Hawai'i 5-0 Rent Negotiations

1. HCDA Board Reorganization

Act 323 resulted in the reorganization of the HCDA board, including the sub-boards created to manage matters related to Kaka'ako, Kalaeloa and He'eia. The current Kaka'ako board includes 5 continuing board members as indicated below by an asterisk (*). The Kaka'ako board has been reduced from 13 members to 9 members.

<u>Appointed</u>	<u>Designee</u>
<u>Ex-Officio</u>	
Richard Lim Director, DBEDT	Mary Alice Evans Deputy Director, DBEDT
Glenn Okimoto* Director, DOT	Randy Grune Deputy Director, DOT - Harbors
DeanH. Seki Comptroller, DAGS	N/A
<u>Appointed</u>	<u>Designee</u>
Kalbert Young* Director of Finance, DBF	Luis Salaveira Deputy Director, DBF
<u>At-Large Member</u>	
Brian Lee** Director of Research & Communications, IBEW	N/A
<u>Community Members</u>	
Grady L. Chun* Financial Consultant, Woodbury Financial	N/A
Miles Karnimura * President, Pacific Property Group (aka Pacific Office Properties)	N/A
Vacant	N/A
<u>Cultural Specialist</u>	
Kamaki Kanahele Director, Agnes K. Cope Native Hawaiian Traditional Healing, Waianae Coast Comprehensive Center	N/A

** HCDA Chairperson, continuing member formerly of the Kalaeloa board

Consistent with the prior board's composition, DHHL serves on HCDA's board related to Kalaeloa matters. Governor appointee is Chairperson Jobie Masagatani; her designee at past meetings was Land Management Division Administrator Linda Chinn.

2. Subdivision/Conveyance of Remaining Parcels

All related maps to close out this matter were submitted to the City and County of Honolulu Department of Planning and Permitting on September 18, 2012. The usual turnaround time is approximately 6 weeks at which point, best case scenario, we'll have a tentative approval. Randall Sakumoto will keep Administration posted on this matter.

3. Almar LLC Harbor Development Plan (i.e. "finger piers")

Administration continues to support the Belt Collins proposal presented by Randall Sakumoto. We are working with Mr. Sakumoto to develop a legal strategy to address OHA's concerns. The Belt Collins plan

is the best plan available to HCDA as it maintains control over the parking on the Diamond Head end of Kewalo Basin Park (abutting Ala Moana Beach Park).

Administration shall proceed with an internal meeting prior to a meeting with the Governor's designated assistant, Marvin Wong who is tasked with CIP oversight. Administration plans to cover:

- OHA concerns related to development
- OHA's good faith in providing an alternative
- Strengths of the Belt Collins plan

This item was deferred from the agenda at HCDA's Board Meeting. It will likely be another three months before this item returns to their agenda.

4. Honolulu Marine Rent Arbitration

Early last year, as part of the rent re-negotiation process with tenant Honolulu Marine, HCDA appraiser John Child & Co., identified the annual fair market rental of the Honolulu Marine property as \$319,073.00. Honolulu Marine recently submitted a report from A.B. Yanagihara Realty Consultants, LLC, which identified their proposed annual fair market rental value as \$147,000.00. Yanagihara, who is not a licensed appraiser, makes the following contentions in support of Honolulu Marine's proposed annual rent value:

- Honolulu Marine has a restricted use lease (construction, installation and/or maintenance of certain improvements, which shall be used for boat repair works and related facilities) qualifying it under HRS 171-59.
- HRS 171-59 (as interpreted by "Honolulu Marine") governs leases of public lands (i.e. state leases) for maritime use may be negotiated without public auction (i.e. below fair market which assumes best use).
- Leases for Honolulu Marine's competitors, Honolulu Shipyard and Marisco, have been negotiated accordingly. The Honolulu Shipyard renegotiation sets the precedence for Marisco and is not cited by Honolulu Marine.
- Honolulu Marine also continues to emphasize their role in supporting Native Hawaiians as a for-profit arm of an NHO that benefits Aka'ula School on Molokai and scholarships for Native Hawaiians pursuing careers in the maritime field.

The table below compares the various proposals:

<u>Report</u>	<u>Annual Gross Rent</u>	<u>Per Square Ft.</u>
Current Lease	\$ 205,760	\$ 1.50
John Child & Co. (OHA/HCDA proposal)	319,073	2.33
A.B. Yanagihara Realty Consultants (Honolulu Marine proposal)*	147,000	1.07

*Comparables cited by Yanagihara include Honolulu Shipyard at \$1.20/sq. ft. & Marisco at \$1.02/sq. ft.

Much of the information relied upon by Yanagihara was not discussed in the John Child & Co., report. Administration has submitted the Yanagihara report to John Child & Co., to respond to the position taken by Honolulu Marine and to assess the validity of the information relied on in the report. Since Yanagihara is not a licensed appraiser, pursuant to the lease, OHA has the option of rejecting the report and requiring that HMI provide a value from a licensed appraiser. From a legal perspective, there may be strategic reasons for letting Honolulu Marine rely on the Yanagihara report in the arbitration process. Once John Child finishes its analysis of the Yanagihara report, Administration will explore this matter further.

In preparation for the possibility that this matter will proceed to arbitration, a copy of the report has been submitted to Alston Hunt Floyd & Ing for a legal analysis. Based on the potential of failed negotiations and to avoid legal costs, HCDA, as OHA's property manager, recommends OHA consider foregoing any increase and maintain rent at current levels until this matter is resolved.

It is Administration's intent to proceed based on recommendations from John Child & Co., and AHFI. Should the matter proceed to arbitration John Child & Co., would likely become part of the panel of three arbitrators who would decide the appropriate lease rent for the HMI parcel. AHFI would be OHA's advocate for the arbitration process.

5. Procurement of Master Plan Activities

While administration continues to seek qualified applicants to head up internal efforts related to Kaka'ako Makai, it has proceeded under an existing contract with Bruce Tsuchida and Townscape, Inc., regarding development of an RFP to proceed with planning activities. Bruce has assisted administration develop the initial timeline presented in the BOT Retreat.

Based on the pending Board Policy, Bruce recommends OHA proceed with an RFP for developers planners to provide input and plan on intended conceptual uses for the OHA parcels (e.g. retail, restaurant, residential, etc.). With this limited scope, he further proposes that multiple contractors (2-3) be awarded. The merits of this approach follow:

- Considers multiple perspectives and options for development
- Allows OHA to evaluate multiple developers for alignment with overall OHA vision for future use
- If no vendor is found suitable, a distinct work product is available for next steps
- Existing master plans and availability of market data from OHA partners should keep costs relatively low, providing good value

An RFP has been drafted and will be issued soon - pending attachment and adjustments for OHA's cultural guidelines.

Trustee Stender States with regard to the Honolulu Marine rent negotiation it might be good to start thinking about adjusting the rent downward to get concession which is early termination of the lease. On the planning side Administration may be looking at two separate projects. The office building is a standalone project and it should be one focus. On the master planning side it will be good to sit down with the Howard Hughes Corporation to find out what issues they've had and what kind of project manager they've used. They've been through it and they could give OHA valuable information on how to approach this. They might also have references for people we could use.

Chairperson Machado Asks if OHA could begin discussions with KSBE (Kamehameha Schools Bishop Estate) for a parking structure in the lot next to the AAFES building. Based on the slips Almar is proposing, they will need 50 stalls for parking. Parking will be an ongoing matter. If OHA works with KSBE early on they could benefit as well. They're looking at developing groceries or drugstore type of development to support the residential boom on the mauka side of Ala Moana Boulevard.

6. Hiring of Kaka'ako Makai Positions

Administration has executed an agreement with Inkinen & Associates, a professional staffing company, to locate and present candidates for consideration. We have met with Principal Kathy Inkinen to describe our ideal candidate. Ms. Inkinen is hopeful she will be able to propose well-qualified candidates; however, she warns that the construction industry is picking up quickly so it may take time. In a separate

meeting between Administration and the Howard Hughes Corporation, VP of Development Nick Vanderboom noted that they would seek permission and pass along applications of candidates that they had screened for their hiring purposes. Mr. Vanderboom noted that they had screened and interviewed very qualified and promising candidates.

7. Hawaii 5-0 Rent Renegotiation

HCDA has advised OHA that Hawaii 5-0 has asked that OHA either agree to the current below market rent terms or notify them of a lease termination. HCDA is uncertain whether the termination letter would bring them back to the table. HCDA has received interest from the Kewalo Basin parking contractor (contract continued by OHA for parking areas around Fisherman's Wharf - \$5k monthly income). The parking contractor feels that due to the deep discounts provided to Hawaii 5-0, we should be able to establish similar revenues by expanding this parking concession on a monthly basis.

Trustee Hulu Lindsey asks what the status is for the finger piers.

Chairperson Machado states that the item was deferred from decision-making for another 2 to 3 months. It appears someone is asking that Davis into OHA's concerns before making a decision. The meeting has been arranged with our administrative team to discuss the issues.

Trustee Hulu Lindsey States the Fisherman's Wharf lot is the most valuable parcel given to OHA. She suggests the Board instruct Administration do a sample restaurant and the required parking to see how their request will affect our future plans. OHA will have a stronger stand in two or three months when we have to testify before them. It will show how their plans will affect our plans for that lot.

Chairperson Machado States the EIS outlined the parking stalls to be right in the front of the restaurant area. That's how contentious this is. The Governor's office may not have been briefed properly when they added the parcel to the package.

COO Los Banos States he testified on the encumbrances that come with commercial piers. He identified the Ward Center area on a Friday or Saturday night how full it is with people. That's what OHA wants for the Fisherman's Wharf area. OHA wants full range and that kind of density on our parcel.

Trustee Hulu Lindsey States OHA may also want the whole layout to be parked there.

Chairperson Machado States the Governor knows that as well.

Trustee Apo States from a design and land use perspective culturally OHA can make a strong point of that area being the main access point culturally. It's more than just a financial value it has a spiritual value that's where the 'ahu would go. He is anxious to start the master planning process. He wants to see how it will show up as the gateway to the area.

V. NEW BUSINESS

A. COMMITTEE ON ASSET AND RESOURCE MANAGEMENT

1. ARM 12-09 FY 2013 TOTAL OPERATING BUDGET REALIGNMENT #2

Chairperson Machado Calls on Trustee Stender to read the next motion.

Trustee Stender Moves to approve action item ARM 12-09, the Total Operating Budget Realignment #2 for the fiscal year 2013 as outlined in Attachment 1, as revised for a total of \$44,103,916.

Trustee Robert Lindsey Seconds the motion.

Trustee Akana Asks what OHA's Budget is at now and is this realignment an increase. If it is an increase to the budget, how much is the increase?

CFO Iona States the budget is being increased by \$800,000. The increase will go toward the Special Programs Budget specifically for Hi'ipaka LLC. It is also an approval of the Gentry Pacific operating budget for \$1.4 million which is to maintain the facility. These costs don't include OHA's moving expenses. It is a reallocation of Kaka'ako Makai revenues in the amount of \$110,000 to the Core Operating Budget. Specifically it increases the Grants budget.

Trustee Akana Asks what the total operating budget will be for the next year.

CFO Iona States it will be \$44 million which also includes the fiscal reserve.

Trustee Akana Asks how much money to date has only used.

CFO Iona States the organization has only used approximately 20% of the core operating budget.

Trustee Akana Asks in terms of dollars what is that amount.

CFO Iona States she does not have that number at this point but she's guessing around \$8 or \$9 million at this point. She states that in this realignment administration is asking for a little more than \$2 million.

Trustee Stender States the reason why we're realigning the budget is we need to mitigate the situation and Waimea Valley need to cover the management costs of Gentry. That money from Gentry gets reimbursed along the way but it's over and above what's already been earmarked.

CFO Iona States that administration is very aware of Trustee Akana's concerns. They are implementing strict measures are administrations spending. Earlier in the year administration brought a plan to the trustees outlining fiscal sustainability means to office of Hawaiian affairs. She continues to point out that the core operating budget will be decreasing over the next two years. They are tightening their belts

Trustee Apo States he will be casting a "no" vote as a respectful protest against the way Chapter 10 has organized OHA's operations. Ninety-five percent of the authority for OHA operations, under Chapter 10 is given to Administration. He doesn't have a problem with that.

It shines a really bright spotlight on the 5% responsibility Trustees have. Trustees establish policy which is expressed through the budget of the organization. He is frustrated that Trustees have very little opportunity to vet the budget. Trustees have very little capacity to independently analyze the budget without a budget analyst. When it comes time to set out an entire year he feels funny about having to do it over a three-day period. Trustees have little capacity to analyze the budget and be able to connect the numbers to the policies. Trustees have to ask whether the policies are in line with the money?

Trustees have to have their own capacity to be able to make those judgments based on the numbers that represent the budget. Trustees need to engage on our own and make informed dialogue as part of our fiduciary duty to our beneficiaries. Without that balance of power and authority Trustees basically abscond our responsibility. His no vote is really about the process and not the budget itself. His feelings were triggered by his participation in the common fund workshops where it was defined for him what it means to carry out a fiduciary duty to a beneficiary group.

Trustee Akana States her personal opinion is that OHA should not have purchased the Gentry building because it will add millions to an already heavy budget. She recalls a time when Trustees were involved but the budget making process where the budget was brought to the table in spreadsheets. She believes that onus is on the Trustees. They should've weighed the information before proceeding with something that OHA couldn't afford. It is for that reason that she will be voting "no".

Chairperson Machado Asks if there are any questions or comments on the motion. Hearing none, she asks for a roll call vote.

Trustee Stender Moves to approve action item ARM 12-09, the Total Operating Budget Realignment #2 for the fiscal year 2013 as outlined in Attachment 1, as revised for a total of \$44,103,916.

Trustee Robert Lindsey seconds the motion.

TRUSTEE	1	2	'AE (YES)	A'OLE (NO)	KANALUA ABSTAIN	EXCUSED
TRUSTEE ROWENA AKANA				X		
TRUSTEE PETER APO				X		
TRUSTEE HAUNANI APOLIONA			X			
TRUSTEE DONALD CATALUNA						X
TRUSTEE HULU LINDSEY			X			
TRUSTEE ROBERT LINDSEY		X	X			
TRUSTEE OSWALD STENDER	X		X			
TRUSTEE JOHN WAIHE'E			X			
TRUSTEE COLETTE MACHADO			X			
TOTAL VOTE COUNT			6	2		1
MOTION: [] UNANIMOUS [X] PASSED [] DEFERRED [] FAILED						
Motion passes with six (7) YES votes, two (2) NO votes and one (1) EXCUSED.						

Trustee Hulu Lindsey States although she voted "yes", she does concur with Trustees Akana and Apo in that Trustees should be more involved in the budget making process.

Trustee Apoliona States what has become common practice in recent years is that Trustees are offered workshops as an opportunity to weigh in on the budget. That's the time for Trustees to get their input. Also throughout the year the CEO is available. If Trustees have issues as or concerns we don't have to wait to the budget realignment actions come to the table. Trustees have to step up. They have concerns they need to make them known, but Trustees are not limited to this budget approval process.

2. ARM 12-10 OHA'S GENERAL FUNDS AND PRELIMINARY COMMUNITY GRANTS BIENNIUM BUDGETS FOR FISCAL BIENNIUM PERIODS 2013/2014 AND 2014/2015

Chairperson Machado Calls on Trustee Stender for the next action item motion.

Trustee Stender Moves to approve action item ARM 12-10, (1) the General Funds Biennium Budget for the fiscal biennium periods 2013/2014 (\$3,500,000) and 2014/2015 (\$3,500,000) and (2) the Preliminary Community Grants Biennium Budget for the fiscal biennium periods 2013/2014 (\$7,200,000) and 2014/2015(\$6,600,000).

Trustee Robert Lindsey Seconds the motion.

Chairperson Machado Opens the floor for discussion.

Trustee Akana Asks if this amount of money is part of the total realignment plus the monies that we still have or is this additional.

CFO Iona States it is additional because it's for the next biennium. This is the first opportunity the board has had to approve the biennium budgets for the next two years.

Chairperson Machado Asks if there are any further questions or comments. Hearing none she asks for a roll call vote.

Trustee Waihe'e Moves to approve Lowell Kalapa and Mercer Vicens to serve a second and final three-year term as Directors to the Native Hawaiian Revolving Loan Fund Board with expiration dates of 09/30/15 and 04/30/15, respectively.

Trustee Akana Seconds the motion

TRUSTEE	1	2	'AE (YES)	A'OLE (NO)	KANALUA ABSTAIN	EXCUSED
TRUSTEE ROWENA AKANA				X		
TRUSTEE PETER APO			X			
TRUSTEE HAUNANI APOLIONA			X			
TRUSTEE DONALD CATALUNA						X
TRUSTEE HULU LINDSEY			X			
TRUSTEE ROBERT LINDSEY		X	X			
TRUSTEE OSWALD STENDER	X		X			
TRUSTEE JOHN WAIHE'E			X			
TRUSTEE COLETTE MACHADO			X			
TOTAL VOTE COUNT			7	1		1

MOTION: [] UNANIMOUS [X] PASSED [] DEFERRED [] FAILED

Motion passes with seven (7) YES votes, one (1) NO and votes and one (1) EXCUSED.

V. NEW BUSINESS

B. COMMITTEE ON BENEFICIARY ADVOCACY AND EMPOWERMENT

1. BAE 12-03 TRANSFER OF THE AUTHORITY TO EXERCISE OVERSIGHT OF THE NATIVE HAWAIIAN HISTORIC PRESERVATION COUNCIL (NHHPC).

Chairperson Machado Calls on Trustee Waihe'e to read the next motion.

Trustee Waihe'e Moves To transfer the authority to exercise oversight of the OHA Native Hawaiian Historic Preservation Council (NHHPC) from the Beneficiary Advocacy and Empowerment Committee (BAE) of the OHA Board of Trustees (BOT) to the OHA Chief Executive Officer (CEO) and thereby convert the NHHPC from an advisory body to the BOT, into an advisory body to the CEO, who shall then direct the appropriate staff to develop operating guidelines that detail the administration and functions of the NHHPC moving forward.

Trustee Hulu Lindsey Seconds the motion.

Trustee Akana Asks that whenever there is an important issue on any of the islands that it be reported to the board. She states in the past the president of the console would do presentations for the board to keep abreast of the issues going on.

Ka Pouhana States he welcomes the suggestion.

Chairperson Machado Hearing no further discussion, asks for a roll call vote.

Trustee Waihe'e Moves To transfer the authority to exercise oversight of the OHA Native Hawaiian Historic Preservation Council (NHHPC) from the Beneficiary Advocacy and Empowerment Committee (BAE) of the OHA Board of Trustees (BOT) to the OHA Chief Executive Officer (CEO) and thereby convert the NHHPC from an advisory body to the BOT, into an advisory body to the CEO, who shall then direct the appropriate staff to develop operating guidelines that detail the administration and functions of the NHHPC moving forward.

Trustee Akana Seconds the motion.

TRUSTEE	1	2	'AE (YES)	A'OLE (NO)	KANALUA ABSTAIN	EXCUSED
TRUSTEE ROWENA AKANA			X			
TRUSTEE PETER APO			X			
TRUSTEE HAUNANI APOLIONA			X			
TRUSTEE DONALD CATALUNA						X
TRUSTEE HULU LINDSEY		X	X			
TRUSTEE ROBERT LINDSEY			X			
TRUSTEE OSWALD STENDER	X		X			
TRUSTEE JOHN WAIHE'E			X			
TRUSTEE COLETTE MACHADO			X			
TOTAL VOTE COUNT			8			1

MOTION: [X] UNANIMOUS [] PASSED [] DEFERRED [] FAILED

Motion passes with eight (8) YES votes, and one (1) EXCUSED.

VI. EXECUTIVE SESSION

Chairperson Machado Asks for a motion to move into Executive Session.

Trustee Hulu Lindsey Moves to resolve into Executive Session to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties and liabilities. Pursuant to HRS 92-5(a)(4) & 5(a)(2).

Trustee Waihe'e Seconds the motion.

Hearing no discussion, Chairperson Machado asks for a roll call vote.

Trustee Apo Moves to resolve into Executive Session to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties and liabilities. *Pursuant to HRS 92-5(a)(4) & 5(a)(2).*

Trustee Robert Lindsey Seconds the motion.

TRUSTEE	1	2	'AE (YES)	A'OLE (NO)	KANALUA ABSTAIN	EXCUSED
TRUSTEE ROWENA AKANA			X			
TRUSTEE PETER APO			X			
TRUSTEE HAUNANI APOLIONA			X			
TRUSTEE DONALD CATALUNA						X
TRUSTEE HULU LINDSEY	X		X			
TRUSTEE ROBERT LINDSEY			X			
TRUSTEE OSWALD STENDER			X			
TRUSTEE JOHN WAIHE'E		X	X			
TRUSTEE COLETTE MACHADO			X			
TOTAL VOTE COUNT			8			1
MOTION: [X] UNANIMOUS [] PASSED [] DEFERRED [] FAILED						
Motion passes with eight (8) YES votes, and one (1) EXCUSED.						

The Board moved into Executive Session at 10:40 a.m.

- A. CONSIDERATION OF THE BOARD'S AD HOC COMMITTEE'S RECOMMENDATION FOR KA POUHANA'S SIX MONTH REVIEW. *PER HRS § 92-5 (A)(2).*
- B. ATTORNEY-CLIENT LEGAL ADVISORY BY BOARD ATTORNEYS NEIL T. PROTO, ESQ. OF SCHNADER ATTORNEYS AT LAW; LAWYER REPRESENTATIVE, DENIS DWYER OF WILLIAMS & JENSEN, PLLC, AND OHA BOARD COUNSEL ROBERT G. KLEIN, ESQ., RE: QUESTIONS AND ISSUES PERTAINING TO THE BOARD'S POWERS AND DUTIES UNDER ITS FEDERAL RECOGNITION INITIATIVE. *PURSUANT TO HRS 92-5(A)(4).* TELECONFERENCE AT 11:30 A.M. (HST)
- C. LEGAL ADVISORY AND STATUS UPDATE BY KA POUHANA, ADMINISTRATION CONSULTANTS, BOARD COUNSEL ROBERT G. KLEIN, ESQ., AND OHA CORPORATE COUNSEL ERNEST KIMOTO, ESQ. RE: QUESTIONS AND ISSUES PERTAINING TO THE BOARD'S POWERS, DUTIES, AND LIABILITIES AS TRUSTEES AND MANAGERS OF CULTURAL

- AND PRESERVATION REAL PROPERTY TO ACQUIRE CERTAIN PROPERTY BY DONATION. *PURSUANT TO HRS § 92-5(A)(4)*.
- D. LEGAL ADVISORY AND STATUS UPDATE BY KA POUHANA, ADMINISTRATION CONSULTANTS, OHA STAFF, BOARD COUNSEL ROBERT G. KLEIN ESQ., OHA CORPORATE COUNSEL ERNEST KIMOTO, ESQ. AND SHERYL S. NICHOLSON, ESQ. ON QUESTIONS AND ISSUES PERTAINING TO THE BOARD'S POWERS, DUTIES, PRIVILEGES, IMMUNITIES AND LIABILITIES REGARDING LAND SURROUNDING KUKANILOKO. *PURSUANT TO HRS 92-5(A)(3) AND 92-5 (A)(4)*
- E. APPROVAL OF EXECUTIVE SESSION MINUTES SEPTEMBER 27, 2012.

The Board moved into Open Session at 12:26 p.m.

VI. BENEFICIARY COMMENTS

Chairperson Machado Notes that there are no beneficiaries signed up to speak.

VII. ANNOUNCEMENTS

Chairperson Machado Announces the following Board Meetings:

- October 24 & 25 – Hawai'i Island BOT Meetings – Site Visits start at 9am.
- November 1, 2012 – OHA BOT Meeting to start at 9am.

VIII. ADJOURNMENT

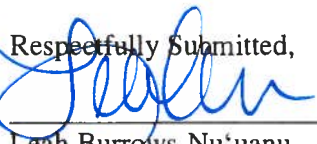
Trustee Apoliona Moves for adjournment.

Trustee Stender Seconds the motion.

There was no discussion and Chairperson Machado notes a unanimous consensus.

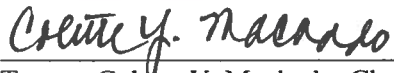
The meeting was adjourned at 12:27 p.m.

Respectfully Submitted,



Leah Burrows-Nu'uuanu,
Board Secretary

As approved by the Board of Trustees on October 25, 2012.



Trustee Colette Y. Machado, Chairperson
Board of Trustees

ATTACHMENTS:

1. October 11, 2012 BOT Community Sign in Sheet
2. Excused Absence Memo from Trustee Cataluna,