

RESOURCE MANAGEMENT COMMITTEE
 Dan Ahuna, Chairperson
 Robert K. Lindsey, Jr., Vice Chairperson
 Leina'ala Ahu Isa, At-Large
 Kalei Akaka, O'ahu
 Keli'i Akina, At-Large
 Brendon Kalei'aina Lee, At-Large
 Carmen Hulu Lindsey, Maui
 Colette Y. Machado, Moloka'i/Lāna'i
 John Waihe'e IV, At-Large



**STATE OF HAWAII
 OFFICE OF HAWAIIAN AFFAIRS**

MEETING OF THE COMMITTEE ON RESOURCE MANAGEMENT

DATE: Wednesday August 21, 2019
TIME: 10:00 am
PLACE: OHA Board Room, Nā Lama Kukui
 560 N. Nimitz Hwy., Suite 200
 Honolulu, HI 96817

AGENDA

- I. Call to Order**
- II. Public Testimony***
- III. Executive Session**
 - A. Approval of Minutes: April 10, 2019[‡]
 - B. Presentation of the results of staff's due diligence analysis of a potential private placement investment opportunity utilizing Section 18, entitled "Hawai'i Direct Investment Policy" of the Native Hawaiian Trust Fund Investment Policy, in consultation with OHA Board Counsel Robert G. Klein, Esq., Corporate Counsel Raina Gushiken, OHA Interim CEO Sylvia M. Hussey, Ed.D., and Craig Chaiken, CFA with Segal Marco Advisors re: questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities related to the potential investment in Kalona Brand Company LLC and the Board's investment policy. Pursuant to HRS 92-5(a)(4).[‡]
- IV. New Business**
 - A. Action Item: RM #19-12, Consider funding the Kalona Brand Company LLC private placement Investment Opportunity in an amount not to exceed \$2.7MM from the Hawaii Direct Investment portfolio.[‡]
 - B. Action Item: RM #19-10, Approval of a second amendment to BOT #12-05 – Kaka'ako Makai Policy relating to the allocation of revenue from OHA's Kaka'ako Makai properties to the Land Legacy Program
 - C. Action Item: RM #19-11, Approval of the Habitat for Humanity Maui Organization to Distribute the Previously Approved \$35,000 of Emergency Disaster Relief for Kaua'ula Maui
 - D. Presentation: Current state of Native Hawaiian Revolving Loan Fund
 - E. Presentation: Current State of Na Lama Kukui Plan[†]
 - F. Presentation: PIMCO's Tactical Opportunities Fund Strategy Review and Economic Outlook
 - G. Discussion: Fiscal Reserve Withdrawal Guidelines and Recommendations
- V. Adjournment**

If you require an auxiliary aid or accommodation due to a disability, please contact Raina Gushiken at telephone number 594-1772 or by email at: rainag@oha.org no later than three (3) business days prior to the date of the meeting.

*Notice: Persons wishing to provide testimony are requested to submit 13 copies of their testimony to the Chief Executive Officer at 560 N. Nimitz, Suite 200, Honolulu, HI, 96817 or fax to 594-1868, or email BOTmeetings@oha.org 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: The 72 Hour rule, pursuant to OHA BOT Operations Manual, Section 49, shall be waived for distribution of new committee materials.

[‡]Notice: This portion of the meeting will be closed pursuant to HRS § 92-5.

Trustee Dan Ahuna
 Chairperson, Committee on Resource Management


08/15/19
 Date

OFFICE OF HAWAIIAN AFFAIRS


Action Item
Committee on Resource Management
August 21, 2019

RM #19-12

Action Item: Consider funding the Kalona Brand Company LLC private placement Investment Opportunity in an amount not to exceed \$2.7MM from the Hawaii Direct Investment portfolio

Co-Prepared by:  8/21/19
Raymond Matsuura Date
Pou Kako`o Mahele Kumupa`a, Investment Manager

Reviewed by:  8/21/19
Gloria Li Date
Ka Pou Kihi Kanaloa Wai Kūikawā, Interim Chief Financial Officer

Reviewed by:  8/21/19
Lisa Watkins-Victorino, Ph.D. Date
Ka Pou Nui Kūikawā, Interim Chief Operating Officer

**Co-Prepared
& Reviewed by:**  8/21/19
Sylvia M. Hussey, Ed.D. Date
Ka Pouhana Kūikawā, Interim Chief Executive Officer

Reviewed by:  8/21/19
Dan Ahuna Date
Luna Ho`omalua o ke Komike RM, Chair

RM #19-12: Consider funding the Kalona Brand Company LLC private placement Investment Opportunity in an amount not to exceed \$2.7MM from the Hawaii Direct Investment portfolio

I. Proposed Action

Consider funding the Kalona Brand Company LLC private placement Investment Opportunity in an amount not to exceed \$2.7MM from the Hawaii Direct Investment (HDI) portfolio.

II. Issue

Whether the Board of Trustees (BOT) should approve the private placement investment in Kalona Brand Company LLC, in an amount not to exceed \$2.7MM, from the Hawaii Direct Investment portfolio.

III. Background, Context and Investment Opportunity Summary, Due Diligence Analysis Outline and Executive Session

A. Background, Context and Investment Opportunity Summary¹. In early July 2019, a Hawaii based, private placement investment opportunity in Kalona Brand Company LLC, came to the attention of a Trustee; the Chair, delegated further due diligence analysis activities to Administration.

1. **The Founders.** Ho'oulu Mahi'ai LLC, an affiliate of Kamehameha Schools ("HM"), and its partners Equilibrium Capital Group ("Equilibrium") and Greenleaf Farm Management ("Greenleaf") (together, the "Founders") were launching a company to build an integrated agriculture and food business in Hawai'i, consisting primarily of cacao and including other crops such as avocado and breadfruit, on land leased from Kamehameha Schools ("KS"). KS is dedicated to the educational success of Native Hawaiians throughout the state of Hawaii, providing Hawaiian culture-based education on three K-12 campuses and 30 preschools, and partnering with the public education system and private schools for the success of Hawai'i's indigenous people. Founded by Princess Bernice Pauahi Bishop, Kamehameha is the largest private landowner in Hawaii. HM will contribute capital and administration, while Equilibrium and Greenleaf will contribute expertise, know-how, and capital sourcing. The Founders are seeking investment partners (investors) to participate in Kalona with capital and, as appropriate, contributions of know-how, network and expertise. Investors should have aligned interests in the commercial development of the Business, the benefits designed into its operations, and the expected beneficial results for the people of Hawai'i and Kalona's customers.
 - a. Kamehameha Schools is among the oldest and most respected institutions in Hawai'i, being the largest private landowner and also largest private educator in the State. HM is a single-member LLC formed by Bishop Holdings Corporation, a for-profit subsidiary of Kamehameha Schools. HM will provide capital and administrative support, and Kamehameha Schools has leased a suitable land site to Kalona on commercially reasonable terms for a long-term basis.
 - b. Equilibrium is a leading investment management company in institutional sustainable real asset strategies. Equilibrium is providing strategy and business design, access to agriculture and food operations and business expertise (both in-house at Equilibrium as well as externally through its network of relationships), research and development, and investment experience and discipline where appropriate.

¹ Source: Summary Description

RM #19-12: Consider funding the Kalona Brand Company LLC private placement Investment Opportunity in an amount not to exceed \$2.7MM from the Hawaii Direct Investment portfolio

- c. Greenleaf is providing advice and guidance on agronomy design, team building, and market assessment of the crops Kalona will be growing. Greenleaf and its founder are expected to guide the operating team both as consultant and as member on the Kalona
2. **The Company.** The company, named Kalona Brand Company LLC (“Kalona” or the “Business”), will build a farming operation with midstream capabilities of processing and marketing on a 223-acre site in Kawaihoa, on the North Shore of O’ahu. The farming operation will comprise approximately 184 acres of planted trees of cacao plus windbreak trees and may include additional ground or seasonal crops (e.g., ulu, avocado) in time. The midstream operations will allow harvested crops to be processed into ingredients or consumable products that will be marketed in the Hawaiian Islands and sold to mainland and other (e.g. Pacific Rim) markets. Kalona Brand seeks to create a model of regenerative agriculture in Hawaii by developing sustainable farm operations and food systems. The Company strives for sustainable food systems that provide long term financial viability, actively engage and strengthen communities, steward the 'aina (land) with environmentally sound land use practices, and competitiveness in a global economy.

The Company plans to have a foundation for education in sustainable Agriculture and Food business for students and instructors on O’ahu and in Hawai`i more broadly; research and development collaboration opportunities in indigenous foods, traditional and modern farming methods, value chain processes, products. Foods grown will be nutritious, nutrient tracked, and safe, planned for Hawai`i and off-islands consumers. The Company plans to model productive use of Hawai`i’s agricultural land and sustainable and traditional land management models for others in Hawai`i to learn from and collaborate with.
3. **The Investment Opportunity.** There will be three (3) classes of Common Units: Class A issued to HM and Equilibrium (aka Founder Units), each with 15 votes per unit, Class B Common Units issued to HM and other equity investors as part of capital fundraising efforts, and Class C Common Units that may be reserved for the management team and/or members of the Board of Managers. The Investment Opportunity is an offer of Class B Common Units in the initial offering aggregate amount of \$5,700,000; at initial price of \$0.11/unit; a minimum investment amount of \$1,000,000; each Class B Common Unit will have one vote.
 - a. **The Board of Managers.** Provisions to elect the following individuals to the Board (a) two representatives designated by the majority of holders of Class B Common Units (Investor Nominee); and (b) three representatives designated by the Founders.
 - b. **Use of Proceeds.** The proceeds from this offering will be used to fund (a) the initial formation of the management team; (b) investment in infrastructure ahead of planting; (c) the purchase of seeds and plants; and (d) operating expenses, including site lease payments.
 - c. **Financial Returns.** Projected financial returns to be available for all investment partners, targeted total internal rate of return for the business of 12+% and current yield projected beginning in year 10.
 - d. **Qualification.** Investor must be an accredited investor as defined by Rule 501 of Regulation D promulgated under the Securities Act of 1993.

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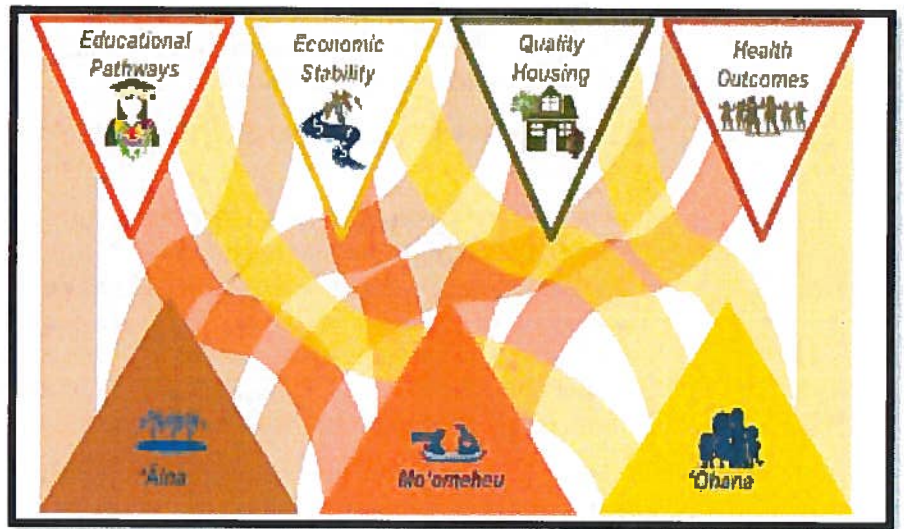
- e. **Information Rights.** In addition to information rights provided by the Hawaii LLC Act, Class B Common Units will receive unaudited quarterly and annual financial statements and the annual business plan.
 - f. **Letter of Intent (aka Term Sheet).** Investor commitment due no later than August 31, 2019.
 - g. **Term Sheet (Attachment B), Purchase Agreement.** Investor execution of a Term Sheet, then a Member Interest Purchase Agreement then triggers: (a) a deposit of 10% of the purchase price, due within two (2) business days by certified or cashier's check; (b) a 15-business day due diligence period (e.g., investor has access to company books, records, business plan, marketing plan, farm plan, leases); (c) non-refundable deposit upon expiration of the due diligence period; (d) payment of the remaining purchase price no later than the closing date.
- B. Due Diligence Analysis Outline.** Administration identified the following due diligence alignment or analysis categories:
- 1. OHA's Strategic Foundations & Direction Alignment
 - 2. Native Hawaiian Trust Fund Investment Policy Statement, Hawaii Direct Investment Policy Alignment
 - 3. Offering Analysis (e.g., unit class, capital investment, term sheet, options)
 - 4. Operations & Finances Analyses (e.g., business assumptions, plans, projections, proformas, market, production, manufacturing, agronomics, risks)
 - 5. Intangibles Analysis (e.g., reputation, company, management, partners, advisors)
 - 6. Economic Development Policy Alignment
- C. Executive Session.** Due to the confidential and proprietary nature of the investment opportunity, Trustees will have access to the following documents in Executive Session:
- 1. Summary Description
 - 2. Information Memorandum – January 2019
 - 3. Information Memorandum – February-March 2019

Additional due diligence analyses will also be shared by Administration in Executive Session.

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IV. OHA's Strategic Foundations & Direction Alignment

In March 2019, via BOT #19-03 Approval of the foundational principles and directions for the next OHA Strategic Plan 2020+, the Trustees approved the following Strategic Foundation and Strategic Direction elements—as depicted at right.



A. Strategic Foundation

1. **'Aina.** Strengthen our ancestral connection to 'aina through responsible stewardship to preserve legacy lands and to responsibly develop economically viable lands.
2. **Mo'omeheu.** Strengthen Native Hawaiian's connection to culture by supporting opportunities to engage in 'Olelo and 'ike activities and initiatives.
3. **Ohana.** Promote healthy 'ohana relationships by providing opportunities in communities to engage in 'aina and mo'omeheu based activities and initiatives as well as opportunities to engage in the well-being of their communities via civic participation and leadership.

'Aina, mo'omeheu, and 'ohana are foundational to the work of OHA. **This foundation is the lens through which decisions, planning, activities, initiatives, policies, procedures, and practices are made.** Pilina with 'aina, mo'omeheu, 'ohana, kaiaulu, and community partners is how we engage in the implementation of our strategies. Building pilina with communities and organizational partners is critical to successfully achieving our vision and mission.

B. Strategic Directions

1. **Economic Stability.** Engaging in strategies to enhance the economic development and financial empowerment of the lāhui will ensure that Native Hawaiians progress toward a state of economic stability.
2. **Quality Housing.** Leveraging partnerships to ensure Native Hawaiians can obtain affordable rentals as well as homeownership while also engaging in opportunities to affect legislation that support Hawaiian Home Lands, overall housing costs, and housing supply will greatly enhance the ability for Native Hawaiians who so desire to remain in Hawai'i.
3. **Educational Pathways.** Supporting initiatives, leveraging partnerships, engaging in strategies to develop educational pathways that strengthen culture-based education, early education, K-J2 and post-secondary education will ensure that Native Hawaiians are grounded in their past while participating in a technologically oriented future.
4. **Health Outcomes.** Supporting initiatives, leveraging partnerships, engaging in strategies to promote healthy and strong families.

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C. Alignment

Based on Administration's review of the investment opportunity information the Company is aligned to the OHA's strategic foundation of 'aina, culture as well as strategic directions of economic stability and educational pathways.



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V. Native Hawaiian Trust Fund Investment Policy Statement, Hawaii Direct Investment Policy Alignment

A. Policy Overview²

Adopted by the Board of Trustees (BOT) on August 24, 2017 (and effective October 1, 2017), the Native Hawaiian Trust Fund Investment Policy Statement (“IPS” or “NHTFIPS”) governs the investment of assets held in the Office of Hawaiian (OHA) Native Hawaiian Trust Fund (“NHTF” or “the Fund”), including, but not limited to investment objectives, and the expectations and requirements with respect to the ongoing management of the Fund’s assets.

OHA’s mission is to malama (protect) Hawai`i’s people and environmental resources and the Trust Fund’s assets toward ensuring the perpetuation of the culture, the enhancement of lifestyle and the protection of entitlements of Native Hawaiians, while enabling the building of a strong and healthy Hawaiian people and nation, recognized nationally and internationally. The overall goal of the fund is to provide superior investment returns to sustain the beneficiaries in perpetuity and to uphold OHA’s mission.

The purpose of the Investment Policy Statement (“Statement”) is to provide: clear and mutual understanding the Fund’s philosophy, investment objectives and policies; guidance, objectives and limitations in investing the Fund’s assets; and evaluate the Advisors’ performance.



² Native Hawaiian Trust Fund Investment Policy Statement, Adopted by the Board of Trustees, August 24, 2017, Effective October 1, 2017, Attachment A

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B. Section 5. Asset Allocation Guidelines and Long-Term Targets (refer also to page 9 of Attachment 1)

Section 5. Asset Allocation Guidelines and Long Term Targets

The BOT prefers Advisors who can construct and manage a portfolio encompassing multiple strategic asset classes using a Manager-of-Manager approach and utilize the Fund's strategic target index as their primary benchmark (strategic target weight times strategic benchmark index return for each strategic asset class). The purpose of the strategic target asset allocation is to provide an optimal mix of investments that has the potential to produce the desired returns with the least amount of fluctuation in the overall value of the investment portfolio. The minimum and maximum levels listed below are targeting guidelines as opposed to absolute barriers; Advisors should bring asset allocations which are outside of their approved targeting range back to the range per their rebalancing policy unless granted a written exception by the CEO. The Traditional and Alternative Assets Advisors are not responsible for Hawai'i Direct Investments and the Enhanced Liquidity Account. OHA staff may hedge the allocation to Hawai'i Direct Investments in a traditional asset class managed by one or more Advisors until such investments are made. The Alternatives Advisor may hedge the under or over exposure to asset classes with barriers to entry and exit (Non-Marketable Alternatives) with similar liquid (marketable) asset classes (e.g. hedge underexposure to targeted private equity using traditional equity or marketable equity alternatives).

1. Table 5.1 Asset Allocation – by Asset Type (refer also to page 10 of Attachment 1)

5.1 Asset Allocation					
Asset Class Portfolios	Maximum	Minimum	Strategic Target	Benchmark Index	Primary Objective
Traditional Asset Classes					
Traditional Global Equities	55%	22%	40%	MSCI ACWI	Growth
Traditional Global Fixed Income	22%	11%	17%	Bloomberg US Aggregate	Income
Traditional Global Real Assets	11%	0%	5%	US TIPS +3%	Inflation Hedge
Total Traditional Assets	88%	33%	62%		
Alternative Asset Classes					
Hedge Funds	19.2%	6.4%	12%	3-Month T-Bills +4%	Volatility Management
Private Markets*	25.6%	0%	18%	MSCI ACWI +3%	Growth
Total Alternative Assets	44.8%	6.4%	30%		
Enhanced Liquidity Account					
Enhanced Liquidity	10%	0%	3%	1-3 Year Treasury	Liquidity
Hawai'i Direct Investments					
Hawai'i Direct Investments	10%	0%	5%	US TIPS +3%	Inflation Hedge
*The Private Market allocation will consist of the previous Non-Marketable Equity, Credit, and Real Assets & Opportunistic portfolios					
The Strategic Targets for the Asset Classes listed in the table above multiplied by the benchmarks recommended by the Consultant and approved by the CEO constitute the Policy Portfolio. The table below regroups the Asset Classes by their primary objective.					

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2. Table 5.2 Asset Allocation – by Primary Objective (refer also to page 11 of Attachment 1)

Asset Class Portfolios	Maximum	Minimum	Strategic Target
Growth			
Traditional Global Equities	55%	22%	40%
Private Markets	25.6%	0%	18%
Total Growth	80.6%	22%	58%
Income			
Traditional Global Fixed Income	22%	11%	17%
Total Income	22%	11%	17%
Volatility Management			
Hedge Funds	19.2%	6.4%	12%
Inflation Hedge			
Traditional Global Real Assets	11%	0%	5%
Hawai'i Direct Investments	10%	0%	5%
Total Inflation Hedge	21%	0%	10%
Liquidity			
Enhanced Liquidity	10%	0%	3%

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3. Section 18. Hawaii Direct Investment Policy.

- a. Background³. The Hawai'i Direct Investment Policy ("HDIP") was added to the Native Hawaiian Trust Fund Investment Policy Statement ("IPS") in April of 2010. The current target allocation of Hawai'i Direct Investment is approximately 5% of the Trust Fund. The HDIP allows OHA to expend the lesser of \$25 million or 10% of the

Section 18. Hawai'i Direct Investment Policy (HDIP)

The CEO has the delegated power to allocate up to \$25 million, but not to exceed 10% of the market value of the Fund at the time of investment, on a cost basis for Hawai'i Direct Investments, including real estate and equity positions in companies based in Hawaii or with significant operations in Hawaii. Approved uses for this allocation include the acquisition of corporate real estate that OHA will occupy in whole or in part and funding BOT-approved lending programs for Native Hawaiians. This allocation may not be used for any other purpose until the acquisition of OHA's first corporate headquarter real estate property is complete. Investments other than corporate real estate and BOT-approved lending programs must be approved by a supermajority vote of the BOT. The combined cost of all direct investments, less any return of capital to the Fund from these direct investments, cannot exceed the \$25 million allocation.

18.2 Delegation of Authority. All final acquisition, development, and/or disposition decisions of Hawai'i direct investments must be approved by the BOT. The BOT delegates to the CEO the authority to:

- a) Administer the HDIP and approve and implement procedures to carry it out;
- b) Delegate duties to OHA staff as necessary to fulfill and implement this policy;
- c) Deny opportunities that do not satisfy current policy, guidelines, and/or criteria approved by the BOT;
- d) Execute contract and agreements;
- e) Conduct investment due diligence, negotiations, and on-going performance monitoring;
- f) Structure real estate financing terms for approval by the BOT;
- g) As necessary, oversee and manage the operational functions associated with each investment, including selecting and terminating service providers, negotiating leases and setting fee schedules (including market-based lease terms for OHA occupied space), obtaining and approving permits, licensing, and leasing, approving tenant improvements, sub-leases, evictions, use and service agreements, and making all other operational decisions associated with the investment; and
- h) Determine when to segregate assets to fund acquisitions and to place those assets with OHA staff to invest in the Enhanced Liquidity Account (ELA) until acquisitions are closed. These funds do not count toward the spending limit on annual transfers to the ELA

The BOT reserves the right to approve all other decisions not listed above.

current value of the Trust Fund for investments in Hawai'i. **The HDIP was added to the IPS to facilitate the purchase of an office building that would serve as OHA's corporate headquarters.**

This asset class includes the legacy investment in Russell Investments Private Real Estate Fund which is now managed by

State Street Global Advisors in the Real Assets fund. Other investments are allowed given that the direct real estate investments must be made within the context of the Direct Investment Policy Statement. Investments must include equity positions in companies based in Hawaii or with significant operations in Hawaii. Investments other than corporate real estate and BOT-approved lending programs must be approved by a supermajority vote of the BOT. The combined cost of all investments, any return of capital to the fund from these direct investments, cannot exceed the \$25 million allocation.

As indicated in the policy, "The CEO has the delegated power to allocate up to \$25 million, but not to exceed 10% of the market value of the Fund at the time of investment, on a cost basis for Hawaii Direct Investments, including real estate and equity positions in companies based in Hawaii or with significant operations in Hawaii. Approved uses for this allocation include the acquisition of corporate real estate that OHA will occupy in whole or in part and funding BOT-approved lending

³ Source: Interoffice Memorandum dated August 16, 2016

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programs for Native Hawaiians. This allocation may not be used for any other purpose until the acquisition of OHA's first corporate headquarter real estate property is complete.⁴ Investments other than corporate real estate and BOT-approved lending programs must be approved by a supermajority vote of the BOT⁵. The combined cost of all direct investments, less any return of capital to the Fund from these direct investments, cannot exceed the \$25 million allocation."

The Office of Hawaiian Affairs Native Hawaiian Trust Fund
Statement of Investment Objectives and Policy

18.3 Permissible Investment. For OHA's headquarter corporate real estate acquisition, OHA is to invest in real estate located on the island of O'ahu. OHA may own such investments in its own name or, to the extent permitted by law, through title holding entities, and may transfer real estate properties from direct ownership to a title holding entity, or vice versa, during the course of the holding period of the investment. Realized gains generated from real estate dispositions should credit the cost of the investment allocated to the direct investment program.

All direct investments should demonstrate the ability to generate current income and capital gains consistent with the asset class benchmark index and Fund's long-term objective.

18.4 Leverage. OHA may finance the acquisition of corporate real estate with a mortgage. The property may be pledged as collateral under a non-recourse structure to OHA. Any amount of recourse back to OHA, including an OHA guarantee, will be considered a use of capital and therefore be counted toward the \$25 million allocation.

18.5 Market Valuation. Market valuation of corporate real estate is determined by biennial appraisals conducted by a reputable independent appraisal firm and that value will be utilized until the next appraisal. Prior to the first appraisal, the market value of the asset is assumed to equal its acquisition cost.

⁴ The acquisition of "OHA's first corporate headquarter real estate property"---Na Lama Kukui was completed in the second quarter of 2012 and the renovation loan was established in the second quarter of 2013.

⁵ Six (6) votes of 9 Trustees

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D. Analysis of Current Hawaii Direct Investment Assets

1. Current HDI Balance (as of 7/31/2019)

As noted in the policy above, the combined cost of all investments cannot exceed a \$25 million allocation amount. The Hawaii Direct Investments portfolio (or the State Street Global Asset- Real Asset Fund) has a current balance of approximately \$18.0 million, representing approximately 5% of the total Native Hawaiian Trust Fund (NHTF)—the target asset allocation amount per policy. Investments in this asset class are pledged to secure both the 53.2% recourse provisions of the Bank of Hawaii Real Estate Loan and the Na Lama Kukuui Renovation Loan. In addition, a prior designated but unspent amount of \$650,000 was identified from a prior investment opportunity.

As of July 31, 2019

1. State Street Global Asset-Real Asset Fund as of July 31, 2019 HDI (5% target of total NHTF)	\$ 17,947,594
2. Na Lama Kukui (NLK) - Bank of Hawaii loan balance (Real Estate Loan)	<u>\$19,147,368</u>
Less:	
A. 53.2% recourse to OHA	\$ 10,186,400
B. NLK build-out loan (Renovation Loan)	<u>\$ 4,431,666</u>
3. Amount Available for Hawaii Direct Investment	<u>\$ 3,329,528</u>
4. Prior Designated, Unspent Amount	<u>\$ (650,000)</u>
5. Amount Available for Hawaii Direct Investment After Consideration of the Prior Designated, Unspent Amount	<u>\$ 2,679,528</u>

Note: A recourse loan is a type of loan that can help a lender recoup its investment if a borrower fails to pay the liability and the value of the underlying asset is not enough to cover it. A recourse loan lets the lender go after other assets of that debtor that were not used as loan collateral.⁶

2. Previous HDI Approvals⁷

In August of 2012, OHA purchased Nā Lama Kukui for \$21.37 million. Rather than pay cash, OHA chose to finance the purchase 100% with a mortgage. In April of 2013, OHA modified the existing mortgage to reduce the recourse from 100% (\$21.37M) to 53.2% (\$11.37M). In June of 2013, OHA obtained a \$6.6475M credit facility from Bank of

⁶ <https://www.investopedia.com/terms/r/recourse-loan.asp>, retrieved August 17, 2019

⁷ Source: Interoffice Memorandum dated August 16, 2016

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Hawaii to finance tenant improvements and renovations which has been fully drawn down. In February of 2015, an appraisal valued the property at \$27,570,000. This approval fulfills the main purpose of HDI which is the acquisition of OHA's first corporate headquarter real estate property.

3. Nā Lama Kukui

There are several reference points as it relates to Nā Lama Kukui, currently the only investment asset in the HDI portfolio:

ABOUT 560 NIMITZ HWY, HONOLULU, HI 96817

Rental Rate	\$19.20 - \$30.00 /SF/Yr	Rentable Building Area	140,000 SF
Property Type	Office	Year Built	1925
Building Class	B	Operating Expenses	\$12.84 /SF/Yr
Listing ID: 41296430	Date Created: 6/13/2019	Last Updated: 7/31/2019	

In ancient times, Kukui oil was used to light torches for fishermen and travelers. A lighthouse once stood in Iwilei, illuminating the

way for approaching ships to Honolulu. This was an industrial and commercial area that served as a leading example for Hawai'i's developing urban core. Today, it still is. Nā Lama Kukui ("The Kukui Torches") carries forth that spirit of wayfinding—of visitors to this place, of kanaka and kama'ainā connecting to Hawai'i's past, and of looking forward and forging ahead as a community together. Our logo is a symbol of fire, meant to evoke the guiding light of enlightenment and progress.⁸



Year, Reference Point	Valuation	Year, Reference Point	Valuation
2012, Purchase Price	\$21,370,000	2018, Real Property Assessment	Land: \$20,442,300 Building: \$9,713,000 Total: \$30,155,300
2017, Appraisal	\$31,760,000	2019, Real Property Assessment	Land: \$30,219,000 Building: \$18,138,000 Total: \$48,357,000

⁸ <https://nlkcenter.com/about/>, retrieved August 17, 2019

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VI. Offering Analysis

A. Investment Overview

Summary Financial Highlights

Shown below is a summary of the Business' key assumptions and return expectations:

Investment Overview

Capital Requirements

Total Capital Requirements	\$17.1 million (from investments and net of cash from operations)
from HM (all series)	\$4.1 million (includes \$570,000 of Founders Capital)
from Investment Partners	\$13.5 million (in 3 series, in addition HM's planned investments)

Investor Capital Raises

Total Initial Raise	\$5.7 million
Q4 2018 (company formation)	Series 1 = \$1.2 million (completed, by HM)
Q2 2019 (infrastructure)	Series 2 = \$4.5 million
Q1 2021 (plant cacao)	Series 3 = \$11.3 million

EBITDA	\$3.7 million (at fully stabilized EBITDA in Year 11)
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Year 15 EV / EBITDA	3.8x
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Acreage

Total Business acreage	223 acres
Cacao orchard (excl. windbreak)	137+ acres
Total planted acreage (cacao and windbreak)	184+ acres

Projected 15-Year Financial Returns

IRR (unlevered)	12.0%
ROI	2.6x

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B. Classes of Common Units

1. **Class A Common Units.** Issued to HM and Equilibrium upon formation of Kalona; represents a financial share in distributions from the Business; 15 votes per unit (compared with 1 vote per unit for Class B Common Units; and Class A Common Units elect two members to the Board of Managers.
2. **Class B Common Units.** Issued to HM and other equity investors as part of Kalona's capital fundraising efforts; represent a financial share in distributions; 1 vote per unit; additional Class B Common Units may be reserved as incentive compensation for designated management team members or members of the Board of Managers.
3. **Class C Common Units.** May be reserved for the management team and/or members of the Board of Managers; represent a financial share in distributions; and in any future appreciation of the Business post issuance.

C. Overview of Offering

Per the Term Sheet (Attachment B), the following proposed private placement of units are offered:

- **Securities Offered:** 24,545,455 Class B Common Units (Units)
- **Price Per Unit:** \$0.11 per Unit
- **Purchase Price:** The total purchase price for the Units shall be Two Million Seven Hundred Thousand and no/100 dollars (\$2,700,000).

Scenario 2

Table 1. Scenario 2 - Investor Capital Commitments

Round	Class	KS	EQ	Mgmt*	OHA	Third Party	TOTAL
Founder	A	\$570,000	\$0	\$0	\$0	\$0	\$570,000
Series 1	B	\$1,200,000	\$0	\$0	\$0	\$0	\$1,200,000
Series 2	B and C	\$1,800,000	\$0	\$0	\$2,700,000	\$0	\$4,500,000
Series 3	B and C	\$530,000	\$0	\$0	\$0	\$10,800,000	\$11,330,000
TOTAL		\$4,100,000	\$0	\$0	\$2,700,000	\$10,800,000	\$17,600,000

* Mgmt shares are Class C non-voting shares, all other shares in series 2 and 3 are class B

Table 2. Scenario 2 - Economic Shares

Round	\$/share	KS	EQ	Mgmt*	OHA	Third Party	Total
Founder	0.11	2,642,727	2,539,091	-	-	-	5,181,818
Series 1	0.11	10,909,091	-	-	-	-	10,909,091
Series 2	0.11	16,363,636	-	3,750,000	24,545,455	-	44,659,091
Series 3	0.15	3,533,333	-	3,750,000	-	72,000,000	79,283,333
TOTAL	0	33,448,788	2,539,091	7,500,000	24,545,455	72,000,000	140,033,333

* The Founders round was split 51% ownership to KS and 49% ownership to EQ

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D. Unit Valuation⁹

The offering price per Class B Unit was determined by Kalona taking into account a number of factors, including the capital budget and operating funding projected for the Business. The offering price bears no relationship to any established criteria of historical value such as book value, past earnings of the Business, earnings per Unit, or any combination thereof, since there is no operating history of Kalona or the Business. Further the Unit price does not necessarily reflect current market value for the proposed investment.

E. Risk Factors¹⁰. The purchase of the Class B common units in Kalona is speculative and involves a very high degree of risk. Each prospective investor is urged to consider carefully the risk factors discussed below and to consult its own advisers. There can be no assurance that Kalona's investment objectives will be achieved or that an investor will receive any return of or on its capital investment. In addition to the factors set forth elsewhere in this memorandum, prospective purchasers should consider, among other things the risks identified below.

1. Risks Related to the Business and Industry

- a. General risks inherent in a start-up business.
- b. Lack of significant operating history of Kalona.
- c. Kalona's financial projections are not based on actual operations.
- d. Risks inherent in operating a farming business.
- e. Risks of product contamination and product liability claims as well as negative publicity associated with food issues.
- f. Risks of incurring compliance costs in the areas of food safety and protection of human health.
- g. There is a possibility of uninsured losses.
- h. Environmental risks.
- i. Land development risks.
- j. Dependence on management and key personnel.
- k. Extreme weather conditions, natural disasters, crop diseases, pests and other natural conditions can create substantial volatility for the business and results of operations.
- l. The business is susceptible to potential climate change.
- m. The presence of endangered or threatened species on or near identified farm site could restrict its business activities.
- n. Other unforeseen business risks.

2. Market Risks and Competition

- a. The business is sensitive to fluctuations in market prices and demand for farm products.
- b. It may be difficult to accurately predict and successfully adapt to changes in market demand.
- c. The farm product market can be highly competitive, and results of operations may be adversely affected if Kalona is unable to compete effectively.

⁹ Kalona Brand Company LLC Information Memorandum, January 2019

¹⁰ Kalona Brand Company LLC Information Memorandum, January 2019

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- d. Priced reduction risk.

3. Risks Related to an Investment in Class B Units

- a. Determination of unit price.
- b. Failure to raise adequate funds from investors.
- c. Restrictions on transferability of units.
- d. The holding period for the investment could be longer than ten years.
- e. Limited participation by investors in management.
- f. The existing Founders, HM and Equilibrium, will have a substantial influence over Kalona.
- g. The offering is not registered with, and has not been reviewed by, the U.S. Securities Exchange Commission or any state or foreign securities authority.
- h. The units are subject to dilution if the Company were to sell additional units in the future.
- i. The Managers will be entitled to protection from liability and indemnification.
- j. The Managers may withhold distributions to the Members.
- k. The Members will not have a right to withdraw their capital contributions.
- l. Kalona and its activities may become subject to increased regulatory scrutiny.

4. Other Considerations

- a. Partnership Status
- b. Taxation of Members
- c. Adjusted Tax Basis
- d. Cash Distributions
- e. Character of Income from Operations
- f. Various Deductions Could Be Disallowed
- g. Limitation on Losses from Passive Activities
- h. Use of Certain Deductions
- i. At-Risk Limitation
- j. Liquidating Distributions
- k. Gain or Loss on Sale or Other Disposition of company Assets
- l. Gain or Loss on Sale or Other Disposition of Units
- m. Resolution of Disputes Involving company Items
- n. Company Tax Returns may be Audited
- o. Potential Penalties and Reporting Requirements
- p. Possible Changes in Federal Tax Laws
- q. State and Local Taxes
- r. Tax Treatment of Foreign Investors
- s. Tax-Exempt Investors
- t. Admonition

5. Certain ERISA Considerations

- a. Fiduciary Matters and Prohibited Transactions Generally
- b. Plan Assets
- c. Plan Asset Consequences – Prohibited Transaction Exemptions
- d. Considerations for Trustees, Custodians and Fiduciaries
- e. Taxation of Tax-Exempt Investors

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6. Certain Securities Law and Certain Anti-Money Laundering Considerations

- a. Securities Act of 1933
- b. Anti-Money Laundering Regulations and Foreign Account Tax Compliance Act

7. Related Party Transactions and Conflicts of Interest

- a. Competition with Other Farming Operations
- b. An affiliate of HM is Kalona's Landlord
- c. HM and Equilibrium are Parties to a Founders Participation Agreement
- d. Other Possible Agreements
- e. Legal and Accounting Review

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VII. Operations & Finances Analyses

Due diligence analysis activities included a review of business plans and assumptions as well as financial plans, projections and pro-forma statements (e.g., income statement, balance sheet and cash flows).

A. Business Plan Assumptions, Plans

- 1. Business and Value Drivers.** Include Education (e.g., programs, research), Culture (e.g., introducing 'ulu, historical farming and food-making know-how), Community (e.g., local jobs, workplace diversity), Environment (e.g., water savings, recycle, soil nutrients, measurable energy savings, reforestation and volume of carbon or emissions reductions), Programs (e.g., education, vocational, research, farm-to-school), Training (e.g., interns, partners) and Research and Development (e.g., avocado, 'ulu, cacao, collaborations).
- 2. Site Lease.** Kamehameha Schools, as owner of the planned site in Kawaiiloa (North Shore), Oahu, leased the site to Kalona on a long-term commercial (market) basis. The site was selected in a joint effort led by Greenleaf, with full support from HM and Kamehameha Schools. Commercial (market) lease terms are in place, to demonstrate viability of the Business.
- 3. Business Variables that Drive Underlying Economics.** There are four primary variables that drive underlying economics: yield (pounds of cocoa beans per acre); selling prices (e.g., wholesale, retail), product mix (e.g., beans, blocks, chips, bars), and labor (e.g., farming/agriculture, manufacturing, operations, sales, marketing).

- In general, well-managed cacao orchards in Hawai'i have historically achieved relatively high production (i.e. three times world averages), per Cacao Services.

Region	Cacao bean yields (lbs./acre)
Asia Average	214
World Average	348
Latin America Average	357
Africa Average	410
Kalona (assumed)	1,524
High-yield, Latin American plantations	2,230

Source: Destruction by Chocolate by Hardman Agribusiness, Kalona Brand

a. Yield. The estimated yield of 1,524 lbs. of dry cacao beans per acre is based on research and consulting from advisors as well as historical performance from similar cacao farms in Hawai'i.

b. Selling Prices. Hawai'i-grown cacao has historically sold at a significant premium to comparable bulk

and artisan cacao. Estimated selling prices based on comparable prices of Hawai'i-grown cacao and Hawai'i made chocolate. A 50 percent retail markup for all sold, consistent with current Hawai'i chocolate sales is projected.

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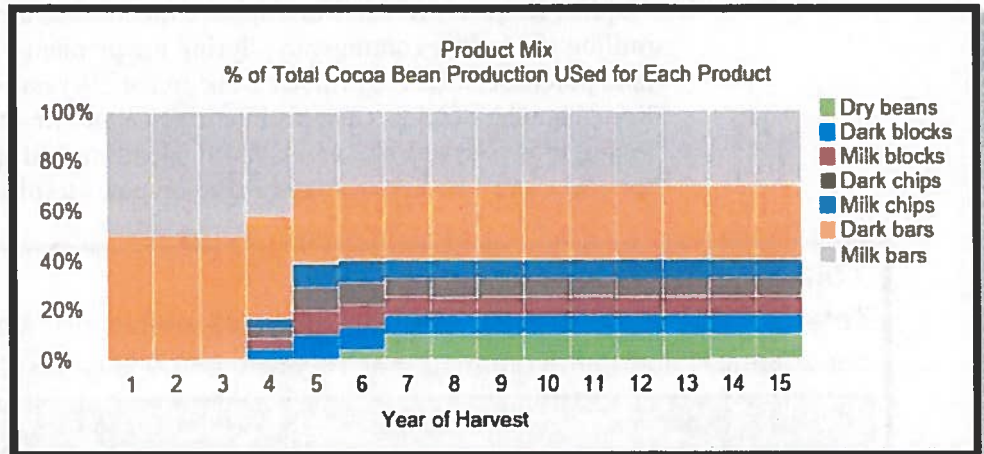
- c. **Product Mix.** A diversified product mix that includes cacao beans, white label chocolate and branded chocolate is planned. In the first three years, the focus will be on cacao beans to make branded chocolate---the highest margin cacao product. Over time, lower margin white label chocolate and cacao bean products to

diversify revenue sources and customer bases is planned. At full maturity, the target is 60%, 30% and 10% of

cacao beans for branded chocolate, white label chocolate and raw ingredient, respectively.

Crop diversification, beyond the planned ulu and avocado, for local foods may include cucumber, hot pepper, watermelon, cilantro, sweet basil, eggplant, green onion, taro, lettuce, tomatoes and field squash.

- d. **Labor.** Labor related to agricultural and manufacturing operations constitute the largest cost element and is projected to approximate a third of revenues. Mechanization is planned wherever possible.



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B. Financial Plan Assumptions, Projections, Proformas

Analysis activities included review of projected capital requirements, operating and capital expenditure projections,

1. **Capital Requirements.** The capital expenditures are currently estimated to be \$10.3 million (including contingency) during the planned first 15 years of the Business. No land purchase costs are projected due to the 30-year long term lease with Kamehameha Schools (that also manages approximately 3,800 acres and 13 other leases in the same O`ahu area). Both operating and capital expenditure projections for years 1 to 11 were analyzed based on plans to plant, harvest and manufacture.

Total Capital Requirements

Total capital expenditures are currently estimated to be \$10.3 million (including contingency) during the planned first 15 years of the Business:

Capital Expenditures	Per Gross Acre	Total
Pre-Harvest		
Infrastructure	\$5,985	\$1,338,809
Development and Pre-harvest cost	19,335	4,325,313
Pre-harvest facilities	411	92,000
Pre-harvest equipment	2,911	651,287
Post-Harvest		
Post-harvest facilities	6,638	1,485,000
Post-harvest equipment	1,207	270,000
In-House Manufacturing	5,364	1,200,000
Local Foods	16,424	328,486
Total	\$58,277	\$9,690,895
Contingency	\$2,838	\$634,791
Total CapEx	\$61,115	\$10,325,686*

*Excludes \$500,000 reserves

2. **Revenue Assumptions.** At full maturity, the target (of product mix) is 60%, 30% and 10% of cacao beans for branded chocolate, white label chocolate and raw ingredient, respectively. Accordingly, revenue assumptions were made based on the projected, targeted product mix.
3. **Cost Assumptions.** At full stabilized production in Year 11 when the orchard is fully mature, operating expenses for farming operations are projected to be \$5.1 million with wages and benefits representing the largest element in Kalona's cost structure, totaling \$2.56 million across wages and benefits for farm laborers, non-farm professionals, and harvest labor. In addition, the largest line item, eventually will be processing and manufacturing costs for chocolate, and cost assumptions and rates are based on industry estimates from advisors.

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4. **Cash Flows.** Cash is not generated by the business from chocolate sales until the cacao trees begin fruiting in Q4 of 2022 (as projected). Investor funds, supplemented by sales proceeds from local food crop sales, are required to cover capital and operating expenses during this period. All major farm equipment (pre-and post-harvest) will be purchased in the first five years of operations and investor funds will be used to cover these expenses. Investor funds are expected to have been spent by Q4 2023. The cacao trees reach 50% of their maximum productivity in Q1 of 2026, and manufacturing equipment is purchased at this time. Dividend payments projected to begin the following year in 2028 (11 years from initial investment).
5. **Partners' Pro Forma Capital Account.** Projected investment partners' pro forma capital account identified cash capital contributions in years one to three and dividends not projected to be paid out until year 10.
6. **Monetization Options.** Included in the investment summary are monetization options following the initial 15-year term of the business, including but not limited to leveraged recapitalization (e.g., leveraged buyout), sale to private financial investors and sale to strategic buyer. The business financial plans currently assume a liquidity event in the 15th year from which projected returns are calculated.
7. **Pro Forma Income Statement, Balance Sheet and Statement of Cash Flows.** Fifteen year pro-forma income statement, balance sheet and cash flows were also analyzed.

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VIII. Intangibles¹¹ Analysis

Due diligence analysis was also completed on HM, Equilibrium, Greenleaf, current management team, etc. to consider any related intangible strengths or risks (e.g., industry reputation, capability, experience) and the related impact on the OHA's consideration of the investment opportunity.

- A. **Kamehameha Schools.** Is among the oldest and most respected institutions in Hawai'i, being the largest private landowner and also largest private educator in the State. HM is a single-member LLC formed by Bishop Holdings Corporation, a for-profit subsidiary of Kamehameha Schools. HM will provide capital and administrative support, and Kamehameha Schools has leased a suitable land site to Kalona on commercially reasonable terms for a long-term basis on the island of O'ahu.

Kamehameha Schools is responsible for the stewardship of over 365,000 acres of land on Hawaii Island, Maui, Moloka'i, O'ahu, and Kaua'i. Over 358,000 acres of those lands are dedicated to conservation and agriculture. Kamehameha Schools' most recent 'Aina Plan details the vision for managing these conservation and agriculture resources. The 'Aina Plan seeks three outcomes, with the goal of properly stewarding the natural, cultural, water, and agricultural resources on Kamehameha Schools' 'aina: 1) Healthy, abundant, and functioning 'aina; 2) Financially sustainable 'aina portfolio; and 3) Sustainable communities and systems change.

- B. **Equilibrium Capital.** Is a leading investment management company in institutional sustainable real asset strategies. Equilibrium is providing strategy and business design, access to agriculture and food operations and business expertise (both in-house at Equilibrium as well as externally through its network of relationships), research and development, and investment experience and discipline where appropriate.

Equilibrium Capital Group is an asset management company that builds and manages sustainability-driven asset portfolios for institutional investors through an owner I operator business model. Equilibrium focuses on institutional grade strategies, including Sustainable Agriculture & Food, Renewable Resources, and Sustainable Real Estate. The firm has raised institutional investor commitments of approximately \$2.4 billion across its investment strategies and is actively developing other agriculture, real estate, renewable energy, and water strategies for future offerings.

- C. **Kamehameha Schools and Equilibrium Capital.** In 2014, Kamehameha Schools partnered with Equilibrium Capital through an investment in Agriculture Capital, a sustainability-driven agriculture and food investment firm co-founded by Equilibrium Capital. Agriculture Capital invests across the value chain of citrus, hazelnut, blueberry, and table grape products and utilizes regenerative farm practices to produce better food at scale and deliver healthy returns to investors while making a difference in communities.

¹¹ Intangible noun, a: an asset (such as goodwill) that is not corporeal; b: an abstract quality or attribute, <https://www.merriam-webster.com/dictionary/intangible#other-words>, retrieved August 16, 2019

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Through this relationship, Kamehameha Schools was introduced to Eric Pond, a former founder and principal at Agriculture Capital, and his company Greenleaf Farm Management. Eric is an agriculture industry leader and expert, having sourced, developed and managed over 6,000 acres of permanent crop farmland in the Pacific Northwest over his nearly 25-year career.

Together, Kamehameha Schools and Equilibrium, supported by Greenleaf (the "Business Team"), began conducting market research and due diligence to develop a Hawai'i-based business that would focus on Kamehameha Schools' goals of stewarding the 'aina by utilizing the principles of regenerative agriculture and integrated value chains.

- D. **Greenleaf Farm Management.** Founded by Eric Pond, Greenleaf is providing advice and guidance on agronomy design, team building, and market assessment of the crops Kalona will be growing. Greenleaf and its founder are expected to guide the operating team both as consultant and as member on the Kalona Board of Managers.

Eric Pond / Greenleaf Advisors - Senior Advisor for Strategy, Operations and Agronomy
Eric, with his wife Laura, founded Greenleaf Advisors in 2016 to work with farmers and owners of farming and food production assets to enable sustainable farming practices and production of healthy and affordable food. Eric has 25 years of experience in the agriculture and food business, having built and productively managed integrated supply chain operations. He was previously a Founder and Principal at Agriculture Capital, a manager of integrated permanent crops funds jointly founded by Equilibrium. He is a native of Oregon and is committed to spending time in Hawaii both as member of the Board of Managers and advisor to Kalona. Eric is also serving as member of Kalona's Board of Managers.

- E. **Board of Directors.** The Board of Managers consisted of the following individuals: Kamuela K. Cobb-Adams, Senior Director Community Engagement & Resources, Kamehameha Schools; P. Noel Kullavanijaya, Principal and President — Capital Markets of Equilibrium Capital; Eric Pond, Founder, Greenleaf Advisors; and Benjamin Salazar, Managing Director of Finance, Kamehameha Schools. A fifth member of the Board of Directors will be appointed with the approval by the existing four members of the Board after the Series 2 units have been placed. Additional members to the Board of Managers will be added as additional investment partners are added.

- F. **Management Team.** Qualified individuals with experience in agriculture and food production in Hawaii to manage farm operations and marketing activities. The team is to comprise proven expertise necessary to build and operate the integrated supply chain business of Kalona. Managers and advisors representing agriculture and food business, agronomy and farm management, product development and manufacturing, products sales and marketing, finance and accounting, and start-up experience, have been identified and are beginning to work together.

4. Executives.

- a. **Kawika Burgess.** General Manager (President and Chief Executive Officer of Kalona) Kawika brings new business formation, operating, agriculture and management experience to Kalona. He was most recently the Chief Executive Officer of Hawaiian Islands Land Trust and was previously the founder/owner of Real

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Property Management Alliance; Chief Operating Officer of the Office of Hawaiian Affairs; the Land Assets & Operations Manager at Kamehameha Schools; Program Coordinator & Project Manager of the Hawaii Trust for Public Land; and Administrator in the Dept. of Human Services (State of Hawaii). Kawika is an alumnus of the University of Hawaii', Hilo and is a Native Hawaiian.

- b. **Aaron Ellis.** Finance Manager (Chief Financial Officer and Secretary of Kalona) Aaron brings experience in financial planning, accounting, and finance management (including cash management) to Kalona. He will be working part-time initially and will increase commitment as demands from Kalona's activities rise. He is currently the General Manager and Director of Business Development at Island Growth and previously served as Director of Business Development at Pono Pacific; and Finance Associate at Ulupono Initiative. He also provided business development advice for start-ups and non-profit organizations, Aaron grew up in Victoria, Canada and received his MBA from the University of Hawai'i.
- c. **Michael Glidden.** Farm Manager - Mike has a decade of experience working in commercial scale tropical crop production. Mike has been responsible for creating and implementing crop plans and managing field production of 500 acres of seed corn in Hawaii. He is also an Associate Director for the West Oahu Soil and Water Conservation District. Mike received his Master's in Tropical Plant and Soil Science from the University of Hawai'i. Mike was born and raised on O'ahu.
- d. **Dave Burlew.** Assistant Farm Manager - Dave has over twenty years of experience in organic farm management from production to marketing and promotion. Dave also worked on the retail side of fruits and vegetables as the produce manager for Down to Earth. Dave is originally from New Jersey and moved to Hawai'i in 2003 to attend the University of Hawai'i, where he majored in Agriculture.
- e. **Derrick Kiyabu.** Crew Leader - Derrick brings significant local farm experience having trained beginning farmers while working at GoFarm Hawai'i and the Kohala Center. Derrick was responsible for the daily operations of a 24-acre organic farm in Waianae. Derrick attended the University of Hawaii and majored in General Agriculture

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5. Advisors

- a. Dan O'Doherty** - Advisor for Agronomy and Marketing - Dan is the Founder of Hawai'i-based Cacao Services, an expert consultant in the value chain operations for cacao. He was formerly the co-founder and President of the HawaiiCacao Foundation and Scientific Advisor & Conference Coordinator of the Hawaii Chocolate & Cacao Association. Dan is a graduate of the University of Hawaii, with a MS in Botany and Plant Biology, and Stevenson University.
- b. Seneca Klassen** – Advisor for Products, Manufacturing/Processing and Marketing Seneca is a renowned chocolate and cacao expert, with proven expertise in product development, entrepreneurship, and business start-ups. He is the Founder of Lonohana Estate Chocolate (Hawai'i) and previously served as the Executive Vice President of Product Development at Bittersweet in California. He is a graduate University of California San Diego and has lived in Hawai'i since 2009.

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IX. Economic Development Policy Alignment

Approved by the BOT in May of 2019, the purpose of the approved Economic Development Policy (“Policy”) was to ensure that revenue enhancement and other economic development projects

undertaken by the Office of Hawaiian Affairs (“OHA”) are conducted in a manner consistent with best practices and aligned with OHA’s long-term strategies and current conditions. The policy:

- Requires Administration to develop policies for analyzing and selecting economic development projects
- Requires Administration to develop performance standards for staff and consultants, and define permissible and impermissible projects
- Requires the Administration to develop criteria for selecting operating structures (such as LLCs and partnership)

- Requires Administration to develop policies for analyzing and selecting economic development projects

- Requires Administration to develop performance standards for staff and consultants, and define permissible and impermissible projects

- Requires the Administration to develop criteria for selecting operating structures (such as LLCs and partnership)

It is the policy of the Board to ensure the development of procedures for selecting

economic development projects and the operating structures for the projects that reflect cultural priorities and current economic conditions. The Board believes that documented procedures are important to ensure consistency within OHA regarding the use of land, cultural assets and other resources, and OHA’s expectations for business conduct. Additionally, the principles reflected in the procedures can be incorporated in development and other economic development agreements, enabling projects that are developed will be consistent with OHA’s needs and priorities.

A lack of due diligence, standards and/or criteria may occur when there is no clear policy. Because this is a new policy, implementation procedures are in development to affect the policy’s launch. Administration anticipates bringing forward such policy implementation procedures at the next available opportunity to the BOT (e.g., September 4, 2019 Resources Management Committee). Once the policy implementation procedures are approved by the BOT, any future investment opportunities (such as the Kalona opportunity) would be considered in alignment with such procedures.

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X. Investment Opportunity Analyses Insights

A. Risk Factors

1. Farming from the beginning to final product has a long-time horizon and much uncertainty (e.g., drought, disease, unpredictable weather, sabotage, supply/demand for targeted premium product, economic conditions); product will not be following popularity of organic food items.
2. No payout to investors until years 7 to 10 (at the earliest) and no liquidity.
3. Management is concentrated in one person (e.g., General Manager) and risks exist (e.g., possible “key man” clause, experience in product development).
4. Limited voting power (Class A shares have 15 per unit voting rights compared to Class B shares 1 vote per unit).
5. No protection from higher than expected equity dilution or incurring debt (senior/subordinated).
6. Subject to reputation risk/criticism (e.g., project failure), legal (e.g., branding cost), investors rights, local/foreign competitors, etc.
7. No tangible residual value for OHA, no specific exit strategy.
8. Recession forecast scenario not factored in pro forma financial statements.
9. Dual voting shares not consistent with fair governance, possibly part of Environmental, Social and Governance (ESG¹²) criteria.

B. Positive Elements

- a. Aligns with OHA mission, strategic foundations and directions and goal to make local impact investments.
- b. Investment appears to have the solid partners OHA would like to team with for the initial Hawaii Direct Investments program; and a learning experience to branch out to other projects.
- c. Kamehameha Schools is a reputable partner, however, it has much deeper pockets than OHA and will have control over any decisions (e.g., land/water is owned by KS).
- d. Low correlation with other OHA investment (e.g., inflation hedge); however, is positively correlated with gross domestic product.
- e. Equilibrium is a company with a demonstrated history of having expertise in agricultural investing.
- f. \$2.7MM maximum is less than 0.75% of total Native Hawaiian Trust Fund.

¹² Environmental, social and governance (ESG) criteria are a set of standards for a company’s operations that socially conscious investors use to screen potential investments. Environmental criteria consider how a company performs as a steward of nature. Social criteria examine how it manages relationships with employees, suppliers, customers, and the communities where it operates. Governance deals with a company’s leadership, executive pay, audits, internal controls, and shareholder rights. <https://www.investopedia.com/terms/e/environmental-social-and-governance-esg-criteria.asp>, retrieved August 17, 2019

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IV. Certification of Funding Availability

N/A – core or non-core funding not required for this action item.

The investment in the Kalona Brand Company LLC, in an amount up to \$2.7MM, would be funded by the Hawaii Direct Investment portfolio of the Native Hawaiian Trust Fund.

V. Recommended Action

Approve the private placement investment in Kalona Brand Company LLC, in an amount not to exceed \$2.7MM, from the Hawaii Direct Investment (HDI) portfolio.

VI. Alternative(s)

A. Take no action.

B. Take action for another amount, other than \$2.7MM, which does not exceed the available Hawaii Direct Investment (HDI) amount; and with any unused amount to remain in the HDI portfolio

VII. Time Frame

This action shall be effective immediately upon approval by the BOT.

VIII. Attachment(s)

A. Native Hawaiian Trust Fund Investment Policy Statement, Adopted by the Board of Trustees, August 24, 2017, Effective October 1, 2017

B. DRAFT - Term Sheet



OFFICE OF HAWAIIAN AFFAIRS

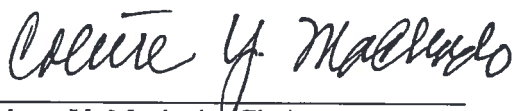
NATIVE HAWAIIAN TRUST FUND INVESTMENT POLICY STATEMENT

**Adopted by the Board of Trustees, August 24, 2017
Effective October 1, 2017**

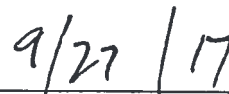
NATIVE HAWAIIAN TRUST FUND

INVESTMENT POLICY STATEMENT

The following Investment Policy Statement (IPS) has been duly adopted, predominantly utilizing the Manager-of-Managers (MoM) approach, by the Office of Hawaiian Affairs, Board of Trustees at its meeting held on August 24, 2017 and is in full force and effect on October 1, 2017.



Colette Y. Machado, Chairperson
Board of Trustees



Date

First Reading: August 1, 2017
Second Reading: August 24, 2017

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Distribution:

- 9- Each OHA Trustee via Asset & Resource Management Committee
- 1- OHA BOT Secretary
- 1- OHA Chief Executive Officer
- 1- OHA Chief Operating Officer
- 1- OHA Chief Financial Officer
- 1- OHA Controller
- 1- OHA Chief Investment Officer
- 1- OHA Investment Consultant
- 5- Each Investment Advisor / Non-Marketable Alternatives Provider
- 1- Custodian

THE OFFICE OF HAWAIIAN AFFAIRS NATIVE HAWAIIAN TRUST FUND INVESTMENT POLICY STATEMENT

OBJECTIVES AND POLICY GUIDELINES

Section 1. Introduction and Scope

1.1 Introduction. This statement governs the investment of assets held in the Office of Hawaiian Affairs Native Hawaiian Trust Fund (the "Fund").

This Policy Statement is set forth so that the Board of Trustees ("BOT") of the Office of Hawaiian Affairs ("OHA"), OHA Staff, Investment Consultant, Investment Advisors and Investment Managers (where appropriate), and beneficiaries may be made aware of the investment policy with regard to the investment of the Fund's assets, the investment objectives, and the expectations and requirements with respect to the ongoing management of the Fund's assets.

1.2 The Trust. OHA's mission is to malama (protect) Hawai'i's people and environmental resources and the Trust Fund's assets, toward ensuring the perpetuation of the culture, the enhancement of lifestyle and the protection of entitlements of Native Hawaiians, while enabling the building of a strong and healthy Hawaiian people and nation, recognized nationally and internationally. The overall goal of the Fund is to provide superior investment returns to sustain the beneficiaries in perpetuity and to uphold OHA's mission.

1.3 Purpose of the Investment Policy Statement. In keeping with the fiduciary requirements and obligations of all parties involved in managing the Fund under existing Federal and State laws, the purposes of this Policy Statement (the "Statement") are to provide the:

- a) BOT, OHA staff, Consultant and Advisors with a clear and mutual understanding of the Fund's philosophy, investment objectives and policies;
- b) Advisors with guidance, objectives and limitations in investing the Fund's assets; and
- c) BOT with a meaningful basis to evaluate the Advisors' performance in order to meet the BOT's fiduciary responsibility to monitor prudently the Fund's investments.

This Statement represents the BOT's philosophy regarding the investment of the Fund's assets. The BOT will review and revise the Statement as needed to ensure that it continues to reflect the BOT's expectations and objectives. All of the BOT's modifications or amendments to the Statement shall be made in writing and will be provided to all Investment Advisors and Consultants.

It is also intended that the investment policies be sufficiently specific to be meaningful, but adequately flexible to be practicable. It is further understood that all performance standards and return objectives in this Statement are intended as evaluation tools for determining whether to continue to retain the Advisors. The parties understand that the Advisors cannot give assurance of actual investment results and that the Advisors understand that the BOT will terminate its relationship with an Advisor based on a determination that the Advisor is not achieving the performance standards.

1.4 Manager-of-Managers Approach. The BOT has elected to employ Advisors in an outsourced manager-of-managers investment approach, without necessarily bundling custodial services. There is a preference for a full discretionary approach to invest across multiple asset classes. When necessary to achieve the Fund's objectives, the BOT may hire an Advisor with a non-Manager-of-Managers approach or to manage assets with a specific asset class mandate. Under the outsourcing agreement, the Advisors will assume certain BOT fiduciary responsibilities as set forth in the applicable agreement(s) between the Advisors and the BOT. The Advisors are accountable for the prudent management of all assets subject to their oversight and, where applicable, will make all key investment decisions, such as tactical asset allocation and manager selection, within the context set by this Statement and in

adherence to the duties and powers set forth in the applicable management, advisory, or trust agreements. The BOT still maintains responsibility for imposing guidelines, targets and asset allocation constraints as set forth in this Statement, and for monitoring the Advisors to ensure they act prudently and adhere to all aspects of the Statement.

1.5 Spending Policy. The annual amount withdrawn from the Fund shall constitute no more than five percent (5%) annually of the Fund's market value, excluding any Fiscal Reserve spending, using the methodology specified in the OHA Native Hawaiian Trust Fund Spending Policy. The calculation of the maximum withdrawal amounts are set forth in the Native Hawaiian Trust Fund Spending Policy and Fiscal Reserve Withdrawal Guidelines.

Section 2. General Objectives

2.1 Prioritized Investment Objectives. The overall objectives of the Fund are in the following order of priority:

- a) To grow the Fund's assets consistently by at least inflation plus five percent annually (Consistent Capital Growth);
- b) To invest in a manner that seeks to ensure the continuous preservation of purchasing power of the overall portfolio (Capital Preservation);
- c) To achieve a portfolio return that meets or exceeds the return of the Fund's Policy Portfolio Benchmark on a net of fee basis over a long time horizon (Benchmark Outperformance); and
- d) To diversify the portfolio by asset type, security (issuer) and Investment Manager to reduce the volatility of returns (Adequate Diversification).

2.2 Long-Term Objective. Consistent capital growth is the primary objective of the Fund. The investment portfolio shall be designed with the objective of protecting principal while earning a rate of return that is targeted to meet or exceed the real spending rate and the strategic benchmark index of the Fund over the long term in order to preserve the Fund's assets and ensure that sufficient liquidity will be available to cover future cash requirements. Consistent capital growth is achieved by investing prudently in a wide range of asset classes to achieve proper diversification, thereby reducing volatility. Since the Advisors will focus on long-term capital appreciation, the Fund may experience a drawdown of principal, although over a full market cycle, the Advisors in aggregate are expected to produce a total annual return that will exceed inflation as measured by the Consumer Price Index (CPI) by five percent. It is anticipated that the Fund will experience an annualized average volatility of approximately 13% annually with a maximum rolling 12-month annualized volatility of roughly 20% over a market cycle.

All parties named in this Statement shall carry out their business in compliance to all existing and future applicable state and federal regulations (Regulatory Compliance Requirement) and for assets subject to their discretion maintain adequate liquidity to meet all anticipated expenditures after sufficient notice (Adequate Liquidity Requirement).

2.3 Definition of Market Cycle. Throughout this Statement the term "market cycle" is used. Market cycles include both a rising and a declining market. Generally, a rising market will be defined as a period of at least two consecutive quarters of rising stock prices and a declining market will be defined as a period of at least two consecutive quarters of declining stock prices. Therefore, a Market Cycle (the minimum period of evaluation) shall be at least one year and more typically three to six years.

2.4 Definition of Investment Consultant, Investment Advisor and Investment Manager. Throughout this Statement the terms Investment "Consultant", Investment "Advisor" and Investment "Manager" are used. Consultant shall refer to the entity hired by the OHA Chief Executive Officer ("CEO") to assist OHA staff and BOT in overseeing the Fund and to monitor and evaluate the Advisors; "Advisor" shall refer to each Fiduciary (typically utilizing the "manager-of-managers" approach) hired by the BOT to exercise investment discretion over a portion of the Fund's

assets within the parameters set forth in the Statement; and "Manager" shall refer to any portfolio manager selected by the Advisors to invest the Fund's assets.

Section 3. Standards of Care

3.1 Board of Trustees and OHA Staff. The standard of care applied to the BOT and OHA internal staff assigned to the Fund shall be the "prudent person" standard, defined as follows: "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived." The BOT may rely upon the expert advice and counsel of its external providers to satisfy the "prudent person" standard provided the BOT has established adequate controls and fulfills its oversight responsibilities regarding the external providers as outlined in this Statement.

3.2 External Providers. The standard of care applied to all external providers (i.e., Consultant, Advisors (indirectly Investment Managers hired by the Advisors), and Custodian) shall be as set forth in the agreement between the BOT or CEO, as appropriate, and each external provider. The BOT will negotiate a standard for the Investment Advisors that is similar in effect to the "prudent expert" standard, defined as: "Investments shall be managed with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims".

3.3 Code of Ethics. OHA Trustees, OHA officers, and OHA employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of their investment program, or that could impair their ability to make impartial decisions. OHA Trustees and employees involved in the investment process shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. OHA employees and officers shall refrain from undertaking personal investment transactions with entities that conduct business with the Fund. Should any Trustees have personal involvement with any direct investment transaction or any perceived conflicts of interest, the Trustee should disclose the involvement immediately and be recused from discussions and votes on said investment. OHA Trustees, officers, and employees shall abide by the Standard of Conducts established under Chapter 84 of the Hawai'i Revised Statutes and the code of ethics stated in the OHA Bylaws and, where appropriate, the OHA Employee Handbook and the BOT Executive Policy Manual.

Section 4. Delegation of Authority

The Office of Hawaiian Affairs Native Hawaiian Trust Fund maintains a structured and organized process in implementing its investment program. To accomplish the mission, objectives and desired investment returns of the Fund, the Board of Trustees has delegated authority to various individuals and organizations.

4.1 BOT Composition. The BOT currently consists of representatives from:

- a) O'ahu
- b) Kaua'i and Ni'i'hau
- c) Moloka'i and Lana'i
- d) Hawai'i
- e) Maui
- f) At large (4)

4.2 BOT Responsibilities. The BOT recognizes that it may not possess sufficient expertise to manage directly the

assets of the Fund. The BOT, therefore, employs the services of various external experts to act as Fiduciaries--Consultants, Advisors and/or Custodians and seeks advice from independent parties. The BOT does rely on this expertise in carrying out its responsibility to oversee the overall management of the Fund's assets, and will meet quarterly to review the performance of the Fund and the activities of the external providers for reasonable consistency with the objectives of the Fund as set forth in this Statement. When necessary, the BOT will provide guidance to the investment process. BOT may delegate certain of its responsibilities to the CEO to assist with the implementation of this Statement. BOT responsibilities include, but are not limited to:

- a) Approve the Investment Policy Statement and all modifications to the Statement;
- b) Select Advisors and Non-Marketable Alternatives Providers. The BOT delegates authority to the CEO to select the Custodian, Consultant and Investment Advisory Committee (IAC) members;
- c) Monitor results of all Fund assets as a whole and those assigned to each Advisor. The BOT shall include in its quarterly assessment such topics as: economic outlook, portfolio diversification, asset allocation and structure, Advisors' strategies, potential risks, and the performance of the overall portfolio as well as each of the Fund's asset classes versus its benchmark rate of return and peer institutions;
- d) Review quarterly reports regarding the activities of Advisors, Consultant, Investment Advisory Committee and OHA staff overseeing the Fund;
- e) Review quarterly reports from the Custodian and Advisors regarding the composition of each Advisor's assets under management versus the Fund's strategic target and the asset class strategies of each Advisor;
- f) Review the annual report of the Consultant regarding the performance of the Fund and the Advisors;
- g) As necessary, review the Fund's strategic direction or significant issues impacting the Fund or Fiduciaries, and take action as appropriate;
- h) Attend a minimum of two investment educational events held in Hawai'i per year; and
- i) Attend out-of-State training, educational or due diligence events that are recommended by the CEO and approved by the Chairperson of the BOT.

4.3 Duties of the Consultant, Investment Advisory Committee, CEO and OHA Staff. The duties of the Consultant will be as set forth in the agreement entered into between the CEO and the Consultant. The duties of the Investment Advisory Committee are as outlined in the Committee's Charter. This Committee has no authority to make decisions, but only serves to provide independent comments to the Consultant, the CEO and staff, and BOT representatives regarding the economic outlook and the Fund's assets, strategies, performance, risks and Fiduciaries. The duties of the CEO, OHA staff, Investment Advisory Committee and Consultant will be set forth in the OHA Native Hawaiian Trust Fund Operational Procedures. The CEO is responsible for approving these Operational Procedures and for reviewing and approving all investment decisions not made by an Advisor, except those reserved for the BOT. The Consultant and OHA staff are responsible for assisting the CEO and the BOT in the execution of their responsibilities. Duties of the Consultant and OHA staff jointly include, but are not limited to:

- a) Monitor the performance of each Advisor's portfolio as frequently as market conditions dictate, including review of the Advisor's monthly reports;
- b) Aggregate as necessary and monitor the performance of the Fund's investment portfolios monthly and prepare quarterly performance and Advisor activity reports for review by the CEO and BOT;
- c) Monitor the monthly reconciliation of the portfolio positions and valuations among the Custodian and Advisors (OHA staff only);
- d) Seek to ensure that assets are invested in accordance with the requirements specified in this Statement;
- e) Recommend to the CEO and implement operational procedures that will enhance the investment program of the Fund and ensure that proper internal controls are implemented to safeguard the assets of the Fund, including preparing Investment Guideline Summaries for each of the Advisors;
- f) Recommend benchmarks for approval to the CEO;
- g) Prepare periodic market-cycle and annual reviews of the Fund's investments and the Advisors' performance, including findings from annual due diligence visits for presentation to the BOT;
- h) Conduct onsite annual due diligence of the Advisors and Custodian;
- i) Coordinate and vet changes to the Investment Policy Statement and serve as chair (Consultant) and secretary (OHA staff) to the Investment Advisory Committee;

- j) Evaluate the reasonableness of recommendations of Advisors and Non-Marketable Alternatives Providers regarding investment decisions and policies requiring the approval of the CEO.
- k) Evaluate and recommend Direct Investments in Hawaii for the approval of the CEO and BOT, as appropriate;
- l) Manage the Fund's Enhanced Liquidity Account assets awaiting disbursement to OHA consistent with the Operational Procedures reviewed by the CFO and approved by the CEO; and
- m) Maintain knowledge of current trends and conditions with respect to investment management through continuing education.

4.4 Duties of the Advisors. The duties of the Advisors shall be as set forth in the agreements entered into between the BOT and the Advisors, and will explicitly include this Statement as an addendum. The Advisors act as Fiduciaries of the Fund for the assets they have under management. Duties of the Advisors include, but are not limited to:

- a) Invest the assets of the Fund within the constraints of the Statement while adhering to the investment management style, concepts and principles for which they were retained by the BOT. Advisors are responsible for tactical asset allocation and manager selection unless otherwise stated in the management and/or trust agreement with OHA;
- b) Where applicable per the Advisor management agreement, for all investment decisions requiring the CEO's approval, recommend specific investments and provide strategic and/or tactical investment advice to the BOT, CEO, OHA staff, and Consultant as appropriate to render a decision that will achieve the Fund's investment objectives;
- c) Seek to achieve best execution and price for all transactions effected on behalf of the Fund with brokers and dealers qualified to execute institutional orders on an ongoing basis and if appropriate, facilitate the recapture of commissions on behalf of the Fund;
- d) Reconcile within tolerance limits monthly accounting, transaction, valuation and asset summary data with the Custodian's transactions, valuations and holdings, including resolving any discrepancies with the Custodian;
- e) For investments where a market value is not available, assist the Custodian as necessary in finding appropriate pricing sources or establishing fair value procedures.
- f) Report to the BOT on all significant matters pertaining to their firm's ownership, investment style and philosophy, changes in personnel and performance relevant to the management of the Fund. Items relevant to the Fund include those that would have a direct or indirect impact on the ability of the Advisor to continue to provide a high level of service;
- g) Vote the proxies of invested companies (or delegate the vote to Managers), as they deem appropriate, although the BOT reserves the right to vote proxies in separately managed accounts if it so chooses;
- h) Periodically conduct capital market studies and make recommendations to the BOT regarding changes to the Statement and strategic asset allocation targets and ranges based on the risk/return objectives of the Fund and the economic and market outlook. The timing of these analyses, and either reaffirmation or recommendation of modifications to this Statement, shall be as agreed upon with the BOT, but normally every two to five years, but no less frequently than every six years;
- i) Select qualified Investment Managers, and monitor existing Managers' style consistency and performance at least monthly, including due diligence of those Managers regarding personnel, ownership, risk management and the investment process;
- j) Negotiate fee arrangements and other contract terms with the investment Managers on behalf of the Fund;
- k) Communicate with the Consultant and/or OHA staff on at least a monthly basis regarding actions taken, or any material changes, issues or circumstances warranting attention including performance of the Fund, market conditions and outlook, manager-turnover, Managers' or Advisor's staff turnover, etc;
- l) Prepare and present a quarterly executive summary report to the BOT as requested by the Consultant or OHA staff including performance versus benchmarks, asset allocation, economic outlook, fees, Manager summary, and any other significant issues impacting the Fund;
- m) Assist the Consultant and OHA staff in preparing Investment Guideline Summaries for the approval of the

CEO covering the assets under their management and annually prepare a compliance and derivatives usage report (Each Advisor's Investment Guideline Summary will govern the assets under their management in conjunction with the Investment Policy Statement and the Investment Management Agreement between the Advisor and OHA);

- n) Host an annual onsite comprehensive and/or topical due diligence for the Consultant and OHA staff and officials and as requested provide portfolio analytics and style consistency adherence at the manager-level for the Advisor's commingled vehicles;
- o) Negotiate and arrange for brokerage and any applicable recordkeeping services;
- p) Render special projects at the request of the BOT, the Consultant or OHA staff; and
- q) Provide certain other services, as described elsewhere in this Statement, such as investment training, market research, educational programs, analytical tools, etc.

4.5 Duties of the Custodian. The duties of the Custodian shall be as set forth in the agreement between the BOT and the Custodian. In addition to other responsibilities contained in that agreement the Custodian will:

- a) Provide complete custody and depository services for the Fund's assets including obtaining market values or fair values for all assets on at least a monthly basis;
- b) Provide a monthly report of transactions by the Advisors and, where applicable, by OHA (Enhanced Liquidity Account) as set forth in the Custody agreement;
- c) Provide audited monthly and annual accounting statements for all the Fund's assets and transactions;
- d) Collect all interest income, dividends and principal realization and properly report them in all accounting statements;
- e) Disperse funds to cover expenses, accept funds from OHA or the Advisors, and disperse funds to OHA or the Advisors as properly instructed by CEO or OHA staff, and properly report these transactions in all accounting statements; and
- f) Reconcile monthly accounting, transaction and asset summary data and communicate and resolve any discrepancies with the Advisors.

Section 5. Asset Allocation Guidelines and Long Term Targets

The BOT prefers Advisors who can construct and manage a portfolio encompassing multiple strategic asset classes using a Manager-of-Manager approach and utilize the Fund's strategic target index as their primary benchmark (strategic target weight times strategic benchmark index return for each strategic asset class). The purpose of the strategic target asset allocation is to provide an optimal mix of investments that has the potential to produce the desired returns with the least amount of fluctuation in the overall value of the investment portfolio. The minimum and maximum levels listed below are targeting guidelines as opposed to absolute barriers; Advisors should bring asset allocations which are outside of their approved targeting range back to the range per their rebalancing policy unless granted a written exception by the CEO. The Traditional and Alternative Assets Advisors are not responsible for Hawai'i Direct Investments and the Enhanced Liquidity Account. OHA staff may hedge the allocation to Hawai'i Direct Investments in a traditional asset class managed by one or more Advisors until such investments are made. The Alternatives Advisor may hedge the under or over exposure to asset classes with barriers to entry and exit (Non-Marketable Alternatives) with similar liquid (marketable) asset classes (e.g. hedge underexposure to targeted private equity using traditional equity or marketable equity alternatives).

The Office of Hawaiian Affairs Native Hawaiian Trust Fund
Statement of Investment Objectives and Policy

5.1 Asset Allocation.

Asset Class Portfolios	Maximum	Minimum	Strategic Target	Benchmark Index	Primary Objective
Traditional Asset Classes					
Traditional Global Equities	55%	22%	40%	MSCI ACWI	Growth
Traditional Global Fixed Income	22%	11%	17%	Bloomberg US Aggregate	Income
Traditional Global Real Assets	11%	0%	5%	US TIPS +3%	Inflation Hedge
Total Traditional Assets	88%	33%	62%		
Alternative Asset Classes					
Hedge Funds	19.2%	6.4%	12%	3-Month T-Bills +4%	Volatility Management
Private Markets*	25.6%	0%	18%	MSCI ACWI +3%	Growth
Total Alternative Assets	44.8%	6.4%	30%		
Enhanced Liquidity Account					
Enhanced Liquidity	10%	0%	3%	1-3 Year Treasury	Liquidity
Hawai'i Direct Investments					
Hawai'i Direct Investments	10%	0%	5%	US TIPS +3%	Inflation Hedge
*The Private Market allocation will consist of the previous Non-Marketable Equity, Credit, and Real Assets & Opportunistic portfolios					

The Strategic Targets for the Asset Classes listed in the table above multiplied by the benchmarks recommended by the Consultant and approved by the CEO constitute the Policy Portfolio. The table below regroups the Asset Classes by their primary objective.

The Office of Hawaiian Affairs Native Hawaiian Trust Fund
Statement of Investment Objectives and Policy

Asset Class Portfolios	Maximum	Minimum	Strategic Target
Growth			
Traditional Global Equities	55%	22%	40%
Private Markets	25.6%	0%	18%
Total Growth	80.6%	22%	58%
Income			
Traditional Global Fixed Income	22%	11%	17%
Total Income	22%	11%	17%
Volatility Management			
Hedge Funds	19.2%	6.4%	12%
Inflation Hedge			
Traditional Global Real Assets	11%	0%	5%
Hawai'i Direct Investments	10%	0%	5%
Total Inflation Hedge	21%	0%	10%
Liquidity			
Enhanced Liquidity	10%	0%	3%

The CEO has the delegated power to allocate up to \$25 million from the Fund for a Direct Investment Program. Direct investments made from the Fund shall follow the guidelines set forth in the Hawai'i Direct Investment Policy section of this Statement. All Hawai'i-based Direct Investments are excluded from the discretionary Manager-of-Managers framework. The OHA staff with the assistance of the Consultant will be responsible for the due diligence, performance monitoring and reporting of such investments.

Private Market investments are accomplished outside of the discretionary Advisor framework as the Advisors do not have investment discretion over these assets. Approved Non-Marketable Alternatives Providers will provide OHA staff and the Consultant with sufficient information and analyses to evaluate their investment recommendations. The information may include Manager due diligence reports and portfolio analytics so that the CEO can make an informed decision relating to the investment. It is recognized that there may be underinvestment or overinvestment in these illiquid asset classes due to the timing of capital calls and distributions.

5.2 Benchmarks. Each Advisor will use the primary strategic benchmark index listed in their Investment Guideline

Summary as a guide in managing assets under their control. The strategic asset allocation targets and ranges, performance benchmarks, and additional investment guidelines are also set forth in each Advisor's Investment Guideline Summary or Investment Management Agreement. As necessary, the Consultant will recommend changes to the strategic targets, ranges, performance benchmarks, and any additional guidelines and the CEO must approve those changes before they become effective. The CEO will notify the BOT of Investment Guideline changes in writing.

Every new product of an Advisor must be assigned to one of the above asset classes as agreed upon between the Advisor and OHA Staff and/or the Consultant, with notification of the CEO. In addition, each investment may have a custom benchmark different from that of the asset class as agreed upon with the Consultant. The secondary benchmark is the Consumer Price Index (CPI) plus 5.0% annually for the Fund as a whole. The Consultant will also recommend, in consultation with each Advisor, peer manager and peer institution benchmarks and these will be approved by the CEO. Besides reporting portfolio performance versus these portfolio benchmarks, the Advisors shall report investment results on individual funds or portfolios versus their custom benchmarks.

The BOT recognizes that the actual asset allocation of the Fund may vary between or even outside of the minimum and maximum in the short term depending on market conditions and/or tactical asset allocation shifts. Asset classes not contemplated above or elsewhere in this Policy may be added to the Fund upon approval in writing by the BOT. The Advisors will only be responsible for meeting the investment objectives applicable to the portion of the Fund entrusted to such Advisors.

5.3 Rebalancing Policy. The primary purposes of rebalancing are to (1) ensure that the Fund's actual asset allocation does not drift too far from the strategic asset allocation; and (2) improve the performance of the Fund. The CEO will ensure that any agreement entered into with an Investment Advisor sets forth a rebalancing policy satisfactory to the BOT.

Section 6. Cash Holdings

It is the policy of the Fund that the Advisors fully invest the assets of the Fund under their control except to accommodate large cash flows. Unhedged cash and equivalents may be held in the Fund for defensive purposes at the Advisor's discretion during abnormal market conditions. The equity portion of the Advisor's portfolio should strive to maintain less than 5% of the portfolio in cash equivalents, unless the cash is hedged to achieve the appropriate asset class exposure. The fixed income portion of the Advisor's portfolio may maintain higher cash balances (e.g., as barbell strategies necessitate this exposure to cash).

Cash equivalents maximize liquidity and safety of principal. Maturities should be short enough that cash equivalents can be liquidated with a limited loss of principal. The following types of cash equivalents are eligible for investment:

- a) Money market mutual funds (2a7) which invest solely in U.S. Treasury and government agency securities;
- b) Deposits which are 100% federally insured or collateralized with U.S. government or agency securities with a market value of at least 100% of the face amount of the certificate;
- c) U.S. Treasury bills and short-term U.S. government agency securities;
- d) Overnight repurchase agreements collateralized with U.S. government or agency securities with a market value of at least 102% of the face amount; and
- e) Commercial paper of the highest two grades as rated by a nationally recognized rating agency.

Section 7. Pooled/Commingled Investments/Mutual Funds

Commingled investment vehicles where there is a pooling of securities owned by multiple clients for

diversification, risk reduction, or cost benefits, include mutual funds, trust funds, private placements, and limited partnerships, and are explicitly permissible. Although private placements and limited partnerships are exempt from both federal and state securities registration, they are considered appropriate vehicles for the Fund.

Section 8. Permissible Investments

8.1 Asset Class Definitions, Objectives, Permissible Instruments, Strategies, & Requirements. Investments in each asset class listed in Section 5, except for those investments excluded from the Advisors' responsibility, must be well diversified as defined below and in the Investment Guideline Summary or Investment Management Agreement of each Advisor. Advisors, as Fiduciaries, must exercise prudence in all matters and invest solely for the benefit of the Fund. For each asset class, the Advisors will retain Managers who invest in separate accounts or in commingled vehicles. An Advisor may select itself, an affiliated Manager, or an external Manager. Advisors may also retain Managers to provide "active overlay" strategies that use securities, currencies and derivative instruments, including but not limited to forwards, options, futures contracts, options, currency forwards, futures contracts and swaps (e.g. interest rate, credit default and total return) to replicate an index or combination of indexes. These overlay strategies will seek to (a) manage Fund exposure to various asset classes, (b) manage overall Fund risk, and (c) under certain conditions, enhance total return with tightly controlled leverage constraints.

Each Advisor must demonstrate that it has the capability to manage the risks involved in each asset class. Key to controlling risks is the ability to conduct robust ongoing due diligence on the Managers it selects and the ability to measure, manage and report portfolio risks, including issuer concentration, market, credit, duration, liquidity, leverage, currency and other major risks. The Consultant, with the assistance of OHA staff and the Advisors, must document the investment restrictions and risk controls for the portfolio of each Advisor in the Investment Guideline Summaries. The Advisors are not allowed to leverage the Fund's assets at the portfolio level without prior written approval of the BOT, although individual managers or commingled vehicles in certain asset classes and strategies may employ leverage under controlled conditions. Risk hedging in each asset class is explicitly permitted, including currency risks relative to the benchmark index and temporarily hedging the exposure in an illiquid asset class with a similar liquid asset class.

a) **Traditional Global Equity - Common & Preferred Stocks and Un-levered Equity Derivatives.** The primary role of traditional global equity is to seek to provide total return in excess of inflation, consistent with the appropriate benchmark index. Traditional equity may be actively managed in diversified portfolios of long only positions and/or long and short positions netting to approximately 100% long, be passively managed, utilize active overlay strategies, or be managed in any combination of active, passive and overlay strategies. The goal of an actively managed stock portfolio will be to achieve a net return after fees in excess of its benchmark index with comparable risk. Securities should be publicly owned and traded actively enough to insure liquidity without significantly adverse effects on price due to rapid sale. The Advisor should diversify the portfolio by geography—domestic and international, both developed and emerging markets, by investment style—value and growth, by manager, by approach—quantitative versus fundamental, by sector and industry, and capitalization—small, mid and large. An Advisor may select itself or an affiliated Manager in this asset class.

b) **Traditional Global Fixed Income – Cash Equivalents, Bonds, Loans and Un-levered Fixed Income Derivatives.** The primary role of Global Fixed Income is to seek to: 1) generate income while diversifying the investment assets, 2) provide a safe, stable return, and 3) provide a deflationary hedge. The fixed income asset class may include, but is not limited to the following components:

- a) Cash equivalents;
- b) US core credit including investment grade corporate, asset-backed, municipals and mortgage securities;
- c) High-yield securities and liquid loans; and
- d) Foreign government securities, investment grade foreign corporate debt denominated in US dollars or foreign currencies from both emerging markets and developed countries.

Advisors should ensure that managers are carefully managing portfolio duration, convexity, yield curve structure, sector exposure, issuer concentration, credit quality, non-U.S. securities, and currency risk to achieve a balanced and reasonable risk budget relative to the benchmark index for the fixed income portfolio. An Advisor may select itself or an affiliated Manager in this asset class.

c) Global Real Assets – Real Estate Investment Trusts (REITs) and Treasury Inflation Protected Securities (TIPS). The primary role of global real estate is to seek to provide total return in excess of inflation, consistent with an appropriate real estate benchmark index. The Managers selected by the Advisors must have demonstrated a favorable record in managing real estate portfolios. The public real estate asset portfolio of the Fund may be comprised of commingled pools and/or a portfolio of real estate investment trusts (REITs), which are well diversified by property type and geographic location. Advisors shall invest in instruments which comprise a portfolio well diversified by the four main property types, including office, retail, industrial, and multifamily residential, as well as by geographic region, and tenancy/leasing structure. If a real estate investment is made via a commingled vehicle, the prospectus or operating guidelines of that vehicle will serve as the operative policy. The Advisors are responsible for ensuring that the selected vehicle or portfolio has adequate risk controls in place and that the Manager is investing according to the operative policy. The Advisors may also invest in TIPS as a diversifier, or if they believe that they provide a better value than REITs, as an inflation hedge. An Advisor may select itself or an affiliated Manager in this asset class.

d) Low Volatility Marketable Alternatives – Funds of Hedge Funds, Individual Hedge Funds, Commodity Funds, and Mutual and Exchange Traded Funds employing alternative strategies. The primary role of this asset class is to seek to provide a consistently positive return source above the risk free rate that has low volatility and low correlation to the other asset classes, and the secondary role is to provide an inflation hedge through a commodity allocation. This asset class consists of a diversified portfolio of hedge fund strategies deemed appropriate by the Advisor for this role, including but not limited to macro, commodity trading advisors, relative value, opportunistic, global tactical asset allocation, distressed, and opportunistic. The Alternatives Advisor may utilize funds of hedge funds, a portfolio of individual hedge funds, mutual funds or market neutral overlay strategies designed to achieve a consistently positive return above the risk free rate. The Alternatives Advisor may select itself or an affiliate as the fund-of-funds Manager or as one or more of the hedge fund Managers. The Alternatives Advisor is responsible for ensuring that the selected vehicle has adequate risk controls in place. The Alternatives Advisor will seek to ensure that Managers invest according to the offering memorandum or partnership agreement. The Alternatives Advisor may select Managers that utilize reasonable amounts of leverage at the fund-of-funds level and Managers that utilize reasonable leverage within their individual hedge funds. The liquidity requirements for individual hedge funds or hedge fund-of-funds will be defined in the Advisor's Investment Guideline Summary. Advisors should seek to avoid direct or indirect investments in funds with redemption gates or side pockets, as well as funds which lack reasonable transparency consistent with the investment strategy. Advisors should also avoid any funds with excessive fees in relation to market practice and/or expected returns, or terms which do not align the interests of the Manager with the client, as well as those that have the majority of assets in illiquid investments.

The primary role of the commodities allocation is to seek to provide a consistently positive return above inflation with a low or negative correlation to the other asset classes. Commodities provide an inflation hedge and should consist of a diversified portfolio of energy, metal, agricultural and other commodities, including but not limited to oil, natural gas, grains, metals, and livestock. The Alternatives Advisor may utilize separate accounts or commingled funds using a single Manager or a multi-manager approach. The Alternatives Advisor should utilize strategies that have at least monthly liquidity under normal conditions and further liquidity guidelines will be specified in the Advisor's Investment Guideline Summary. The Alternatives Advisor may select an affiliate as the Manager-of-Managers or as one of the Managers. The Alternatives Advisor is responsible for ensuring that the selected Managers have adequate risk controls in place, especially for separately managed accounts. The Alternatives Advisor will seek to ensure that Managers utilizing funds invest according to the offering memorandum or partnership agreement.

e) Non-Marketable Equity Alternatives – Private Equity Funds, Funds of Private Equity Funds, Equity Hedge Funds, and Cash Equivalents & Overlay Strategies. The primary role of Non-Marketable Equity Alternatives is to

seek to provide enhanced total return to traditional equity through vehicles which may have limited liquidity and/or utilize leverage and derivatives, but employ strategies which go beyond the long only equity portfolio. Equity Alternatives include, but are not limited to, investments in private equity, venture capital, portable alpha, and long-biased equity hedge funds. The Alternatives Advisor may utilize hedge funds that correlate to the equity markets or overlay strategies such as portable alpha to hedge an underexposure to the targeted level of Non-Marketable Equity Alternatives, and hold cash temporarily to meet capital calls. The Alternatives Advisor may select itself or an affiliated Manager to hedge an underexposure in this asset class. The CEO may approve funds of private equity funds, which consist of funds making primary and/or secondary investments in underlying private equity funds as well as some direct investments. These funds are managed for returns with low correlation to returns in the traditional equity markets, and with very little liquidity. Assets invested in these private funds are generally illiquid for five to ten or more years. The CEO needs to invest the Fund's assets in a consistent long-term approach so as to limit the vintage year risk where there is a wide range of performance depending on the year the fund is launched. The Non-Marketable Alternatives Providers will seek to ensure that general partners invest according to the offering memorandum or partnership agreement. The Providers are responsible for ensuring that the selected vehicle has adequate risk controls in place and invests within the stated style and the scope of its offering memorandum or partnership agreement. Due to the long-term nature of a private equity investment, the measurement period for complete evaluation will be over a ten-year period. A ten-year return is intended to cover at least one complete market cycle, and is consistent with the average term of private equity fund-of-funds investments. The OHA staff and Consultant will evaluate and the CEO must approve all investments in Non-Marketable funds within this asset class.

f) Non-Marketable Credit Alternatives — Mezzanine Debt Funds, Specialty Loan Funds, Distressed Debt Funds, and Credit Hedge Funds. The primary role of Non-Marketable Credit Alternatives is to seek to provide enhanced total return to traditional credit through vehicles which may have limited liquidity and/or utilize leverage and derivatives, but provide access to fixed income strategies with higher return potential. Credit alternatives include, but are not limited to mezzanine debt, bank loans, distressed debt, special situations, portable alpha, and hedge funds utilizing credit strategies. These strategies should have returns with moderate correlation to traditional fixed income returns and low correlation to the other asset classes. The Non-Marketable Alternatives Providers are responsible for ensuring that their selected vehicles have adequate risk controls in place and that their selected vehicles conform to the offering memorandum or partnership agreement. The Alternatives Advisor may select itself or an affiliated Manager to hedge an underexposure in this asset class using credit hedge funds, overlay strategies, or traditional credit strategies. The OHA staff and Consultant will evaluate and the CEO must approve all investments in Non-Marketable funds within this asset class.

g) Non-Marketable Real Assets & Opportunistic Alternatives — Natural Resource Funds, Infrastructure Funds, Commodity Funds, Master Limited Partnerships (MLP's) and unique investments that do not fit into another Asset Class. The primary role of Non-Marketable Real Assets & Opportunistic Alternative investments is to seek to provide an inflation hedge, and the secondary role is to provide enhanced total return above Traditional Real Assets by committing capital for ten years or more to private market real asset strategies. Real assets include, but are not limited to real estate, TIPS, commodities, and natural resources. The OHA Staff and Consultant will evaluate and the CEO must approve all investments in Non-Marketable funds within this asset class. The Alternatives Advisor may hedge target exposure using such marketable assets as MLP's, CTA's, REITs, TIPS, overlay strategies, or mutual and exchange-traded funds utilizing real asset strategies. The Alternatives Advisor may select itself or an affiliated Manager to hedge underexposure in this asset class.

h) Hawaii Direct Investments. The primary role of Hawaii Direct Investments is to seek a total return of five percent in excess of inflation from real property that provides office space to OHA in Hawaii. This asset class includes the legacy investment in Russell Investments Private Real Estate Fund. All direct real estate investments must be made within the context of the Direct Investment Policy Statement.

Section 9. Prohibited Investments

The following investments are prohibited. Should a prohibited transaction occur, the Advisor must report it immediately after discovery to the Consultant and OHA staff, who will report it at the next BOT meeting.

9.1 Self-Dealing Transactions. Managers cannot purchase or hold any security of the Advisor who selected them, unless permitted by law.

9.2 Financial Institution Deposits including CDs. Direct deposits may not exceed the Federal Deposit Insurance Corporation insurance limit unless they are 100% collateralized by eligible U.S. government securities or fully covered by a surety bond.

9.3 Letter Stock. Letter stock and other unregistered equity securities are prohibited except in the alternative asset classes.

Section 10. Derivatives Policy

This Derivatives Policy applies to all investments with the exception of those permitted in funds in the alternative asset classes. Investments in derivatives shall not create a leverage effect on portfolio returns and must be consistent with the asset class they are in. Structured securities, futures, forwards, total return swaps, interest rate swaps, credit default swaps, options and other derivatives are permitted only if they are used in a defensive hedging manner (e.g. to hedge a currency, equitize cash, or to create an overlay strategy or structured fixed income portfolio). Advisors will be required to report on a periodic basis (at least annually) to the BOT on their use of derivatives for any purpose and to assure compliance with this Policy.

Section 11. Voting of Proxies

The BOT has delegated the authority to Advisors and Managers to vote proxies. For separately managed accounts (not pooled vehicles), the BOT reserves its right to exercise its proxy rights when it so chooses and to vote the proxies of invested companies as it deems appropriate. The proxy voting review process and guidelines are set forth in the OHA Native Hawaiian Trust Fund Operational Procedures.

Section 12. Trades, Exchanges & Valuation

12.1 Selling or Exchanging Securities. Investment Managers may sell or exchange securities in the course of daily management of specific funds. The goal of all such trades is to maximize portfolio performance while maintaining an appropriate risk profile.

12.2 Marking to Market. To account for market fluctuations and volatility, the Custodian or its agent (independent pricing agent) will mark to market all securities at least monthly. When market values are not available, the Custodian will follow the prevailing best practices regarding fair valuation. If a significant market event takes place during the month that impacts the value of the portfolio, the Custodian or its agent will determine the impact on the portfolio.

Section 13. Procedures for Selecting and Reviewing Investment Advisors

13.1 Review Process. Fund investments will be managed by professional Advisors and Managers except to the extent the BOT specifically delegates investment authority for other strategies for which the Fund's Advisors do not have specific expertise under the Manager-of-Managers' approach or for OHA's Enhanced Liquidity Account. When the BOT elects to retain a new Investment Advisor(s), the OHA staff will select four finalists to make an oral presentation. Evaluation factors will include three-year, five-year and ten-year performance record, as available, and the associated risks taken to achieve the returns, the quality and stability of the investment personnel and process of each company, adherence to philosophy/style and the fees charged by each company.

A contract will be executed pursuant to the Fund's Operational Procedures.

13.2 Selection Criteria for Advisors. Criteria will be established for each Advisor search undertaken by the BOT and will be tailored to the BOT's needs. These criteria are applicable to discretionary Manager-of-Managers and may not necessarily be applicable for the Enhanced Liquidity Account Manager. In general, eligible Advisors will possess attributes including, but not limited to, the following:

- a) For Manager-of- Manager searches, the firm must exhibit capabilities to offer Manager-of-Manager programs across a variety of asset classes and are capable of utilizing qualified Hawaii-based Managers;
- b) For specific asset class searches, the firm must be experienced in managing money for institutional clients in the asset class/product category/investment style specified by the BOT;
- c) The firm must have a minimum five-year history with managing institutional assets, demonstrate continuity of key personnel, and offer a reasonable fee schedule; shorter-term histories will be considered for entire portfolio management teams that have portable track records from predecessor firms;
- d) The firm must display a record of stability in retaining and attracting qualified investment professionals, as well as a record of managing asset growth effectively, both in gaining and retaining clients;
- e) The firm must have an asset base sufficient to accommodate the Fund's portfolio: Manager of Managers should have at least \$20 billion of discretionary institutional assets under management; the Fund's portfolio should represent no more than 5% of the firm's total asset base for any Advisor;
- f) The firm must demonstrate adherence to the investment style sought by the BOT, and adherence to the firm's stated investment discipline;
- g) The firm should promote good governance in its proxy voting policy and adhere to best practice standards regarding transparency, manager fee structure, leverage, and liquidity in the alternative asset classes;
- h) The firm's fees should be competitive with industry standards for each product category and overall;
- i) The firm must comply with the "Duties of the Investment Advisors" outlined in this Statement and should conform to GIPS (Global Investment Performance Standards) for performance reporting;
- j) The firm must be able to offer investment education programs to the BOT and OHA staff at least once a year; and
- k) The firm must be able to provide analytics tools and/or reports necessary for OHA staff and Consultant to monitor and analyze asset allocation, risk, and manager performance.

13.3 Criteria for Advisor Review and Monitoring. The BOT reserves the right to terminate an Investment Advisor at any time with reasonable notice as defined in the contract between the BOT and the Investment Advisor. Grounds for termination may include, but are not limited to:

- a) Failure to comply with the guidelines agreed upon for the management of the Fund's assets; including holding restricted securities and conducting prohibited transactions;
- b) Failure to achieve performance objectives specified in this Statement or the Advisor's contractual guidelines;
- c) Significant deviation from the Advisor's stated investment philosophy/style and/or process.
- d) Loss of key personnel or significant ownership changes that create instability in the organization;

- e) Evidence of illegal or unethical behavior by the Investment Advisor;
- f) Lack of willingness to cooperate with reasonable requests by the BOT, Investment Consultant or OHA staff for information, meetings or other material;
- g) Loss of confidence by the BOT; and
- h) A change in the Fund's asset allocation program which necessitates a shift of assets to another process or style.

The presence of any one, or a combination of these, factors will be carefully reviewed by the BOT, but will not necessarily result in an automatic termination.

13.4 Performance Monitoring. The OHA staff and Consultant shall monitor monthly statements and receive quarterly performance reports from the Advisors. The Advisors shall monitor, at least monthly, the investment results of each Manager under contract to determine whether or not that Manager is performing up to the standard required by the benchmark of performance specified in the Manager's contract.

13.5 Advisors Total Return Comparison. The BOT expects that each Advisor's total portfolio performance over a market cycle will meet or exceed the benchmark index established for that Advisor.

13.6 Total Portfolio Returns. The BOT expects that the Fund's combined investment results over a market cycle will be in the top 50% of a nationally recognized universe of foundations and endowments with similar sized portfolios.

13.7 Asset Class Returns. Specific asset class investment results shall be measured against benchmarks as detailed in the Advisor's Investment Guideline Summary.

13.8 Advisor Alerts. Advisors are expected to keep the BOT, OHA staff and Consultant informed of any material changes in their respective firms (i.e. change in personnel, ownership, policy, etc.).

13.9 Termination. If at any time the standard required is not being met by an Advisor, the BOT will determine what action will be taken toward the Investment Advisor. The decision to terminate an Investment Advisor shall be by majority vote of the BOT present at the meeting subject to the contractual agreement.

Section 14. Liquidity Policy

The Redemption liquidity of the total Trust Fund will be maintained with a minimum 65% of the Fund's assets able to be liquidated at market value under normal conditions on at least a quarterly basis (advance notification and some restrictions may apply). Investments with liquidity less than quarterly require the approval of the CEO. At least 50% of the total Trust Fund's assets must be liquid on at least a monthly basis at market value without restriction or advance notice longer than five business days under normal conditions. The Liquidity requirements for each Advisor and the assets under their management will be specified in their Investment Guideline Summaries and/or Investment Management Agreements.

Section 15. Errors & Omissions

The Advisor is to correct any material violation of the provisions of this Statement within a reasonable time period upon discovery. The Advisor will reimburse the Fund for a realized loss resulting from a material violation as agreed in the contract between the BOT and the Advisor.

Section 16. Adding New Asset Classes

The Investment Consultant with the assistance of OHA staff will work with the Advisors to assign each investment (e.g. fund) to an asset class portfolio, a custom benchmark index, and a peer manager universe. If the Advisor proposes an investment that does not fit into one of the approved asset classes listed in Section 5, the Advisor will prepare a written recommendation to the OHA staff / Consultant justifying the investment. The recommendation must include a description, of the new asset class, rationale for including the new investment, historical returns and risk statistics, liquidity, analysis of impact on the risk/return of the Fund, the benchmark index and manager peer universe. Adding a new asset class will require the approval of the CEO and the BOT.

Section 17. Interpretation

This Statement will be incorporated as an addendum in the agreements between the OHA BOT and each Advisor. In the event of any conflict or inconsistency between the terms of the agreement and this Statement, other than the Section 4.4 Duties of the Investment Advisors and anything designated as a Fundamental Investment Policy, the terms of the agreement with the Advisor shall govern.

Section 18. Hawai'i Direct Investment Policy (HDIP)

The CEO has the delegated power to allocate up to \$25 million, but not to exceed 10% of the market value of the Fund at the time of investment, on a cost basis for Hawai'i Direct Investments, including real estate and equity positions in companies based in Hawaii or with significant operations in Hawaii. Approved uses for this allocation include the acquisition of corporate real estate that OHA will occupy in whole or in part and funding BOT-approved lending programs for Native Hawaiians. This allocation may not be used for any other purpose until the acquisition of OHA's first corporate headquarter real estate property is complete. Investments other than corporate real estate and BOT-approved lending programs must be approved by a supermajority vote of the BOT. The combined cost of all direct investments, less any return of capital to the Fund from these direct investments, cannot exceed the \$25 million allocation.

18.2 Delegation of Authority. All final acquisition, development, and/or disposition decisions of Hawai'i direct investments must be approved by the BOT. The BOT delegates to the CEO the authority to:

- a) Administer the HDIP and approve and implement procedures to carry it out;
- b) Delegate duties to OHA staff as necessary to fulfill and implement this policy;
- c) Deny opportunities that do not satisfy current policy, guidelines, and/or criteria approved by the BOT;
- d) Execute contract and agreements;
- e) Conduct investment due diligence, negotiations, and on-going performance monitoring;
- f) Structure real estate financing terms for approval by the BOT;
- g) As necessary, oversee and manage the operational functions associated with each investment, including selecting and terminating service providers, negotiating leases and setting fee schedules (including market-based lease terms for OHA occupied space), obtaining and approving permits, licensing, and leasing, approving tenant improvements, sub-leases, evictions, use and service agreements, and making all other operational decisions associated with the investment; and
- h) Determine when to segregate assets to fund acquisitions and to place those assets with OHA staff to invest in the Enhanced Liquidity Account (ELA) until acquisitions are closed. These funds do not count toward the spending limit on annual transfers to the ELA

The BOT reserves the right to approve all other decisions not listed above.

18.3 Permissible Investment. For OHA's headquarter corporate real estate acquisition, OHA is to invest in real estate located on the island of O'ahu. OHA may own such investments in its own name or, to the extent permitted by law, through title holding entities, and may transfer real estate properties from direct ownership to a title holding entity, or vice versa, during the course of the holding period of the investment. Realized gains generated from real estate dispositions should credit the cost of the investment allocated to the direct investment program.

All direct investments should demonstrate the ability to generate current income and capital gains consistent with the asset class benchmark index and Fund's long-term objective.

18.4 Leverage. OHA may finance the acquisition of corporate real estate with a mortgage. The property may be pledged as collateral under a non-recourse structure to OHA. Any amount of recourse back to OHA, including an OHA guarantee, will be considered a use of capital and therefore be counted toward the \$25 million allocation.

18.5 Market Valuation. Market valuation of corporate real estate is determined by biennial appraisals conducted by a reputable independent appraisal firm and that value will be utilized until the next appraisal. Prior to the first appraisal, the market value of the asset is assumed to equal its acquisition cost.

Section 19. Enhanced Liquidity Account Investments

The BOT has authorized the use of an Enhanced Liquidity Account (ELA) utilizing primarily short-term and intermediate-term U.S. government and agency securities, TIPS, MLP's, liquid alternative risk premia strategies, and passive beta strategies to manage OHA's short-term (less than 18 months) cash flow. The ELA may be managed internally by OHA staff or externally by a registered investment advisor. The primary objectives of the ELA are to expedite the ability to meet fiscal obligations and efficiently manage short-term cash needs; a secondary objective is to provide a highly liquid, low volatility, low or anti-correlating asset to the Fund. As such, OHA may hold up to 10% of the net assets of the Fund in the ELA. The custody of short-term investment assets shall remain with OHA's Fund Custodian.

19.1 Permissible Investments. Assets held within the ELA must have no less than monthly liquidity under normal conditions. Passive index mutual funds, passive exchange-traded funds, passive institutional commingled funds, liquid alternative risk premia strategies, short-term U.S. government and agency securities, cash, and cash equivalents are permitted. A list of allowable investment vehicles for each asset class must be reviewed by the CFO and Consultant, approved by the CEO, and presented to the BOT for review. OHA staff or its external Manager may only select from this Approved List of investments vehicles in the ELA.

19.2 Asset Allocation and Rebalancing. The investments should be highly liquid with low volatility. Under normal conditions, the ELA's assets should be targeted no more than 2.0 percentage points (absolute) away from the strategic target allocation set forth in the ELA Manager's Investment Guideline Summary or Investment Management Agreement. OHA staff and the Consultant will devise a targeting and rebalancing process with a maximum tolerance approved by the CEO. If managed internally, OHA staff will execute the process; otherwise the external Manager will execute the process. Decisions to target the asset allocation outside of the maximum 2.0% tolerance shall be reviewed by the Investment Advisory Committee and/or CFO, approved by the CEO, and reported to the BOT prior to implementation.

19.3 Internal Controls. Internal operational controls and procedures relating to short-term investments shall be outlined in the OHA Native Hawaiian Trust Fund Operational Procedures.

19.4 Advisor and Manager Selection. The BOT will approve OHA staff under the supervision of the CFO and CEO as the Advisor and an external Manager to manage the ELA. The external Manager may not have full investment discretion; therefore, provisions relating to discretionary Advisors in this Statement may not necessarily apply to the ELA Manager. The duties of the ELA Manager shall be established based on the Investment Management

Agreement between the Manager and the BOT. BOT presentations by four finalists are not necessary for ELA Manager selection.

19.5 ELA Policy Benchmark & Investment Guidelines. The Policy performance benchmark for the ELA shall be the combination of market indexes and the risk free rate as set forth in the Manager's Investment Guideline Summary or Investment Management Agreement, which will also establish investment guidelines for managing the account.

Section 20. Investment Risk Management Policy

The Native Hawaiian Trust Fund ("NHTF") Investment Risk Management Policy is designed to ensure that there are risk control measures in place to identify, monitor, and manage the level of risks and to balance the long-term expected risk and return objectives of the NHTF investment portfolio. The OHA Board of Trustees ("BOT") recognizes that the undertaking of risks is generally unavoidable in investment management. The purpose of this policy is not to eliminate risks, but to understand the risks through the implementation of disciplined processes and procedures. Risk control measures include continuous monitoring and timely reporting by OHA staff to ensure the effectiveness of OHA's investment risk management system. This Policy is not intended to provide an exhaustive list of risks or provide a comprehensive list of process and procedures to identify and mitigate risks. Rather, this policy provides generally accepted approaches to risk management that can be implemented through investment guidelines and operational policies and procedures.

Risk Management

Key risk factors may stem from internal or external sources. The assessment of risk may be both qualitative and quantitative. The OHA staff and Consultant shall conduct an annual qualitative risk assessment identifying key risk factors, sources of risk, risk mitigants, and remediation plan, if necessary, to manage these risks. OHA staff shall also provide quantitative risk reporting to the BOT using commonly accepted quantitative risk reporting measures on a quarterly basis. Risk management measures may include the following:

- 1) Establish internal policies and procedures to minimize operational and legal risks;
- 2) Establish investment guidelines for eligible investments, diversification, rebalancing, liquidity, leverage, and use of derivatives;
- 3) Annual reporting of portfolio volatility (measured using standard deviation of returns) and expected volatility and return provided by the Investment Advisors;
- 4) Annual reporting of tracking error for OHA's liquid assets;
- 5) Annual reporting of leverage, currency risk, concentration risk, and liquidity risk;
- 6) Annual external financial audit by a reputable independent audit firm; and
- 7) Periodic review of the Investment Policy Statement and Risk Management Policy as necessary to assess the relevance and effectiveness of these policies.

Implementation

It is the responsibility of OHA's Chief Executive Officer to ensure that risk management policies and procedures are in place to identify, monitor, and manage investment risk. It is the OHA staff's responsibility to implement internal procedures and continuously monitor the investment portfolio and Advisor activities to ensure policy and guideline compliance. OHA staff shall rely on most recent data available provided by the Custodian and Advisors to analyze risk statistics and provide risk reporting. A risk management review shall be provided to the BOT by the Investment Consultant on an annual basis, or more frequently as needed.

TERM SHEET OF PROPOSED PRIVATE PLACEMENT OFFERING
BY
KALONA BRAND COMPANY, LLC

THIS TERM SHEET (Term Sheet), entered into and effective as of _____, 2019, summarizes the principal terms with respect to a proposed private placement offering of certain member units by Company to Investor.

1. Issuer. KALONA BRAND COMPANY, LLC (Company), a Hawaii limited liability company.
2. Investor. THE OFFICE OF HAWAIIAN AFFAIRS (Investor), an agency of the State of Hawaii.
3. Proposed Private Placement. Company and Investor propose a private placement of Units under the following terms:
 - a. Securities Offered: 24,545,455 Class B Common Units (Units).
 - b. Price Per Unit: \$0.11 per Unit.
 - c. Purchase Price: The total purchase price for the Units shall be Two Million Seven Hundred Thousand and no/100 dollars (\$2,700,000.00).
4. Deposit. Upon mutual execution of a Member Interest Purchase Agreement (Agreement), or other similar document, Investor shall pay to Company within two (2) business days, by certified or cashier's check, a deposit equal to ten percent (10%) of the Purchase Price. Upon expiration of the Due Diligence Period, the Deposit shall be non-refundable should the proposed private placement fail to close through no fault of Company.
5. Payment. Payment of the remaining Purchase Price shall be made to Company by certified or cashier's check no later than the Closing Date.
6. Closing Date. Closing of the proposed private placement shall be thirty (30) days following mutual execution of the Agreement.
7. Due Diligence. Upon mutual execution of the Agreement, Investor shall have fifteen (15) business days to conduct due diligence as to the proposed private placement. Company shall provide reasonable access to its books and records, business plan, marketing plan, farm plan, leases, Operating Agreement, and other such confidential information reasonably necessary for Investor to conduct its due diligence.
8. Closing Conditions. The following conditions must be satisfied prior to Closing:
 - a. Approval of a Supermajority Interest of all Members, in accordance with the Paragraph 7.7(a) of the Operating Agreement;

- b. Approval by the Board of Managers, in accordance with Paragraph 10.1(c) of the Operating Agreement;
- c. Execution of the Operating Agreement by Investor;
- d. Timely payment of the Purchase Price by Investor; and
- e. Investor must be an accredited investor as defined by Rule 501 of Regulation D promulgated under the Securities Act of 1933.

9. Non-Disclosure. The Confidential Information provided to Investor is subject to a Non-Disclosure Agreement, which shall remain binding upon expiration of this Term Sheet.

10. Capitalization. Upon Closing, Purchaser will own the following percentage of total issued Units in Company, on a fully-diluted basis: 17.528 %. The following percentage is provided as an estimate only. Company reserves the right to change the number of Units issued to Investor as part of this private placement offering, whether by increasing or decreasing the number of such Units, until a binding Agreement is entered into by the Parties.

The current capitalization of Company is as follows:

	No. of Units	% of Units on a Fully-Diluted Basis (economic)
Issued & Outstanding:		
Class A Common Units	5,181,818	3.700%
Class B Common Units – to be sold in this offering*	55,568,182	39.682%
Unit options and future units to be reserved (includes Class B and class C Common Units)	79,283,333	56.617%
TOTAL	140,033,333**	99.999%

*may include class C

**includes shares reserved for management and staff.

11. Voting Rights. Each Class B Common Unit shall have one (1) vote per Unit, in accordance with Paragraph 18.28 of the Operating Agreement.

Ho‘oulu Mahi‘ai LLC (HM) and Equilibrium Capital (Equilibrium) together hold Class A (Founder Units) which have 15 votes per share, while Class B Units offered to Investors in this series 2 and future series 3 offerings are entitled to one share each. On completion of this offering, HM and Equilibrium will together have 79% votes and upon completion of planned series 3, HM and Equilibrium intend to hold together at least 51% votes.

12. Board of Managers. Pursuant to Paragraph 6.3 of the Operating Agreement, two Managers of the Board of Managers shall be elected by the affirmative vote of Members holding a majority of the outstanding Class B Common Units. Additional Managers are elected as follows: (a) One Manager elected by HM and (b) Two Managers elected by the affirmative vote of Members holding a majority of the outstanding Class A Common Units.
13. Distributions. Pursuant to Article 4 of the Operating Agreement, the Board of Managers shall have sole discretion regarding the amounts and timing of any distributions of cash available for Members.
14. Transferability of Units. Transfer of the Units by Investor are subject to restrictions based on (a) federal and state securities laws, (b) a right of first refusal in favor of the Company and the other Members, as described in Article 10 of the Operating Agreement, and (c) other terms and conditions of the Operating Agreement.
15. Information Rights. Owners of the Units will have the right to receive Company information and reports as described in the Operating Agreement. Kalona shall provide each holder of Class B Common Units with (i) unaudited quarterly financial statements and (ii) unaudited annual financial statements and the annual business plan.
16. Conversion. Company has the right to convert into a corporation pursuant to Article 15 of the Operating Agreement. In such event, owners of Units would receive securities substantially economically equivalent, with other rights and restrictions, to such Units, as described in the Operating Agreement.
17. Warrants/Options. Investor shall not be entitled to any warrants or options to purchase additional Units, except as may be provided in the Operating Agreement.
18. Operating Agreement. The Units will be subject to the terms and conditions of the Operating Agreement for the Company which should be reviewed thoroughly by the prospective Investor during the Due Diligence Period.
19. Expiration Date. This Term Sheet shall remain in effect until the earliest of: (a) execution of the Agreement or (b) the date that is thirty (30) days following execution of this Term Sheet.
20. Use of Proceeds. Proceeds from the Purchase Price may be used to fund (a) the initial formation of the management team, (b) investment in infrastructure ahead of planting, (c) the purchase of seeds and plants, and (d) the Company's operating expenses (including site lease payments). Proceeds may also be used for general corporate purposes, as determined by the Board of Managers.
21. Offering Expenses and Fees. For capital raising efforts which includes this Offering, Company agrees to pay Equilibrium for its time and expenses incurred: (i) \$50,000 for the preparation of suitable offering and diligence materials, (ii) a fixed charge of two percent (2%) of capital raised from outside investors (i.e., not including investments by HM) for a period through

November 30, 2021, and (iii) out of pocket expenses incurred by Equilibrium in support of series 2 and series 3 capital raising activities.

22. Accredited Investor. Regulation D, also known as a private placement is a United States Federal program created under the Securities Act of 1933, indoctrinated in 1982, that allows companies the ability to raise capital through the sale of equity or debt securities (private or public stock shares). Under Regulation D, an accredited investor is one with a net worth of \$1 million or more or an investor who has had a yearly income of at least \$200,000 (for an individual investor) or \$300,000 (for joint income with spouse) for the previous two years and is expected to earn at least that much in the current year.

23. Non-Binding. This Term Sheet is not legally binding on the Parties, except for the following terms, which are binding:

- a. No trustee, officer, director, security holder, employee or agent of either Party or any of their respective affiliates will have any personal liability for any obligations entered into on behalf of such party and the personal assets of any such individuals will not be subject to the claims of any person relating to the respective obligations of the Parties.
- b. Any public announcement indicating the association of the Parties to each other or any member, manager, or affiliate of Company, and the timing of such announcements, must be discussed and agreed to in advance by the Parties; provided that the Parties agree that one party may disclose such association to that party's employees, agents, or representatives as reasonably necessary to review, analyze, and evaluate the proposed private placement.
- c. Notwithstanding any Non-Disclosure Agreement executed by the Parties, each of the parties undertake to respect and preserve the confidentiality of all "Confidential Information" received from the other. "Confidential Information" means (a) the existence and contents of this Term Sheet, and (b) any information of a proprietary or confidential nature relating to the business, finances, or assets of the Parties or any of their respective affiliates or related companies that is not public information known by either of the Parties prior to the date of this Term Sheet. Neither party will disclose to third-parties Confidential Information of the other party except as may be required by applicable law or court order.
- d. Upon expiration of this Term Sheet and at the written request of one party, the other party shall return and/or destroy all copies of Confidential Information to the other party, as specified in the request, and delete any digital copies and/or files of Confidential Information.
- e. This Term Sheet and the terms herein are exclusive to each party; neither party shall be permitted to use Confidential Information or engage in any activity with the intent to or effect of circumvent(ing) the other party in relation to their respective business.

- f. The governing law of this Term Sheet shall be the laws of the State of Hawaii, and the Parties hereto agree to submit to the sole jurisdiction of the courts of the State of Hawaii.
- g. The Parties shall be responsible for their own attorneys' fees and costs incurred with respect to this Term Sheet.
- h. By signing below, each of the Parties signifies that this Term Sheet sets forth their preliminary understanding of the relationship between the Parties described herein.
- i. Any deadline or time-period specified in this Term Sheet may be extended by mutually written agreement between the Parties.

24. General Terms. This Term Sheet is intended to be a recitation of the general terms of the proposed private placement offering, the specific terms of which shall be incorporated in a binding Member Interest Purchase Agreement, or similar document. The Agreement shall contain standard representations and warranties which qualify Purchaser as a potential investor. Execution of a binding Agreement is subject to certain conditions, including approval by Company's Board of Managers. The proposed terms are summarized and do not necessarily reflect the language of the actual provisions that would be contained in the Agreement.

25. Counterparts. This Term Sheet may be executed in counterparts and delivered in PDF form, by email, or by other electronic transmission commonly used in business transactions.

IN WITNESS WHEREOF, the Parties executed this Term Sheet as of the Effective Date.

KALONA BRAND COMPANY LLC

By: _____
Its _____

Company

THE OFFICE OF HAWAIIAN AFFAIRS

By: _____
Its _____

Investor



ACTION ITEM

COMMITTEE ON RESOURCE MANAGEMENT

August 21, 2019

RM #19-10

Action Item Issue: Approval of a second amendment to BOT #12-05 – Kaka‘ako Makai Policy relating to the allocation of revenue from OHA’s Kaka‘ako Makai properties to the Land Legacy Program.

Prepared by:

Miles Nishijima
Ka Pou Kihi Kanaloa ‘Āina, Land Assets Director

08/13/19

Date

Reviewed by:

Gloria Li
Ka Pou Kihi Kanaloa Wai, Kūikawā, Interim Chief Financial Officer

8/13/19

Date

Reviewed by:

Raina Gushiken
Ka Paepae Puka, Senior Legal Counsel

8/13/19

Date

Reviewed by:

Lisa Watkins-Victorino, Ph.D.
Ka Pou Nui Kūikawā, Interim Chief Operating Officer

8/13/19

Date

Reviewed by:

Sylvia M. Hussey, Ed.D.
Ka Pouhana Kūikawā, Interim Chief Executive Officer

8/14/19

Date

Reviewed by:

Ke Kua, Trustee Dan Ahuna
Luna Ho‘omalū o ke Kōmike Resource Management
Chair of the Committee on Resource Management

08/13/19

Date

Action Item RM #19-10: Approval of a second amendment to BOT #12-05 – Kaka‘ako Makai Policy relating to the allocation of revenue from OHA’s Kaka‘ako Makai properties to the Land Legacy Program

I. Action

Approval of a Board of Trustees (BOT) Policy Second Amendment to the Kaka‘ako Makai Policy, Section 3.A.2), originally adopted on September 20, 2012, and amended on August 1, 2017, to state (deleted language is stricken; new language is bold and underscored):

Allocate ~~10%~~ **20%** of gross revenue for grants and ~~30%~~ **50%** of net revenue for OHA’s Legacy ~~Property Management~~ **Land Program** (net revenue equals gross revenue minus direct operating expenses, excluding Kaka‘ako Makai planning and development-related costs) (*The ~~30%~~ **50%** allocation of net revenues to ~~LPM~~ **LLP** shall terminate at the end of FY 2019 **2021**)

II. Issue

Whether the BOT should: A) Approve a second policy amendment to the Kaka‘ako Makai Policy, Section 3.A.2), to increase the allocation of the gross revenues from Kaka‘ako Makai (KM) to OHA’s Grants program from 10% to 20%, and to increase the allocation of the net revenues to OHA’s Legacy Land Program (LLP) from 30% to 50%; and/or B) Extend the LLP provision to beyond June 30, 2019.

The KM policy amendment from 2017 was to be revisited in two years (from the original amendment date RM #17-05) or by June 30, 2019. The LLP provision of the KM Policy expired on June 30, 2019; and therefore, any budget beyond FY21 would not consider any implications from the KM/LLP policy provision.

III. Discussion

A. Background and Discussion Basis

Refer to Attachment A for the discussion document circulated at the July 31, 2019 Resource Management Committee (RMC) meeting, including discussion prompts, tables and projections. Attachment A is an integral document to this Action Item and is incorporated by reference herein.

B. Land Legacy Program Update

At the July 31, 2019 RMC, an update was provided regarding the Land Legacy Program that will benefit from the proposed policy change (Attachments B and C).

C. Purpose of the Policy Amendment

The purpose of this second policy amendment is to: (1) provide additional funding to OHA’s Grants Program and OHA’s Legacy Land Program, thereby allowing OHA to improve on its Strategic Priorities, while addressing the need for increased funding through a sustainable and currently under-utilized source, beyond OHA’s core budget.

D. Current Status of the Kaka‘ako Makai Revenues

The current Kaka‘ako Makai Policy allocates ten percent (10%) of gross revenue for OHA’s Grants program, and thirty percent (30%) of net revenues for OHA’s Legacy Land program through June 30, 2019. OHA’s Commercial Property Management (program code 8210) uses the balance to manage the KM parcels and to reserve funds for potential future development.

Action Item RM #19-10: Approval of a second amendment to BOT #12-05 – Kaka‘ako Makai Policy relating to the allocation of revenue from OHA’s Kaka‘ako Makai properties to the Land Legacy Program

In Fiscal Year 2019 (FY19), the actual revenue from KM properties is \$4.69 million. KM’s FY19 budget was \$1.90 million for operating expenses, or 40.5% of gross revenue. Upon OHA’s request, unexpended revenue is transferred from CBRE to an internal holding account, a portion of which is used to reimburse the OHA core account for KM program expenses. The unexpended revenue in both the CBRE trust account and the internal holding account has grown from \$3.9 million as of December 31, 2016, to \$9.7 million as of June 30, 2019.

As of June 30, 2019---KM cash/investment accounts at Bank of Hawaii and State Street amounted to \$3,252,086.00 and \$5,207,107.00, earning 0.25% and 1.79% per annum, respectively.

E. Why the Policy Amendment is Necessary.

OHA’s Legacy Land Program has been evolving the way that we manage our Legacy and Programmatic lands with aims to both mitigate risk and demonstrate exemplary stewardship and management. This includes conducting pro-active, risk-adverse land management and maintenance activities, such as planning, development, and implementation of various plans and studies. As OHA continues to improve and advance its responsible land management strategies, the costs related to such efforts will increase. This is particularly the case for land management plans related to legal compliance and risk management where OHA will be compelled to take certain actions, but also applies to implementing use or development plans poised to advance OHA’s mission. Overall, these actions will equate to an increased demand for financial inputs towards Legacy and Programmatic properties that the organization has not experienced in the past.

Therefore, the proposed increased allocation of KM revenue to OHA’s Legacy Land program is intended to:

1. Provide added support to the use of OHA’s core funds for projected legacy land management activities as we transition from the master planning phase to the implementation phase, particularly for Kūkaniloko and Wao Kele o Puna;
2. Reduce the impact on the core operating budget after FY21, during which year the non-core funds for Wao Kele o Puna will be substantially used up; and
3. Provide added funds to the FY20/FY21 Biennium Budget from the increased allocation to grants.

IV. Funding

This policy amendment will not directly incur any additional expenses; and Appendix A identifies the projected additional revenue amounts to the core grants and legacy land programs.

V. Alternative Actions to Approval of Policy Amendment in Section I. Action

- A. **Decline** approval recommendation of the proposed policy amendment as stated in I.

Action Item RM #19-10: Approval of a second amendment to BOT #12-05 – Kaka‘ako Makai Policy relating to the allocation of revenue from OHA’s Kaka‘ako Makai properties to the Land Legacy Program

Action above; AND

1. Suspend any further Kaka‘ako Makai Policy action (e.g., no further revenues to the Land Legacy Program from Kaka‘ako Makai); OR
 2. Extend the current revenue allocation methodology (i.e., 10% gross to Grants, 30% net to Legacy Property [land] management) to a specified period (e.g., two years, five years, in perpetuity);
- B. **Amend** the proposed **revenue allocation methodology** in the policy amendment as state in I. Action (e.g., different %, different basis);
- C. **Amend** the proposed **net revenues designation** in the policy amendment or net revenues from the Land Legacy Program to other designations (e.g., iwi kupuna, homestead associations, housing, disaster reserve, collaborations, economic development).

VI. Recommended Action

Approve the Policy Amendment to Section 3.A.2) of the Board of Trustees Kaka‘ako Makai Policy as stated in I. Action above, retroactively effective July 1, 2019:

Allocate ~~10%~~ **20%** of gross revenue for grants and ~~30%~~ **50%** of net revenue for OHA’s Legacy ~~Property Management~~ **Land Program** (net revenue equals gross revenue minus direct operating expenses, excluding Kaka‘ako Makai planning and development-related costs) (*The ~~30%~~ **50%** allocation of net revenues to ~~LPM LLP~~ shall terminate at the end of FY ~~2019~~ **2021**)

VII. Timeframe

This Policy Amendment to Section 3.A.2) of the Board of Trustees Kaka‘ako Makai Policy will be effective retroactively from July 1, 2019, upon approval by the BOT after the second reading.

VIII. Attachments

- A. Discussion document from the July 31, 2019 Resource Management Committee Meeting
- B. Legacy Land Program presentation at July 31, 2019 Resource Management Committee Meeting
- C. Legacy Land Program development plans and projects presented at the July 31, 2019 Resources Management Committee Meeting
- D. RM #17-05 - Approval of an OHA Board of Trustees Policy Amendment relating to an allocation of revenue from OHA’s Kaka‘ako Makai properties.
- E. BOT #12-05 – Kaka‘ako Makai Policy



Discussion Document re: Kaka`ako Makai Policy – Revenue Allocation

Initially drafted: April 23, 2019 – Updated July 23, 2019 – Updated August 12, 2019

I. Background and Discussion Basis

Act 15, Session Laws of Hawai‘i 2012 transferred 10 land parcels in Kaka‘ako Makai (KM) to the Office of Hawaiian Affairs (OHA) to settle the past due portion of ceded land revenue claims. The 10 parcels conveyed, amounted to approximately 30 acres of underutilized commercial property with an estimated value of \$200 million. These parcels were substantively conveyed to OHA on July 1, 2012. Prior to this acquisition, OHA trust fund assets were primarily comprised of cash and investments. The settlement, by itself, created a substantial commercial real estate portfolio for OHA, elevating the Native Hawaiian Trust Fund to new heights. To rise to the new challenges, the Board of Trustees participated in two rounds of workshops from May 22 to 25 and August 20 to 21 (2012) to establish guiding principles and policies for property management and development of Kaka‘ako Makai (KM).¹

Action Item RM #17-05 - Approval of an OHA Board of Trustees Policy Amendment relating to an allocation of revenue from OHA’s Kaka‘ako Makai properties, was the first amendment to the KM Policy; which approved the allocation of 10% of gross KM revenues for grants; and 30% of net revenue for OHA’s Legacy Property Management. Net revenue, as defined, equaled gross revenue minus direct operating expenses, excluding Kaka‘ako Makai planning and development-related costs. In addition, the KM policy was to be revisited in two years (from the RM #17-05) or by June 30, 2019.

Kaka‘ako Makai Policy, Section 3.A.2 currently reads: Allocate 10% of gross revenue for grants and 30% of net revenue for OHA’s Legacy Property Management (net revenue equals gross revenue minus direct operating expenses, excluding Kaka‘ako Makai planning and development-related costs).

II. Discussion Issue Summary

As the KM policy is to be revisited in two years (per Action Item RM #17-05 and now June 30, 2019) and OHA is in the FY20-21 biennium budget construction process, considerations are provided for Trustee discussion, to assist and guide Administration in further planning, budgeting and projection activities when analyzing the consideration of a second amendment to the Kaka‘ako Makai Policy, Section 3.A.2:

1. Extend the current revenue allocation methodology (i.e., 10% gross to Grants, 30% net to Legacy Property [land] management) to a specified period (e.g., two years, five years, in perpetuity);
2. Increase the revenue allocation of the **gross revenues** from Kaka‘ako Makai (KM) to OHA’s Grants program from 10% to 20%;
3. Increase the allocation of the **net revenues** to OHA’s Legacy Land Program from 30% to 50%;

¹ Source: Action Item BOT #12-05 – Kaka`ako Makai Policy, as updated



Discussion Document re: Kaka`ako Makai Policy – Revenue Allocation

Initially drafted: April 23, 2019 – Updated July 23, 2019 – Updated August 12, 2019

4. **New designations** for gross or net revenues (e.g., homestead associations, housing, disaster reserve, collaborations); and/or
5. Other.

III. Discussion Issue Detail

A. Purpose of the Policy Amendment Discussion

The purpose of this Policy Amendment is to consider additional funding to OHA's Grants Program and OHA's Legacy Land Program, to advance OHA's Strategic Priorities, while addressing the need for increased funding through a sustainable and currently under-utilized source, beyond OHA's core budget.

B. Current Status and Implications of the Kaka`ako Makai Revenues

The current Kaka`ako Makai Policy allocates ten percent (10%) of gross revenue for OHA's Grants program, and thirty percent (30%) of net revenues for OHA's Legacy Land program through June 30, 2019. OHA's Commercial Property Management (program code 8210) uses the balance to manage the KM parcels and to reserve funds for potential future development.

In Fiscal Year 2019 (FY19), the projected revenue from KM properties is \$4.1 million. KM's FY19 budget is \$1.5 million for operating expenses, or 39% of projected gross revenue. The unexpended, next KM revenues accumulate in a CBRE (real estate development and management company) trust account. Upon OHA's request, unexpended revenue is transferred from CBRE to an internal holding account, a portion of which is used to reimburse the OHA core account for KM program expenses. The unexpended revenue in both the CBRE trust account and the internal holding account has grown from \$3.9 million as of December 31, 2016, to \$9.0 million as of February 28, 2019.

The following FY19 Budget Realignment Analysis - Kaka`ako Makai outlines and provide explanations on the major adjustments (increases/decreases). The FY19 budget was approved by the Board of Trustees on June 8, 2017² (Action Item RM#17-07), actual FY17 and FY18 amounts are now available. Table 1 below updates Table 32 (p.28) of Action Item RM#17-07 with actual FY17 and FY18 figures.

² Action Item #17-07 OHA Biennium Budget for the Fiscal Biennium Periods 2017-2018 (FY18) and 2018-2019 (FY19)



Discussion Document re: Kaka`ako Makai Policy – Revenue Allocation

Initially drafted: April 23, 2019 – Updated July 23, 2019 – Updated August 12, 2019

Table 1: Action Item RM#17-07, June 8, 2017, Table 32: Kaka`ako Makai Budget – FY18 & FY19 (p.28) BOT-Approved FY17 Realignment #1A for Comparison (updated 4/9/2019)

Kaka`ako Makai	Realign. #1A	Proposed Realign. #1	
	FY 17	FY 18	FY 19
Beginning Balance ³	\$ 1,043,841	\$ 3,314,636	\$ 6,028,320
Gross Revenue (budgeted)	3,575,750	3,992,774	4,054,522
Less: 10% Allocation to Grants:	-357,575	-399,277	-405,452
Sub-total Available Funds:	\$ 4,262,016	\$ 6,908,133	\$ 9,677,390
Less:			
Budgeted Expenditures	-\$ 2,690,708	-\$ 2,378,125	\$ 2,322,287
Estimated Net Available Funds:	\$ 1,571,308	\$ 4,530,008	\$ 7,355,103
Results of Operations:			
Add- True-up - Gross Revenue ⁴ (actual)	\$ 742,809	\$ 338,480	n/a
Add- Unspent Budget ⁵ (actual)	1,000,519	1,159,833	1,000,000
Net Available Funds:	\$ 3,314,636	\$ 6,028,320	\$ 8,355,103

After reconciling Table 32 (of the original FY2018-2019 budget action item), with actual FY17 and FY18 results, FY19 has a revised computed beginning balance of \$6,028,320. Kaka`ako Makai's gross revenue for FY19 is currently estimated at \$4,054,522 ⁶ per year from lease revenues. Estimated net available funds of \$8,355,103 for FY 2019 and is to be retained for contribution to future expenditures on its parcels including expenditures relating to its master planning efforts.

³ Per RM#17-07 OHA Biennium Budget for the Fiscal Biennium Periods 2017-2018 (FY18) and 2018-2019 (FY19), p. 28, "Realign. #1A FY17 Beginning Balance".

⁴ Actual FY17 and FY18 Gross Revenue exceeded projected FY17 and FY18 Gross Revenue by \$742,809 and \$388,480, respectively.

⁵ FY17 and FY18 Unspent Budget (Approved Budget less Uses) of \$1,000,519 and \$1,159,833, respectively.

⁶ Source: Kaka`ako Makai 5 Year Pro Forma FY2017, Year 3, FY19.



Discussion Document re: Kaka`ako Makai Policy – Revenue Allocation

Initially drafted: April 23, 2019 – Updated July 23, 2019 – Updated August 12, 2019

C. Table 2: History of Grants + Implications of Kaka`ako Makai Policy

Fiscal Year	Sources of Funding of Actual Awarded			
	SOH General Fund	Native Hawaiian Trust Fund	10% KM's Gross Revenue allocated to grant fund	Total Awarded
2014	1,135,000.00	8,509,822.59	150,000.00	9,794,822.59
2015	735,000.00	7,692,081.95	150,000.00	8,577,081.95
2016	1,460,930.00	8,248,362.00	276,161.00	9,985,453.00
2017	1,234,430.00	7,529,129.00	279,167.00	9,042,726.00
2018	734,430.00	5,770,635.00	433,997.00	6,939,062.00
2019	734,430.00	7,034,861.00	440,709.00	8,210,000.00
Total	6,034,220.00	44,784,891.54	1,730,034.00	52,549,145.54

D. Table 3: History of Legacy Land Program

Fiscal Year	Land Legacy Program Expenditures Actual, Budgeted (2019)	[A]	30% Gross Add [B]	Total [A] + [B]
2014	Budgeted:	\$ 757,748.00	\$0	\$757,748.00
	Actual Exp./Encumbrances:	\$ 436,635.43	N/A	N/A
	Unspent Budget: (42.38%)	\$ 321,112.57	Change in Management, reprioritization of LLP work plan	
2015	Budgeted:	\$ 748,333.15	\$0	\$815,580.00
	Actual Exp./ Encumbrances.:	\$ 706,438.06	N/A	N/A
	Unspent Budget: (5.60%)	\$ 41,895.09		
2016	Budgeted:	\$ 917,408.92	\$0	\$533,829.00
	Actual Exp./ Encumbrances.:	\$ 917,408.92	N/A	N/A
	Unspent Budget: (0%)	\$ 0.00		
2017	Budgeted:	\$ 676,867.85	\$0	\$658,034.00
	Actual Exp./ Encumbrances:	\$ 410,221.52	N/A	N/A
	Unspent Budget: (39.39%)	\$ 266,646.33	Planning in progress pushed design & engineering to FY18.	
2018	Budgeted:	\$ 1,012,338.00	\$0	\$1,148,548.00
	Actual Exp./ Encumbrances.:	\$ 905,303.66	N/A	N/A
	Unspent Budget: (10.57%)	\$ 107,034.34	Planning still in progress pushed design & engineering to FY19.	
2019	Budgeted:	\$ 993,120.26	\$0	\$1,093,032.41
	Actual Exp./ Encumbrances:	\$ 816,437.63	N/A	N/A
	Unspent Budget: (17.79%)	\$ 176,682.63	Major PR canceled, carryforward to 2020	



Discussion Document re: Kaka`ako Makai Policy – Revenue Allocation

Initially drafted: April 23, 2019 – Updated July 23, 2019 – Updated August 12, 2019

***Notes:**

- 1) In FY14 LLP and Facilities were combined under the Land and Property Management Program (3300). There was a change in program management and priorities.
- 2) Actual Expenditures and Encumbrances are based on a General Ledger Inquiry from OHA's Accounting Services Program.
- 3) LLP budgeted monies to cover any unanticipated costs related to land management that may arise during the FY.
- 4) Budget requests were based on the most ambitious progress (concurrent with the development of conceptual Master/Comprehensive Management planning processes for the LLP Properties) that could be envisioned for each property that could be foreseen prior to the biennium request. Due to the planning and/or regulatory processes associated with the projects, not all tasks were able to progress as anticipated. Additionally, challenges with procurement has disabled timely implementation of several tasks over the years resulting in pushing those tasks into the following FY.
- 5) LLP also tries to minimize any expenditures each FY, implementing necessary functions, conserving budgeted funding wherever possible.
- 6) In 2019, OHA Administration switched over to a construct that separated the LLP from one program code (8300) into multiple accounts that track each property individually. Prior to this switch, all properties were budgeted under 8300 (previously 3300) with the exception of Palauea and WKOP which are individualized (non-core accounts).

E. Table 4: Expense/Cost Projections for the Legacy Land Program

The following provides a high-level projection for the major Land Legacy Program expenditures over the next five years:

FY	Palauea	WKOP	Kūkaniloko	Pahua	WCH	Total
2020	\$160,380	\$256,610	\$713,500	\$108,500	\$121,500	\$1,360,490
2021	\$121,180	\$260,910	\$685,000	\$132,500	\$126,500	\$1,326,090
2022	\$145,200	\$581,510	\$2,769,500	\$210,500	\$164,500	\$3,871,210
2023	\$105,200	\$601,510	\$8,663,000	\$154,500	\$156,000	\$9,680,210
2024	\$99,200	\$518,610	\$6,834,500	\$123,000	\$202,000	\$7,777,310
Total	\$631,160	\$2,219,150	\$19,665,500	\$729,000	\$770,500	\$24,015,310

*Notes: The Legacy Land Program (LLP) budgeting strategy is based on the following logic:

- 1) Estimates include design, permitting, and construction estimates for capital expenditures and operation costs.
 - a. Actual design costs are estimated and construction costs are conservative. Construction costs will be informed in the design process and updated as more information is provided.
 - b. OHA Administration would like to get permission to seek external funding sources to subsidize/offset any amounts that OHA is willing to commit from core funds.



Discussion Document re: Kaka`ako Makai Policy – Revenue Allocation

Initially drafted: April 23, 2019 – Updated July 23, 2019 – Updated August 12, 2019

Current projections for WKOP will deplete OHA's encumbered funds in the 8320 account in/after FY21 where all funding thereafter will come from core funds.

- 2) Current projections for Palaea will likely deplete the Palaea Preserve account by end of FY21 and funding thereafter will need to come from core with subsidization from the conveyance of any of the associated properties that generate income for the fund.
- 3) Once the capital improvements on each property are completed, the operational costs will need to be re-examined and may increase or decrease dependent on the governance model that OHA establishes.
 - a. Once the capital improvements have been constructed, the annual operating budget should level off to a more stable figure as the capital outlays are the largest expense in the coming years. Pahua and Palaea are examples of this as reflecting in the FY24 figures provided above.

F. Table 5: Implications of Kaka'ako Makai Policy for FY20 and FY 21 at 30% and 50%

FY	LLP Budget Request	KM Net Revenue	30%	Resulting Draw from Core
20	\$1,360,490	(FY18) \$ 1,614,649	\$484,394.70	\$876,095.30
21	\$1,326,090	(FY19) \$ 1,732,235	\$519,670.50	\$806,419.50

FY	LLP Budget Request	KM Net Revenue	50%	Resulting Draw from Core
20	\$1,360,490	(FY18) \$ 1,614,649	\$807,324.50	\$553,165.50
21	\$1,326,090	(FY19) \$ 1,732,235	\$866,117.50	\$459,972.50

G. Rationale for Policy Amendment Consideration

OHA's Legacy Land program has been evolving the way it manages Legacy and Programmatic lands with aims to both mitigate risk and demonstrate exemplary stewardship and management; including conducting pro-active, risk-adverse land management and maintenance activities, such as planning, development, and implementation of various plans and studies. As OHA continues to improve and advance its responsible land management strategies, the costs related to such efforts will increase. This is particularly the case for land management plans related to legal compliance and risk management where OHA will be compelled to take certain actions, but also applies to implementing use or development plans poised to advance OHA's mission. Overall, these actions will equate to an increased demand for financial inputs towards Legacy and Programmatic properties that the organization has not experienced in the past.

Therefore, any increase in allocation of KM revenue to OHA's Legacy Land program is intended to:

- 1) Provide added relief to the use of OHA's core funds for upcoming land management activities as OHA plans to transition from the master planning phase to the implementation phase, particularly for Kūkaniloko and Wao Kele o Puna;
- 2) Reduce the impact on the core operating budget after FY21, during which year the non-core funds for Wao Kele o Puna is projected to be exhausted. The account for WKOP (8320) was originally created to re-encumber monies set aside for the



Discussion Document re: Kaka`ako Makai Policy – Revenue Allocation

Initially drafted: April 23, 2019 – Updated July 23, 2019 – Updated August 12, 2019

management of WKOP via a joint management MOA with DLNR from 2006-2016 at \$225,000/year. In 2010 OHA took back all management responsibility and created the non-core account of which LLP has been expending out of exclusively. This “pot of money” is anticipated to be fully expended in FY21, at which time the budget for WKOP will begin to draw from OHA’s core funds for this first time since its acquisition; and

- 3) Provide added funds to the FY20/FY21 Biennium Budget from the increased allocation to grants.

IV. Discussion Prompts

The following prompts are offered for further Trustee discussion and Administration guidance:

- A. As it relates to the current KM Policy Language, discuss various options, including action to:
 1. **Extend** the current revenue allocation methodology (i.e., 10% gross to Grants, 30% net to Legacy Property [land] management) to a specified period (e.g., two years, five years, in perpetuity);
 2. Increase the revenue allocation of the **gross revenues** from Kaka‘ako Makai (KM) to OHA’s Grants program from 10% to 20%;
 3. Increase the allocation of the **net revenues** to OHA’s Legacy Land Program from 30% to 50%;
 4. **Consider new designations** for gross or net revenues (e.g., homestead associations, housing, disaster reserve, collaborations, economic development);
 5. **End** the KM Policy revenue allocation (e.g., amend the policy, delete the language);
 6. Other.
- B. Consider similar revenue allocation designations from other commercial properties (i.e., Na Lama Kukui).
- C. Other commercial property dimension.

V. Discussion Document Attachment(s)

1. RM #17-05 - Approval of an OHA Board of Trustees Policy Amendment relating to an allocation of revenue from OHA’s Kaka‘ako Makai properties.
2. BOT #12-05 – Kaka‘ako Makai Policy



Legacy & Programmatic Lands Update May 2019

Kūkaniloko

Birthing Stones of High Ranking Ali'i

Located: *Wahiawā, O'ahu*

Size: *511 Acres*

Ownership: *Fee Simple*

Acquired: *2012*

Purchase Price: *\$3 million*

Zoning: *Ag-1*

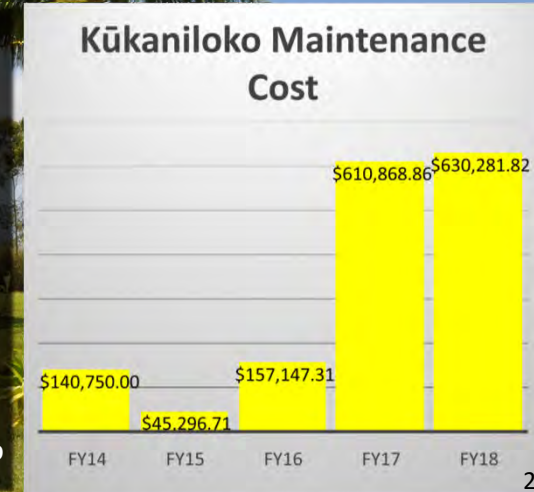
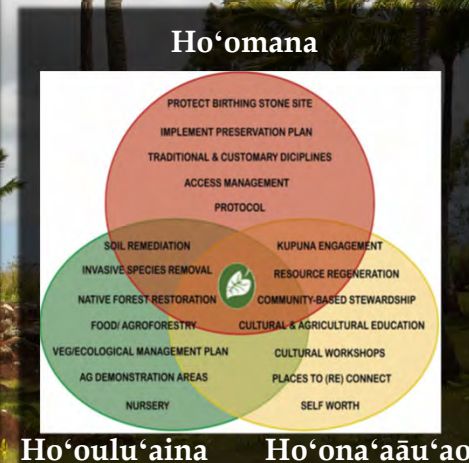
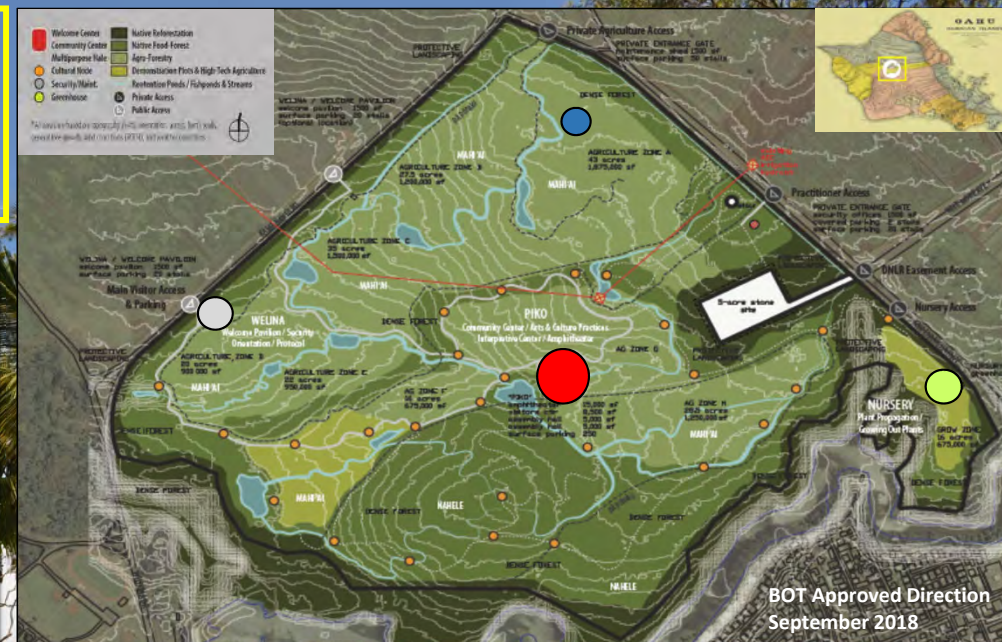
Special Conditions: *Conservation Easement*

BOT Approved Purpose of Acquisition:

- *Protect Kūkaniloko;*
- *Explore compatible agriculture;*
- *Contribute to Hawai'i's food sustainability.*

Priority Projects

1. Finalize Conceptual Master Plan (Draft approved Sep 2018);
2. Finalize Soil Conservation Plan; Continue Veg Maint.
3. Transfer 5-acre property to OHA from DLNR (EO)
4. Design—Nursery & Greenhouse; Water Storage; Interpretive & welcome center; Cultural Nodes and Circulation Pathways.



Wao Kele O Puna

The last intact lowland rainforest

Location: Puna, Hawai'i Island

Size: 25,856 Acres

Ownership: Fee simple

Acquired: 2006

Purchase Price: \$3.65 M

- Trust for Public Land – Negotiates purchase with Campbell Estate
- USDA Forest Legacy Program contributed \$3.35 M; and OHA contributed \$300,000 to secure title

Zoning: Conservation District – Protective sub-zone

Special Conditions:

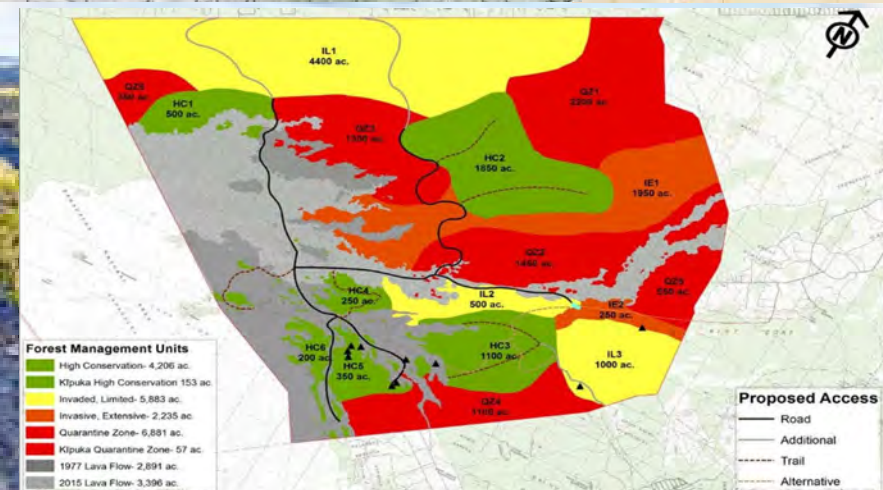
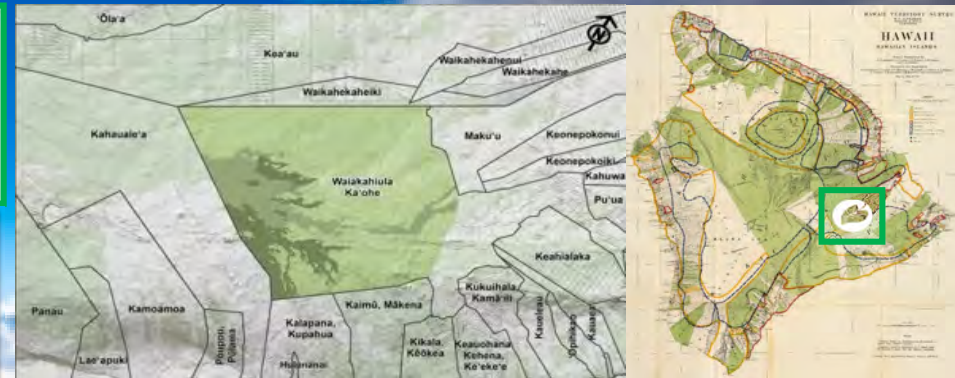
- Forest reserve and grant requirements
- Joint management w/ DLNR 2006 – 2016 (note: 2010)
- Active lava threat

BOT Approved Purpose of Acquisition:

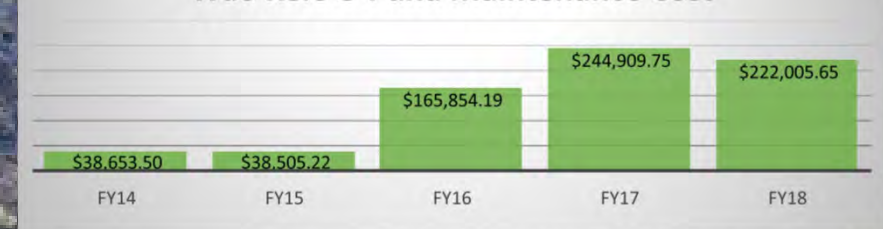
- Protect cultural resources and Native Hawaiian customary rights;
- Ensure lands will transfer to lāhui;
- Build lāhui land management capacity.

Priority Projects:

1. Community Engagement Education and Stewardship
2. Native Habitat Restoration
3. Invasive Species Control



Wao Kele O Puna Maintenance Cost



Palauea Cultural Preserve

Remnants of a pre-contact Hawaiian fishing village

Location: Palauea, Maui

Size: 20.7 Acres

Ownership: Fee Simple

Acquired: 2012

Unique Features: Donated with funding mechanism, house structure (896 sq. ft.), and drainage easement.

Zoning: Preservation Zone

BOT Approved Purpose of Acquisition:

- Protect and preserve cultural sites
- Enable stewardship that integrate the Native Hawaiian community
- Work with UHMC to continue their long-term stewardship

Priority Projects:

1. Preservation Plan
2. Deer Fence; Viewing area/Makai Fence
3. Education and Stewardship



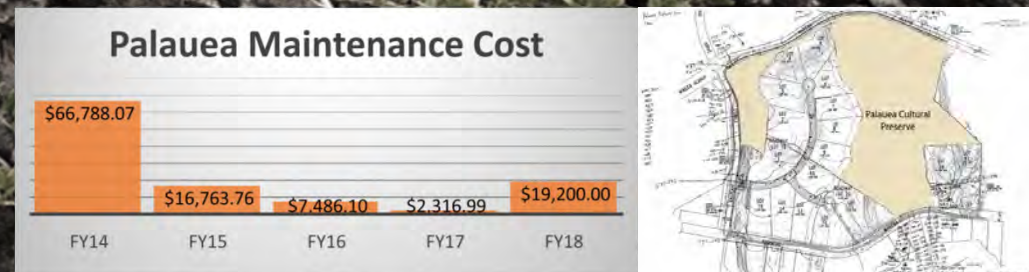
Wiliwili Tree



Hale



Palauea Maintenance Cost



Pahua Heiau

Intact Heiau Amongst Residential Development

Location: Maunaloa, O'ahu Size: 1.15 Acres

Ownership: Fee Simple Acquired: 1988

Purchase Price: Donated by KS

Zoning: R- 5 Residential

Special Conditions: Historic Use Restriction

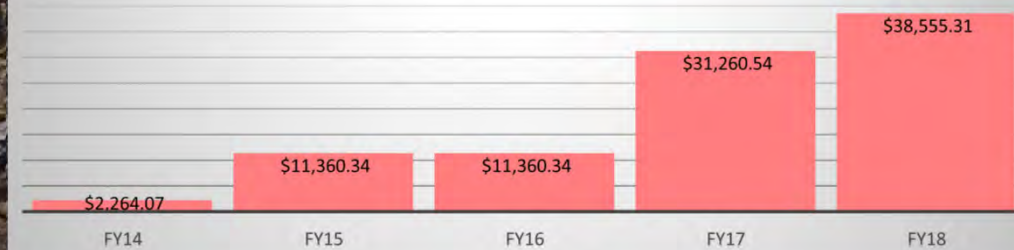
BOT Approved Purpose of Acquisition:
Educational/cultural opportunities for Native Hawaiians.

Priority Projects:

1. Landscape and Site Improvement plan
2. Barrier/Fence Construction



Pahua Maintenance Cost



Waialua Courthouse

On the State Historic Register Since 1979

Location: Waialua, O'ahu

Size: 1.06 Acres

Ownership: DLNR, 35 yr. Gratis lease till 2033, original lease dated 1998, amended 2012

Unique Features: Single story building (~2,000 sq ft) with baseent jail

Zoning: R-5 Residential District

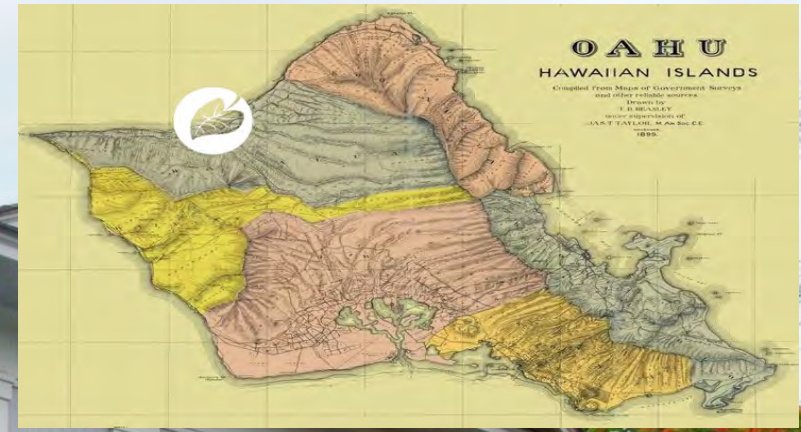
Special Conditions: OHA responsible for operating and repair costs

BOT Approved Purpose of Acquisition:

Provide a base for beneficiary organizations to gather, meet, plan, practice and participate in Hawaiian culture.

Priority Projects

1. Asbestos Inspection/Refinish floors
2. Site drainage and parking lot paving
3. Secure 3rd party management



Waialua Courthouse Maintenance Cost



Kekaha Armory

Located: Kekaha, Kauai **Zoning:** Industrial Mixed Use

Size: 1.46 Acres w/14,000 sf structure

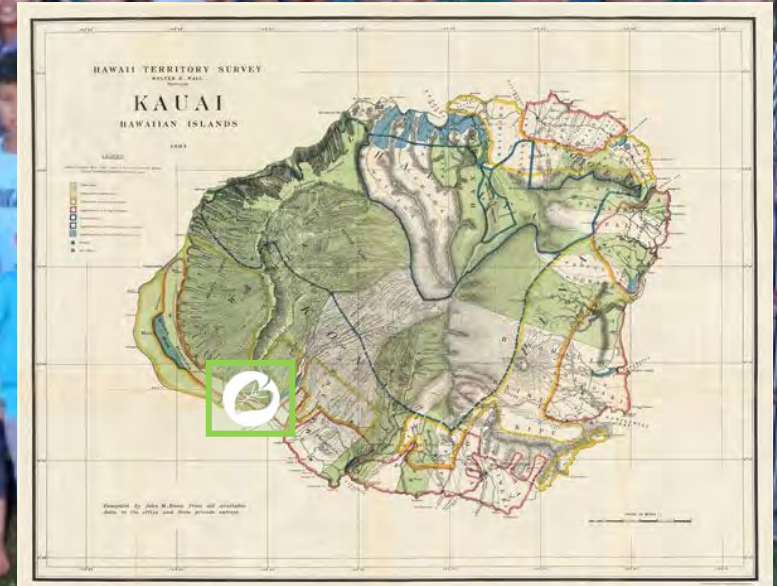
Ownership: 65 yr lease from DLNR, OHA subleased to Ke Kula Ni'ihau o Kekaha for 30 yrs

Acquired in 1998

BOT Approved Purpose of Acquisition

- Hawaiian cultural and educational purposes

Management: Ke Kula Ni'ihau O Kekaha



Ho'omana

Located: Wailua, Kauai

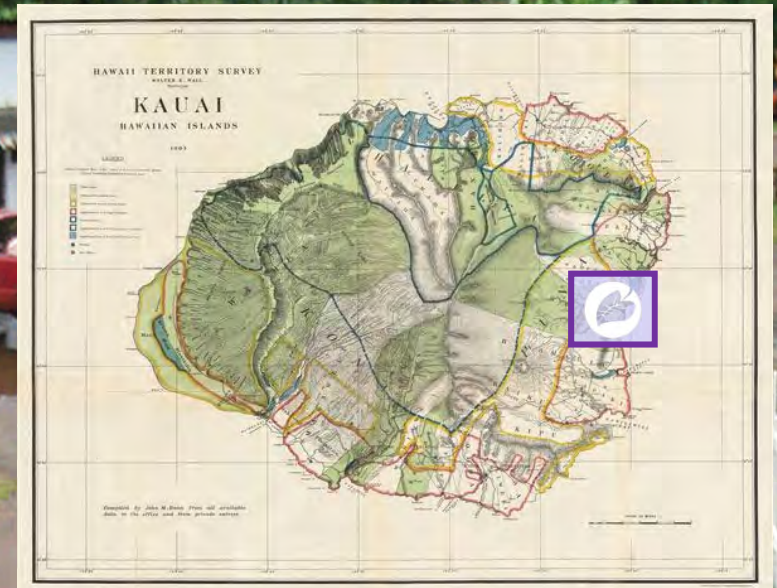
Zoning: Open

Size: 0.8013 Acres w/7,500 sf structure for

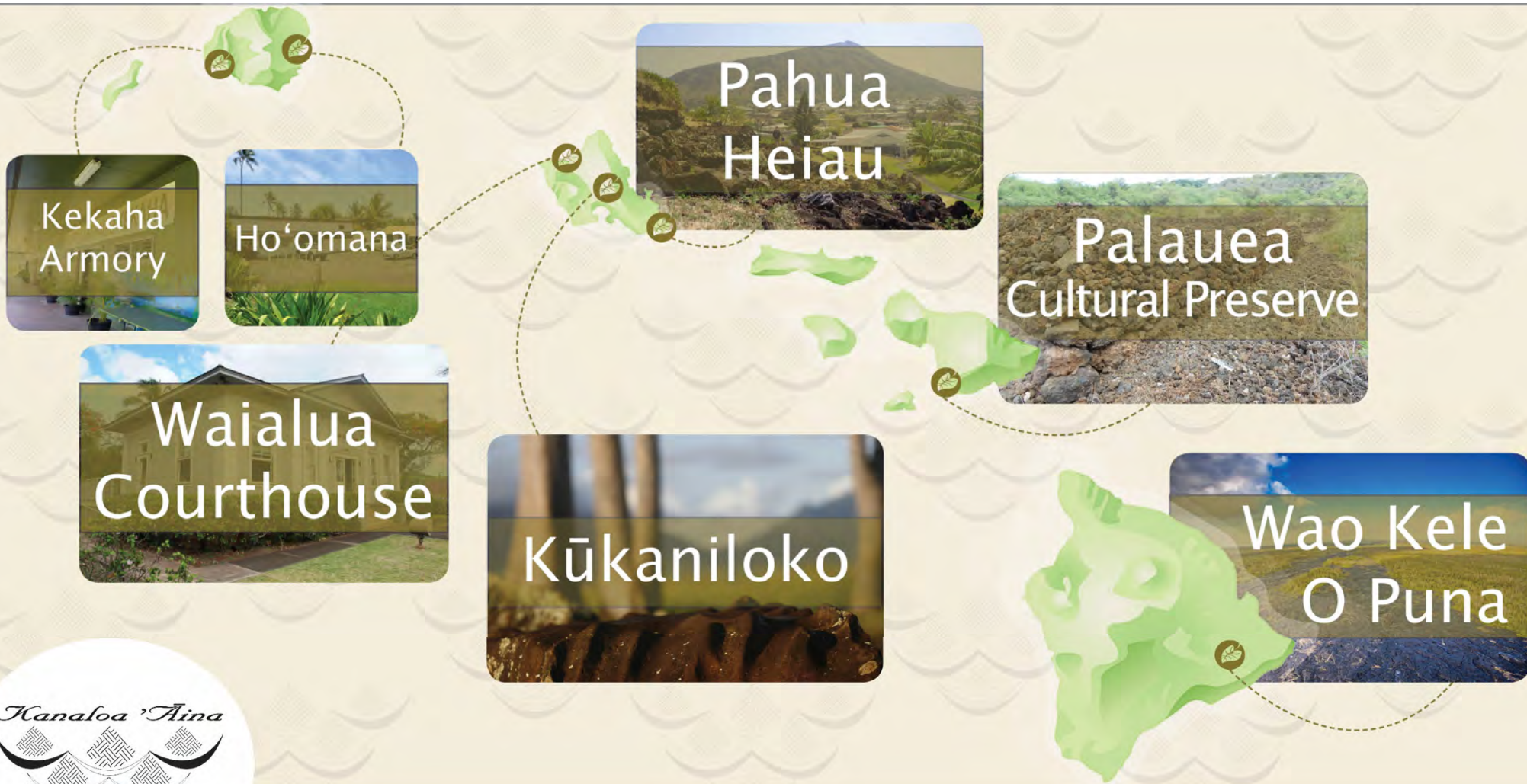
Ownership: Leased from DLNR, OHA subleased to Ho'omana

BOT Approved Purpose of Acquisition

- Educational purposes and community support



JC21

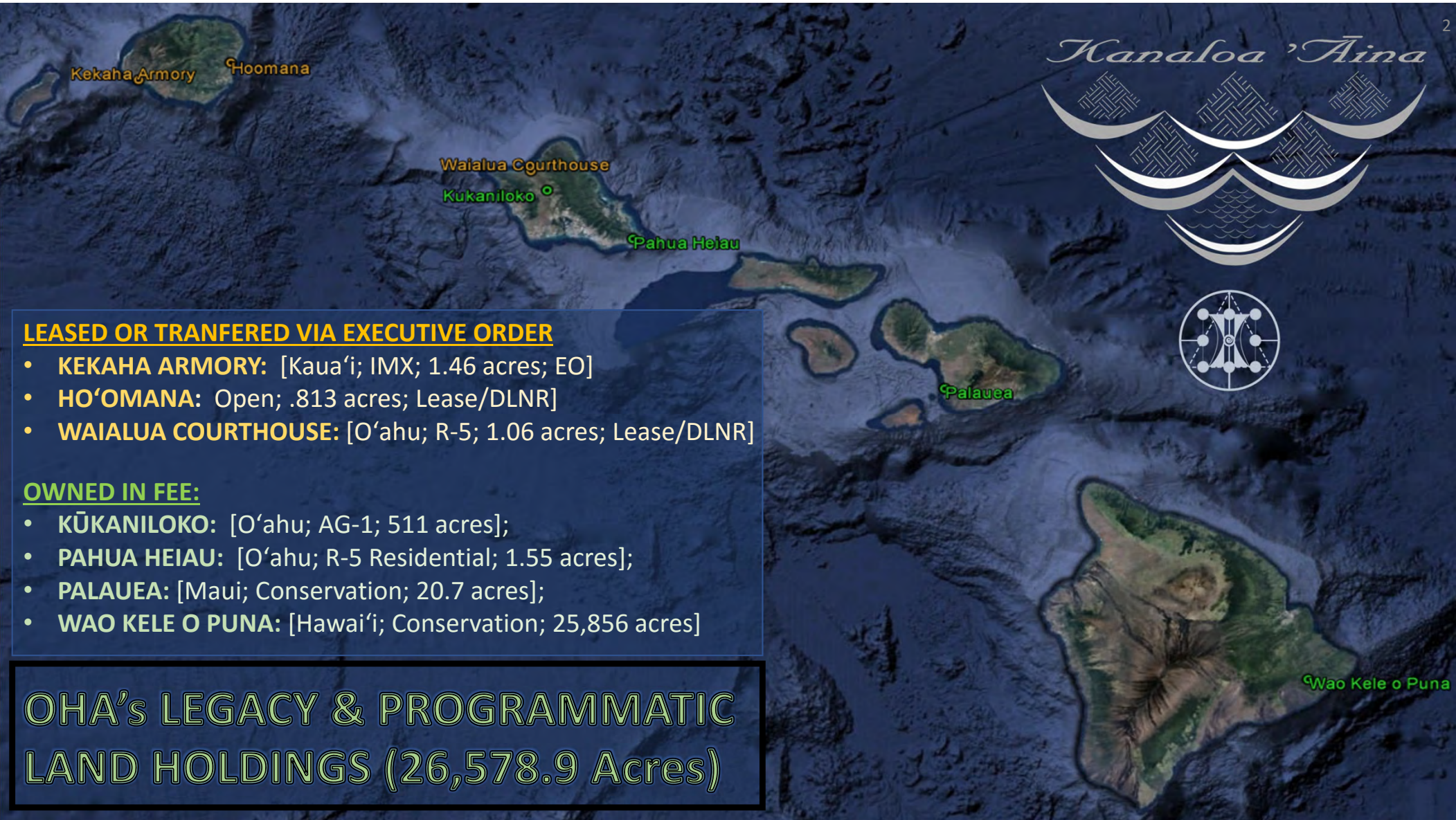


Mahalo

LEGACY LAND PROGRAM



LAND ASSETS DIVISION

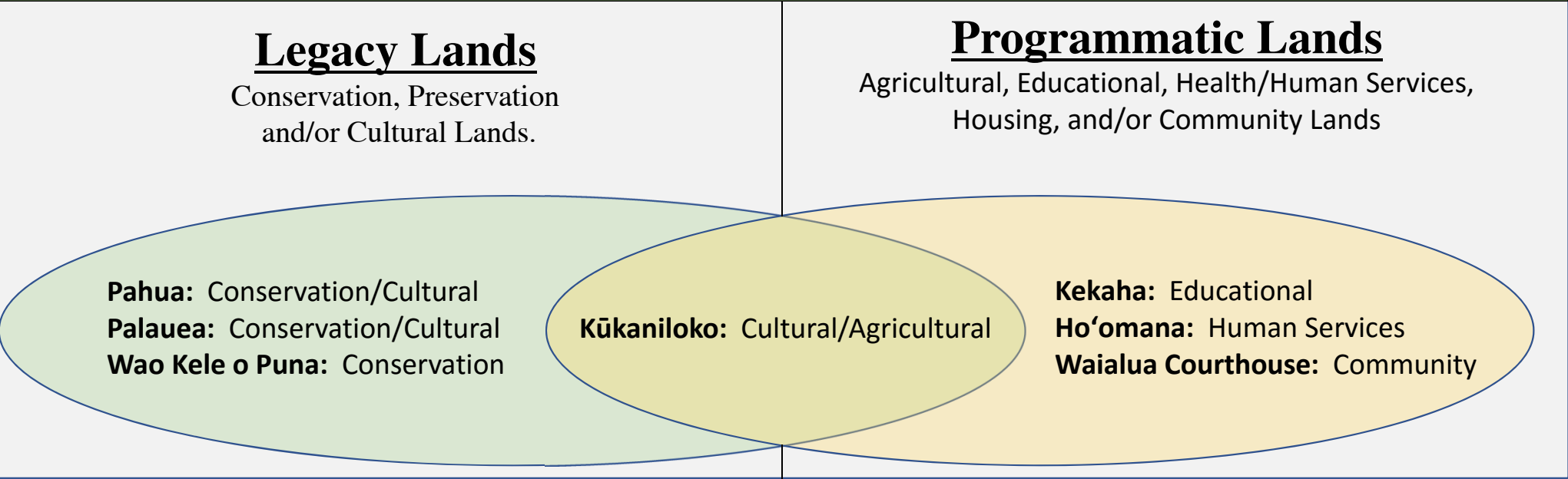


The Land Assets Division (LAD): Established in 2014; Commercial Properties and the Legacy Land Program

The Commercial Properties Program (LLP):
Responsible for the maintenance, management, and development for the portion of OHA’s land portfolio that have been designated and Legacy and Programmatic properties.

Kaka’ako Makai	Nā Lama Kukui	OHA’s Corporate Offices
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The Legacy Land Program (LLP):
Responsible for the maintenance, management, and development for the portion of OHA’s land portfolio that have been designated and Legacy and Programmatic properties.



The Legacy Land Program's (LLP) Impact Focus:

LLP focuses on leveraging the properties that we are responsible for to deliver OHA's mission, vision and strategic priorities. We do so by planning, managing and developing OHA's Legacy and Programmatic landholdings to provide impact in the following categories.

<u>AINA</u>	<u>CULTURE</u>	<u>EDUCATION</u>	<u>HEALTH</u>	<u>GOVERNANCE</u>
<ul style="list-style-type: none"> • Ecological Health • Agricultural Models • Climate Adaptation • Natural Resource Management and Access • Conservation and Protection 	<ul style="list-style-type: none"> • Cultural Resource Management and Access • Community-Based Stewardship • Perpetuate Mookuauhau, Moolelo, and Use 	<ul style="list-style-type: none"> • Place-Based and Community Engaged • Lahui Aligned and Culturally Nuanced • Collaborative • Culturally Nuanced • T&C Practices • Capacity Building 	<ul style="list-style-type: none"> • Symbiotic Relationships between Kanaka/Aina • Mental, Spiritual, Physical, and Social • Strengthen Self-Worth 	<ul style="list-style-type: none"> • Advocacy for Systemic Change • Cultural Planning, Development and Business Models • Resource Management Capacity Building

Mission: Deliver Impact to Three Major Audiences

LPP focuses on delivering impact to the following audiences while simultaneously remaining compliant with all applicable laws, engaging the community in which the LLP properties are located, managing within our means, and protecting the Organization and the Trust from risks.

Lahui

Directly or indirectly supporting initiatives that align with the overarching development and betterment of the Lahui

OHA Beneficiaries

Directly or indirectly bettering the conditions for OHA's Beneficiaries.

Broader Community

Directly or indirectly serve Non-Beneficiaries whom in turn helps to better the conditions for OHA's Beneficiaries

Planning for Hawaiian Nuanced Ecological, Social and Economic Impact:

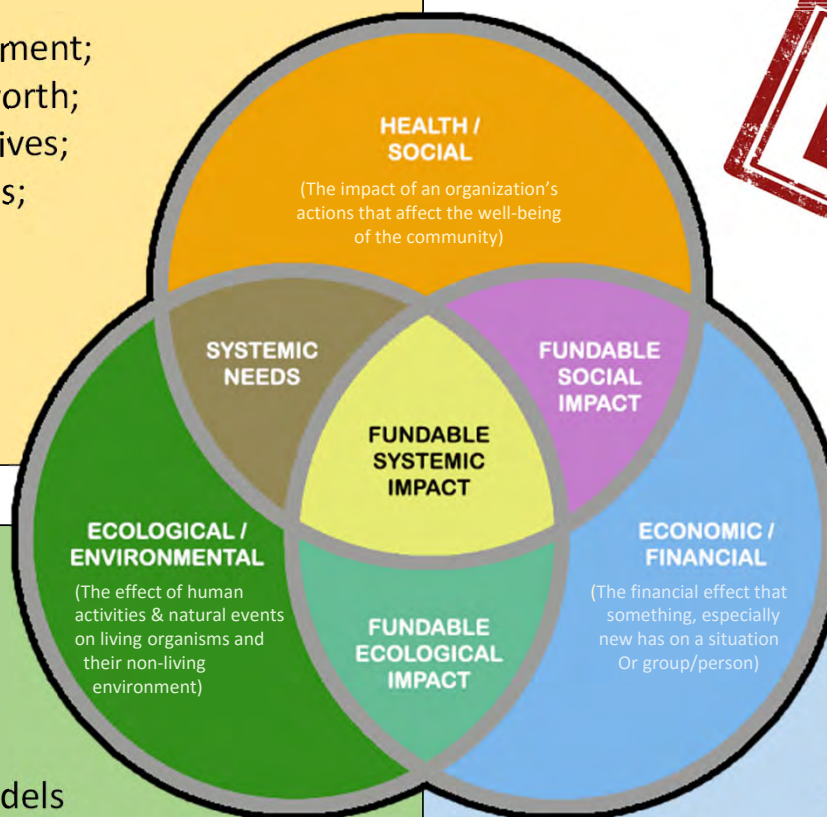
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Impact to Social Well-Being:

- Beneficiary & Community Involvement;
- Native Hawaiian Identity & Self-worth;
- Enable Cultural Adaptation Initiatives;
- Enable Hawaiian Cultural Practices;
- Cultural Resource Management;
- Historic & Cultural Preservation;
- Health (Mind, Body, and Spirit);
- Access and Integration;
- Education & Training

Impact to Eco./Env. Well-Being:

- Climate Change Adaptation
- Preservation & Conservation
- Ecological Impact Mitigation
- Natural Resource Regeneration
- Eco-Cultural Ag. & Vegetation Models
- Maximize Efficiency & Minimize Waste
- Ecological & Environmental Management
- Apply Traditional Hawaiian Methods in Modern Context.



IMPACT

Impact to Economic Well-Being:

- Financial Risk Mitigation
- Job Creation Opportunity
- Revenue Generation Engine
- Hawaiian Minded Business Model
- Demo Eco/Socio/Ecological Impact
- Networking & Land Asset Leveraging
- Enable Third-Party Partnerships & Funding
- Offset costs for development & Maintenance

The Legacy Land Program's Foundation and Current State

LLP bases all planning, management, and development decisions based upon the purpose of acquisition and the allowable uses associated with each property. In all cases we try to minimize costs and maximize the use of property and its impact.

Kauai

- **The Kekaha Armory** [Kaua'i; IMX; 1.46 acres; Executive Order]
Purpose of Acquisition: Hawaiian cultural and educational purposes
Current Use: Leased to Ke Kula Ni'ihau o Kekaha
Current Impact: Education/Culture (**Minimal** costs for OHA management)
- **Ho'omana** [Kaua'i; Open; .813 acres; Lease from DLNR];
Purpose of Acquisition: Educational purposes and community support
Current Use: Thrift Shop that builds capacity of youth with special needs.
Current Impact: Education (**Minimal** costs for OHA management)

Maui

- **The Palauea Cultural Preserve** [Maui; Conservation; 20.7 acres; Fee];
Purpose of Acquisition: Protect and preserve cultural sites; Enable stewardship that integrate the Native Hawaiian community
Current Use: UH Maui HWST uses for educational purposes
Current Impact: Aina/Education
(MODERATE costs for OHA maint.; **MODERATE** costs to **INCREASE IMPACT**)

Oahu

- **The Waialua Courthouse** [O'ahu; R-5; 1.06 acres; Lease from DLNR];
Purpose of Acquisition: Provide a base for beneficiary organizations to gather, meet, plan, practice and participate in Hawaiian culture
Current Use: Meeting venue for beneficiaries and community
Current Impact: Culture/Education
(MODERATE costs for OHA Mngmt.; **MODERATE/HIGH** cost for future maint.)
- **Pahua Heiau** [O'ahu; R-5 Residential; 1.55 acres; Fee];
Purpose of Acquisition: Educational/cultural opportunities for Native Hawaiians
Current Use: Protecting cultural site in partnership with contracted stewards
Current Impact: Aina/Culture/Education
(MODERATE costs for OHA Mngmt.; **MODERATE** costs to **INCREASE IMPACT**)
- **Kūkaniloko** (511-Acres in Wahiawa) [O'ahu; AG-1; 511 acres; Fee];
Purpose of Acquisition: Protect Kūkaniloko; Explore compatible agriculture; Contribute to Hawai'i's food sustainability
Current Use: Serving as a buffer for KKL; Fallow agricultural lands overgrown with invasive species.
Current Impact: Aina (Protection from inappropriate development)
(HIGH costs for OHA maint.; **HIGH** costs to **INCREASE IMPACT**)

Hawaii

- **Wao Kele o Puna** [Hawai'i; Conservation; 25,856 acres; Fee];
Purpose of Acquisition: Protect cultural resources and Native Hawaiian customary rights; Ensure lands will transfer to lāhui; Build lāhui land management capacity.
Current Use: Lowland Rainforest
Current Impact: Aina (Protection/Conservation)
(HIGH costs for OHA maint.; **HIGH** costs for dev. to **INCREASE IMPACT**)



Planning for Kūkaniloko, Central O'ahu

1. Create plans for the 511-acre property (otherwise unimproved and fallow) to protect the Birthing Stones site and align with OHA's purposes of acquisition. Our Planning process included conducting comprehensive research about the site and engaging with the community. The engagement included: People with long-standing relationships with the site; cultural practitioners; subject matter experts; Neighboring Land Owners, the Wahiawā Neighborhood Board, the Hawaiian Civic Club of Wahiawā; Royal Societies, and the public.
 - **Kūkaniloko** (511-Acres in Wahiawa) [O'ahu; AG-1; 511 acres; Fee];
Purpose of Acquisition: Protect Kūkaniloko; Explore compatible agriculture;
 Contribute to Hawai'i's food sustainability
2. The focus of the plan was centered around the purpose of acquisition with a focus on Ho'omana (protection and sanctification), Ho'ona'aāu'ao (Education), and Ho'oulu'aina (Agricultural and Ecological Rehabilitation).
3. The process resulted in: A vision for the site; Guiding Themes: Educational Continuum (generationally integrated education), Hub-Spoke, and the Vegetation Continuum (Native forest- Cultural Forest - Agro-Forest- Agricultural Demo., High-output Agriculture); and recommendations for programmatic functions with supporting infrastructure.

Kumupa'a/Vision:

This place is a wahi kapu with mana that has existed since time immemorial and will exist for time eternal. It is an ecosystem of connectivity between our 'āina and people. Thus, actions occurring here shall be guided by the following categorical concepts and supporting principles and guidelines:

HO'OMANA



HO'ONA'AUAO



HO'OULU'ĀINA



PROGRAMMATIC FUNCTIONS AND USES



Increase Stewardship Capacity/Mālama Kūkaniloko;
Manage Access to Site; Interpretive Education;
Docent Training



Cultural Education/Training;
(Hula, Lua, Lā'au Lapa'au, Lomi, Kilo Hōkū, Mahi'ai, etc.);
A Place for Certification



Experience and Engage Mana;
Place for Healing & Introspect;
Reinforce Kanaka Identity and Self-Worth

Practice Pono Agriculture;
Native Forest Restoration; Soil Regeneration;
Grow People by Growing Resources (Food, Medicines, etc.)

KKL: Impact

Potential

Economic Impact:

Potential economic impacts that support the development, implementation, and long-term sustainability of the project.

Eco/Ag-Cultural Model:

- Enable food, medicine, and plant production for sale, culturally related use, and planting on and off site.
- Provide a agricultural model for other landowners to consider that addresses climate change and cultural resource production.

Eco/Ag-Cultural Tourism:

- Capitalize on the visitor industry to bring in revenue to support the development, O&M, , and programmatic needs of the project.

Creation of Jobs and Educational Opportunities

Health/Social Impact Opportunities:

Programmatic initiatives to support our beneficiaries and community include:

Site-Based Interactions:

- Provide access to a major cultural resource with infrastructure to support uses. [AINA/CULTURE]
- Increase on-site presence to support the protection of site and sustained cultural resource regeneration. [AINA/CULTURE]
- Enable on-site intergenerational interactions/relationships [CULTURE/EDUCATION]

On/Off- Site Cultural/Education:

- Provide consistent information re: History and Significance [CULTURE]
- Support traditional and contemporary cultural practices, protocols, and rights [CULTURE]
- Facilitate Leadership and Lahui Development training and demonstration [CULTURE/EDUCATION/GOVERNANCE]
- Provide options for Physical, Mental, and spiritual healing and rejuvenation. [HEALTH]

Systemic Impact Opportunities:

- Culturally focused approach to: [AINA/CULTURE/GOVERNANCE]
 - An Eco-Agricultural Development Model
 - Site regeneration and climate adaptation
 - Proactive natural and cultural resource management

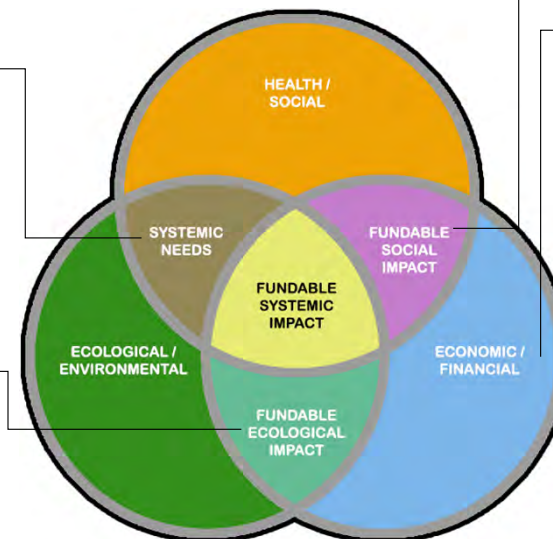
Ecological/Environmental Impact Opportunities

Ecological Re-Generation:

- Remediate soil from years of post contact use and neglect [AINA]
- Regenerate native habitat on portions of the site to demonstrate uses ancillary to agriculture and ecologically responsible [AINA]

Agricultural Demonstration:

- Demonstrate feasible mix of traditional and contemporary agricultural models to provide value to triple bottom line. [AINA/CULTURE]
- Business and career development



Plans: Kūkaniloko

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INFRASTRUCTURE

I. Welina:

- Welcome Pavilion ○
- Cultural Nodes ●

II. PIKO:

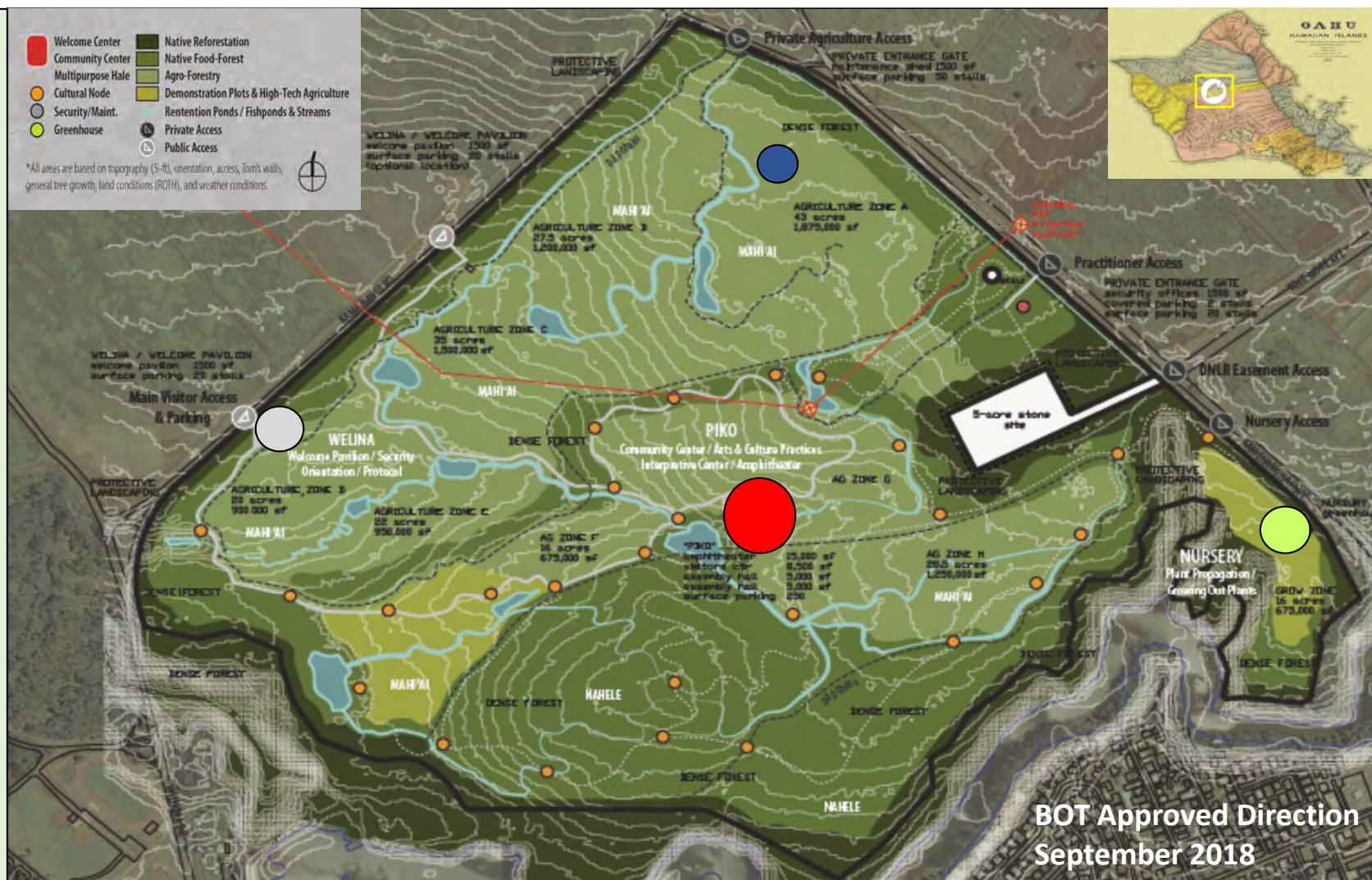
- Interpretive Center ●
- Multipurpose Kauhale
- Amphitheater

III. Kupu:

- Water Storage ●
- Green Houses ●
 - Grow Areas
 - Native Forests
 - Agroforest
 - Demonstration Plots

IV. Support

- Utilities
- Water Infrastructure
- Roads
- Walking Paths



INFRASTRUCTURE

I. Welina:

- *Welcome Pavilion*
- *Cultural Nodes*

II. PIKO:

- *Interpretive Center*
- *Multipurpose Kauhale*
- *Amphitheater*

III. Kupu:

- *Water Storage* P-1
- *Green Houses* P-1
 - *Grow Areas*
 - *Native Forests*
 - *Agroforest*
 - *Demonstration Plots*

IV. Support P-1

- *Utilities*
- *Water Infrastructure*
- *Roads*
- *Walking Paths*

FY19-21

Phase 1: Plan for Culturally Nuanced Agriculture:

KKL Phasing

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1. Demonstrate a Focus on Agriculture:

- a) Demonstrate that OHA is focusing on agriculture on the AG-1 zoned property. This should enable us to amend the Conservation Easement associated with the property held by the city. The amendment will clear the way for onsite commercial uses.
- b) Develop focused Agricultural/Ecological Planting Strategies.
- c) Create interim parking area.

2. Design a Water Storage facility that is connected to the ADC water line (well water) with stub outs for its distribution:

- a) ADC has committed to providing OHA with 1 MG/W, and will not disperse the water until OHA has a storage facility to receive it. This 3 million gallon tank should suffice until additional water sources can be secured.

3. Design a Nursery and Greenhouse:

- a) Grow plants to seed our “Vegetation Continuum” model of eco-cultural-agriculture.
- b) Programmatic elements envisioned to occur here until the full build out of the plan can start at the Nursery/Greenhouse facility until we are prepared/positioned to roll out the Welcome/Interpretive Center and Cultural Nodes.
- c) Agricultural business can begin with food and medicine production for sale and distribution; Cultural resource generation; and begin Agri-Cultural-Tourism.

4. Position OHA for partnerships and external funding opportunities.

INFRASTRUCTURE

I. Welina:

- *Welcome Pavilion* P-2
- *Cultural Nodes* P-2

II. PIKO:

- *Interpretive Center* P-2
- *Multipurpose Kauhale*
- *Amphitheater*

III. Kupu:

- *Water Storage* P-1/2
- *Green Houses* P-1/2
 - *Grow Areas*
 - *Native Forests*
 - *Agroforest*
 - *Demonstration Plots*

IV. Support

- *Utilities* P-1/2
- *Water Infrastructure*
- *Roads*
- *Walking Paths*

FY20-22

Phase 2: Continue with Schematic Design; EA/EIS; Cont. Ag Planning

KKL Phasing (cont.)¹¹

- 1. Conceptual Design of the Welcome Pavilion, Interpretive Center, and Cultural Nodes :** ○ ● ●
 - a) Complete all conceptual designs (including agricultural expansion) for the Master Plan to enable OHA to begin EA/EIS and obtaining any associated entitlements.
 - b) This includes the Welcome Pavilion, 3-4 models to consider for our Cultural Nodes, the Interpretive Center and the extension of the items listed under support [Utilities, Water distribution infrastructure, and vehicular and pedestrian circulation infrastructures (Roads and Walking Paths)].
- 2. Completion of an EA/EIS and other associated entitlements:**
 - a) By completing much of our design work (Phase 1 elements to Design Development and/or Construction Document levels, and Phase 2 elements to Conceptual Design levels), OHA will be positioned to draft our EA/EIS. The EA/EIS will then enable us to focus on constructing on Phase 1 elements and position ourselves to bring our Phase 2 elements to the Design Development and Construction Document levels. OHA will then have set the course to construct both Phase 1 and 2 elements under the umbrella of the EA/EIS as we are able.
- 3. Continue Agricultural Planning and expansion based on work done in Phase 1 to inform additional water allocation requests as new sources become available.**

INFRASTRUCTURE**I. Welina:**

- *Welcome Pavilion* P-2/3/4
- *Cultural Nodes* P-2/3/4

II. PIKO:

- *Interpretive Center* P-2/3/4
- *Multipurpose Kauhale*
- *Amphitheater*

III. Kupu:

- *Water Storage* P-1/2/3
- *Green Houses* P-1/2/3/4
 - *Grow Areas*
 - *Native Forests*
 - *Agroforest*
 - *Demonstration Plots*

IV. SupportP-1/2/3/4

- *Utilities*
- *Water Infrastructure*
- *Roads*
- *Walking Paths*

FY22-23**Phase 3: Construction of P-1; Expand****Agriculture; Final Design for P-2 Elements:**

1. Construct Nursery, Greenhouse, and Water Storage.
2. Expand Agricultural Plans and Implement based on Trials and Availability of Water.
3. Complete Design Development and Construction Documents for all Remaining Elements in accordance with EA/EIS.

FY23 and Beyond**Phase 4: Construction of P-2; Expand Agriculture**

1. Construct All Remaining Elements.
2. Expand Agricultural Plans and Implement based on Trials and Availability of Water.
3. Expand and Leverage the Programmatic Opportunities with our fully developed site.

KKL Phasing (cont.)¹²

Highlighted KKL Project Budget Elements

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Kukamilohe	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	* Excludes Maintenance
Phasing	Phase 1			\$ 640,000.00						
	Phase 2				\$ 710,000.00					
	Phase 3					\$ 5,725,000.00				
	Phase 4 and On									\$ 11,825,000.00
	Total Preliminary (High-Level/Conservative) Estimate for Development for Phases 1-4									\$ 18,900,000.00
Detailed Activities by Phase	FY19 Budget	FY20 Budget	FY21 Budget	FY22 Budget	FY23 Budget	FY24 Budget	FY25 Budget	FY26 Budget	FY27 Budget	Estimated 8-Year Budget
FY Highlighted Project Totals	\$ 340,000.00	\$ 392,500.00	\$ 342,500.00	\$2,325,000.00	\$8,225,000.00	\$ 6,350,000.00	\$ 50,000.00	\$ 525,000.00	\$ 400,000.00	\$ 18,610,000.00
Finalize Soil Conservation Plan. <i>In House (FY19/20)</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FY Highlighted Totals										
Design Nursery and Greenhouse Facilities (FY 19 funds \$340k) <i>Contract</i>	\$ 340,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Design Water Storage and Relocation of ADC Pipe with permitting (FY20/21) <i>Contract</i>	\$ -	\$ 200,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 200,000.00
Amend Conservation Easement <i>In House</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Install Interim Parking Gravel FY20/21 <i>Contract</i>	\$ -	\$ 42,500.00	\$ 7,500.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,000.00
Design Welcome Center, Interpretive Center, Node and Circulation Pathway Design	\$ -	\$ 100,000.00	\$ 85,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 185,000.00
Agricultural/Soil Remediation Plan and Pilot Projects Phase 1 (FY20) PRIORITY	\$ -	\$ 50,000.00	\$ 50,000.00	\$ 50,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 150,000.00
Environmental Assessment/Cultural Impact Assessment	\$ -	\$ -	\$ 200,000.00	\$ 100,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 300,000.00
Archaeological Assessment of Proposed Building Sites and circulation paths.	\$ -	\$ -	\$ -	\$ 125,000.00	\$ 125,000.00	\$ -	\$ -	\$ 125,000.00	\$ -	\$ 375,000.00
Additional Permitting (unknown at present)	\$ -	\$ -	\$ -	\$ 50,000.00	\$ 50,000.00	\$ 50,000.00	\$ 50,000.00	\$ 50,000.00	\$ 50,000.00	\$ 300,000.00
Construction of Water Storage Tank	\$ -	\$ -	\$ -	\$ 1,500,000.00	\$ 1,500,000.00	\$ -	\$ -	\$ -	\$ -	\$ 3,000,000.00
Installation of Interim Water Distribution System with Ability to Expand	\$ -	\$ -	\$ -	\$ -	\$ 500,000.00	\$ 250,000.00	\$ -	\$ -	\$ -	\$ 750,000.00
Construction of Roads for Water Storage and Nursery with Ability to Expand	\$ -	\$ -	\$ -	\$ 500,000.00	\$ 500,000.00	\$ 500,000.00	\$ -	\$ -	\$ -	\$ 1,500,000.00
Stub Utilities to Property (likely an underestimated cost)	\$ -	\$ -	\$ -	\$ -	\$ 750,000.00	\$ 750,000.00	\$ -	\$ -	\$ -	\$ 1,500,000.00
Nursery Construction (potentially higher construction cost in years 23/24 dependant on plans) Potential to expand in FY26/27 if feasible.	\$ -	\$ -	\$ -	\$ -	\$ 300,000.00	\$ 300,000.00	\$ -	\$ 300,000.00	\$ 300,000.00	\$ 1,200,000.00
Planning and Construction for Welcome Center (potential for higher construction costs dependant on plans)	\$ -	\$ -	\$ -	\$ -	\$ 1,000,000.00	\$ 1,000,000.00	\$ -	\$ -	\$ -	\$ 2,000,000.00
Planning and Construction for Interpretive Center (potential for higher construction costs dependant on plans)	\$ -	\$ -	\$ -	\$ -	\$ 1,000,000.00	\$ 1,000,000.00	\$ -	\$ -	\$ -	\$ 2,000,000.00
Planning and Construction for 3-4 designs to use as cultural nodes	\$ -	\$ -	\$ -	\$ -	\$ 500,000.00	\$ 500,000.00	\$ -	\$ 50,000.00	\$ 50,000.00	\$ 1,100,000.00
Expansion of Agricultural Facilities	\$ -	\$ -	\$ -	\$ -	\$ 2,000,000.00	\$ 2,000,000.00	\$ -	\$ -	\$ -	\$ 4,000,000.00

Planning for Wao Kele o Puna

1. Create plans for the 25,856-acre lowland rain forest (otherwise unimproved) in alignment with OHA's purpose of acquisition by conducting comprehensive research about the property and engaging with members of the community. The engagement included: People with long-standing relationships with the forest; cultural practitioners; subject matter experts; Puna residents, and the Pele Defense Fund, and the public.
 - **Wao Kele o Puna** [Hawai'i; Conservation; 25,856 acres; Fee];
Purpose of Acquisition: Protect cultural resources and Native Hawaiian customary rights; Ensure lands will transfer to lāhui; and Build lāhui land management capacity.
2. The intention was to create a Comprehensive Management Plan that was founded on Native Hawaiian principles and thought paired with contemporary knowledge and best forest management practices. The plan focuses on addressing enabling cultural practices and use, community-based stewardship, creating cultural resources, creating educational opportunities, addressing habitat quality, mitigating threats, and recognizing the risks associated with the property.
3. The process resulted in: A vision and mission for the for the site; a recommended management strategy; and recommended Management actions. In summary due to the scale of the property OHA needs to consistently address the needs of the site by: 1) Working with the Community; Protecting the Best, Killing the Weeds, & Managing the Pigs.

Work w/ Community

VISION:

WAO KELE O PUNA WILL BE LOCALLY, NATIONALLY, AND INTERNATIONALLY RECOGNIZED FOR ITS FOREST STEWARDSHIP AND CONSERVATION, DEVELOPED AND IMPLEMENTED THROUGH A NATIVE HAWAIIAN PERSPECTIVE, WHICH WILL SERVE AS A MODEL AND INSPIRATION FOR INDIGENOUS COMMUNITIES WORLDWIDE.



Protect the Best Manage Weeds/Pigs

PURPOSE:

THE PURPOSE IS TO MAINTAIN THE INTEGRITY OF THE NATURAL, CULTURAL, AND SPIRITUAL RESOURCES; TO PROTECT, PRESERVE, & PERPETUATE, THE PERFORMANCE OF CUSTOMARILY & TRADITIONALLY EXERCISED SUBSISTENCE & CULTURAL PRACTICES OF NATIVE HAWAIIANS; AND TO ENSURE THAT THIS 'ĀINA PASS TO THE NATION OF HAWAII.

Planning for Wao Kele o Puna (Cont.)

Working with the Community:

- a) **Access:**
- ● Maintain current and seek additional access routes into WKOP for T&C practitioners, stewards/managers and emergency responders.
- b) **Education:**
- ● Create educational opportunities for beneficiaries and the community;
- c) **Community-Based Management:**
- ● Create community reforestation plots to demonstrate planting and maintenance strategies as we create new cultural resources for use;
 - ● Test the use of product bearing forest plant as a replacement for invasive/weedy species;
 - ● Create opportunities for hands-on invasive species control experiential learning experiences.

Protecting the Best:

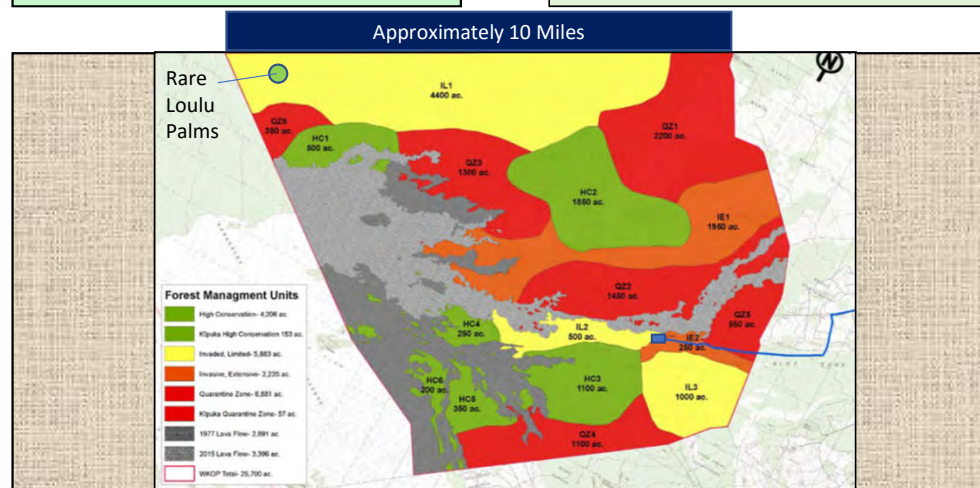
- a) **Pristine Areas:**
- ● Protect and assist the recovery of areas with high coverage of native plants, anthropological and other selected kipuka.
 - Prioritize areas that are likely to contain rare and endangered flora/fauna;
 - Work to help reseed fresh lava to create new kipuka.
- b) **Manage and Mitigate Threats:**
- Collaborate with others to address Rapid Ohia Death.

Managing the Pigs:

- a) **Target Areas:**
- Managing the pigs in high conservation and reforestation areas to prevent the spread of invasive species and uprooting of new plantings.
- b) **Pilot Project:**
- Consider creating subsistence hunting areas to create focal areas for people to hunt tied to a animal control permit in collaboration with DLNR.

Killing the Weeds:

- a) **Curbing Invasive Species:**
- ● Reduce the spread of alien species into areas with high coverage of native plants;
 - Minimize further introduction of invasive species from elsewhere;
 - Chip away at currently invaded areas.
 - ● Expand efforts along existing access road and clearing.
- b) **Continued Efforts:**
- Continue management of habitat altering species (miconia, albesia, etc.);
 - Monitor new lava and mitigate invasive species from taking hold;
 - Clear select invaded areas to enable restoration project and the creation of new "kipuka";
 - ● Manage the weeds along the edges of the existing access road and clearing.



Health/Social Impact Opportunities:

Site-Based Interactions:

- Provide access to a major cultural resource to support traditional cultural practices. [AINA/CULTURE]
- Increase on-site use to support the protection and preservation of the property via programmatic use and sustained cultural resource regeneration. [AINA/CULTURE]
- Enable on-site intergenerational education/interaction/relationship building [CULTURE/EDUCATION]

On/Off- Site Cultural/Education:

- Provide consistent information re: History and Significance [CULTURE]
- Support traditional and contemporary cultural protocols, and rights [CULTURE]
- Facilitate conservation leadership training and demonstration [CULTURE/EDUCATION/GOVERNANCE]
- Provide options for Physical, Mental, and spiritual healing and rejuvenation. [HEALTH]

Systemic Impact Opportunities:

- Culturally focused approach to: [AINA/CULTURE/GOVERNANCE]
 - An eco-cultural preservation and reforestation model
 - Community-based stewardship of a large lowland rainforest
 - Culturally nuanced natural and cultural resource management

Ecological/Environmental Impact Opportunities

Reforestation:

- Remediate years on invasive species proliferation [AINA]
- Regenerate native habitat [AINA]
- Work toward the mitigation of Rapid Ohia Death [AINA]

Exploration of Agro-forestry:

- Demonstrate eco-cultural agroforestry models that can be considered for reforestation and invasive species replacement. [AINA/CULTURE]

WKOP: Impact

Economic Impact:

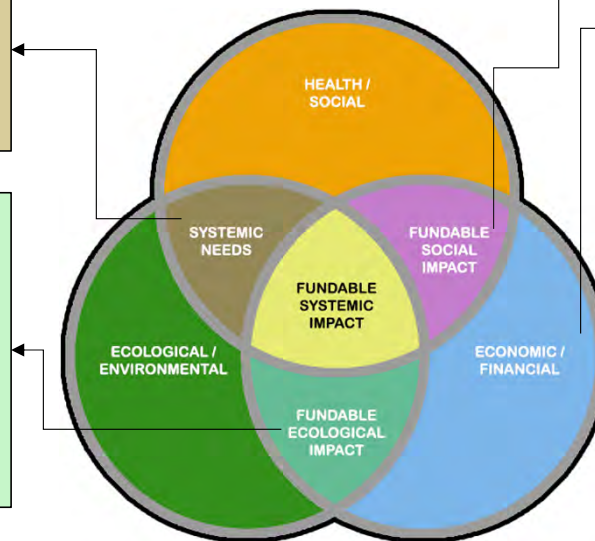
Potential economic impacts that support the development, implementation, and long-term sustainability of the project.

Eco-Cultural Model:

- Position OHA and community-based stewards for third party partnerships and funding opportunities
- Explore impact leveraging and other financial resource generation opportunities that align with the vision for the property.

Eco/Cultural Tourism:

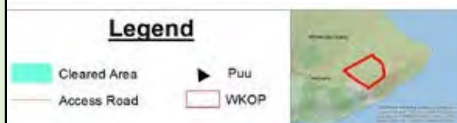
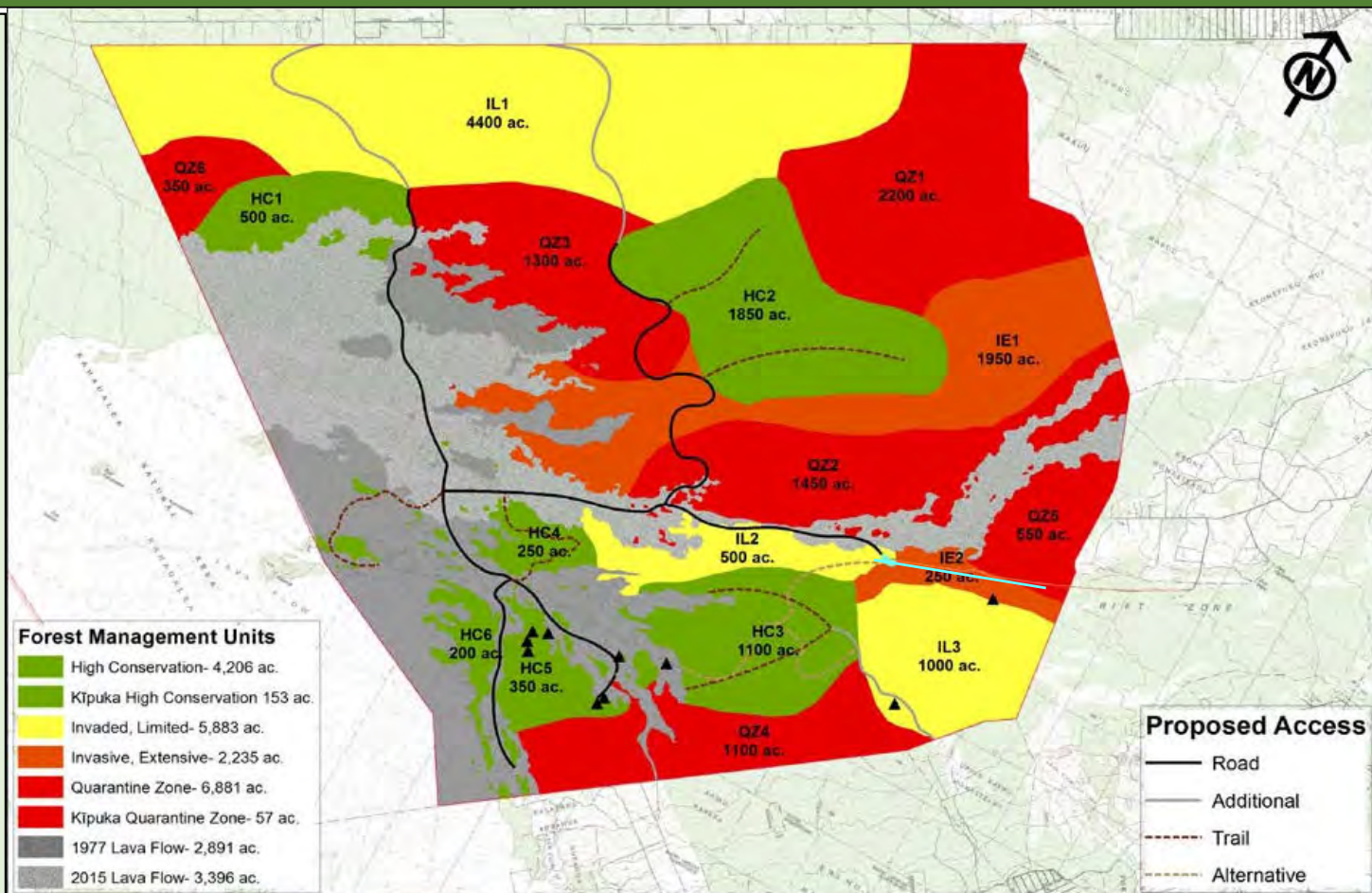
- Explore aligned visitor related business cases to provide guided access to WKOP for educational purposes in exchange for fees that offset the maintenance and management of WKOP (without compromising its cultural integrity).



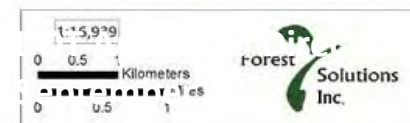
Plans: Wao Kele o Puna, East Hawai'i Island

PROGRAMS & INFRASTRUCTURE

- I. **Support T&C Access:** *(Entire Property)*
 - Enable access for T&C Practitioners
- II. **Educational Programs:**
 - Enable access for educational programs
 - Work with partners to create site-specific curriculum
- III. **Manage Weeds and Pigs:**
 - Contractors to assist with invasive species control across the property
 - Contractors & community assist with invasive species control along the access road & existing cleared areas.
 - Create pilot projects for reforestation
- IV. **Roads and Trails**
 - Roads/Trails to High Conservation and focus Areas and known arch features
 - Working trails in accessible areas
- IV. **Kauhale in the Cleared Area**
 - Facilitate Access and Management
 - Enable Increased Programmatic Use
 - Focal Area for Engaging Community



Wao Kele o Puna
Proposed Access



WKOP Phasing

- I. Support T&C Access:** *P-1*
 - *Enable access for T&C Practitioners*
- II. Educational Programs:** *P-1*
 - *Enable access for educational programs*
 - *Work with partners to create site-specific curriculum*
- III. Manage Weeds & Pigs:** *P-1*
 - *Contractors to assist with invasive species control across the property*
 - *Contractors & community assist with invasive species control along the access road & existing cleared areas.*
 - *Create pilot projects for reforestation*
- IV. Roads and Trails** *P-1*
 - *Roads/Trails to High Conservation and focus Areas and known arch features*
 - *Working trails in accessible areas*
- IV. Kauhale in the Cleared Area** *P-1*
 - *Facilitate Access and Management*
 - *Enable Increased Programmatic Use*
 - *Focal Area for Engaging Community*

Phase 1: Access, ISC, and Pilot Project

FY20-21

1. Enable Programmatic Access to WKOP:

- a) Work with ISC contractors to conduct invasive species control mitigation training for members of the Puna community at WKOP.
- b) Enable groups and individual to access WKOP for educational purposes in alignment with the vision and direction for the property. Collaborate with these groups to create site-specific curriculum.
- c) Work with T&C practitioners with regard to access to WKOP.
- d) Explore/secure alternative access routes.

2. Invasive Species Control (ISC):

- a) Continue ISC on the property at the landscape scale with the assistance of contractors; Plan for pig fencing for target areas, implement as able.
- b) Work on smaller scale ISC projects with contractors and community in accessible areas.

3. Planning and Pilot Project:

- a) Create planting/circulation (trails) plan for the cleared area and three pilot project plots that were cleared of strawberry guava. Secure permits for fencing, prepare site and begin pilot planting projects.
- b) Propose a community-based stewardship management partnership.
- c) Install interpretive signage for educational purposes.
- d) Plan for Environmental Assessment

WKOP Phasing (cont.)

- I. Support T&C Access:** P-1/2
 - *Enable access for T&C Practitioners*
- II. Educational Programs:** P-1/2
 - *Enable access for educational programs*
 - *Work with partners to create site-specific curriculum*
- III. Manage Weeds & Pigs:** P-1/2
 - *Contractors to assist with invasive species control across the property*
 - *Contractors & community assist with invasive species control along the access road & existing cleared areas.*
 - *Create pilot projects for reforestation*
- IV. Roads and Trails** P-1/2
 - *Roads/Trails to High Conservation and focus Areas and known arch features*
 - *Working trails in accessible areas*
- IV. Kauhale in the Cleared Area** P-1/2
 - *Facilitate Access and Management*
 - *Enable Increased Programmatic Use*
 - *Focal Area for Engaging Community*

Phase 2: Access, ISC, Pilots/Stewards, Plan/EA

FY22-23

19

1. Expand Programmatic Access to WKOP:

- a) Continue and expand Puna community engagement/education at WKOP.
- b) Formalize T&C Practitioner Program.
- c) Plan for forest related risk mitigation/revegetation and programmatic associated with new access.

2. Invasive Species Control (ISC):

- a) Continue ISC on the property at the landscape scale with the assistance of contractors. Expand pig fencing at targeted areas.
- b) Expand smaller scale ISC projects with contractors and community in accessible areas.

3. Pilot Projects and Stewardship:

- a) Continue pilot project, expand planting plan, and begin new pilot projects.
- b) Continue to implement and develop community-based stewardship management partnership.

4. Planning and EA:

- a) Plan and design trails and roads to enable access to target control areas.
- b) Schematic design for Kauhale in cleared area to serve as a home base for stewardship, enable increased programmatic uses, and facilitate community engagement/educational opportunities.
- c) Schematic design/preliminary engineering for access roads to priority areas

WKOP Phasing (cont.)

- I. **Support T&C Access:** P-1/2/3/4
 - *Enable access for T&C Practitioners*
- II. **Educational Programs:** P-1/2/3/4
 - *Enable access for educational programs*
 - *Work with partners to create site-specific curriculum*
- III. **Manage Weeds & Pigs:** P-1/2/3/4
 - *Contractors to assist with invasive species control across the property*
 - *Contractors & community assist with invasive species control along the access road & existing cleared areas.*
 - *Create pilot projects for reforestation*
- IV. **Roads and Trails** P-1/2/3/4
 - *Roads/Trails to High Conservation and focus Areas and known arch features*
 - *Working trails in accessible areas*
- IV. **Kauhale in the Cleared Area** P-1/2/3/4
 - *Facilitate Access and Management*
 - *Enable Increased Programmatic Use*
 - *Focal Area for Engaging Community*

Phase 3: Access, ISC, Pilots/Stewards, and EA

FY24-26

1. **Enable Programmatic Access to WKOP:**
 - a) Continue community engagement/education and T&C Practitioner Program.
2. **Invasive Species Control (ISC):**
 - a) Continue ISC on the property at the landscape scale with the assistance of contractors. Expand pig fencing at targeted areas.
 - b) Expand smaller scale ISC projects with contractors and community in accessible areas.
3. **Pilot Projects and Stewardship:**
 - a) Continue pilot project, expand planting plan, and begin new pilot projects.
 - b) Continue to implement and develop community-based stewardship.
4. **EA:**
 - a) Conduct EA based on conceptual designs for Kauhale and Road.

Phase 4: Access, ISC, Pilots/Stewards, and Construction **FY26 & On**

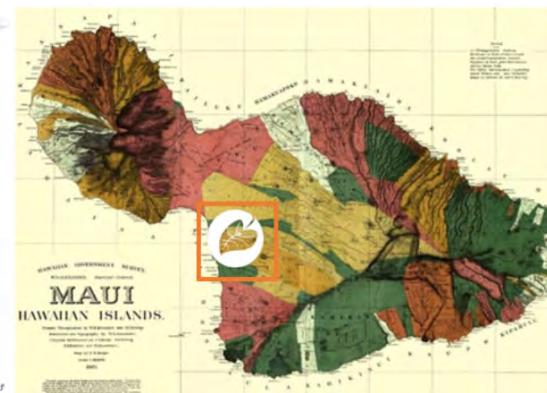
1. **Continue all Access, ISC, Pilots and Stewardship Efforts:**
 - a) Continue community engagement/education and T&C Practitioner Program.
2. **Construction of Kauhale in Cleared Area.**
3. **Construction of Roads for Increased Maintenance and Management.**

[illegible]

Planning for Palauea, South-West Maui

22

1. Create a preservation plan as a basis for management of the 20.8- acre property in alignment with OHA's purpose of acquisition. Palauea contains evidence of a fishing village of the area, contains a significant traditional structure and is home to one of the last known wiliwili groves in the area. OHA is also responsible for monitoring a drainage easement on property; managing the vegetation on, and an 896 sf structure that exists on the property.
 - **The Palauea Cultural Preserve** [Maui; Conservation; 20.7 acres; Fee];
Purpose of Acquisition: Protect and preserve cultural sites; Enable stewardship that integrate the Native Hawaiian community.
2. The intention was to create a preservation plan (PP) that would become the basis for a comprehensive Management Plan centered on Native Hawaiian principles for this site. In partnership with the University of Maui's Hawaiian Studies Department, OHA works to manage the site in a culturally appropriate manner (in alignment with the draft PP). Thus far, OHA has been managing many of the compliance and risk management issues; and UH has been utilizing the property for educational purposes, has been assisting with security, maintenance, and management issues, and has started a native planting program with their students.



Revenue Mecahnism for Palauea: The Palauea Preserve Fund

23



FUNDING:

When OHA received the property in 2013 it came with "Palauea Preserve Fund" of approximately \$144,875.00 Additionally each time one of the 17 properties shown in green is sold, 0.5% of the gross selling price is added to the fund. See the record of sales germane to OHA's time as the landowner below. (* Exempt = transfers to banks)

Lot #	TMK	Acres	Date	Amount	Revenue (0.5%)
Lot 1	2-1-023-002	1.88	02/23/04	\$ 1,275,000	
	2-1-023-002		09/09/11	\$ 2,000,000	
Lot 2	2-1-023-018	1.31	02/27/04	\$ 1,700,000	
	2-1-023-018		09/22/11	\$ 7,750,000	
Lot 3	2-1-023-019	1.06	05/26/04	\$ 2,092,000	
	2-1-023-019		04/29/13	\$ 8,150,000	\$40,750
Lot 4	2-1-023-020	1.04	05/27/05	\$ 2,675,000	
	2-1-023-020		05/18/07	\$ 4,125,000	
	2-1-023-020		01/30/14	\$ 6,300,000	Exempt
	2-1-023-020		09/26/14	\$ 8,500,000	\$42,500
Lot 5	2-1-023-021	1.09	01/14/05	\$ 2,600,000	
	2-1-023-021		11/15/11	\$ 2,990,000	
Lot 6	2-1-023-022	1.00	11/28/14	\$ 3,500,000	\$17,500
	2-1-023-022		08/11/04	\$ 2,265,000	
Lot 7	2-1-023-023	1.03	06/21/13	\$ 2,950,000	\$14,750
	2-1-023-023		06/13/05	\$ 1,915,000	
Lot 8	2-1-023-024	1.01	07/27/17	\$ 6,300,000	\$31,500
	2-1-023-024		05/04/05	\$ 1,825,000	
Lot 9	2-1-023-024	1.01	04/21/14	\$ 1,750,000	\$8,750
	2-1-023-024		11/09/16	\$ 5,850,000	\$29,750
Lot 10	2-1-023-025	1.01	06/18/04	\$ 1,299,000	
	2-1-023-025		09/22/05	\$ 2,250,000	
Lot 11	2-1-023-025	1.01	11/10/11	\$ 2,788,000	
	2-1-023-025		06/03/13	\$ 5,000,000	\$25,000
Lot 12	2-1-023-026	1.02	06/08/04	\$ 1,250,000	
	2-1-023-026		02/15/05	\$ 1,250,000	
	2-1-023-026		03/28/08	\$ 2,650,000	
	2-1-023-026		04/24/08	\$ 1,000	
	2-1-023-026		05/02/14	\$ 2,500,000	Exempt
	2-1-023-026		10/16/14	\$ 3,500,000	\$17,500
Lot 13	2-1-023-026	1.02	07/20/18	\$ 8,175,000	\$40,875
	2-1-023-027		05/28/04	\$ 2,000,000	
Lot 14	2-1-023-027	1.60	10/18/07	\$ 3,500,000	
	2-1-023-027		04/26/11	\$ 4,500,000	
Lot 15	2-1-023-028	1.01	11/12/04	\$ 2,250,000	
	2-1-023-029		06/30/05	\$ 2,100,000	
Lot 16	2-1-023-029	1.04	03/23/09	\$ 2,120,000	
	2-1-023-030		06/30/05	\$ 2,100,000	
Lot 17	2-1-023-030	1.10	06/04/08	\$ 5,550,000	
	2-1-023-030		06/04/09	\$ 1,000	
Totals	2-1-023-030	1.10	06/23/09	\$ 2,200,000	
	2-1-023-030		10/09/09	\$ 1,835,000	
Totals	2-1-023-031	1.71	05/11/05	\$ 2,194,500	
	2-1-023-031		01/12/07	\$ 2,800,000	
Totals	2-1-023-031	1.71	06/04/08	\$ 5,550,000	
	2-1-023-031		06/04/09	\$ 1,000	
Totals	2-1-023-031	1.71	03/15/10	\$ 1,000	
	2-1-023-032		12/26/03	\$ 1,900,000	
Totals	2-1-023-032	1.41	04/18/06	\$ 1,900,000	
	2-1-023-033		05/25/05	\$ 8,000,000	
Totals		41.89		\$156,502,500	\$268,875

Palauea: Impact Potential²⁴

Health/Social Impact Opportunities:

Site-Based Interactions:

- Provide access to a major cultural resource to support traditional cultural practices. [AINA/CULTURE]
- Increase on-site use to support the protection and preservation of the property via programmatic use and sustained cultural resource regeneration. [AINA/CULTURE]
- Enable on-site intergenerational education/interaction/relationship building [CULTURE/EDUCATION]

On/Off- Site Cultural/Education:

- Provide consistent information re: History and Significance [CULTURE]
- Support traditional and contemporary cultural protocols, and rights [CULTURE]
- Facilitate conservation leadership training and demonstration [CULTURE/EDUCATION/GOVERNANCE]

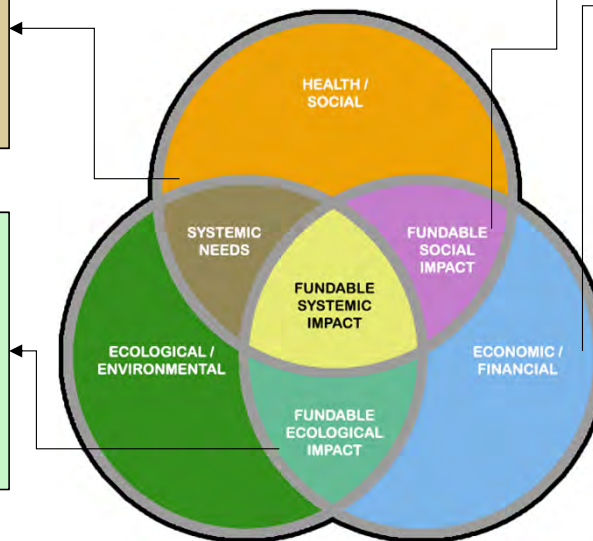
Systemic Impact Opportunities:

- Culturally focused approach to: [AINA/CULTURE/GOVERNANCE]
 - An eco-cultural historic preservation
 - Community-based stewardship of one of the last in-tact sites of the area.
 - Culturally nuanced natural and cultural resource management

Ecological/Environmental Impact Opportunities

Native Habitat Preservation and Regeneration:

- Remediate years on invasive species proliferation [AINA]
- Regenerate native habitat [AINA]
- Work toward the restoration of the Wiliwili Grove [AINA]
- Demonstrate eco-cultural revegetation models that can be considered amidst an suburban residential environment. [AINA/CULTURE]



Economic Impact:

Potential economic impacts that support the development, implementation, and long-term sustainability of the project.

Revenue Generation Modes:

- Continue collecting % of conveyance fees.
- Explore the opportunity to set neighborhood association fees to assist with the management, protection, and re-vegetation of Palauea
- Explore aligned visitor related business cases to provide guided access to Palauea for educational purposes in exchange for fees that offset the maintenance and management of Palauea (without compromising its cultural integrity).

Plans: Palauea

PROGRAMS & INFRASTRUCTURE

I. Finalize Preservation Plan

- Provide basis for comprehensive management plans and actions

II. Educational Programs:

- UH Maui HWST and Archaeology
- Community integrated education

III. Protect the Cultural Features:

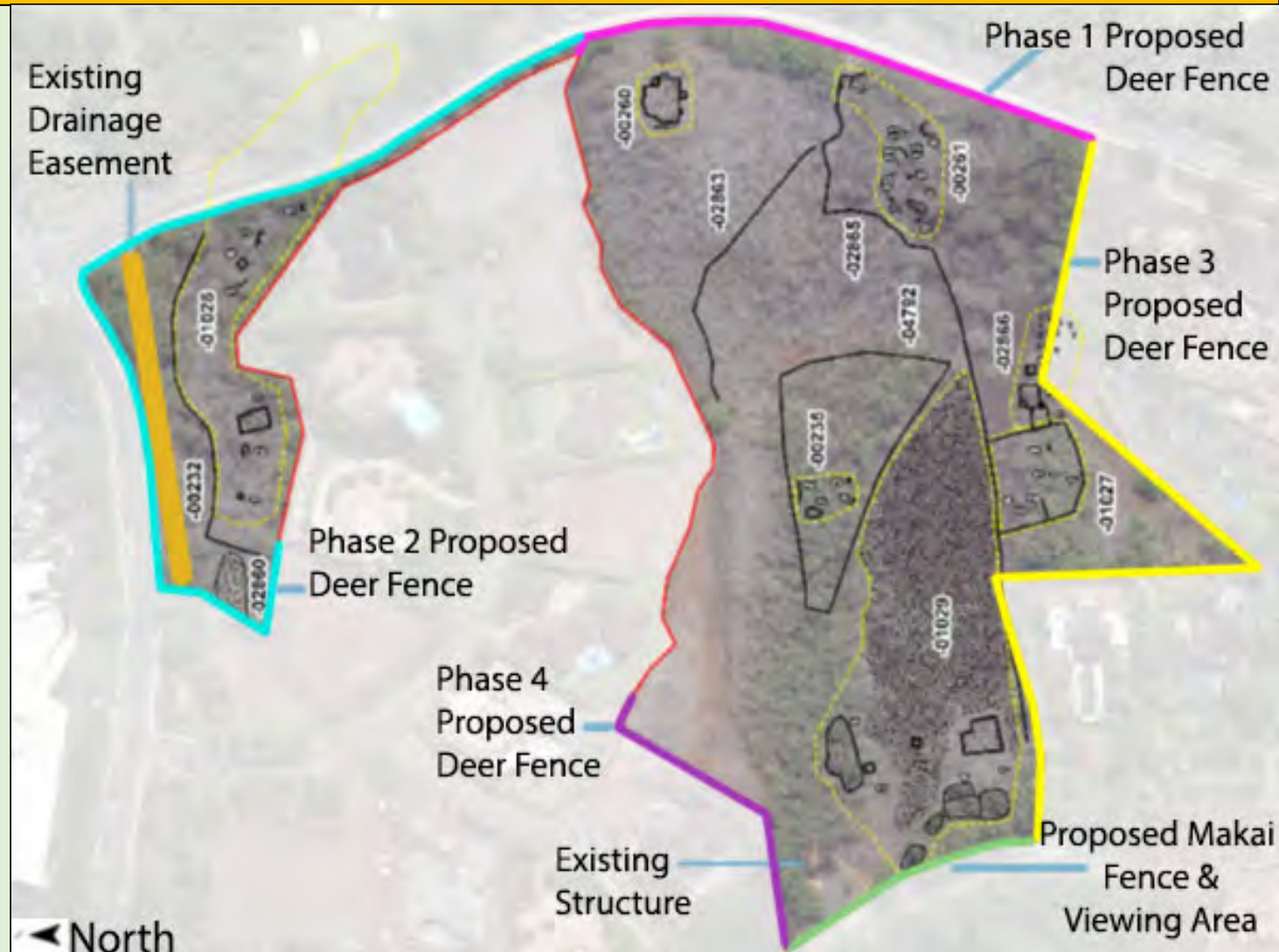
- Archaeological sites
- Wiliwili grove
- Create walking/maintenance trails

IV. Barriers

- Deer Fence
 - Phase 1 ●
 - Phase 2 ●
 - Phase 3 ●
 - Phase 4 ●
- Makai Fence and Viewing Area ●
- Working trails in accessible areas

IV. Landscaping

- Revegetation and irrigation
- Firebreak
- Drainage Inspection and Maintenance ●



Palauea Phasing

PROGRAMS & INFRASTRUCTURE

- I. Finalize Preservation Plan** *P-1*
 - *Provide basis for comprehensive management plans and actions*
- II. Educational Programs:** *P-1*
 - *UH Maui HWST and Archaeology*
 - *Community integrated education*
- III. Protect the Cultural Features:** *P-1*
 - *Archaeological sites*
 - *Wiliwili grove*
 - *Create walking/maintenance trails*
- IV. Barriers**
 - *Deer Fence*
 - *Phase 1* *P-1*
 - *Phase 2*
 - *Phase 3*
 - *Phase 4*
 - *Makai Fence and Viewing Area* *P-1*
 - *Working trails in accessible areas* *P-1*
- IV. Landscaping** *P-1*
 - *Revegetation and irrigation*
 - *Firebreak*
 - *Drainage Inspection and Maintenance*

Phase 1: Planning, Education, Improvements, & Landscaping

FY20-21

- 1. Finalize Planning:**
 - a) Obtain preservation plan approval from SHPD (submitted 3/4/2019).
 - b) Create comprehensive management plans and actions.
- 2. Continue and Expand Educational Programs:**
 - a) Continue and expand educational opportunities with UH Maui and the community.
 - b) Work with UH-Maui HWST on shared stewardship responsibilities.
- 3. Property Improvements:**
 - a) Construct deer fence (Phase 1).
 - b) Design and construct makai fence and viewing area.
- 4. Landscaping**
 - a) Create planting and irrigation plans and begin to implement.
 - b) Manage and extend new firebreak along neighboring residential properties.
 - c) Continue to conduct bi-annual drainage inspections.

Palauea Phasing (cont.)

PROGRAMS & INFRASTRUCTURE

- I. Finalize Preservation Plan**
- *Provide basis for comprehensive management plans and actions*
- II. Educational Programs:** *P-1/2/3/4*
- *UH Maui HWST and Archaeology*
 - *Community integrated education*
- III. Protect the Cultural Features:** *P-1/2/3/4*
- *Archaeological sites*
 - *Wiliwili grove*
 - *Create walking/maintenance trails*
- IV. Barriers**
- *Deer Fence*
 - *Phase 1*
 - *Phase 2* *P-2*
 - *Phase 3* *(if needed) P-3*
 - *Phase 4* *(if needed) P-4*
 - *Makai Fence and Viewing Area*
 - *Working trails in accessible areas*
- IV. Landscaping** *P-1/2/3/4*
- *Revegetation and irrigation*
 - *Firebreak*
 - *Drainage Inspection and Maintenance*

Phase 2: Education, Improvements, and Landscaping **FY22-23**

- 1. Continue and Expand Educational Programs:**
 - a) Continue and expand educational opportunities with UH Maui and the community.
 - b) Work with UH-Maui HWST on shared stewardship responsibilities.
- 2. Property Improvements:**
 - a) Construct deer fence (Phase 2).
 - b) Continue to implement Preservation Plan.
- 3. Landscaping**
 - a) Continue to implement planting and irrigation plans.
 - b) Manage and extend new firebreak along neighboring residential properties.
 - c) Continue to conduct bi-annual drainage inspections

Phase 3/4: Education, Improvements, and Landscaping **3: FY24-25**

- 1. Continue and Expand Educational Programs:**
- 2. Property Improvements:**
 - a) Construct deer fence (Phase 3 if needed; Phase 4 if needed).
- 3. Landscaping**
 - a) Continue to implement planting and irrigation plans.
 - b) Manage and extend new firebreak along neighboring residential properties.
 - c) Continue to conduct bi-annual drainage inspections

4: FY26-27

Highlighted WKOP
Project Budget

28

Palauea	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	FY 27	
Phasing	Phase 1		\$ 181,000.00						
			Phase 2		\$ 142,000.00				
					Phase 3		\$ 97,000.00		
							Phase 4 and On		\$ 102,000.00
	Total Preliminary Estimate for Development Development for Phases 1-4								\$ 522,000.00
Detailed Activities by Phase	FY20 Budget	FY21 Budget	FY22 Budget	FY23 Budget	FY24 Budget	FY25 Budget	FY26 Budget	FY27 Budget	Estimated 8-YearBudget
Highlighted Project Totals	\$ 109,500.00	\$ 71,500.00	\$ 93,500.00	\$ 48,500.00	\$ 53,500.00	\$ 43,500.00	\$ 58,500.00	\$ 43,500.00	\$ 522,000.00
Grants: UHMC Stewardship Collaboration	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ 200,000.00
Grants: Stewardship Sponsorship	\$ -	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 70,000.00
Install Deer Fencing Phase 1 (paired with 20k from FY19)	\$ 35,000.00	\$ -	\$ 35,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 70,000.00
Design and Construct Perimeter Barrier (Makai)	\$ 15,000.00	\$ 20,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,000.00
Design and Install Entry Gate (Makai)	\$ 10,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,000.00
Implementation of Preservation	\$ 7,500.00	\$ 7,500.00	\$ 7,500.00	\$ 7,500.00	\$ 7,500.00	\$ 7,500.00	\$ 7,500.00	\$ 7,500.00	\$ 60,000.00
Furniture and Fixtures: Signs Regular	\$ 2,000.00	\$ 2,000.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ 10,000.00
Furniture and Fixtures: Signs Interpretive	\$ 5,000.00	\$ -	\$ -	\$ 5,000.00	\$ -	\$ -	\$ 5,000.00	\$ -	\$ 15,000.00
Design and Install Native Plant Irrigation	\$ -	\$ 7,000.00	\$ 5,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,000.00
Drainage Easement Inspection	10,000.00	\$ -	10,000.00	\$ -	10,000.00	\$ -	10,000.00	\$ -	\$ 40,000.00

Planning for Pahua Heiau, East O'ahu

1. Created a preservation plan as a basis for management of the 1.55-acre property in alignment with OHA's purpose of acquisition. Pahua heiau is thought to have been an agricultural or husbandry site as the area is famous for the sweet potatoes that that once flourished there. The property contains five archaeological sites with 24 features.

- **Pahua Heiau** [O'ahu; R-5 Residential; 1.55 acres; Fee]; (gifted from KS 1988)

Purpose of Acquisition: Educational/cultural opportunities for Native Hawaiians

2. The intention was to create a preservation plan (PP) that would become the basis for a comprehensive Management Plan centered on Native Hawaiian principles for this site. OHA needs to address trespassing/unauthorized access and traversing of the site; enable cultural and educational uses; create a cultural landscape plan; create interpretive and warning, and regulatory signage; create a designated viewing area; conduct regular and consistent maintenance; and consider multiple forms of revegetation for the site.



Pahua: Impact Potential 30

Health/Social Impact Opportunities:

Site-Based Interactions:

- Provide access to a major cultural resource to support traditional cultural practices. [AINA/CULTURE]
- Increase on-site use to support the protection and preservation of the property via programmatic use and sustained cultural resource regeneration. [AINA/CULTURE]
- Enable on-site intergenerational education/interaction/relationship building [CULTURE/EDUCATION]

On/Off- Site Cultural/Education:

- Provide consistent information re: History and Significance [CULTURE]
- Support traditional and contemporary cultural protocols, and rights [CULTURE]
- Facilitate conservation leadership training and demonstration [CULTURE/EDUCATION/GOVERNANCE]

Systemic Impact Opportunities:

- Culturally focused approach to: [AINA/CULTURE/GOVERNANCE]
 - An eco-cultural historic preservation
 - Community-based stewardship of one of the last in-tact sites of the area.
 - Culturally nuanced natural and cultural resource management

Ecological/Environmental Impact Opportunities

Native Habitat Preservation and Regeneration:

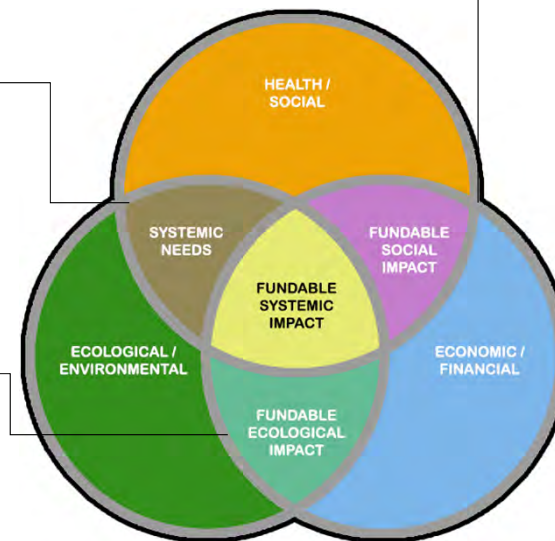
- Demonstrate eco-cultural revegetation models that can be considered amidst an suburban residential environment. [AINA/CULTURE]

Economic Impact:

Potential economic impacts that support the development, implementation, and long-term sustainability of the project.

Revenue Generation Modes:

- Receiving donations
- Explore aligned visitor related business cases to provide guided access to Pahua for educational purposes in exchange for fees that offset the maintenance and management of Pahua (without compromising its cultural integrity).



Planning for Pahua Heiau, East O'ahu

PROGRAMS & INFRASTRUCTURE

I. Culture and Education

- *Work with Stewards to continue and increase on-site education*

II. Landscaping

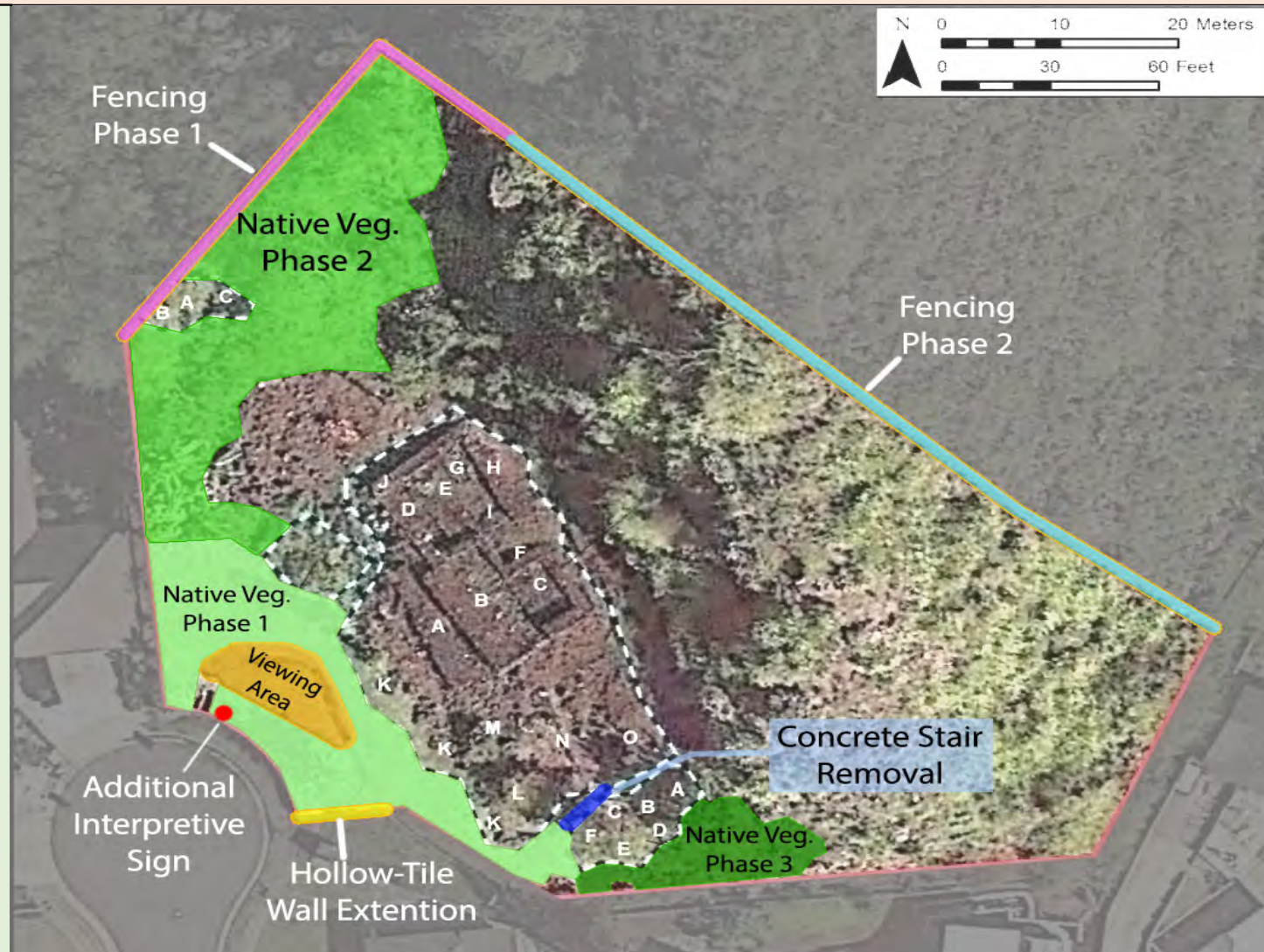
- *Native landscaping and irrigation*
 - *Three Phases* ① ② ③
- *Mitigate invasive species*

III. Access

- *Construct a fence at back edges of property*
 - *Two Phases* ① ②
- *Extend hollow-tile wall* ●
- *Create viewing area* ●
- *Remove existing concrete stair* ●
- *Create/Reposition signs* ●

IV. Preservation of Site

- *Build cultural site maintenance acumen*
- *Create a site plan for the treatment of the site*
- *Update burial treatment plan*



Pahua Phasing

PROGRAMS & INFRASTRUCTURE

- I. **Culture and Education** P-1/2
 - *Work with Stewards to continue and increase on-site education*
- II. **Landscaping** P-1/2
 - *Native landscaping and irrigation*
 - *Three Phases*
 - *Mitigate invasive species*
- III. **Access** P-1/2
 - *Construct a fence at back edges of property*
 - *Two Phases*
 - *Extend hollow-tile wall*
 - *Create viewing area*
 - *Remove existing concrete stair*
 - *Create/Reposition signs*
- IV. **Preservation of Site** P-1/2
 - *Build cultural site maintenance acumen*
 - *Create a site plan for the treatment of the site*
 - *Update burial treatment plan*

Phase 1: Planning, Education, Improvements, & Landscaping

FY20-21

1. **Finalize Planning:**
 - a) Finalize Landscape Design. *(FY20)*
2. **Continue and Expand Educational Programs:**
 - a) Continue and expand educational opportunities w/Stewards and community.
 - b) Conduct historic site maintenance.
3. **Property Improvements:**
 - a) Construct fence *(Phase 1)*; Construct/install litter receptacle.
4. **Landscaping**
 - a) Native vegetation landscaping and irrigation. *(Phase 1)*
 - b) Continue invasive species control.

Phase 2: Education, Improvements, & Landscaping

FY21-23

1. **Continue and Expand Educational Programs:**
 - a) Continue/expand educational opportunities w/ Stewards & community
 - b) Review/amend Burial Treatment Plan; Create arch site treatment plan.
2. **Property Improvements:**
 - a) Construct viewing area; Extend hollow-tile wall; Remove existing stair.
3. **Landscaping**
 - a) Native vegetation landscaping and irrigation. *(Phase 2)*
 - b) Continue invasive species control.

Pahua Phasing

PROGRAMS & INFRASTRUCTURE

- I. **Culture and Education** P-1/2/3/4
 - *Work with Stewards to continue and increase on-site education*
- II. **Landscaping** P-1/2/3/4
 - *Native landscaping and irrigation*
 - *Phase 3*
 - *Mitigate invasive species*
- III. **Access** P-1/2/3/4
 - *Construct a fence at back edges of property*
 - *Two Phases*
 - *Extend hollow-tile wall*
 - *Create viewing area*
 - *Remove existing concrete stair*
 - *Create/Reposition signs*
- IV. **Preservation of Site** P-1/2/3/4
 - *Build cultural site maintenance acumen*
 - *Create a site plan for the treatment of the site*
 - *Update burial treatment plan*

Phase 3: Education, Improvements, & Landscaping

FY24-25

1. **Continue and Expand Educational Programs:**
 - a) Continue and expand educational opportunities w/Stewards & community.
2. **Property Improvements:**
 - a) Additional interpretive signage *(if necessary)*
3. **Landscaping**
 - a) Native vegetation landscaping and irrigation *(Phase 3)*
 - b) Continue invasive species control

Phase 4: Education, Improvements, & Landscaping

FY26 & on

1. **Continue and Expand Educational Programs:**
 - a) Continue/expand educational opportunities w/ Stewards & community.
 - b) Review and update burial treatment plan.
2. **Property Improvements:**
 - a) Construct fencing phase 2 *(if necessary)*
3. **Landscaping**
 - a) Continue invasive species control

34

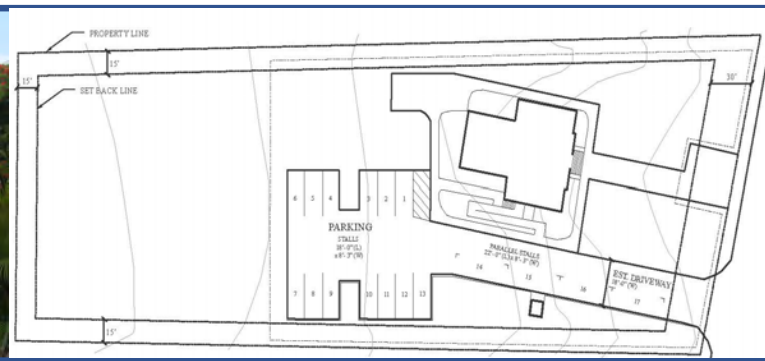
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Planning for The Waialua Courthouse, Haleiwa O'ahu

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1. The Waialua Courthouse is leased from the DLNR by OHA until 2033. It is the only property that discussed in this booklet (that OHA does not own in fee) due to its considerable project costs. The Courthouse (approximately 2000sf) sits on 1.06 acres in Haleiwa town.
2. OHA has been sub-leasing the Courthouse to Hi'ipaka LLC for several years now. As a part of Hi'ipaka's responsibilities, they manage the property, provide presence and manage many of the day to day needs of the property. Hi'ipaka also enables members of the community to use the property to gather, meet, and practice Hawaiian Culture. Additionally, The Civic Club of Waialua subleases from Hi'ipaka and utilize the Courthouse in alignment with the purpose of acquisition.
3. Note: The DLNR does not contribute to the maintenance/improvement(s) of the property in accordance with their lease policy.

- **The Waialua Courthouse** [O'ahu; R-5; 1.06 acres; Lease from DLNR];
Purpose of Acquisition: Provide a base for beneficiary organizations to gather, meet, plan, practice and participate in Hawaiian culture



Planning for The Waialua Courthouse Haleiwa, O'ahu

PROGRAMS & INFRASTRUCTURE

I. Culture and Education

- Continue to enable on-site use of facility.

II. Landscaping

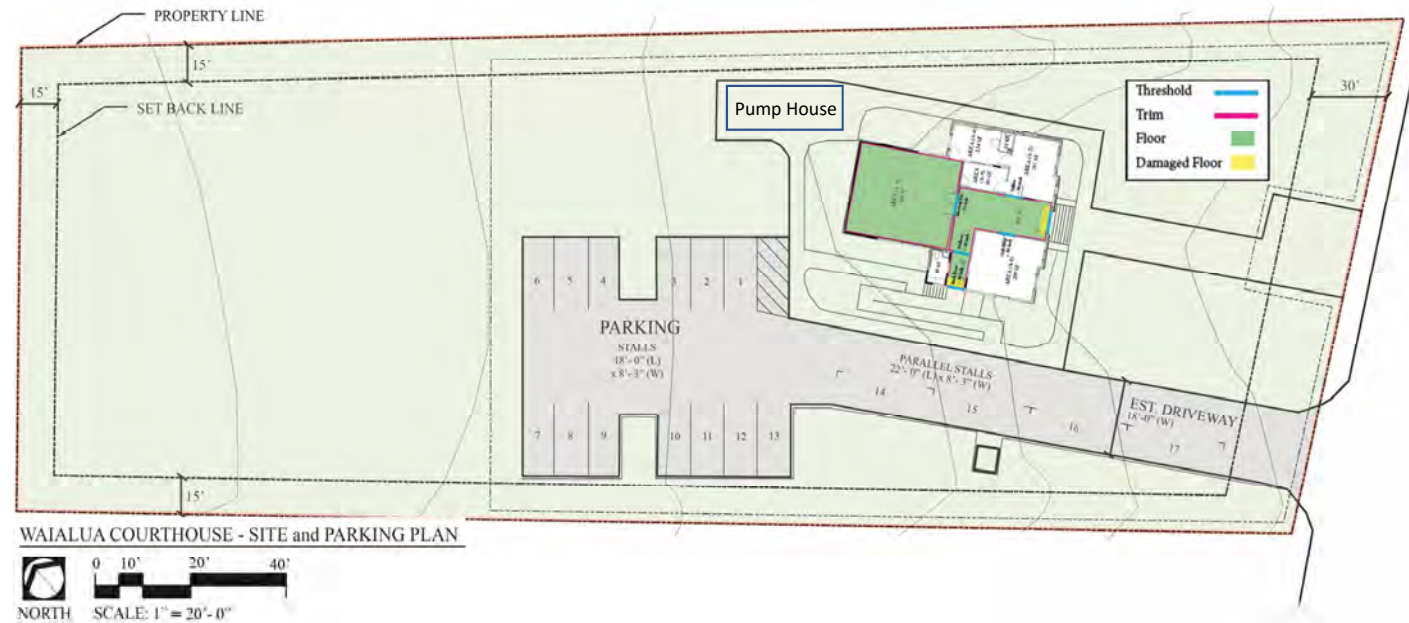
- Continue to revegetate with native plants.

III. Site and Building Maintenance

- Refinish wooden floors ●
- Address parking lot and driveway ○
- Secure Stewards/Building Managers

IV. Other Structural Considerations

- Courthouse foundations/jail cells
- Pumphouse rehabilitation



WCH Phasing

PROGRAMS & INFRASTRUCTURE

- I. Culture and Education P-1/2/3
 - Continue to enable on-site use of facility.
- II. Landscaping P-1/2/3
 - Continue to revegetate with native plants.
- III. Site and Building Maintenance P-1
 - Refinish wooden floors
 - Address parking lot and driveway
 - Secure Stewards/Building Managers
- IV. Other Structural Considerations P-2/3
 - Courthouse foundations/jail cells
 - Pumphouse rehabilitation

Phase 1: Planning, Use, Improvements, & Landscaping

FY20-21

1. **Finalize Planning:**
 - a) Finalize parking and driveway renovation plans. (FY20)
2. **Continue and Expand Educational Programs:**
 - a) Continue to enable access and use.
3. **Property Improvements:**
 - a) Conduct asbestos analysis and refinish floors.
4. **Landscaping**
 - a) Continue to revegetate with native plants.

Phase 2: Use, Improvements, & Landscaping

FY22-23

1. **Continue and Expand Educational Programs and Landscaping:**
2. **Property Improvements:**
 - a) Plan for Pump House and Jail Cell repair; Consider fence design

Phase 3: Use, Improvements, & Landscaping

FY24-25

1. **Continue and Expand Educational Programs and Landscaping**
2. **Property Improvements:**
 - a) Renovate Pump House and Jail Cell; Build fence.

Highlighted WCH Project Budget

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Waialua Courthouse	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	
Proposed Phasing for Development Projects	Phase 1		\$ 98,000.00						
		Phase 2			\$ 136,000.00				
				Phase 3		\$ 230,000.00			
	Total Preliminary (High-Level/Conservative) Estimate for Development for Phases 1-4						\$ 464,000.00		
ACTIVITY	FY20 Budget	FY21 Budget	FY22 Budget	FY23 Budget	FY24 Budget	FY25 Budget	FY26 Budget	FY27 Budget	Estimated 8-YearBudget
Maintenance Category Total Anticipated Budget Request	\$ 48,000.00	\$ 50,000.00	\$ 80,000.00	\$ 68,000.00	\$ 115,000.00	\$ 115,000.00	\$ -	\$ -	\$ 476,000.00
Asbestos Inspection	\$ 2,000.00	\$ -	\$ 2,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,000.00
Refinish Courtroom Floor	\$ 1,000.00	\$ -	\$ 10,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,000.00
Plans for Pump house Repair	\$ -	\$ -	\$ 15,000.00	\$ 15,000.00	\$ -	\$ -	\$ -	\$ -	\$ 30,000.00
Plans for Jail Cell Repair	\$ -	\$ -	\$ 50,000.00	\$ 50,000.00	\$ -	\$ -	\$ -	\$ -	\$ 100,000.00
Plans for Fence/Barrier	\$ -	\$ -	\$ 3,000.00	\$ 3,000.00	\$ -	\$ -	\$ -	\$ -	\$ 6,000.00
Permitting and Construction of Pump house Repair	\$ -	\$ -	\$ -	\$ -	\$ 30,000.00	\$ 30,000.00	\$ -	\$ -	\$ 60,000.00
Permitting and Construction of Plans for Jail Cell Repair	\$ -	\$ -	\$ -	\$ -	\$ 75,000.00	\$ 75,000.00	\$ -	\$ -	\$ 150,000.00
Permitting and Construction of Plans for Fence/Barrier	\$ -	\$ -	\$ -	\$ -	\$ 10,000.00	\$ 10,000.00	\$ -	\$ -	\$ 20,000.00
Site Drainage and Parking Lot Paving (2 years \$50k from FY20/ \$50k from FY21	\$ 45,000.00	\$ 50,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 95,000.00

- If OHA deems necessary

Moving to FY20 under maintenance of Building

**ACTION ITEM****COMMITTEE ON RESOURCE MANAGEMENT**

May 24, 2017

RM #17-05

Action Item Issue: Approval of an OHA Board of Trustees Policy Amendment relating to an allocation of revenue from OHA's Kaka'ako Makai properties.

Prepared by:

Olu Campbell

5/17/17

Date

Aho Pueo Kumuwaiwai 'Āina, Natural Resource Management Specialist

Reviewed by:

Miles Nishijima

5/18/2017

Date

Ka Pou Kihi Kanaloa, Land & Property Director

Reviewed by:

Albert Tiberi

5/17/2017

Date

Ka Paepae Puka, Senior Legal Counsel

Reviewed by:

Kamana'opono Crabbe, Ph.D.
Ka Pouhana, Chief Executive Officer

5/17/2017

Date

Reviewed by:

Not available for signature

Ke Kua, Trustee Hulu Lindsey

Date

Luna Ho'omalua o ke Kōmike RM

Chair of the Committee on Resource Management

I. Action. Approval of a Board of Trustees Policy Amendment to the Kaka'ako Makai Policy, Section 3.A.2), originally adopted on September 20, 2012, to state (deleted language is stricken; new language is bold and underscored):

Allocate 10% of ~~gross~~ net revenue for grants and 30% of net revenue for OHA's Legacy Property Management (net revenue equals gross revenue minus direct operating expenses, excluding Kaka'ako Makai planning and development-related costs) (*policy to be revisited in two years)

II. Issue. Whether the BOT should approve a Board of Trustees Policy Amendment to the Kaka‘ako Makai Policy, Section 3.A.2), to allocate 10% of the net revenues from Kaka‘ako Makai (KM) to OHA’s grants program and 30% of the net revenues to OHA’s Legacy Property Management.

III. Discussion

A. Purpose of the Policy Amendment.

The purpose of this Policy Amendment is to: (1) provide additional funding to OHA’s Legacy Property Management, thereby allowing OHA to improve on its Strategic Priorities through its ownership and management of Legacy and Programmatic lands, while addressing the need for increased funding through a sustainable and currently unutilized source, beyond OHA’s core budget; and (2) make allocations out of KM’s net revenues, versus its gross revenues, to ensure KM’s budgetary needs for management and operation are met before making allocations to other OHA programs.

B. Current Status of the Kaka‘ako Makai Revenues

The current Kaka‘ako Makai Policy allocates ten percent (10%) of gross revenue for OHA’s grants program. OHA’s Commercial Property Management (program code 8210) uses a portion of the remaining ninety percent (90%) to manage the KM parcels and reserve funds for potential future development.

In Fiscal Year 2017 (FY17), the projected revenue from KM properties is \$4.2M. KM’s FY17 budget is \$2.6M for expenses, or 62% of projected gross revenue. The unexpended KM revenue accumulates in a CBRE trust account. Upon OHA’s request, unexpended revenue is transferred to an internal holding account, a portion of which is used to reimburse the OHA core account for KM program expenses. The unexpended revenue in both the CBRE trust account and internal holding account currently totals \$3.9M as of December 31, 2016.

C. Why the Policy Amendment is Necessary.

OHA’s Land Division has been evolving the way that we manage our Legacy and Programmatic lands with aims to both mitigate risk and demonstrate exemplary stewardship and management. This includes conducting pro-active, risk-adverse, land management and maintenance activities, such as planning, development, and implementation of various plans and studies. As OHA continues to improve and advance its responsible land management strategies, the costs related to such efforts will increase. This is particularly the case for land management plans related to legal compliance and risk management where OHA will be compelled to take certain actions, but also applies to implementing use or development plans poised to advance OHA’s mission. Overall, these actions will equate to an increased demand for financial inputs towards Legacy and Programmatic properties that the organization has not experienced in the past.

Therefore, the proposed apportionment of KM revenue to OHA’s Legacy Property Management is intended to:

- 1) Provide some relief to the use of OHA's core funds for upcoming land management activities (specifically large budget line items);
- 2) Access a funding source that is readily available and regenerative in nature to enable OHA to fund its overall land management actions in a sustainable manner; and
- 3) Enable more precise planning and phased implementation of property management actions due to a greater certainty in available funds at a scale that is currently unavailable.

Additionally, this Policy Amendment is necessary to provide sufficient funding, now and into the future, for exemplary management and operation of OHA's KM properties. This Policy Amendment ensures the budgetary requirements of KM's management are deducted out of its gross revenues first, thereby prioritizing the protection of the income source before using such income to support other currently non-income generating uses. Only after KM's budgetary needs are met will an apportionment of the net revenues be distributed to OHA's Grants and Legacy Property programs.

In September 2013, a report to the Governor and the Legislature of the State of Hawai'i published by the State Auditor entitled, "Audit of the Office of Hawaiian Affairs and Report on the Implementation of State Auditor's 2009 OHA Recommendations," stated, "...OHA's real estate portfolio is unbalanced, with revenues generated from commercial properties unable to offset expenses from legacy and programmatic land holdings." The changes this Policy Amendment proposes for KM revenue allocations helps to address this specific concern by first, prioritizing the protection of OHA's KM revenues and second, distributing a portion of such revenues to OHA's Legacy Property Management to sustainably offset the costs associated with legacy and programmatic landholdings without additional reliance on OHA's core budget.

IV. Funding. This policy amendment will not directly incur any additional expenses, although the newly allocated funds would likely be expended in accordance with OHA's Legacy Property Management plans and other needs.

V. Alternative Actions:

- A. Approval of an amended version of the Policy Amendment as stated in I. Action above.
- B. Decline approval of the Policy Amendment as stated in I. Action above and take no other action.
- C. Take no action.

VI. Recommended Action. Approve the Policy Amendment to Section 3.A.2) of the Board of Trustees Kaka'ako Makai Policy as stated in I. Action above.

VII. Timeframe. This Policy Amendment to Section 3.A.2) of the Board of Trustees Kaka'ako Makai Policy will take effect immediately upon approval by the BOT after the second reading.

	Biennium Budget					
	FY14	FY15	FY16	Year 1- FY17	Year 2 - FY18	Year 3 - FY19
TOTAL RENT	\$ 1,674,332.27	\$ 2,103,238.04	\$ 2,505,008.04	\$ 4,159,836.29	\$ 4,150,144.03	\$ 4,217,514.08
CAM	\$ 27,610.00	\$ 119,700.00	\$ 119,700.00	\$ 119,700.00	\$ 119,700.00	\$ 119,700.00
Potential Gross Income	\$ 1,701,942.27	\$ 2,222,938.04	\$ 2,624,708.04	\$ 4,279,536.29	\$ 4,269,844.03	\$ 4,337,214.08
Prior Year Surplus	\$ 760,000.00	\$ 962,061.04	\$ 1,081,172.03	\$ 96,362.46	\$ 926,843.82	\$ 1,517,789.83
10% Allocation to Grants (<i>Current Policy</i>)	\$ 167,433.23	\$ 210,323.80	\$ 250,500.80	\$ 415,983.63		
Vacancy and Collection Loss	\$ -	\$ -	\$ 262,470.80	\$ 342,362.90	\$ 341,587.52	\$ 346,977.13
Percent Vacancy			10%	8%	8%	8%
EFFECTIVE GROSS INCOME	\$ 2,294,509.04	\$ 2,974,675.28	\$ 3,192,908.46	\$ 3,617,552.22	\$ 4,855,100.32	\$ 5,508,026.78
TOTAL EXPENSES	\$ 1,332,448.00	\$ 1,893,503.25	\$ 3,096,546.00	\$ 2,690,708.40	\$ 2,325,450.61	\$ 2,264,321.28
NET OPERATING INCOME	\$ 962,061.04	\$ 1,081,172.03	\$ 96,362.46	\$ 926,843.82	\$ 2,529,649.71	\$ 3,243,705.50
10% Allocation to Grants (<i>New Policy</i>)					\$252,964.97	\$324,370.55
30% Allocation to LPM (<i>New Policy</i>)					\$758,894.91	\$973,111.65
Annual Surplus (Deficit)	\$ 962,061.04	\$ 1,081,172.03	\$96,362.46	\$926,843.82	\$1,517,789.83	\$1,946,223.30

Total KM Contribution

\$1,011,859.89

\$1,297,482.20



OFFICE OF HAWAIIAN AFFAIRS
Interoffice Memorandum

Date: May 24, 2017

To: BOT; BOT Staff

Via: Email

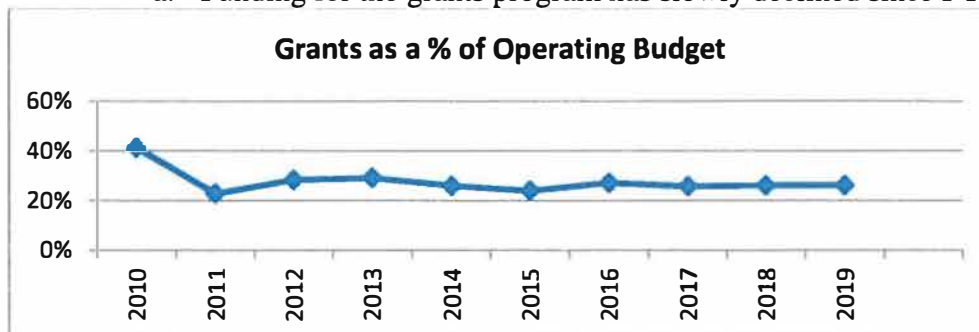
From: Trustee Hulu Lindsey

Subject: **Concerns about RM#17-05**

Aloha Trustees:

This is to alert you that the RM Committee will be proposing an amendment to the proposed action item RM#17-05. The action item proposes the following amendment to the Kaka'ako Makai Policy:

1. Change the computation for the 10% allocation for the grants program from **gross revenues** to **net revenues**.
 2. Allocate 30% of the net revenues for OHA's Legacy Property Management program.
- 1. Using the net revenues as the basis for the calculation of the 10% allocation to the grants program will have a negative impact on the available funding for grants.*
- a. Funding for the grants program has slowly declined since FY 2010.



- b. Based upon a trend analysis of the current Kaka'ako Makai revenues and expenses for FY 14-19, the negative fiscal impact for the grants program funding could grow to as much as \$2M annually in FY 2027.

FY	Grants Program
2019	(226,432)
2020	(380,901)
2021	(413,821)
2022	(582,619)
2023	(734,249)
2024	(968,615)
2025	(1,238,787)
2026	(1,590,345)
2027	(2,017,912)

2. *Allocating 30% of the net revenues for Kaka’ako Makai to the Legacy Properties Program (LPM) would double the size of the LPM budget over next two years during a time when other program budgets are being cut.*

- a. Based upon a trend analysis of the current Kaka’ako Makai revenues and expenses for FY 14-19, the LPM budget would exceed \$7M annually in FY 2027 if the proposed policy remains in effect.

FY	LPM Budget
2019	973,111
2020	1,108,523
2021	1,769,653
2022	2,220,709
2023	2,965,282
2024	3,757,766
2025	4,804,746
2026	6,049,426
2027	7,604,991

- b. The current action item is problematic because the LPM has not submitted a long-term financial plan that (i) identifies the need for the additional funds as well as a (ii) delineation of how the additional funds would be utilized.

Based upon these two concerns I am proposing the following two amendments to the action item:

- Do not amend** the computation for the 10% allocation for the grants program from gross revenues to net revenues.
- Insert a clear sunset clause** that stipulates that the proposed 30% allocation of net revenues shall cease to have effect after FY 2019.
 - The current action item does include a suggestion that the “policy be revisited in two years.” However, the inclusion of a sunset clause would clearly stipulate that

the intent of the action item is to make a temporary as opposed to permanent change to the Kaka'ako Makai Policy.

APPENDIX

1. Fiscal Impact Analysis
2. Grants Program Analysis

OFFICE OF HAWAIIAN AFFAIRS
Action Item

Board of Trustees
August 31, 2012

BOT # 12-05

Action Item Issue: Kaka'ako Makai Policy

Prepared by:	<u><i>Edward O. Los Banos</i></u>	<u>8-28-12</u>
	Edward O. Los Banos/Chief Operating Officer	Date
Reviewed by:	<u><i>Ernest M. Kimoto</i></u>	<u>8-28-12</u> ✓
	Ernest M. Kimoto/Corporate Counsel	Date
Reviewed by:	<u><i>Kamana'opono M. Crabbe</i></u>	<u>8/29/12</u>
	Kamana'opono M. Crabbe, Ph.D./Ka Pouhana, CEO	Date
Approved by:	<u><i>Colette Y. Machado</i></u>	<u>8/29/12</u>
	Colette Y. Machado / Chairperson, BOT	Date

I. ACTION:

To adopt a Kaka'ako Makai Policy as described in Attachment "A" and approve Attachment "A" for a ~~second~~ ^{first} policy reading.

II. ISSUE

Whether or not the Board of Trustees should:

1. Adopt a policy related to Kaka'ako Makai,
2. Approve or amend the Kaka'ako Makai Policy presented as Attachment "A" for a second reading.

III. DISCUSSION

Background

Act 15, Session Laws of Hawai'i 2012 transferred 10 land parcels in Kaka'ako Makai to the Office of Hawaiian Affairs (OHA) to settle the past due portion of ceded land revenue claims. The 10 parcels conveyed amount to approximately 30 acres of underutilized commercial property with an estimated value of \$200 million. These parcels were substantively conveyed to OHA on July 1, 2012.

Prior to this acquisition, OHA Trust Fund assets were primarily comprised of cash and investments. The settlement, by itself, creates a substantial commercial real estate portfolio for OHA, elevating the Native Hawaiian Trust Fund to new heights. To rise to the new challenges, the Board of Trustees participated in two rounds of workshops from May 22nd-25th and August 20th-21st to establish guiding principles and policies for property management and development of Kaka‘ako Makai.

Policy

The Kaka‘ako Makai Policy included as Attachment “A” are the result of the two rounds of workshops, facilitated by Norma Wong and provide guidance and is organized in the following categories:

1. Relationship to OHA’s Vision and Strategic Priorities
2. Design and Use, including Cultural Values
3. Revenue Generation and Proceeds
4. Timetable and Process
5. Governance and Decision-Making

IV. ALTERNATIVES

A. To adopt a Kaka‘ako Makai Policy as described in Attachment “A” and approve Attachment “A” for a second policy reading.

B. Decline to adopt a Kaka‘ako Makai Policy as described in Attachment “A” and approve Attachment “A” for a second policy reading.

V. RECOMMENDATION

To adopt a Kaka‘ako Makai Policy as described in Attachment “A” and approve Attachment “A” for a second policy reading.

VI. TIMEFRAME

Policy Effective Date

To take effect, the policy presented as Attachment “A” must pass without amendment through two readings. All amendments proposed and agreed upon by the Board shall result in another first policy reading and presentation – no immediate Board action will be necessary. All amendments shall be contained in Attachment “A” and clearly indicated in any future presentations, as needed.

VII. FUNDING

No funding requested at this time.

VIII. ATTACHMENTS

Attachment A – Kaka‘ako Makai Policy



OFFICE OF HAWAIIAN AFFAIRS

KAKA‘AKO MAKAI POLICY

First Reading: August 30, 2012

**Kaka‘ako Makai Policy
of the Office of Hawaiian Affairs**

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Status/Effective Date

Kaka‘ako Makai Policy of the Office of Hawaiian Affairs

PURPOSE

The purpose of this policy is to set forth guidelines for the management and development of its Office of Hawaiian Affairs’ (OHA) Kaka‘ako Makai parcels received through Act 15, Session Laws of Hawai‘i, consistent with the existing Real Estate Vision, Mission, and Strategy Policy. The Real Estate Vision, Mission and Strategy Policy currently provides for real estate best practices and world class caliber developments. Factors affecting management and development of the Kaka‘ako Makai parcels focus upon five objectives:

- 1) Relationship to OHA’s vision and strategic priorities;
- 2) Design and use, including cultural values;
- 3) Revenue generation and proceeds;
- 4) Timetable and process; and
- 5) Governance and decision-making

The following set of policy guidelines reflects the objective of maximizing revenue and total returns to increase OHA’s programmatic reach without compromising OHA’s kuleana to perpetuate Hawaiian culture in OHA’s management and development of the parcels.

POLICY GUIDELINES

1. Relationship to OHA’s Vision and Strategic Priorities

Create synergy between OHA’s Kaka‘ako Makai parcels and OHA’s vision and strategic priorities.

- A. Commercial kuleana to maximize revenues while providing economic development opportunities for Native Hawaiians.
 - 1) Create a sustainable revenue stream to support OHA’s strategic priorities
 - 2) Create opportunities for Native Hawaiian self-sufficiency
 - 3) Create programmatic opportunities for employment of Native Hawaiians
- B. Cultural kuleana to incorporate Native Hawaiian culture in both intrinsic and extrinsic design elements and purposes.
 - 1) Proceed in a way that has in mind the transfer of the assets to the Nation

- 2) Raise an architectural landmark/signature that signifies Kaka‘ako Makai as a Hawaiian place
- 3) Create a sense of Nation - acting boldly

2. Design and Use, including Cultural Values

Ensure that cultural and stewardship values drive/provide the base for design and use decisions.

A. Create a Hawaiian sense of place – a cohesive Hawaiian identity that creates a place in which the physical structures and environment are connected to the socio-psychological, cultural and spiritual aspects of living Hawaiian that reflects the past, present and future.

- 1) Understand that history can guide us – consider the trajectory of historical uses of the area
- 2) Incorporate cultural uses
- 3) Introduce Kaka‘ako Makai as a meeting place for Native indigenous leaders of the Western hemisphere and Pacific Islands
- 4) Encourage uses and activities that attract Hawaiians and locals to Kaka‘ako Makai
- 5) Incorporate the cultural identity of the area - stories, names, guardians, wind and elements – as a guide for planning, design and use
- 6) Proceed with our cultural/kanaka foot
- 7) Create a signature architectural Hawaiian landmark

B. Balance pono and commerce.

- 1) Encourage cohesiveness among parcels/projects
- 2) Establish priority for qualified Hawaiian businesses and professionals
- 3) Incorporate mixed uses
- 4) Use green (environmentally friendly) technology
- 5) Prioritize the use of indigenous plants

C. Collaborate with other Native Hawaiian organizations

- 1) Work with Kamehameha Schools on potential partnerships with KS's adjoining properties
- 2) Work with other Ali'i Trusts

3. Revenue Generation and Proceeds

Balance near-term revenue stream and/with long-term financial and strategic goals and decisions.

A. Near-term kuleana to balance near-term revenue generation for programmatic use with long-term vision.

- 1) Create a sustainable revenue stream for strategic priorities
- 2) Allocate 10% of gross revenue for grants (*policy to be revisited in two years)
- 3) Set leases and other contractual arrangements at market value; anything below market value should be exceptions, and will require Board approval

B. Long-term kuleana to balance revenue generation with OHA strategic goals.

- 1) Maximize revenue generation, consistent with design, use, and cultural values
- 2) Balance pono and commerce

4. Timetable and Process

Develop a timely, accountable process.

A. Key planning considerations

- 1) Have an overall conceptual plan before considering or initiating major proposals
- 2) Establish a timeline for tasks that need to be accomplished

B. Key execution considerations

- 1) Engage professionals – finance, real estate, marketing, development, etc.
- 2) Maintain the momentum, in keeping with fiduciary duties

3) Proceed in ways that grow, preserve, and protect the assets to the Nation

C. Transparency and communication kuleana

1) Embrace community engagement – ensuring dialogue with the community and neighbors

2) Have a robust communications and information-sharing infrastructure

5. Governance and Decision-Making

Exercise appropriate leadership and management.

A. Vision for master planning and property management.

1) Implement knowledge-based decision-making

2) Establish efficient management

3) Act in ways that are consistent with Kaka‘ako Makai being a flagship of actions, values and leadership

4) Create a sense of nation - acting boldly

5) Retain policy direction at the level of the Trustees

B. Accountability

1) Lead with people who have financial, management, and development expertise

2) Complete an annual budget and a 5-year management and operating budget

UPDATE AND MAINTENANCE

The OHA Chief Executive Officer shall be responsible for the update and maintenance of these policies. A review shall be done at a minimum annually to insure that amendments or changes in the laws are duly incorporated or as requested by the Chairperson of the Board of Trustees or Chairperson of a Standing Committee.

Status/Effective Date:

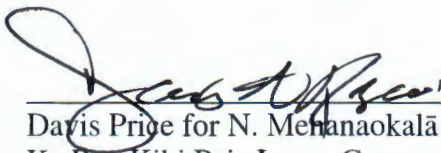
OFFICE OF HAWAIIAN AFFAIRS

Action Item
Committee on Resource Management
August 21, 2019

RM #19-11

Action Item: Approval of the Habitat for Humanity Maui Organization to Distribute the Previously Approved \$35,000 of Emergency Disaster Relief for Kaua'ula Maui


Prepared by:


Davis Price for N. Mehanaokalā Hind

Ka Pou Kihi Paia Lono, Community Engagement Director

8/12/19
Date

Reviewed by:


Gloria Li

Ka Pou Kihi Kanaloa Wai Kūikawā, Interim Chief Financial Officer

8/12/19
Date

Reviewed by:

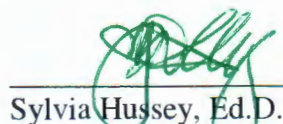

Lisa Watkins-Victorino, Ph.D.

Ka Pou Nui Kūikawā, Interim Chief Operating Officer

8/12/19

Date

Reviewed by:


Sylvia Hussey, Ed.D.

Ka Pouhana Kūikawā, Interim Chief Executive Officer

8/12/19
Date

Reviewed by:


Dan Ahuna

Committee on Resource Management, Chairperson

08/13/19
Date

Action Item RM #19-XX: Approval of the Habitat for Humanity Maui Organization to Distribute the Previously Approved \$35,000 of Emergency Disaster Relief for Kauaʻula Maui

I. Proposed Action

Administration presents and recommends approval of the Habitat for Humanity Maui organization to distribute the previously approved \$35,000 of emergency disaster relief for Kauaʻula Maui.¹

II. Issue

Should the Board of Trustees (BOT) approve the Habitat for Humanity Maui organization to distribute the previously approved \$35,000 for emergency disaster relief for Kauaʻula Maui.

III. Background – Determination of Need and Basis for \$35,000 Emergency Disaster Relief

On May 2, 2019, via Action Item RM #19-06 (attached), the BOT approved \$35,000 in emergency disaster relief for 20 Native Hawaiian households, on Kuleana lands, that were affected by wildfires in Kauaʻula Maui. The wildfires, record rainfall and widespread flooding was a result of the impacts of Lane, a Category 5 hurricane reported on August 21, 2018. Although the BOT approved the \$35,000 in emergency disaster relief on May 2, 2019, a distribution mechanism (e.g., vendor, contractor) for the \$35,000 was not identified nor encumbered by June 30, 2019.

Action Item RM #19-06 also identified the assessment process completed by OHA's Maui Community Resource Center (CRC) staff with the Kauaʻula community to determine that: A) 20 people were affected by the Kauaʻula fires including: 11 families lost homes; 9 additional families who lived on the land in tents, shacks, etc., lost everything in the fire; the entire community was off the grid with no public utilities; and B) Problems identified also included: previous structures had grandfathered in cesspools, but any re-building would require the installation of septic tanks in order to get permitted; Temporary housing assistance through programs and shelters are running out; and there has still been no determination related to the cause of the fire.

As also outlined in Action Item RM #19-06, the community agreed to the following parameters related to any assistance that OHA may provide:

- All families should be assisted (whether they lost a structure, agriculture, or belongings), a total of 20 families;
- Families have requested a tiered system where families who lost structures receive more than families who lost belongings or agriculture; and
- OHA should have one point of contact in the community and they designated Tiara Ueki "Ti". All information from other sources should be vetted through Tiara, who will confer with the families prior to verifying any information with OHA.
- If assistance is approved, the families prefer that Nā 'Aikāne O Maui be the organization they work with. If this is a conflict because 'ohana Kapu, who are represented on the Board of Directors for this non-profit, is also one of the 20 families on the list, they have identified a second non-profit, Red Lightning which may be able to assist.

¹ Action Item RM #19-06 Approval of \$35,000 for Emergency Disaster Relief for Kauaʻula Maui

Action Item RM #19-XX: Approval of the Habitat for Humanity Maui Organization to Distribute the Previously Approved \$35,000 of Emergency Disaster Relief for Kaua‘ula Maui

Action Item RM #19-06 also specifically identified and named the ‘universe’ of families affected by the fires which would be the recipients of the financial disaster relief:

- **‘Ohana with structures:**
 1. Joseph Aquino
 2. Kimberly Lopez
 3. Yolanda Dizon
 4. John Aquino
 5. Tatum Delos Reyes
 6. Chardell Naki
 7. Winnie Lopez
 8. Mark and Ku‘ulei Palakiko
 9. Emily Ancog
 10. Tiara Ueki
 11. David and Samantha Dizon

- **‘Ohana who lost belongings:**
 1. Lyndell Naki
 2. Cathy Nacua
 3. Keeaumoku Kapu
 4. Carol Kalehuawehe
 5. Rocky Villa
 6. Chad Aquino
 7. Kaeo Aquino
 8. Kimo Aquino
 9. Kaleo Costa

Staff recommended and the BOT approved a relief amount consistent with recent OHA emergency relief efforts (i.e., Kauai and Puna): \$2,000 x 11 families = \$22,000 + \$1,000 x 9 families = \$9,000 for a total of \$31,000; plus 10% admin fee of \$3,100 (for the distributing non-profit organization) for a total of \$34,100—say \$35,000.

IV. Distribution Mechanism Discussion for the Previously Approved \$35,000 Emergency Disaster Relief

HRS §10-17 Grants; conditions and qualifications. (a) Applications for grants shall be made to the office and contain such information as the office shall require. At a minimum, the applicant shall show:

- (1) The name of the requesting organization or individual;
 - (2) The purpose for the grant;
 - (3) The service to be supported by the grant;
 - (4) The target group to be benefited;
 - (5) The cost of the grant; and
 - (6) That the grant shall be used for activities that are consistent with the purposes of this chapter.
- (b) Grants shall only be awarded if:

Action Item RM #19-XX: Approval of the Habitat for Humanity Maui Organization to Distribute the Previously Approved \$35,000 of Emergency Disaster Relief for Kaua‘ula Maui

- (1) The applicant has applied for or received all applicable licenses and permits, when such is required to conduct the activities or provide the services for which a grant is awarded;
 - (2) The applicant agrees to comply with applicable federal, state, and county laws;
 - (3) The grant shall not be used for purposes of entertainment or perquisites;
 - (4) All activities and improvements undertaken with funds received shall comply with all applicable federal, state, and county statutes and ordinances, including applicable building codes and agency rules; and
 - (5) The applicant will indemnify and hold harmless the office, the State of Hawaii, its officers, agents, and employees from and against any and all claims arising out of or resulting from activities carried out or projects undertaken with funds provided hereunder, and procure sufficient insurance to provide this indemnification if requested to do so by the office.
- (c) To receive a grant, an applicant shall:
- (1) Be:
 - (A) A for-profit subsidiary of a nonprofit organization incorporated under the law of the State;
 - (B) A nonprofit community-based organization determined to be exempt from federal income taxation by the Internal Revenue Service;
 - (C) A cooperative association; or
 - (D) An individual, who in the board's determination, is able to provide the services or activities proposed in the application for a grant;
 - (2) In the case of a nonprofit organization, have a governing board whose members have no material conflict of interest and serve without compensation, have bylaws or policies that describe the manner in which business is conducted and policies relating to nepotism and management of potential conflict of interest situations, and employ or contract with no two or more members of a family or kin of the first or second degree of consanguinity unless specifically permitted by the office;
 - (3) Agree to make available to the office all records the applicant may have relating to the operation of the applicant's activity, business, or enterprise, to allow the office to monitor the applicant's compliance with the purpose of this chapter; and
 - (4) Establish, to the satisfaction of the office, that sufficient funds are available for the effective operation of the activity, business, or enterprise for the purpose for which the grant is awarded.
- (d) Every grant shall be:
- (1) Monitored by the office to ensure compliance with this chapter and the purposes and intent of the grant; and
 - (2) Evaluated annually to determine whether the grant attained the intended results in the manner contemplated.
- (e) Grants made by the office under this chapter may be made without regard to chapters 103D and 103F. [L 2002, c 182, §1; am L 2003, c 9, §2]

Nā ‘Aikāne O Maui. As noted above, the Kaua‘ula community itself preferred to work with Nā ‘Aikāne O Maui but also identified a conflict of interest with the organization because ‘ohana Kapu, who are represented on the Board of Directors for this non-profit, is also one of the 20 families on the list. No further research completed re: this organization due to the identified conflict of interest.

Action Item RM #19-XX: Approval of the Habitat for Humanity Maui Organization to Distribute the Previously Approved \$35,000 of Emergency Disaster Relief for Kaua‘ula Maui

Red Lightning. The community identified a second non-profit, Red Lightning which may be able to assist. In December of 2018, OHA’s Community Outreach provided the non-profit Red Lightning a small sponsorship of \$5,000 to replenish many of the lost native plants and rebuilding the lo‘i and to start the rebuilding process for the community. Red Lightning was a non-profit identified by the community representative that they could work with.

A search through the State of Hawaii, Department of Commerce and Consumer Affairs businesses produced the following for “Red Lightning” and “Red Lightning Maui”.

Search for Businesses & Buy Documents

Search to find and learn more about a business. You can also purchase available documents such as a Certificate of Good Standing.

Search Mode	Business Name
Begins with... ▾	Red Lightning

No Search Results

No business found matching your search.

Edit my searchNew search

Search for Businesses & Buy Documents

Search to find and learn more about a business. You can also purchase available documents such as a Certificate of Good Standing.

Search Mode	Business Name
Begins with... ▾	Red Lightning Maui

No Search Results

No business found matching your search.

Edit my searchNew search


Source: State of Hawaii, Department of Commerce and Consumer Affairs (DCCA), Business Registration Division ²

² <https://hbe.ehawaii.gov/documents/business.html?fileNumber=109229D2&view=info>, retrieved 8/6/2019, Department of Commerce & Consumer Affairs, Business Registration, Business Express

Action Item RM #19-XX: Approval of the Habitat for Humanity Maui Organization to Distribute the Previously Approved \$35,000 of Emergency Disaster Relief for Kaua'ula Maui

A search through the Guidestar³ displayed the following and a copy of the organization's Form 990EZ – Return of Organization Exempt from Tax as of 6/30/2017 is on file; note the reported gross receipts and assets.

Red Lightning		\$52,170
Kihei, HI EIN: 47-2559388 501(c)(3)	Number: 6184977351	\$485

 **GUIDESTAR**
by Candid

GuideStar Basic

Search Update Nonprofit Profile Products Blog Support

Sylvia Hussey

PUBLIC SAFETY, DISASTER PREPAREDNESS, AND RELIEF

RED LIGHTNING

QUICK FACTS

KIHEL, HI

www.redlightning.com

SUMMARYPROGRAMSFINANCIALSOPERATIONS

Mission

TO PROVIDE DISASTER RELIEF TO VICTIMS

Ruling Year

2014

EIN

47-2559388

IRS Filing Requirement

This organization is required to file an IRS Form 990-N.

Principal Officer

Michael Shiffler

Number

6184977351

Download Tax Forms

Show Forms 990

Main Address

PO BOX 277
KIHEL, HI 96753

Cause Area (NTEE Code)

Disaster Preparedness and Relief Services (M20)

Show More Contacts

Habitat for Humanity Maui. From Website⁴: “Habitat for Humanity Maui (HHM) was incorporated in 1996 and officially became an affiliate of Habitat for Humanity International in 1997. It was an all-volunteer organization for the first five years and hired its first Executive Director in 2003. Habitat for Humanity Maui follows the principals of Habitat for Humanity International by selling homes to low income families at a no interest and no profit basis. They serve families that are between 25% and 80% of the median income for Maui County. Families are required to attend homeowner education classes; budget counseling and credit counseling. HHM believes that through shelter we can build strength and stability for families and our community.

Habitat for Humanity Maui has a building program where we build single family or multi-family housing for those in need. Habitat for Humanity Maui also does critical repairs, renovations and retrofits with its “A Brush With Kindness” Program. This program helps families that are in need of critical repairs to their home to make it safe or small renovations such as a new roof to

³ GuideStar gathers, organizes, and distributes information about U.S nonprofits. <https://learn.guidestar.org/about-us>, retrieved 8/6/2019

⁴ <https://www.habitat-maui.org/about-us/>, retrieved 8/6/2019

Action Item RM #19-XX: Approval of the Habitat for Humanity Maui Organization to Distribute the Previously Approved \$35,000 of Emergency Disaster Relief for Kaua'ula Maui

help repair a leaky roof. Retrofits include grab bars or ramps to accommodate a disabled or elderly resident so that they can remain in their home rather than have to go to an assisted living facility."

A search through the State of Hawaii, Department of Commerce and Consumer Affairs businesses produced the following for "Habitat for Humanity Maui, Inc."


MASTER NAME HABITAT FOR HUMANITY MAUI, INC.	TERM PER
BUSINESS TYPE Domestic Nonprofit Corporation	AGENT NAME SHERRI DODSON
FILE NUMBER 109229 D2	AGENT ADDRESS 1162 LOWER MAIN STREET WAILUKU, Hawaii 96793 UNITED STATES
STATUS Active	
PURPOSE ASSISTING IN BUILDING HOMES FOR LOW INCOME RESIDENTS	
PLACE INCORPORATED Hawaii UNITED STATES	
REGISTRATION DATE Jul 18, 1997	
MAILING ADDRESS 1162 LOWER MAIN STREET WAILUKU, Hawaii 96793 UNITED STATES	

Annual Filings

Filing Year	Date Received	Status
2019	Jul 8, 2019	Processed
2018	Jul 19, 2018	Processed
2017	Jul 5, 2017	Processed
2016	Jul 5, 2016	Processed

Action Item RM #19-XX: Approval of the Habitat for Humanity Maui Organization to Distribute the Previously Approved \$35,000 of Emergency Disaster Relief for Kaua‘ula Maui


Officers

Name	Office <small>[More info]</small>	 Date
BANKS,DARRYL	C/P/D	Jul 1, 2019
DODSON,SHERRI K	CEO/ED	May 7, 2019
ADKINS,RUSSELL	D	Jul 1, 2019
STEVENSON,JOANNE	D	Jul 1, 2019
TAYLOR,IAN	D	Jul 1, 2019
COHEN,ALYSSA	D	May 7, 2019
BISSEN,SAYBLE	D	May 7, 2019
MCBARNET,LOGAN	D	May 7, 2019

KAAA,KATHY	D	Jul 1, 2018
BALL,LIAM	D	Jul 1, 2017
AXE,LINDA	D	Jul 1, 2017
FERNANDEZ,AARON	D	Jul 1, 2017
CORDOVA,FLORENTINO	D	Jul 1, 2017
OHTA,KATHLEEN	T	May 7, 2019
DURANTE,ADAM	V/D	Jul 1, 2018

Action Item RM #19-XX: Approval of the Habitat for Humanity Maui Organization to Distribute the Previously Approved \$35,000 of Emergency Disaster Relief for Kaua'ula Maui

A search through the Guidestar⁵ displayed the following and a copy of the organization's Form 990EZ – Return of Organization Exempt from Tax as of 6/30/2017 is on file; note the reported gross receipts and assets.



HABITAT FOR HUMANITY MAUI, INC.
Housing, Shelter
Habitat for Humanity Maui builds strength, stability and self-reliance through shelter.

aka Habitat Maui
Wailuku, HI
www.habitat-maui.org

DONATE NOW

Category	Amount
Gross Receipts	\$1,489,099
Assets	\$6,461,553

Habitat for Humanity Maui's mission is to build decent housing and to renovate substandard housing on **Maui** and Lanai ... potential homeowners so that homelessness and substandard housing on **Maui** and Lanai is eliminated. ...

SUMMARY	PROGRAMS	FINANCIALS	OPERATIONS
<p>Mission</p> <p>Habitat for Humanity Maui's mission is to build decent housing and to renovate substandard housing on Maui and Lanai in partnership with community volunteers and potential homeowners so that homelessness and substandard housing on Maui and Lanai is eliminated.</p>	<p>Ruling Year</p> <p>1987</p> <p>Principal Officer</p> <p>Sherri K Dodson</p> <p>Main Address</p> <p>970 Lower Main St Wailuku, HI 96793 USA</p> <p>Show More Contacts</p>	<p>EIN</p> <p>94-3278838</p> <p>Number</p> <p>6056411280</p> <p>Cause Area (NTEE Code)</p> <p>Housing Development, Construction, Management (L20) Christian (X20) Community, Neighborhood</p>	<p>IRS Filing Requirement</p> <p>This organization is required to file an IRS Form 990 or 990-EZ.</p> <p>Download Tax Forms</p> <p>Show Forms 990</p>

Source: Guidestar⁶

Habitat for Humanity Maui, already assisted this community, is a Hawai'i based non-profit, and recently partnered with OHA on a FB 18-19 OHA community grant for a Native Hawaiian Financial Literacy and Homeowner Education Program. The program provided financial literacy, credit counseling, and individual development account services to Native Hawaiian beneficiaries in Central Maui, Hana and Lāna'i.

In 2018, Habitat for Humanity Maui actively provided disaster relief assistance to 14 Native Hawaiian families (over 65 individuals). Habitat for Humanity Maui provided over \$60,000 in disaster relief, which included off-grid appliances, as well as monetary funds to purchase new construction materials. Habitat for Humanity Maui also provided significant technical support, which included negotiating discounts from suppliers, ordering, receiving and delivering items, researching and coordinating aid from other non-profit organizations and coordinating fundraisers.

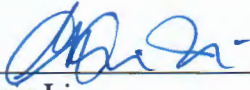
⁵ GuideStar gathers, organizes, and distributes information about U.S nonprofits. <https://learn.guidestar.org/about-us>, retrieved 8/6/2019

⁶ <https://www.guidestar.org/profile/94-3278838>, retrieved 8/6/2019; Form 990 for year ended 6/30/2017 on file

Action Item RM #19-XX: Approval of the Habitat for Humanity Maui Organization to Distribute the Previously Approved \$35,000 of Emergency Disaster Relief for Kaua'ula Maui

V. Certification of Funding Availability

As noted above, although the BOT approved the \$35,000 in emergency disaster relief on May 2, 2019, a distribution mechanism (e.g., vendor, contractor) for the \$35,000 was not identified nor encumbered by June 30, 2019 and therefore the funds lapsed. The \$35,000 in funds required for this Action Item are currently available from OHA's FY 20 core Operating Budget and needs to be reallocated from Program 2100-CEO, Object Code 57110-Fee for Service to Program 3800-Grants, Object Code 56530-Grants in Aid.



Gloria Li

Ka Pou Kihi Kanaloa Wai Kuikawa, Interim Chief Financial Officer

VI. Recommended Action(s)

- 1) Approve the selection of the Habitat for Humanity Maui organization to distribute the previously approved \$35,000 of emergency disaster relief for Kaua'ula Maui; and
- 2) Authorize and approve the transfer and use of funds available in OHA's FY 20 core Operating Budget and needs to be reallocated from Program 2100-CEO, Object Code 57110-Fee for Service to Program 3800-Grants, Object Code 56530-Grants in Aid.

VII. Alternatives

Take no action.

VIII. Time Frame

This action shall be effective immediately upon approval by the BOT.

IX. Attachment - Action Item RM #19-06 Approval of \$35,000 for Emergency Disaster Relief for Kaua'ula Maui

**MEETING OF THE
COMMITTEE ON RESOURCE
MANAGEMENT**

COMMITTEE REPORT

May 1, 2019

The Honorable Colette Machado,
Chairperson Board of Trustees
Office of Hawaiian Affairs

Madame Chair Machado,

The Committee on Resource Management, having met on May 1, 2019 and after full and free discussion, recommends approval of the following action to the Board of Trustees:

To approve \$35,000 for Emergency Disaster Relief for Kaua`ula Maui, subject to statutory disbursement requirements; and to authorize and approve the transfer and use of funds available in OHA's FY19 Core Operating Budget from Program 1100-Board of Trustees, Object Code 57280-Trustee Allowance to Program 3800-Grants, Object Code 56530-Grants in Aid.

Relevant attachments are included for your information and reference. Attachment(s):

- 1) Action Item RM #19-06
- 2) Roll Call Vote Sheet #19-06
- 3) Roll Call Vote Sheet #19-06 motion as amended.

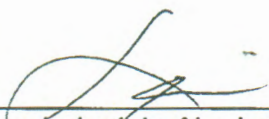
Respectfully submitted:



Trustee Dan Ahuna, Chair



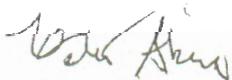
Trustee Kalei Akaka, Member



Trustee Leina'ala Ahu Isa, Member

EXCUSED

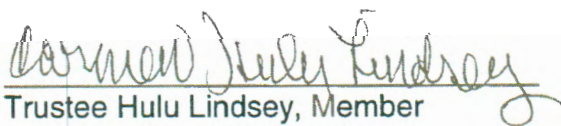
Trustee Robert Lindsey, Member



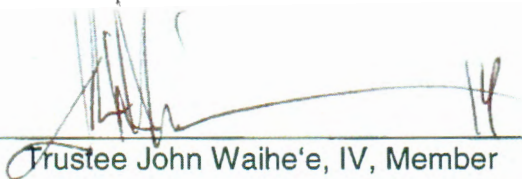
Trustee Keli'i Akina, Member

SIGNATURE NOT AVAILABLE

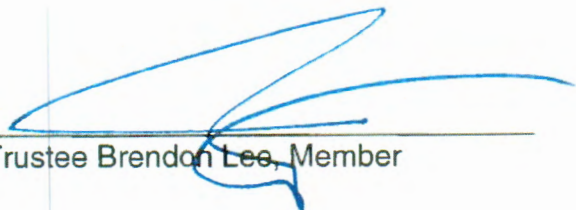
Trustee Colette Machado, Member



Trustee Hulu Lindsey, Member



Trustee John Waihe'e, IV, Member



Trustee Brendon Lee, Member

OFFICE OF HAWAIIAN AFFAIRS

Action Item
Committee on Resource Management
May 1, 2019

RM #19-06

Action Item: Approval of \$35,000 for Emergency Disaster Relief for Kaua'ula Maui

Prepared by: Not available for signature 4/24/19
Mehanaokala Hind Date
Community Engagement Director

Reviewed by:  4/24/19
Sylvia Hussey, Ed.D. Date
Acting Ka Pou Kihi Kanaloa Wai, Acting Chief Financial Officer

Reviewed by:  4/24/19
Sylvia Hussey, Ed.D. Date
Ka Pou Nui, Chief Operating Officer

Reviewed by:  4/24/19
Kamana'opono M. Crabbe, Ph.D. Date
Ka Pouhana, Chief Executive Officer

Reviewed by:  4/24/19
Dan Ahuna Date
Committee on Resource Management, Chairperson

I. Proposed Action

Administration presents and recommends approval of \$35,000 for Emergency Disaster Relief for Kaua'ula Maui; and subsequent approval recommendation to the Board of Trustees (BOT).

II. Issue

Should the BOT approve and authorize Administration to utilize \$35,000 for Emergency Disaster Relief for Kaua'ula Maui.

III. Background

On August 21, 2018, news programs across Hawai'i and the U.S. reported that a Category 5 hurricane, named Hurricane Lane, was barreling towards Hawai'i. Up to 20 inches of rain was predicted along with sustained winds of 155 mph. Although Hurricane Lane did not make landfall, it did bring record rainfall which led to widespread flooding and contributed to massive wildfires on Maui in the early morning of August 24, 2018. Victims of the wildfires in Kaua'ula Maui reside on Kuleana lands. There were 20 Native Hawaiian households that were affected.

IV. Discussion and Assessment, Procurement

Discussion and Assessment. Following on-going discussions via telephone and with our Maui Community Resource Center (CRC) staff throughout the month following the fires, OHA asked for a meeting with the Kaua'ula 'ohana. On Monday, October 1, 2018, OHA staff attended a meeting at Waiola Church in Lahaina with 30 people affected by the Kaua'ula fires. This is the summary from that meeting followed by the areas on which the families agree and is the basis for Administration's recommendation going forward:

- 11 families lost homes;
- 9 additional families who lived on the land in tents, shacks, etc., lost everything in the fire;
- The entire community was off the grid with no public utilities; and
- Problems identified:
 - Previous structures had grandfathered in cesspools, but any re-building would require the installation of septic tanks in order to get permitted;
 - Temporary housing assistance through programs and shelters are running out; and
 - There has still been no determination related to the cause of the fire.

Community agreed to the following parameters related to any assistance that OHA may provide:

- All families should be assisted (whether they lost a structure, agriculture, or belongings), a total of 20 families;
- Families have requested a tiered system where families who lost structures receive more than families who lost belongings or agriculture; and
- OHA should have one point of contact in the community and they designated Tiara Ueki "Ti". All information from other sources should be vetted through Tiara, who will confer with the families prior to verifying any information with OHA.

In December of 2018, Community Outreach also provided the non-profit Red Lightning a small sponsorship of \$5,000 to replenish many of the lost native plants and rebuilding the lo'i and to start the rebuilding process for the community. Red Lightning was a non-profit identified by the community representative that they could work with.

Procurement Requirements, Applicable to Maui. To effect the distribution of the emergency disaster relieve, a draft Program Scope of Services is provided: "Establish the Kaua'ula Emergency Disaster Relief Program (KEDRP) to provide financial assistance to Native Hawaiian beneficiaries who reside in the affected areas of Kaua'ula Maui. The financial assistance provided to the participants shall include, but may not be limited to: food, clothing, medicine, and other materials; loss and/or damage to dwelling unit, emergency housing; health, medical and related services; rescue, transportation and construction services and personnel necessary to provide or conduct these services as may be needed and other materials, facilities, personnel, and services as may be necessary."

V. Certification of Funding Availability

The funds required for this Action Item are currently available from OHA's FY 19 core Operating Budget and needs to be reallocated from Program 2300-Corporate Counsel, Object Code 57115-Legal Services to Program 3800-Grants, Object Code 56530-Grants in Aid.



Sylvia M. Hussey, Ed.D.

Acting Chief Financial Officer and Chief Operating Officer

VI. Recommended Action(s)

To approve \$35,000 for Emergency Disaster Relief for Kaua'ula Maui; and to authorize and approve the transfer and use of funds available in OHA's FY 19 Core Operating Budget from Program 2300-Corporate Counsel. Object Code 57115-Legal Services to Program 3800-Grants, Object Code 56530-Grants in Aid.

VII. Alternatives

Take no action.

VIII. Time Frame

This action shall be effective immediately upon approval by the BOT.

IX. Attachments - None

- If assistance is approved, the families prefer that Nā 'Aikāne O Maui be the organization they work with. If this is a conflict because 'ohana Kapu, who are represented on the Board of Directors for this non-profit, is also one of the 20 families on the list, they have identified a second non-profit, Red Lightning which may be able to assist.

The families expressed they desperately need funds to be able to re-build and/or replace belongings. Home kits from Honsador would be approximately \$50,000 per home. The families understand that any assistance would be nowhere near that.

- The list of names affected by the fires:
 - 'Ohana with structures:
 1. Joseph Aquino
 2. Kimberly Lopez
 3. Yolanda Dizon
 4. John Aquino
 5. Tatum Delos Reyes
 6. Chardell Naki
 7. Winnie Lopez
 8. Mark and Ku'ulei Palakiko
 9. Emily Ancog
 10. Tiara Ueki
 11. David and Samantha Dizon
 - 'Ohana who lost belongings:
 1. Lyndell Naki
 2. Cathy Nacua
 3. Keeaumoku Kapu
 4. Carol Kalehuawehe
 5. Rocky Villa
 6. Chad Aquino
 7. Kaeo Aquino
 8. Kimo Aquino
 9. Kaleo Costa

When OHA staff went to speak with the families, we did let them know the amounts that were provided for Kaua'i and Puna families. Native Hawaiian household affected by the floods on Kaua'i were given a flat \$1,000 across the board. In Puna, the families were ranked in a tiered system with the awards being \$1,000 - \$1,500 - \$2,000 at the most. The Maui families were hoping for tiered system that topped off at \$5,000 per family that lost a dwelling. Staff advised them that we would consider that. We recommend parity with Kaua'i and Puna and having a tiered system that tops off at \$2,000 per Native Hawaiian household.

Staff recommendation is to compute the relief amount consistent with recent OHA emergency relief efforts (i.e., Kauai and Puna): $2000 \times 11 \text{ families} = \$22,000$ + $1000 \times 9 \text{ families} = \$9,000$ for a total of \$31,000; plus 10% admin fee of \$3,100 (for the distributing non-profit organization) for a total of \$34,100—say \$35,000.

Office of Hawaiian Affairs
560 N Nimitz Hwy. Ste. 200
Honolulu, HI 96817

Action Item

COMMITTEE ON RESOURCE MANAGEMENT (RM)	DATE: May 1, 2019 Motion: Vote:
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AGENDA ITEM:	IV. New Business† B. Action Item RM #19-06 -Approval of \$35,000 for Emergency Disaster Relief for Kaua'ula Maui
---------------------	--

MOTION:	To approve \$35,000 for Emergency Disaster Relief for Kaua'ula Maui, subject to statutory disbursement requirements; and to authorize and approve the transfer and use of funds available in OHA's FY19 Core Operating Budget from Program 1100-Board of Trustees, Object Code 57280-Trustee Allowance to Program 3800-Grants, Object Code 56530-Grants in Aid.
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AMENDMENT:

MEANS OF FINANCING:

TRUSTEE		1	2	'AE (YES)	A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
LEI	AHU ISA			X			
KALEI	AKAKA			X			
KELI 'I	AKINA			X			
BRENDON	LEE	X		X			
HULU	LINDSEY			X			
ROBERT	LINDSEY						EXCUSED
COLETTE	MACHADO			X			
JOHN	WAIHE'E		X	X			
CHAIR DAN	AHUNA			X			
TOTAL VOTE COUNT				8			1

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

DISCUSSION:

Office of Hawaiian Affairs
560 N. Nimitz Hwy, Suite 200
Honolulu, HI 96817
Roll Call Vote Sheet

BOARD OF TRUSTEES MEETING

DATE: May 2, 2019

AGENDA ITEM:

V. New Business

B. Committee on Resource Management

3. Action Item RM #19-06: Approval of \$35,000 for Emergency Disaster Relief for Kaua'ula Maui[†]

MOTION:

To approve \$35,000 for Emergency Disaster Relief for Kaua'ula Maui, subject to statutory disbursement requirements; and to authorize and approve the transfer and use of funds available in OHA's FY19 Core Operating Budget from Program 1100-Board of Trustees, Object Code 57280-Trustee Allowance to Program 3800-Grants, Object Code 56530-Grants in Aid, as amended.

AMENDMENT:

MEANS OF FINANCING:

	1	2	'AE (YES)	A'OLE (NO)	KANALUA/ ABSTAIN	EXCUSED/ ABSENT
TRUSTEE LEINA'ALA AHU ISA			X			
TRUSTEE DAN AHUNA	x		X			
TRUSTEE KALEI AKAKA			X			
TRUSTEE KELI'I AKINA			X			
TRUSTEE BRENDON KALEI'ĀINA LEE			X			
TRUSTEE CARMEN HULU LINDSEY		x	X			
TRUSTEE ROBERT LINDSEY						Excused
TRUSTEE JOHN WAIHEE			X			
TRUSTEE COLETTE MACHADO			X			
TOTAL VOTE COUNT			8			1

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

DISCUSSION:

Native Hawaiian Revolving Loan Fund (NHRLF)

August 21, 2019

Topics of Discussion

- ❖ NHRLF's Legacy Loan Program History
- ❖ The Role of ANA
- ❖ The Impact of ANA
- ❖ NHRLF's Transition
- ❖ NHRLF's Program Impact
- ❖ Strengths of the NHRLF Program
- ❖ Strength of the NHRLF BOD
- ❖ Challenges of the NHRLF Program
- ❖ Future of the NHRLF Program

NHRLF's Legacy Loan Program History

- ❖ The Native Hawaiian Revolving Loan fund (NHRLF) is the result of Congress establishing a revolving loan fund on November 29, 1987 in amendments (Public Law [P.L.] 100-175) to the Native American Programs Act of 1974 (P.L. 93-644). These amendments required the Administration for Native Americans (ANA) to award a five-year demonstration grant to establish the NHRLF.
- ❖ On June 24, 1988, the ANA issued a program announcement for eligible agencies to become the Loan Administrator for the Native Hawaiian Revolving Loan Fund (NHRLF).
- ❖ On January 24, 1989, OHA became the NHRLF's Loan Administrator, as defined in 45 Code of Federal Regulations (CFR) 1336.62 as part of a 5 Year Demonstration Program;
 - To Promote Economic Development Activities in the State of Hawaii;
 - To Provide Access to Capital for Native Hawaiian-owned Businesses;
 - Viewed as a Lender of Last Resort
- ❖ In 1992, Congress amended the Native American Programs Act (NAPA) but included the following provisions:
 - End of the Five-Year limitation on the demonstration project;
 - Require OHA to contribute Non-Federal matching Funds
- ❖ From 1989 to 2001 – ANA contributed approximately \$12.9 Million and OHA an additional \$9.9 Million of non-federal funds
- ❖ NHRLF “Legacy Loans” Closed **386 Loans valued at \$17,602,326** from January 1, 1990 to July 31, 2004

The Role of ANA

- ❖ Approves the NHRLF program's Business Plan, Operational Guidelines and Annual Operating Budget
- ❖ Provides Oversight of the NHRLF program through review of submitted quarterly reports
- ❖ ANA Contracts with a Technical Assistance Provider who provides the following services:
 - Ensure any loan products or process comply with Statutory and Regulatory requirements
 - Clarifies any questions the NHRLF staff may have regarding interpretation of Statutory and Regulatory requirements
 - Sounding board for future direction to ensure compliance with all guideline

The Impact of ANA

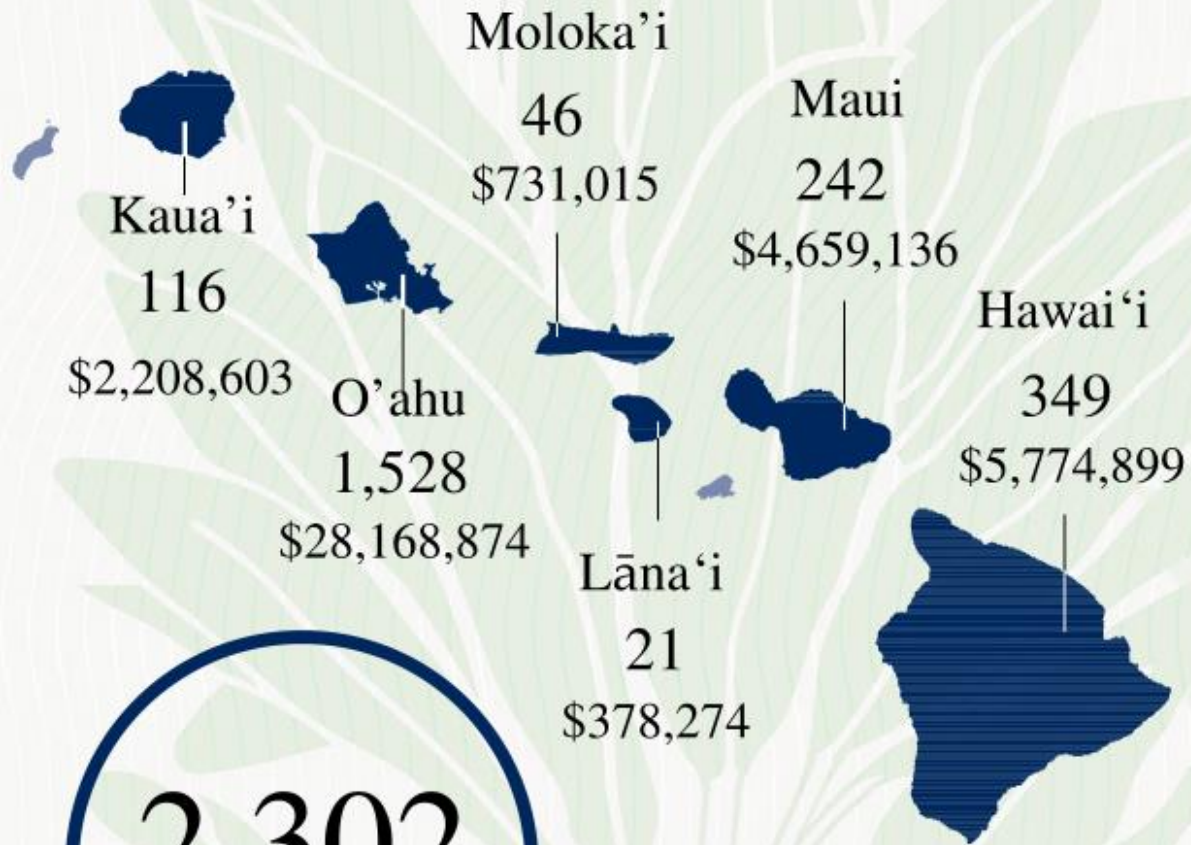
- ❖ In 2004, the ANA Commissioner conducted a NHRLF program review documenting 24 findings and recommendations in fund management, fund administration, marketing and outreach, and technical assistance. Some of the findings included:
 - The 2.00% APR and fee income was insufficient to ensure long-term sustainability
 - A 31% delinquency rate compared to a delinquency rate of 3.5% for similar sized loan funds
 - The loan application to disbursement process took a minimum of 8 months which created a 4-year backlog of pending applications, a hardship on potential borrowers, and the cancellation or withdrawal of numerous applications
 - NHRLF did not offer a variety of financial products necessary to meet the capital needs of Native Hawaiian communities
 - Requiring three (3) denial letters from financial institutions was detrimental to the program as the majority of borrowers were high credit risk

NHRLF's Transition from Legacy Loans to the Mālama Loan Program

- ❖ FY 2005 – FY 2007 OHA & ANA Agreed to the following:
 - Increased Fixed Interest Rate from 2.00% to 5.00%
 - Over \$1 Million of Loans were approved for Charge-off
 - OHA Issues an RFP for a Strategic Lending Partner (SLP)
 - First Hawaiian Bank
 - New Mālama Loan Program Created; Expanded Loan Products:
 - Business
 - Education
 - Home Improvement
 - Established a goal of 20% of loans issued were to Tier 2 (FICO between 600 & 650) borrowers

The NHRLF Loan Program’s Impact							
						TOTAL	
Loan Program	Date of Program	Loan Products	Maximum Loan Amount	Term	Rate	#	\$
NHRLF Legacy	Jan. 1, 1990 to July 31, 2004	Business	\$75,000	5 Years	2%	386	\$17,602,326
Mālama	Nov. 1, 2007 to Present	Business Debt Consolidation Disaster Relief Education Home Improvement	\$100,000; \$10,000 (Debt Con.); Over \$20,000 (Collateral Required)	7 Years; 14 Year Amortization	Tiered Pricing; Bus. - 4.00% Tier 1 - 5.00% Tier 2 - 6.00%	2,302	\$41,920,801
Hua Kanu	April 1, 2011 to Present	Business	\$1,000,000	7 Years; 14 Year Amortization	4.00%	11	\$4,186,000
						2,699	\$63,709,127

OHA DIRECTLY SUPPORTED ECONOMIC SELF-SUFFICIENCY



2,302

HUA KANU BUSINESS	11	\$4,186,000
NHRLF LEGACY	386	\$17,602,326

Total NHRLF loans 2,699 for \$63,709,127

MALAMA LOAN DISBURSEMENT BY LOAN PURPOSE

(Nov 1, 2007 To August 9, 2019)

BUSINESS	\$9,016,544
DEBT CONSOLIDATION	\$10,868,481
EDUCATION	\$4,784,747
HOME IMPROVEMENT	\$17,251,029
TOTAL	\$41,920,801



LOAN PROGRAM

Strengths of the NHRLF Program

- ❖ 2019 Represents 30 years since the NHRLF program was established
- ❖ \$63.7 Million Closed; Revolved nearly 3 times (\$22 Million from ANA & OHA)
- ❖ Excellent Working Relationship with ANA Commissioner Hovland
- ❖ The NHRLF Board of Directors play an Integral Role in the Success of NHRLF:
 - 7 Board Members representing all 5 Counties [Kauai (1), Oahu (2), Maui (1), Molokai (1), and Hawaii Island (1)] and an OHA representative
 - Provides Program Oversight & Direction
 - Final Determination on each loan application
 - Provides Sounding Board for NHRLF Manager and Staff
 - Maximum Term is 6 years for each Member

Strengths of the NHRLF BOD

- ❖ Current Composition – Financial Institution and Community Expertise
 - BOD President – Scott Kaulukukui – President and CEO, Hickam FCU
 - BOD Vice President – Nelson Moku, III – V.P. Commercial Banking, American Savings Bank
 - BOD Secretary – Susie Thieman – Executive Director, Lokahi Pacific
 - BOD Member – Michael Tresler – Fiscal Management Officer, County of Kauai
 - BOD Member – Keani Rawlins-Fernandez – County Council Member, Molokai Island
 - BOD Member – Jessica Kaneakua – Community Change Initiatives Lead, Lili'uokalani Trust
 - BOD Member (OHA Representative) – Misti Pali-Oriol – Asst. Manager Community Engagement
- ❖ Key Members Terming Out; New Experts Entering
- ❖ ANA Expands Role of NHRLF BOD beyond Loan Approval – Oversight, Authority to Send to Collections, and Included in the Direction of the Program

Challenges of the NHRLF Program

- ❖ Unallowable Loan Activities – Prevents NHRLF from expanding loan products. The NHRLF Program is unable to offer the following:
 - Purchase of Land or Buildings
 - Construction of Buildings
- ❖ Business Must Be 100% Native Hawaiian-Owned
- ❖ The NHRLF Program Remains a “Demonstration Program”
 - ANA Maintains Oversight of the NHRLF Program after 30 years
 - No Additional Funding Since 2001
 - Release Requires an Act of Congress

The Future of the NHRLF Program

- ❖ ANA Supports OHA's Request for the following Regulatory Changes:
 - Approve Purchase of Land or Buildings
 - Approve Construction of Buildings
 - 100% Native Hawaiian-Owned to 50% Native Hawaiian-Owned
- ❖ Release From ANA Oversight; Not Right Now
 - Requires Congressional Approval
- ❖ OHA's Board of Trustee Approve NHRLF BOD's Replacement Members
 - Alvin Tanaka – Vice President, Hawaii Financial Services Association
 - Liane Khim – Vice President of Commercial Banking, American Savings Bank

Mahalo Nui Loa



Nā Lama Kukui Update

August 2019
Resource Management Committee

History and Info

Year Built: 1925

Land Size: 4.98 acres

Building Size: 185,787 sq ft

Original Use: Can manufacturing facility for Coke
and Del Monte canneries

Current Use: Office, retail, industrial/flex space (since 1980's)

Purchase History:

- June 1985: Gentry Pacific Ltd. - \$7,500,000
- Aug 2012: OHA - \$21,370,000

Gross Leasable Area: 136,062 sq ft

Appraised Value: \$31,760,000 (as of Jan 2017)

- Renovations to OHA offices (46,976 sq ft)
- Occupancy rates



Features and Challenges

Unique Features

- Parking availability
- Natural light and high ceilings
- Large open common area
- Location
- Structurally sound

Challenges

- Houseless
- Tsunami inundation zone / sea level rise
- Building age



Mortgage Info

As of 7/31/2019

Loan	Original Balance	Current Balance	Maturity	Rate	Annual DS	Collateral
Real Estate Loan	\$21,370,000	\$19,147,368	9/1/22	3.60%	\$1,297,500	Real Estate
Renovation Loan	\$6,647,500	\$4,431,666	6/28/23	3.12%*	\$1,235,000	Investments

Real Estate Loan = \$17.1MM @ 9/1/22 maturity

Valuation Reference Points



Year, Reference Point	Valuation	Year, Reference Point	Valuation
2012, Purchase Price	\$21,370,000	2018, Real Property Assessment	Land: \$20,442,300 Building: \$9,713,000 Total: \$30,155,300
2017, Appraisal	\$31,760,000	2019, Real Property Assessment	Land: \$30,219,000 Building: \$18,138,000 Total: \$48,357,000

Financials

	FY13	FY14	FY15	FY16	FY17	FY18	FY19
RPT Assessment	\$ 27,051,800.00	\$ 28,865,600	\$ 26,620,700	\$ 28,598,300	\$ 28,529,700	\$ 30,155,300	\$ 48,357,000
Vacancy Rate	28.61%	11.48%	15.88%	4.96%	5.45%	2.24%	2.14%
Net Income	\$ 1,114,040.79	\$ 1,388,702.09	\$ 1,063,816.68	\$ 1,957,136.65	\$ 2,373,647.34	\$ 2,543,956.66	\$ 2,873,308.53
Mortgage Debt Service	\$ (636,351.11)	\$ (712,184.93)	\$ (780,005.00)	\$ (1,253,573.00)	\$ (1,405,729.00)	\$ (1,297,596.00)	\$ (1,297,596.00)
Line of Credit Debt Service	\$ -	\$ (121,447.40)	\$ (49,023.04)	\$ (125,313.29)	\$ (160,361.30)	\$ (1,250,438.76)	\$ (1,251,920.94)
Cash Flow After Debt Service	\$ 477,689.68	\$ 555,069.76	\$ 234,788.64	\$ 578,250.36	\$ 807,557.04	\$ (4,078.10)	\$ 323,791.59
Line of Credit Balance	\$ (6,647,500)	\$ (6,647,500)	\$ (6,647,500)	\$ (6,647,500)	\$ (6,647,500)	\$ (5,539,583)	\$ (4,431,666)
Mortgage Principal Balance	\$ (21,370,500)	\$ (21,370,000)	\$ (21,370,000)	\$ (20,878,420)	\$ (20,323,351)	\$ (19,747,966)	\$ (19,151,522)

Cumulative cash flow since purchase: \$2.97M

Market Analysis

- 2019 1st Quarter Report – Colliers International
 - Retail – 4.15% Vacancy
 - Industrial – 1.92% Vacancy
 - Office – 11.86% Vacancy
- NLK by end of August 2019:
0% vacancy



Leasing Strategy

- Class B building with rents in the average range of the market
 - Office - \$1.40 - \$ 1.85 psf/mo
 - Retail - \$1.60 - \$2.50 psf/mo
 - Warehouse - \$1.0 - \$1.30 psf/mo.
- Leasing of office and warehouse spaces – maintain use or upgrade
- Leasing of retail spaces
 - Maintain status as “design center” – allows for cross-shopping & synergy
 - Include “lifestyle” tenants - meet market needs

Management Updates

- Rebranding
 - Logo
 - Website
 - Social Media
 - Signage upgrades
- Events/Marketing
- Restaurant
- Property upgrades
 - Music
 - Light fixtures
 - Directory
 - Solar Panels
- Tenant Relations - 80% tenant renewal for NLK
 - Tenant socials
 - Surveys for decision making



NĀ LAMA KUKUI

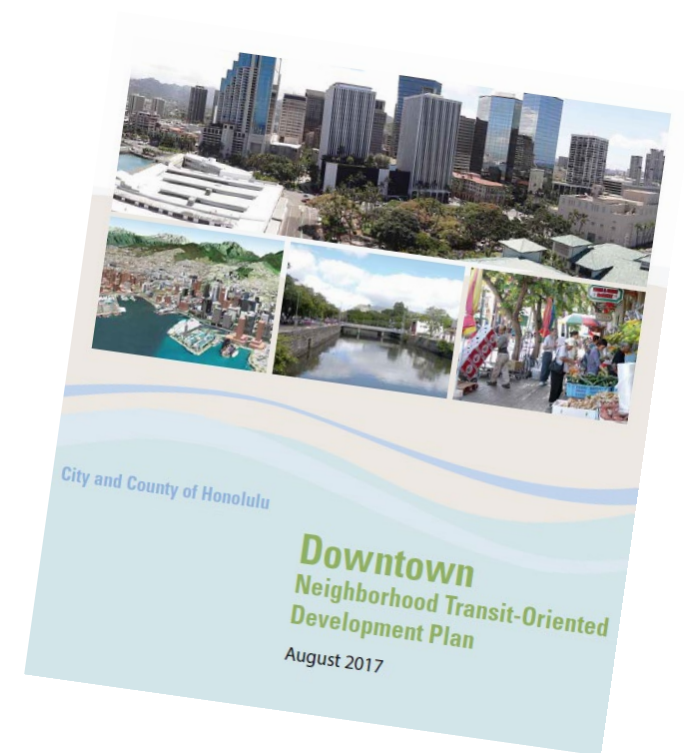
Lifestyle and Design Center

Lighting the Fire of Inspiration.

NLK Redevelopment Plan

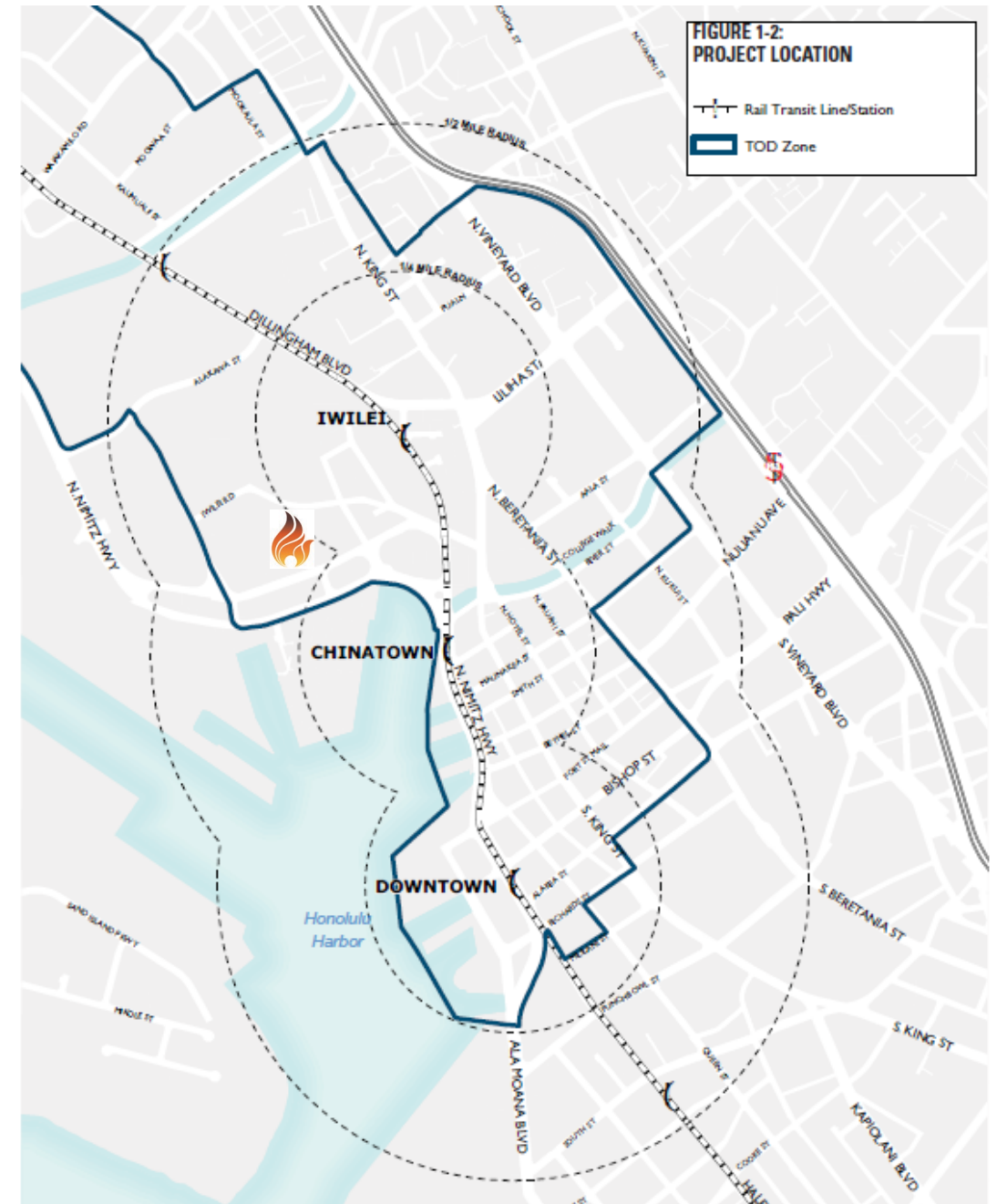
Downtown Neighborhood Transit-Oriented Development (TOD) Plan dated August 2017

- Adopted on September 6, 2017
- Provides a land use and circulation framework to guide future development
- Objectives:
 - Increase rail ridership
 - Reduce vehicular traffic
 - Promote more people living and working within walking distance of a rail station



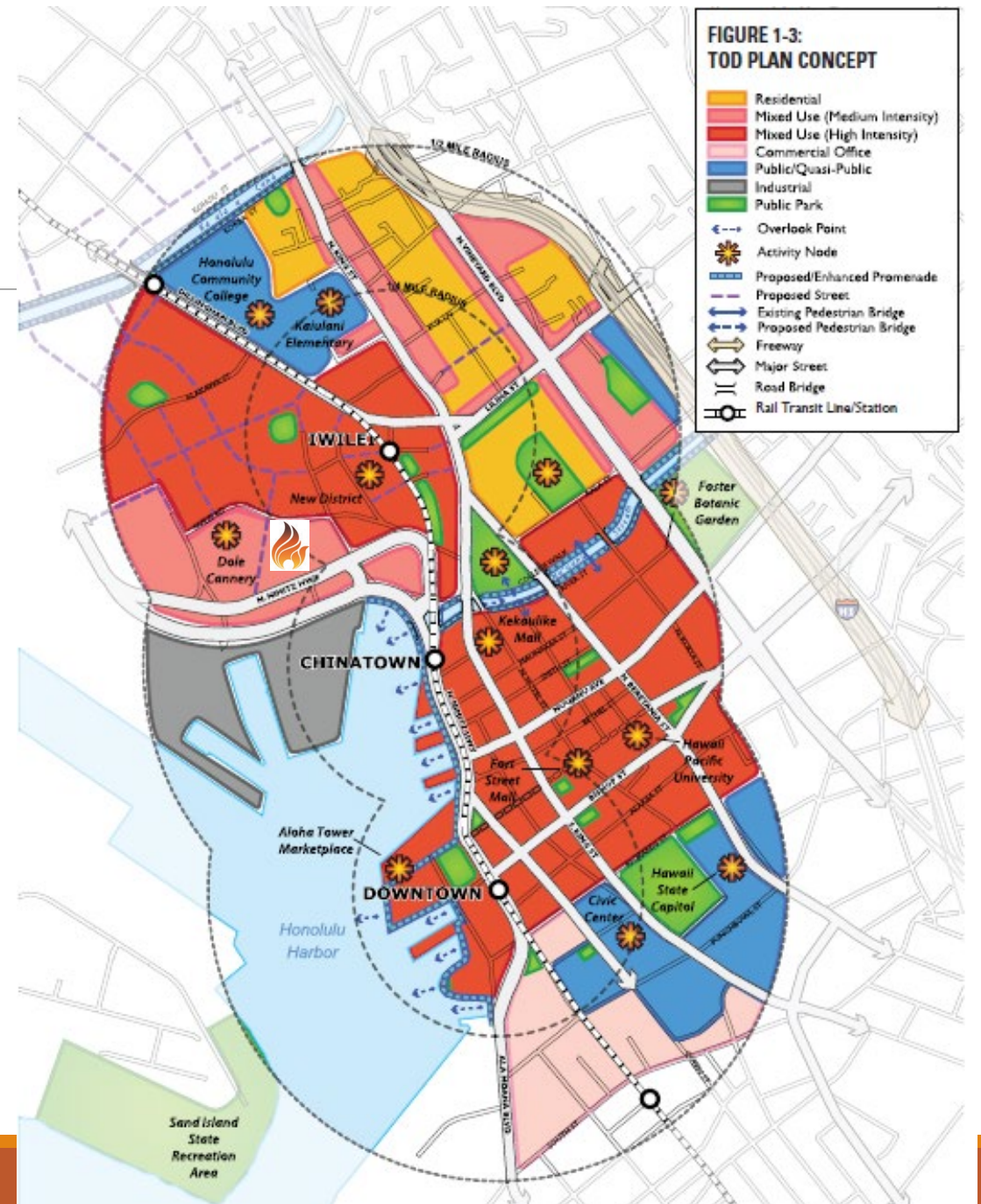
Downtown TOD Zones

- TOD Zone is defined as the area within a half mile radius of a rail transit station
- NLK is located roughly a quarter of a mile from the Iwilei and Chinatown stations (defined as a 5 minute walking distance)



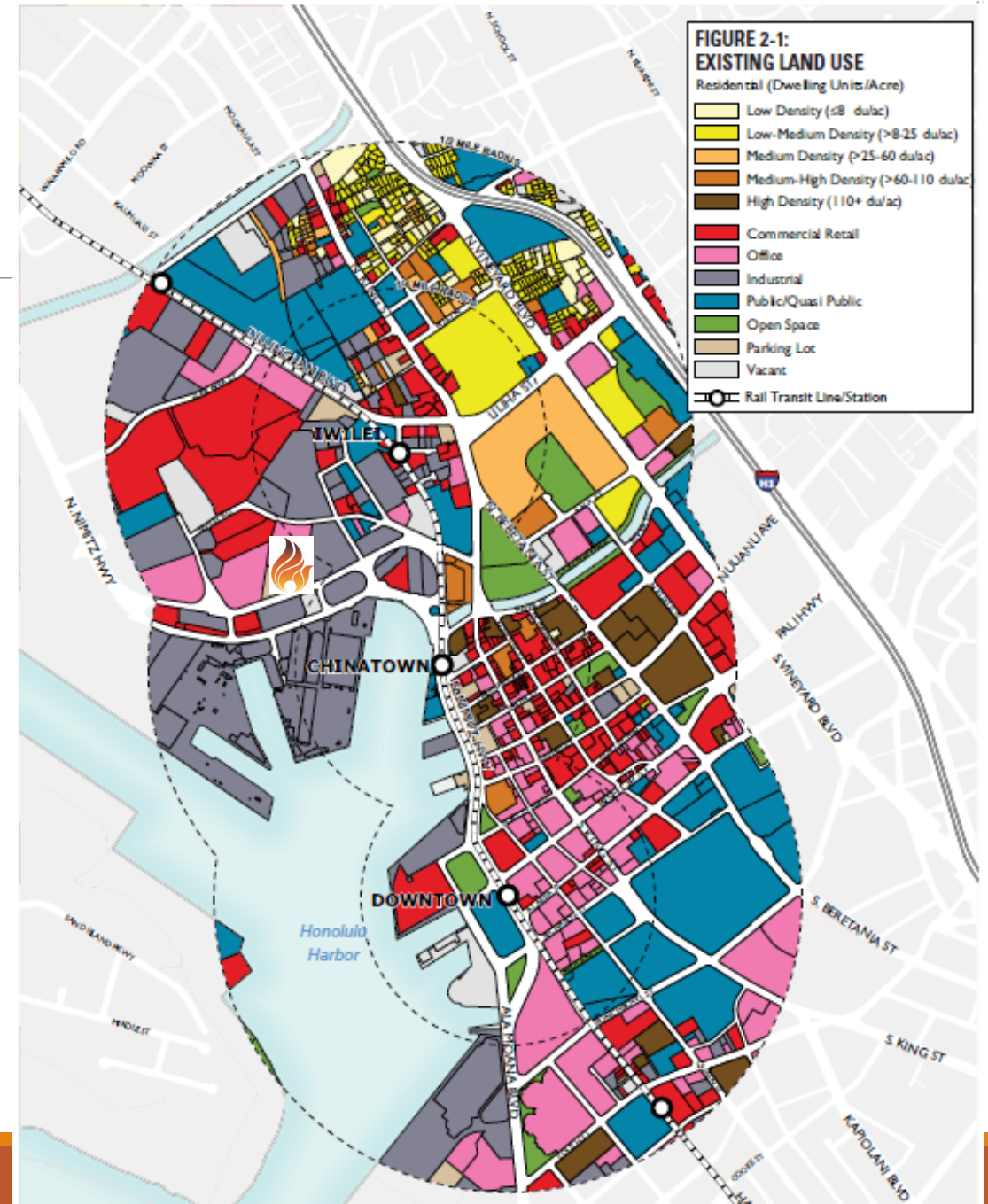
Iwilei Rail Transit Station

- High intensity mixed use north of Iwilei Road and east of Sumner Street
- Medium intensity mixed use south of Iwilei Road and west of Sumner Street
- Vision is a full-service neighborhood, serving as an extension of Downtown and a transition to Kalihi.



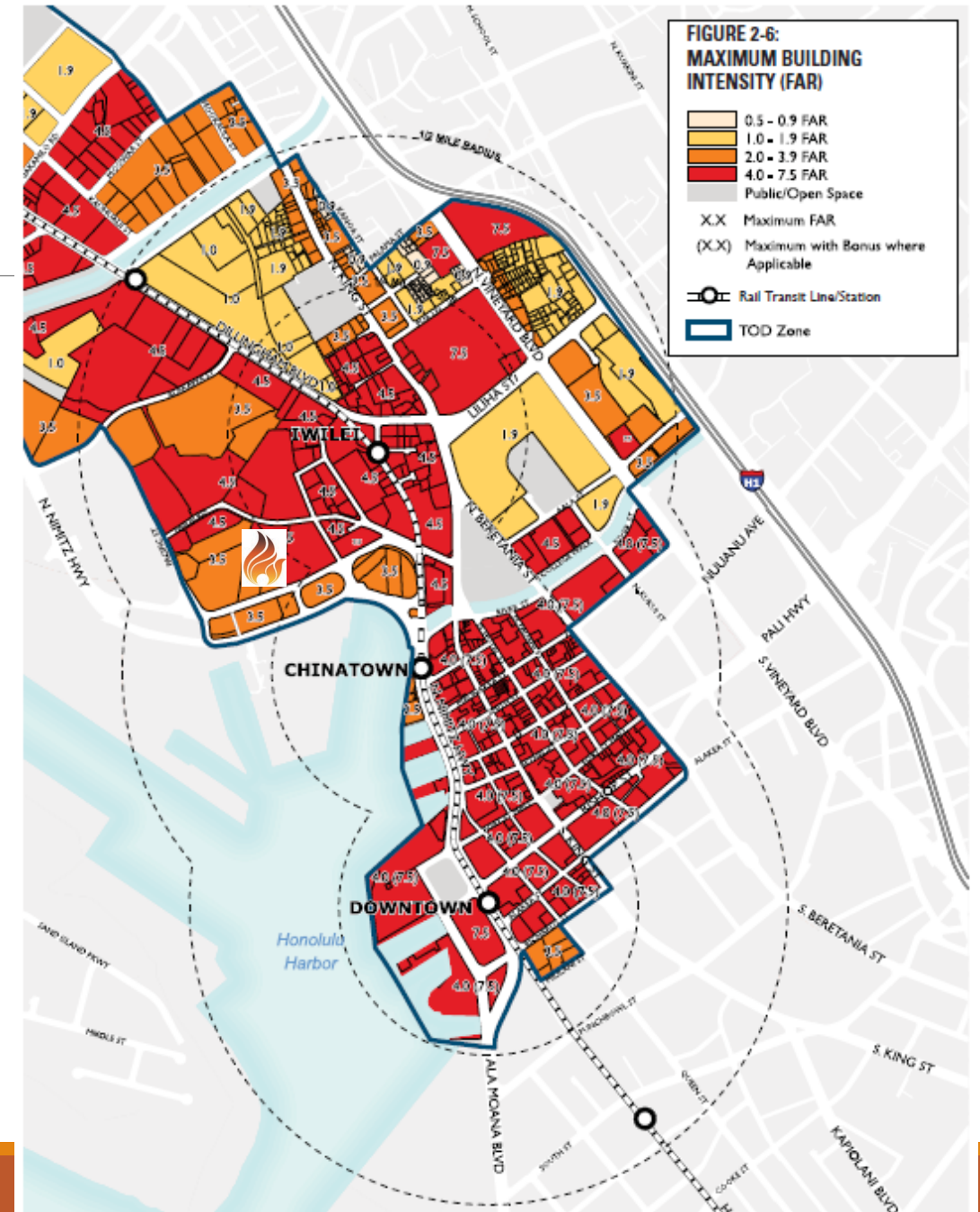
- BMX-3 Community Business Mixed Use-Medium Density
- Currently, NLK is zoned IMX-1 (Mixed Use Industrial)

- BMX-3 Community Business Mixed Use-Medium Density
- Currently, NLK is zoned IMX-1 (Mixed Use Industrial)



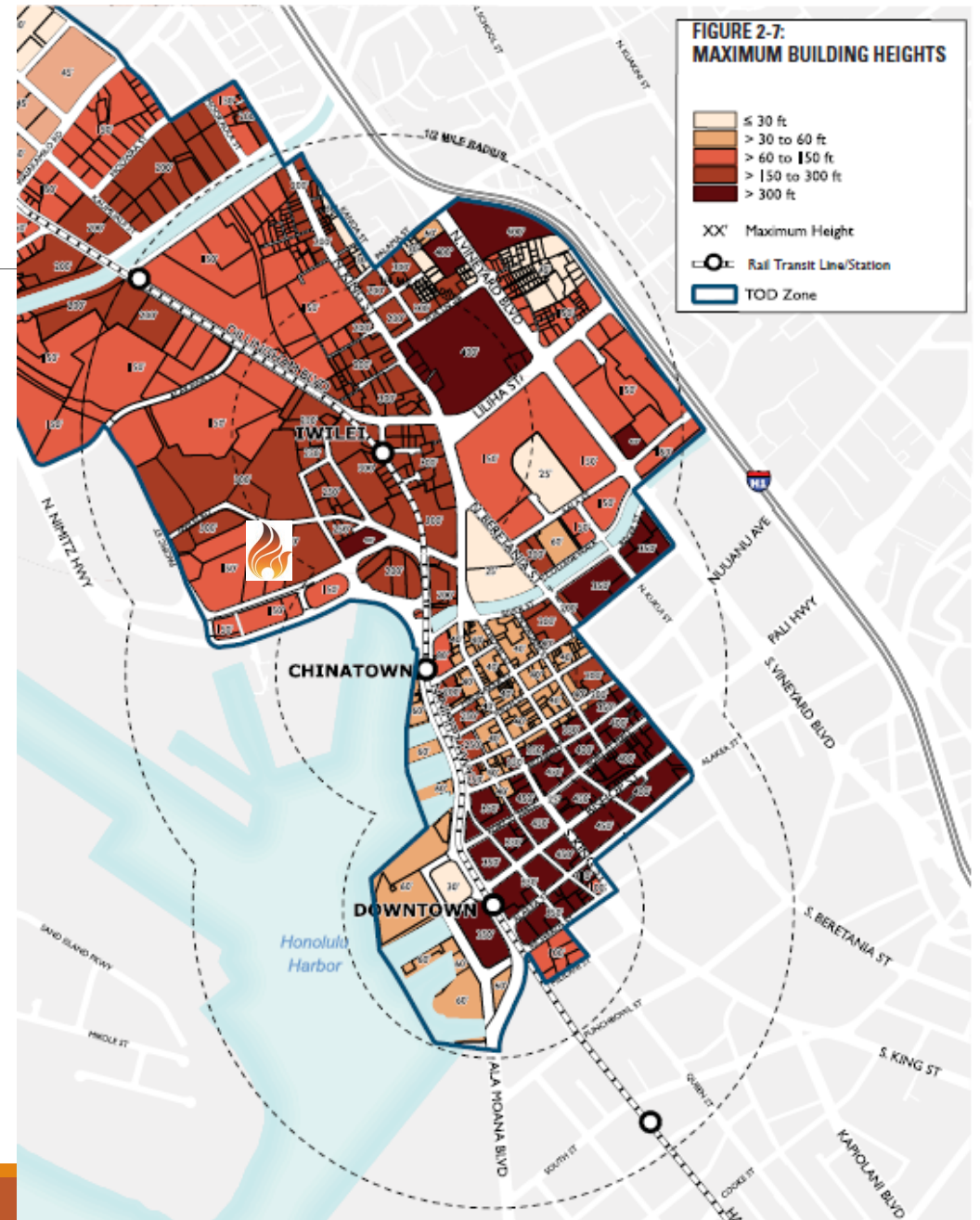
Maximum Building Intensity (FAR)

- Split for NLK
 - 4.0 to 7.5 FAR for Iwilei Road portion
 - 2.0 to 3.9 FAR for Nimitz Highway portion (i.e., existing parking lot)
 - Currently, 2.5 FAR
 - An FAR of 4.0 would allow 868,000 square feet of building area on NLK's 5.0 acres. The existing building area is 185,787 square feet (0.86 FAR).



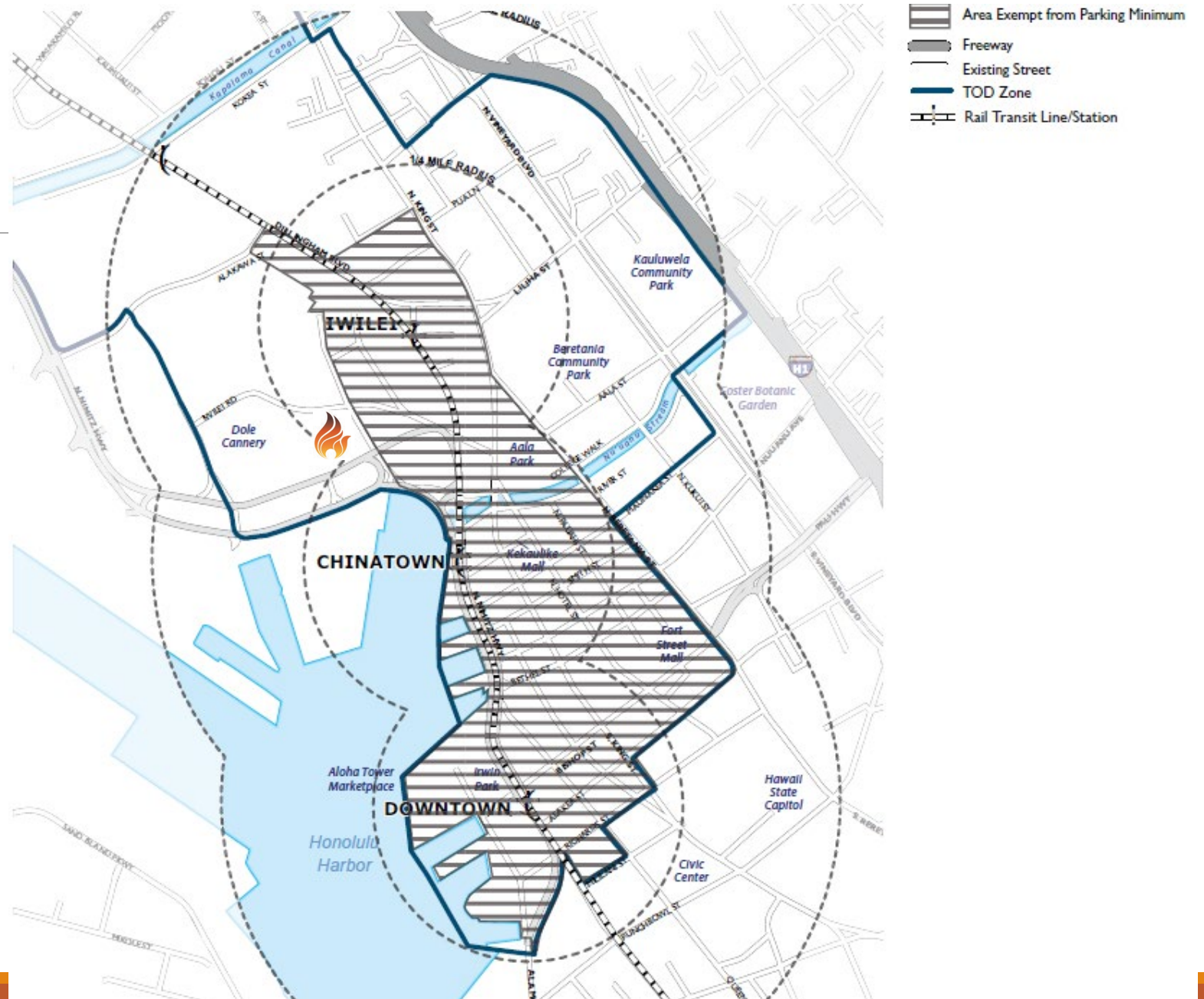
Maximum Building Height

- Split for NLK
 - 150 to 300 feet for Iwilei Road portion
 - 60 to 150 feet for Nimitz Highway portion (i.e., existing parking lot)
 - Currently, 150 feet



Proposed Exemption from Parking Minimum

NLK is not in the
exemption area



Station Area Character



FIGURE 4-3:
ILLUSTRATIVE VIEW OF IWILEI DISTRICT, LOOKING MAUKA ALONG IWILEI ROAD



Existing.

Station Area Character

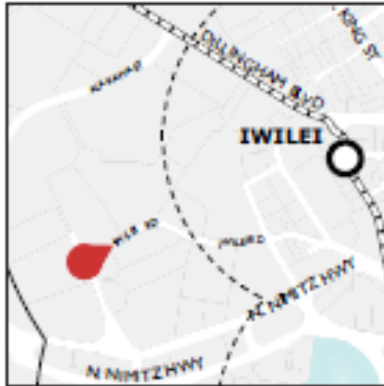


FIGURE 4-3:
ILLUSTRATIVE VIEW OF IWILEI DISTRICT, LOOKING MAUKA ALONG IWILEI ROAD



Conceptual illustration of a new mixed-use community in Iwilei, with high-density housing and parks and improved access to existing destinations, including the Dole Cannery. Illustration is conceptual and intended only to illustrate vision; actual development may not match the illustration.

Interim Planned Development-Transit Permit

- The Downtown Neighborhood TOD Plan has not yet been codified into the Land Use Ordinance and Zoning Map
- Ordinance 14-10 dated June 20, 2014, created the IPD-T permitting process, allowing TOD projects prior to the adoption and implementation of individual neighborhood TOD plans.
 - Minimum 50% of housing must be affordable (120% of annual median income)
 - City Council must approve conceptual plan
- Approved projects (see www.kakaako.com/blog/ala-moana-new-kakaako for **renderings**):
 - ProsPac Tower, a 400 foot high tower on Keeaumoku, approved February 2018
 - Hawaii Ocean Plaza condo-hotel at 1370 Kapiolani, approved in 2018
 - 1500 Kapiolani (former Heald College site), a hotel condo approved September 2017
 - Manaolana Tower condo-hotel (across Hawaii Convention Center), approved in 2016
 - Hawaii City Plaza Condominium at 710 Sheridan Street, approved in 2018

Next Step

RFP for consultant to prepare
conceptual design alternatives



Questions?



P I M C O



OFFICE OF HAWAIIAN AFFAIRS

August 2019

Tac Opps Strategy Review

Client-specific update –
not for public distribution

A company of **Allianz** 

Disclosures

This is neither an offer to sell nor a solicitation of an offer to buy interests in PIMCO's Tactical Opportunities Fund (the "Fund"). Offers are made solely pursuant to the Fund's Private Placement Memorandum (the "PPM"). The information contained herein is qualified in its entirety by reference to the PPM, which contains additional information about the investment objective, terms and conditions of an investment in the Fund, and also contains certain disclosures that are important to consider when making an investment decision regarding the Fund. In the case of any inconsistency between the terms contained herein and the PPM, the terms of the PPM shall control. This material has been prepared for informational purposes only and is not intended to provide, and should not be relied on for, accounting, legal, tax, or other advice. You should consult your advisers regarding such matters. Only qualified investors may invest in the Fund.

The investment strategies discussed herein are speculative and involve a high degree of risk, including the possible loss of some or all capital. Investments in any products described herein may be volatile, and investors should have the financial ability and be willing to accept such risks. Shares in the Fund are illiquid as there is no secondary market for the Fund shares and none is expected to develop. Fund shares are subject to restrictions on transfer. Fees and expenses charged in connection with an investment in the Fund may be higher than the fees and expenses of other investment alternatives and may offset investment profits.

The information contained herein is proprietary and confidential and may include commercially sensitive information, must be kept strictly confidential, and may not be copied, used for an improper purpose, reproduced, republished, or posted in whole or in part, in any form, without the prior written consent of PIMCO. The recipient of this material must not make any communication regarding the information contained herein, including disclosing that the materials have been provided to such recipient, to any person other than its representatives assisting in considering the information contained herein. Each recipient agrees to the foregoing and to return or destroy the materials promptly upon request.

It should not be assumed, and no presentation is made, that past investment performance is reflective of future results. Nothing herein should be deemed to be a prediction or projection of future performance.

None of the information contained herein has been filed with the U.S. Securities and Exchange Commission (the "SEC"), any securities administrator under any securities laws of any U.S. or non-U.S. jurisdiction or any other U.S. or non-U.S. governmental or self-regulatory authority. No such governmental or self-regulatory authority will pass on the merits of any offering of interests by the Fund(s) or the adequacy of the information contained herein. Any representation to the contrary is unlawful. The interests in the PIMCO private fund(s) have not been and will not be registered under the U.S. Securities Act of 1933, as amended, or qualified or registered under any applicable state, local, provincial or other statutes, rules or regulations. The Funds have not been and will not be registered as an investment company under the U.S. Investment Company Act of 1940, as amended.

For professional and qualified investor use only. Client-specific update – not for public distribution.

Biographical information

Brant P. Gresham

Mr. Gresham is a vice president and account manager in the Newport Beach office, working primarily with U.S. public pension plans. Prior to joining PIMCO in 2016, he served for 10 years as an officer and F/A-18 pilot in the U.S. Navy. He holds an MBA in analytic finance and economics from the University of Chicago Booth School of Business and an undergraduate degree from Georgetown University. He has passed all three levels of the CFA program.

Jennifer Strickland, CFA

Ms. Strickland is an executive vice president and alternatives marketing account manager in the Newport Beach office. Prior to joining PIMCO in 2012, she was a managing director in investor relations at BlueMountain Capital Management in New York, a long/short credit manager. Previously, she spent nine years as director of investor relations at HBK Capital Management, one of the oldest multi-strategy hedge fund firms. She also worked at Citibank Private Bank in Hong Kong and at Morningstar, Inc. where she led the firm's coverage of variable annuities. She has 28 years of investment and financial services experience and holds an MBA in finance and a bachelor's degree in statistics from the University of Chicago.

Agenda

1/Tac Opps performance review

2/Economic outlook

3/PIMCO update

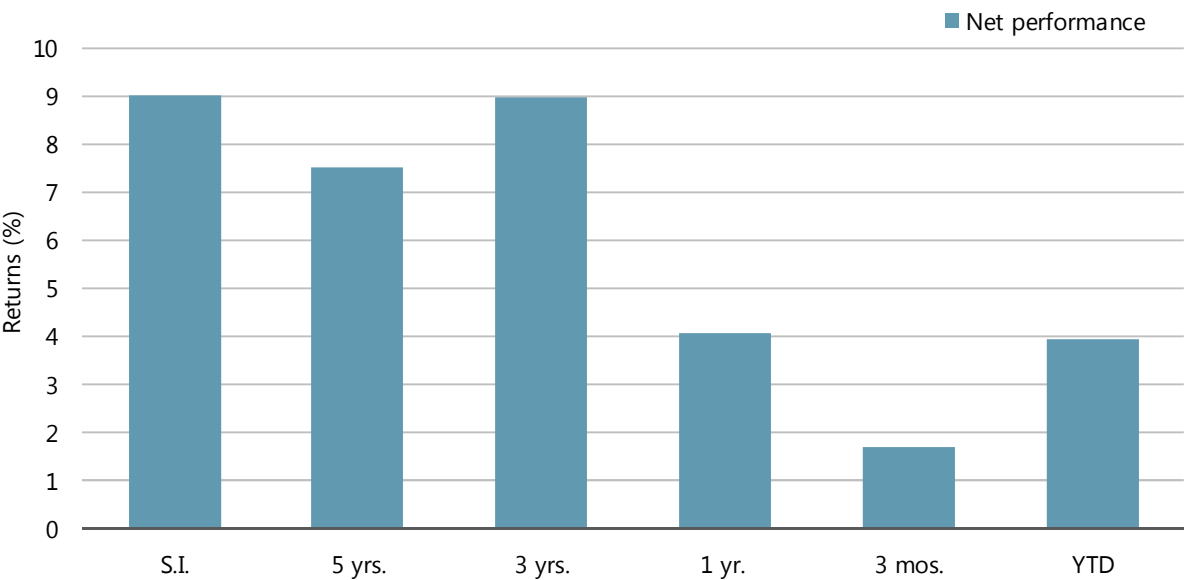
4/Additional information

Tac Opps performance review

PIMCO Tactical Opportunities Fund

AUM as of Jun '19	\$	3,338 mm
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Performance

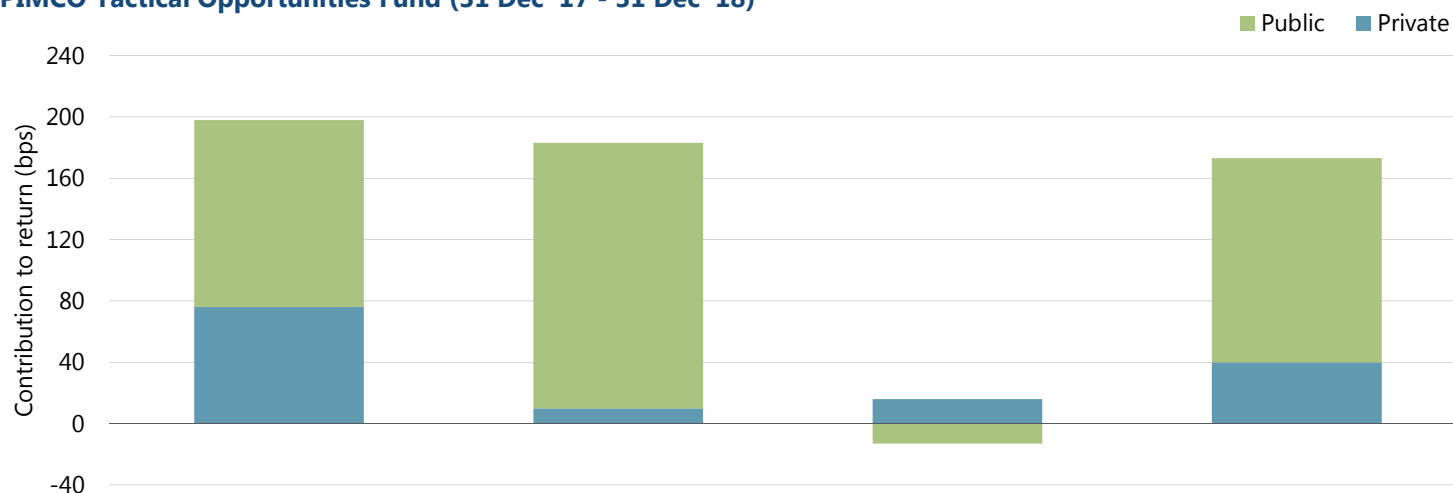


	S.I. 31 Jan '13	5 yrs.	3 yrs.	1 yr.	3 mos.	YTD 30 Jun '19
Net performance (%)	9.0	7.5	9.0	4.1	1.7	3.9

As of 30 June 2019.
Past performance is not a guarantee or a reliable indicator of future results. All periods longer than one year are annualized.
 Performance is net of performance, management and administration fees. Performance reflects Class A investment.

Tac Opps: 2018 summary of performance drivers

PIMCO Tactical Opportunities Fund (31 Dec '17 - 31 Dec '18)



	Commerical	Residential	Corporate	Specialty Finance	Total
Total (bps)	198	182	2	173	556

Public: U.S. CMBS and CRE CDOs added to performance

Private: Seasoned performing whole loans and other private mezzanine loans were positive

Public: Legacy non-Agency RMBS positions contributed this month

Private: A private residential mortgage pool was positive for the year

Public: Relative value positions within energy were positive whereas other positions in banking and entertainment detracted

Private: Term loans to specialty finance companies added to performance whereas a stressed term loan to a mining company detracted from performance

Public: Puerto Rican municipal debt, European structured credit, and energy futures were positive

Private: A CLO equity position along with an aircraft leasing trade contributed to performance

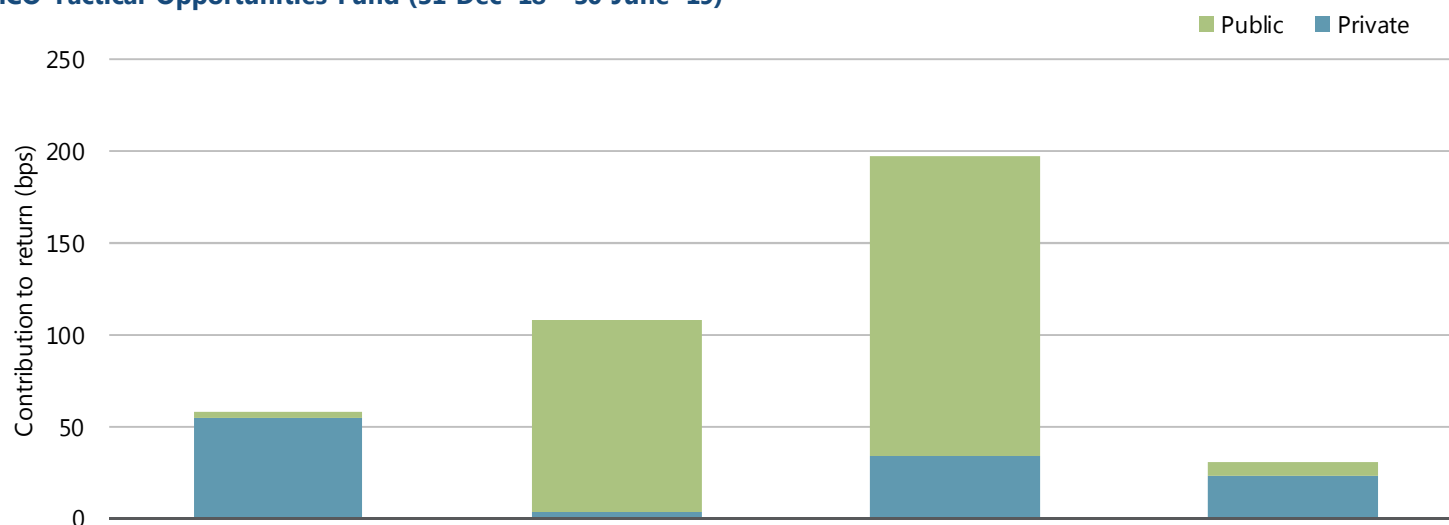
As of 31 December 2018

Past performance is not a guarantee or a reliable indicator of future results

Performance is net of performance, management and administration fees. Performance reflects an investment in Class A interests.

Tac Opps: 2019 YTD summary of performance drivers

PIMCO Tactical Opportunities Fund (31 Dec '18 - 30 June '19)



	Commercial	Residential	Corporate	Specialty Finance	Total
Total (bps)	57	108	196	30	392
	<p>Public: U.S. and European CMBS issues added to performance, while CRE CDO positions and commercial hedges detracted</p> <p>Private: U.S. performing commercial loan exposure and seasoned performing whole loans contributed to performance</p>	<p>Public: Select legacy non-Agency RMBS positions and European structured credit contributed to performance while residential hedges detracted</p> <p>Private: A European residential mortgage pool added to performance while a U.S. performing residential mortgage pool detracted</p>	<p>Public: Relative value positions within energy, along with investments in financials, entertainment, and an auto company contributed</p> <p>Private: Exposure related to the energy sector and a term loan to an asset manager were positive</p>	<p>Public: EM credit related positions contributed to performance, whereas credit beta hedges detracted</p> <p>Private: A life settlements portfolio and a European factoring trade contributed to performance, whereas an aircraft portfolio detracted</p>	

As of 30 June 2019

Past performance is not a guarantee or a reliable indicator of future results

Performance is net of performance, management and administration fees. Performance reflects an investment in Class A interests.

How capital is allocated today

Specialty Finance (27%)

Public

- EM credit and hedged bills
- Strategy level hedges

Private

- Aircraft leasing
- Life settlements
- European factoring

Corporate (16%)

Public

- Stressed loans and bonds
- Emerging market corporates

Private

- Debt restructurings
- Term loans

Commercial (18%)

Public

- U.S. And European CMBS
- CRE CDOs

Private

- Commercial loans

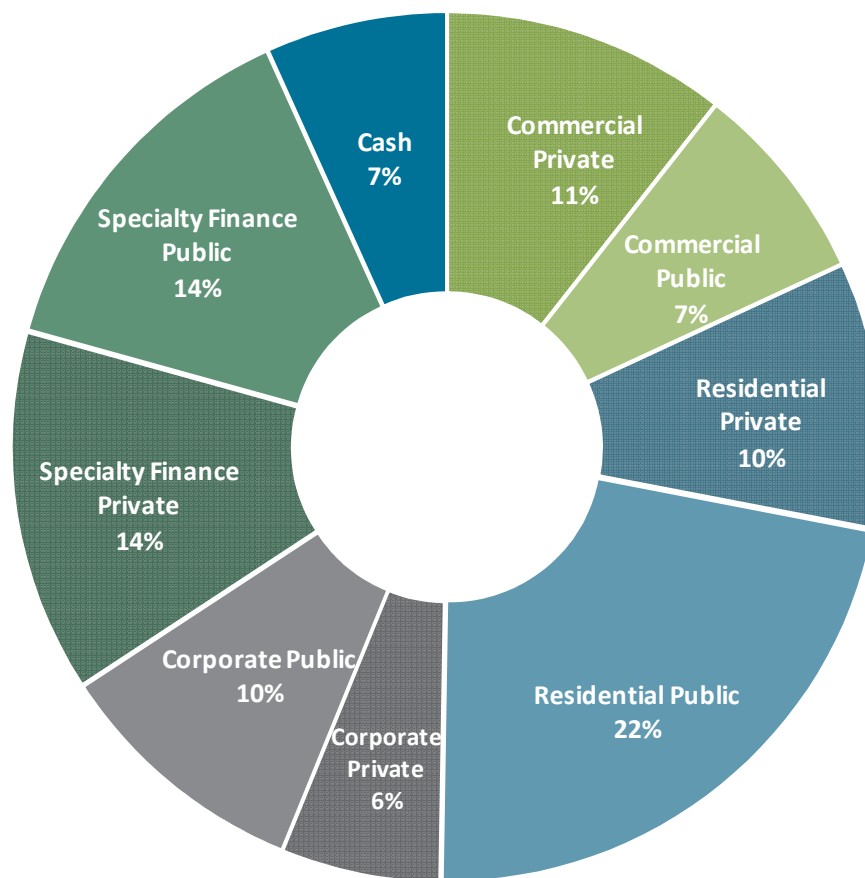
Residential (32%)

Public

- Non-agency RMBS
- ABS CDOs
- Strategy level hedges

Private

- Non-qualified mortgage loans
- Re-performing loans



60% Public and 40% Private

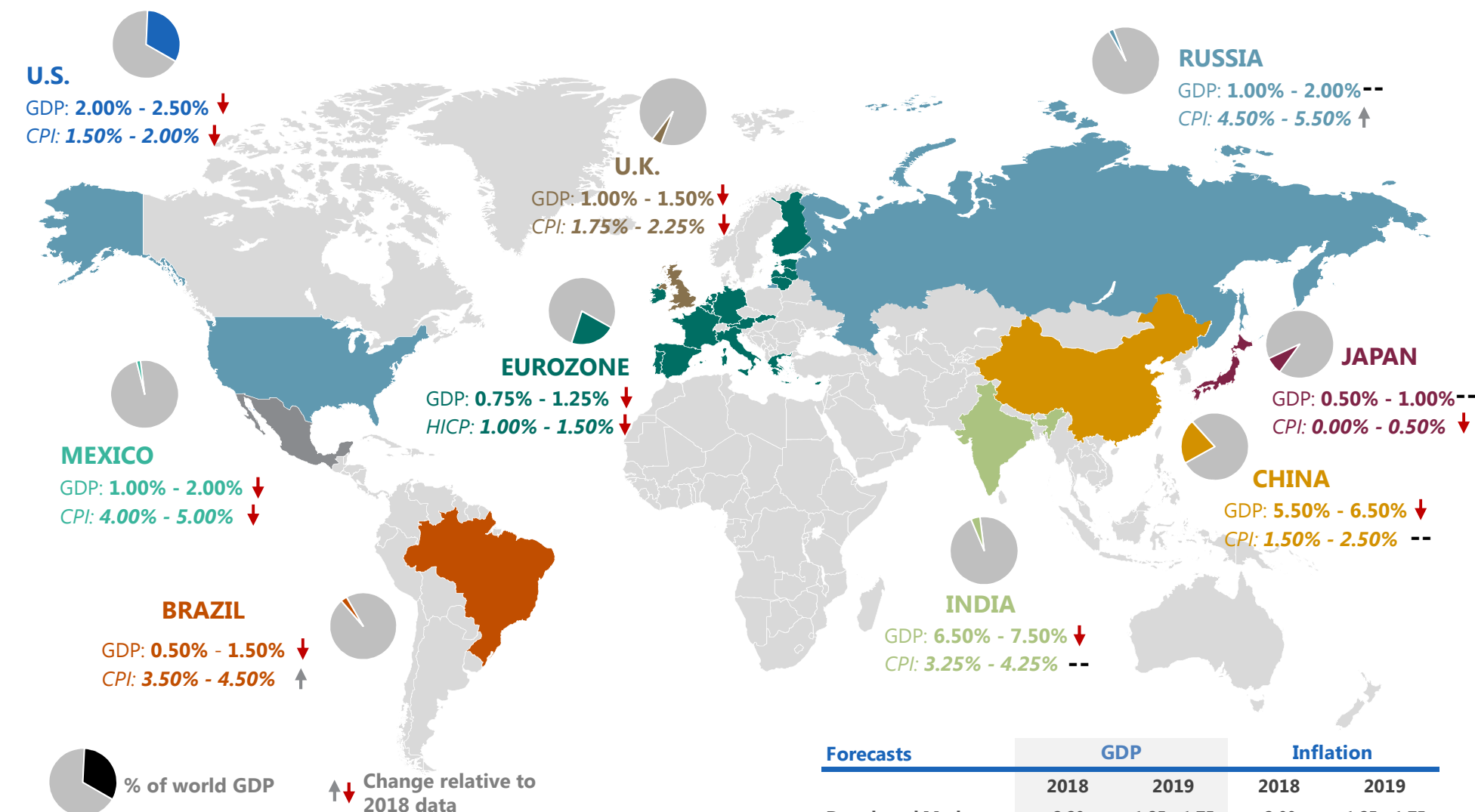
As of 30 June 2019. SOURCE: PIMCO

Data shown above may not add up to 100% due to rounding. The above represents the fund's exposure and investment portfolio as of the specified reference date only. Such information may change materially over time; in addition, the fund expects to invest in asset classes not referred to above. There can be no guarantee that the Tac Opps Funds will have or continue to have access to comparable investments, or that PIMCO will utilize similar allocations in connection with Tac Opps investments.

Refer to Appendix for additional investment strategy, portfolio structure and risk information.

Economic outlook

PIMCO's 2019 Cyclical Outlook



For illustrative purposes only.
PIMCO forecast ranges as of June 2019
Real GDP and inflation projections reflect the midpoints of PIMCO's forecast ranges.
Refer to Appendix for additional forecast, outlook, and risk information.

Forecasts	GDP		Inflation	
	2018	2019	2018	2019
Developed Markets	2.20	1.25 - 1.75	2.00	1.25 - 1.75
Emerging Markets	5.10	4.50 - 5.50	2.80	2.25 - 3.25
World	3.30	2.50 - 3.00	2.20	1.50 - 2.00

Secular Outlook: *Dealing with Disruption*

Five secular trends that have the potential to disrupt the global economy, financial markets and investors' portfolios in the next several years:



China



Populism



Demographics



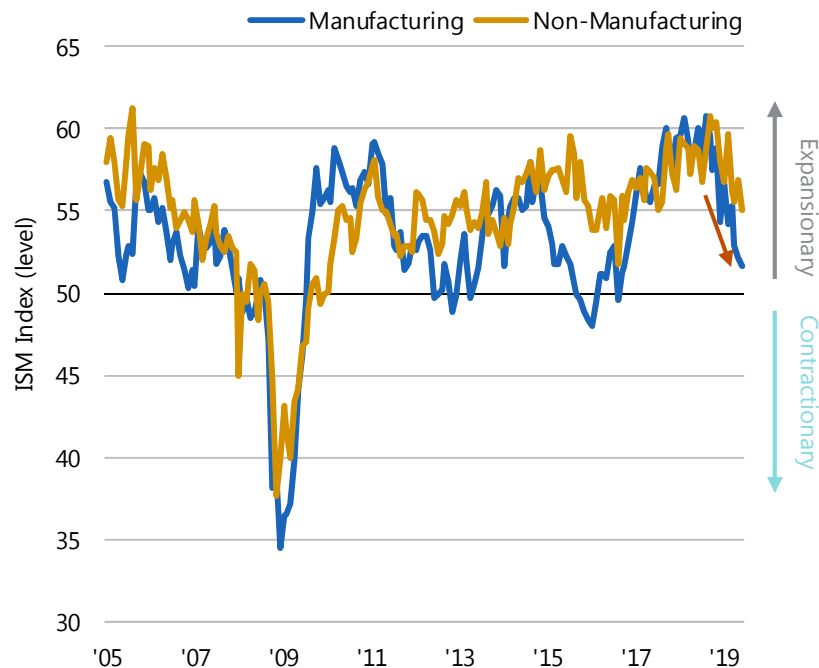
Technology



Financial
Market
Vulnerability

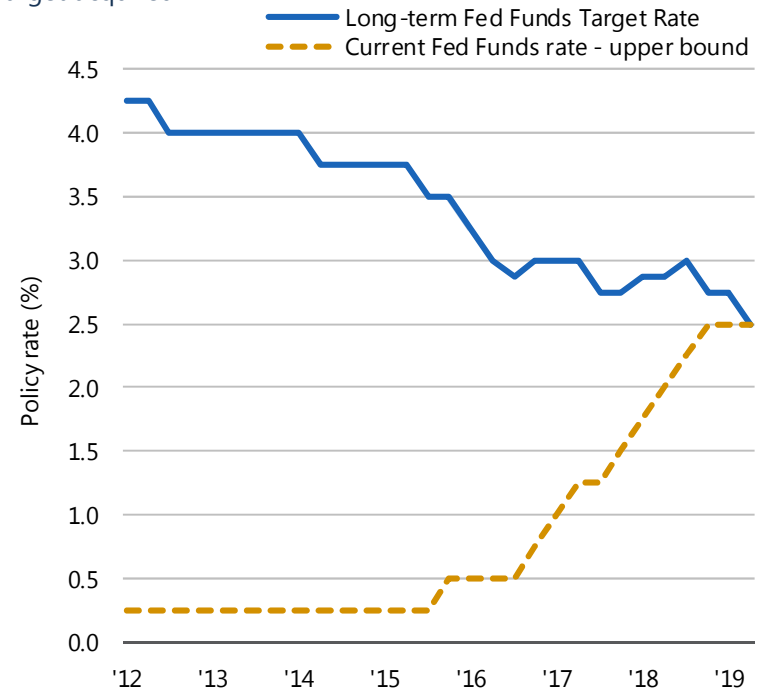
Developed markets: Growth likely to moderate and keep central banks in accommodative stances

U.S. momentum slowing



Even as the U.S. expansion hits records, some moderation in growth momentum likely as factors like stimulus effects fade

Target acquired

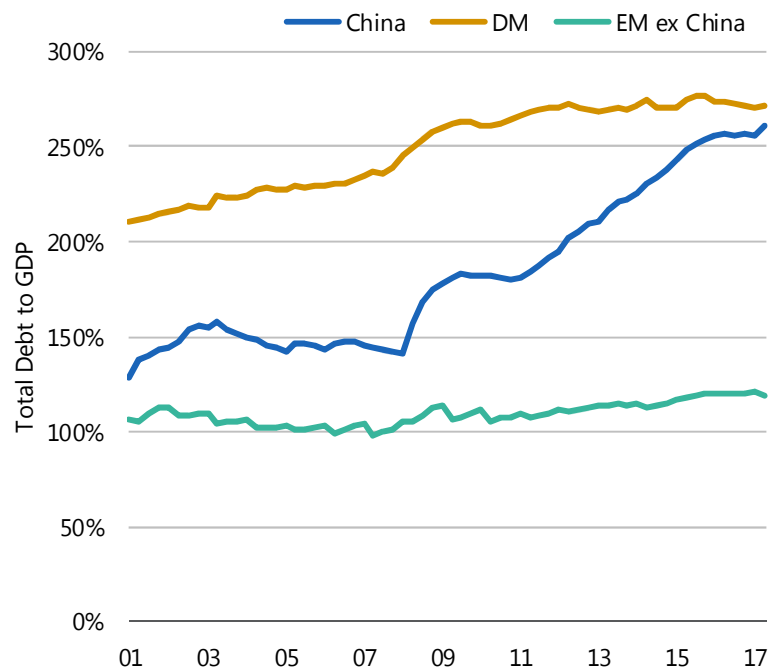


The Fed's dovish shift– highlighting a global trend in central banks – has been helped by its recognition of a lower long-term policy rate

Given rising uncertainties, the Fed and other CBs have indicated a willingness to ease if further growth risks materialize

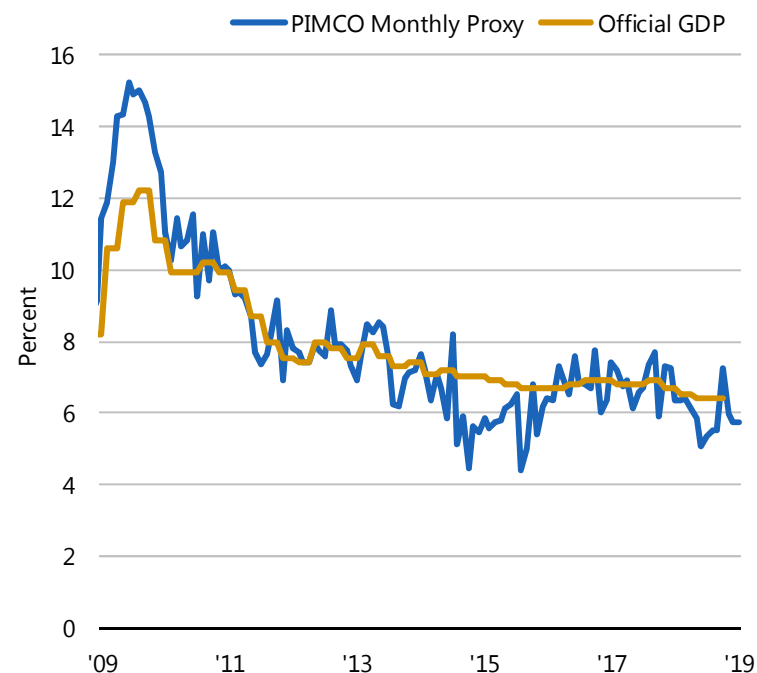
Emerging Markets: While still vulnerable to external conditions, fundamentals remain supportive

Up to your ears in debt



EM ex-China has maintained relatively healthy levels of leverage, creating less growth headwinds than those facing DM countries

Hitting slump



While Chinese growth has been slowing more than official data would suggest, stimulus should prevent a “hard landing”

Generally supportive fundamentals and the avoidance of a “hard landing” in China should provide resiliency for EM

As of 30 June 2019 or latest available
SOURCE: PIMCO, NBS, BIS

PIMCO update

PIMCO: Focused on preserving and enhancing assets

PIMCO Today

Assets under management

- \$1.76 trillion¹

Deep global resources and expertise

- Over 2,600 total employees²
 - 788 investment professionals
 - 255 portfolio managers with 16 years average investment experience
 - 50+ countries in which clients are based³
- PIMCO Global Advisory Board

Time-tested investment philosophy

- Diversified set of alpha engines
 - Top Down
 - Bottom Up
 - Structural tilts

PIMCO Spotlight

Technology and Investing

- Quantitative approaches to research and investing have long been important alpha engines for PIMCO, and we continue to broaden our expertise
 - **Systematic, rules-based strategies** that capture broad, persistent sources of return
 - **Machine learning** to better forecast macro data like recession probabilities or mortgage prepayments
 - **Natural language processing** to decipher sentiment indicators from Fed minutes or extract data from company financials
 - **Execution analytics** to algorithmically evaluate pace, venue and counterparty for best execution
- Focused partnerships on technology and behavioral science with Cal Tech, Columbia University and University of Chicago

Technology and Client Service

- Technology is a critical part of delivering superior solutions for PIMCO clients
 - **New Austin office** with 100 employees and a critical focus on client-facing technology and compliance
 - **PIMCO Solutions** is a 70+ team of strategists, quantitative researchers and technologists who partner with clients to deliver actionable investment insights tailored to their unique objectives

March Cyclical Forum – Flatlining at The New Neutral



- The Federal Reserve's pivot to patience in January has reduced the risk of monetary overkill and raises the odds that U.S. short-term interest rates will broadly flatline within PIMCO's long-standing New Neutral range of 2%–3% for the foreseeable future.
- We think this is an environment to stay close to home in terms of top-down macro risk factors, to generate income without relying excessively on corporate credit, and to emphasize flexibility and liquidity in our portfolio construction.

As of 31 March 2019. SOURCE: PIMCO. The above reflects PIMCO's views and is subject to change.








¹ Effective 31 March 2012, PIMCO began reporting the assets managed on behalf of its parent's affiliated companies as part of its assets under management. Assets include \$14.3 billion in assets of clients contracted with Gurtin Fixed Income Management, LLC, an affiliate and wholly-owned subsidiary of PIMCO.

² Employee data excludes Gurtin Fixed Income Management, LLC, except for total employees, which includes employees of Gurtin Fixed Income Management, LLC, which PIMCO acquired in January 2019.

³ Based on client account tax domicile.

Client Solutions & Analytics works with PIMCO's clients to generate actionable insights that enable superior portfolio outcomes

Client Solutions & Analytics: 75 PIMCO professionals, including 18 quantitative research analysts

Portfolio Diagnostics	 <ul style="list-style-type: none"> • Portfolio risk factor analysis • Scenario analyses/stress tests • Risk models for alternatives 	Asset / Liability Management	 <ul style="list-style-type: none"> • Liability-driven investing • Cash flow-driven investing • Retirement simulation, optimization, and glide-path analysis
Portfolio Optimization	 <ul style="list-style-type: none"> • Optimization techniques • Regulatory capital • FX hedging • Optimization with illiquid assets • CUSIP-level portfolio construction 	Customized Solutions	 <ul style="list-style-type: none"> • Broad-scope and custom mandates • Risk mitigation strategies • Model portfolios for wealth management • Quantitative indices for annuities and structured products
Macro Insights	 <ul style="list-style-type: none"> • Stock/bond correlation • Interest rate scenario analysis • Inflation hedging • Business cycle dynamics 	Client-Driven Thought Leadership	 <ul style="list-style-type: none"> • Late cycle investing • Retirement investing • Active vs. passive investing • Equity fragility
Asset Class Insights	 <ul style="list-style-type: none"> • Capital markets assumptions • Valuation models • Risk premia 		

As of 31 March 2019

Assets under management by strategy

PIMCO manages \$1.76 trillion in assets, including \$1.36 trillion in third-party client assets

Alternatives		Billions (\$)
Hedge Funds	Global macro, long/short credit, multi-asset volatility arbitrage strategies, relative value commodities	20.45
Liquid Absolute Return	Dynamic Bond strategies, Credit Opportunities Bond, other absolute return strategies	19.72
Opportunistic/Distressed	Opportunistic strategies focusing on real estate related assets (residential, commercial), corporate credit	11.07
Asset Allocation		
Asset Allocation Strategies	Global Multi Asset, All Asset, EM Multi Asset, RealPath, Inflation-Response Multi Asset, DRA	32.51
Equities		
Equity Strategies	Enhanced equities and active equities	29.08
Real Return		
Real Return Strategies	Inflation linked strategies, actively managed commodities, and real-estate linked exposure	53.91
Fixed Income		
Total Return ¹⁻²	Total Return	81.47
Intermediate ²	Core Strategies, Moderate Duration	107.51
Credit	Investment Grade Credits, Bank Loans, High Yield	197.07
Long Duration	Focus on long-term bonds; asset liability management	175.48
Income	Income-oriented, insurance income	259.04
Global	International and global multiple currency formats	110.34
Cash/Short-Term ²	Money Market, Short-Term, Low Duration	123.67
Emerging Markets	Local debt, external debt, currency	34.04
Mortgages	Agency MBS, structured credit (non-Agency MBS, CMBS, and ABS)	36.47
Diversified Income	Global credit combining corporate and emerging markets debt	21.64
Municipals ⁴	Tax-efficient total return management	32.13
Other	Custom mandates	10.92
Total assets under management ⁴		\$ 1,356.53 B
Stable Value ²	Stable income with emphasis on principal stability	22.11
Tail-Risk Hedging ³	Pooled and customized portfolios of actively managed tail-risk hedges	29.85

As of 31 March 2019. SOURCE: PIMCO. **Past performance is not a guarantee or a reliable indicator of future results.**

Assets reflect those managed on behalf of third-party clients and exclude affiliated assets. Fund of funds assets have been netted from each strategy. Potential differences in asset totals are due to rounding.

¹ Total Return has been segregated to isolate the assets of PIMCO sponsored U.S. Total Return 1940-act fund and foreign pool fund accounts. All other U.S. Total Return portfolios are included in the Intermediate category

² Stable value assets have not been netted from U.S. Total Return, U.S. Moderate Duration and U.S. Low Duration assets

³ Tail-risk hedging assets reflect total notional value of dedicated mandates and are not counted towards PIMCO total assets under management

⁴ Assets include \$14.3 billion in assets of clients contracted with Gurtin Fixed Income Management, LLC, an affiliate and wholly-owned subsidiary of PIMCO.

Additional information

Tac Opps has a track record of strong risk-adjusted returns since inception

Monthly returns for the PIMCO Tactical Opportunities Fund (Net)¹

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019	1.04%	0.45%	0.69%	0.83%	0.56%	0.29%							3.92%
2018	0.95%	1.37%	1.03%	0.42%	0.56%	0.98%	0.34%	0.29%	0.26%	0.08%	-0.16%	-0.65%	5.56%
2017	0.92%	1.50%	0.82%	0.91%	1.88%	0.41%	1.02%	1.36%	0.32%	0.43%	0.18%	0.59%	10.83%
2016	-0.47%	-0.16%	0.20%	1.24%	1.41%	0.51%	1.66%	1.49%	1.38%	1.21%	0.33%	0.16%	9.32%
2015	0.34%	1.40%	0.56%	0.99%	1.56%	0.67%	0.37%	-0.35%	1.09%	-0.30%	0.00%	-0.49%	5.98%
2014	1.31%	0.32%	0.54%	1.00%	1.26%	0.82%	1.36%	-0.47%	1.61%	0.15%	-0.09%	-0.47%	7.55%
2013	-	1.47%	2.09%	4.06%	4.68%	-1.88%	0.42%	1.39%	-0.19%	1.57%	0.32%	0.10%	14.77%

Since Inception Annualized Return **9.00%**

Correlations since inception¹

S&P 500	0.14
US Agg	-0.08
US HY	0.25
US IG	0.01
REITs	-0.07
HFRX Global HF Index	0.26

As of 30 June 2019. SOURCE: PIMCO

Past performance is not a guarantee or a reliable indicator of future results. An investment in any PIMCO managed fund entails a high degree of risk and investors could lose all or a portion of their investment.

¹ Performance reflects an investment in Class A Interests. Performance is shown net of management, admin and performance fees. The inception date of Tac Opps is 01 February 2013

*Annualized return, standard deviation, Sharpe ratio and maximum drawdown based on monthly net returns.

US HY is represented by Bloomberg Barclays U.S. High Yield Bond Index; US IG is represented by the Bloomberg Barclays U.S. Corporate Bond Index

Refer to Appendix for additional performance and fee, index, attribution analysis and risk information.

Hybrid structure seeks to capitalize on the gap between hedge funds and private equity funds

PIMCO Tactical Opportunities ("Tac Opps") Fund

- Directional opportunistic global credit strategy with market beta hedging
- Target annualized return of 10–12%, net of fees and performance allocation (the "Target Return")
- **Broad, global opportunity set spanning public and private credit markets**
- Annualized return of 9.00% and volatility of 3.17% since inception net of fees¹

Traditional Hedge Funds

Liquidity provided regularly

CONSTRAINTS

Monthly/Quarterly liquidity
Limited breadth of capital

BENEFITS

Limited competition
Nimble size
Private equity resources

Private Equity

Sacrificing liquidity for return

CONSTRAINTS

15+% return targets
7-10 year terms

As of 30 June 2019. SOURCE: PIMCO.

The Target Return is not a guarantee, projection or prediction of future results of the Fund. Actual results may vary significantly from the Target Return.

¹Performance reflects an investment in Class A interests (Standard share class). The inception date of Tac Opps is 01 February 2013

Past performance is not a guarantee or a reliable indicator of future results. Performance is shown net of management, admin and performance fees.

Refer to Appendix for additional performance and fee, investment strategy, risk and target return information.

Low correlation and downside mitigation underscores potential diversification benefits

Low correlations to broad asset classes

Correlation Since Inception

Equities

S&P 500	0.14
MSCI World	0.15

Fixed Income / Credit

US Agg	-0.08
US HY	0.25
US IG	0.01

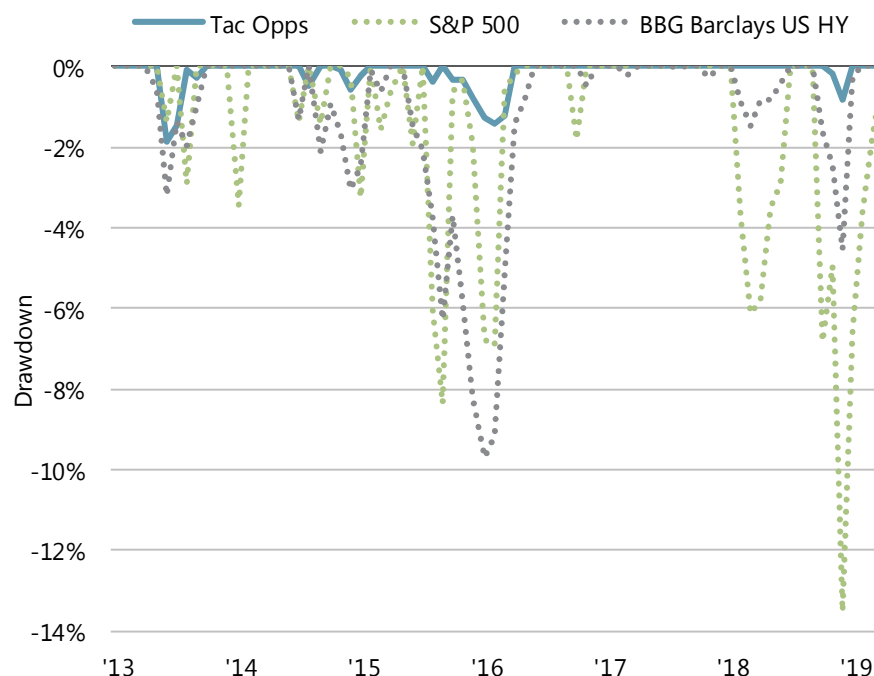
Real Estate / Commodities

REITs	-0.07
Commodities	0.09

Hedge Funds

HFRX HF	0.27
HFRX RV	0.43

Drawdowns mitigated by beta hedging



As of 30 June 2019. SOURCE: Bloomberg, PIMCO

Past performance is not a guarantee or a reliable indicator of future results.

Since inception of Tac Opps (1 February 2013). Correlation and maximum drawdown based on monthly total returns net of management, admin and performance fees

US HY is represented by Bloomberg Barclays U.S. High Yield Bond Index; US IG is represented by the Bloomberg Barclays U.S. Corporate Bond Index; REITs are represented by the Dow Jones U.S. Select REIT Index; Commodities are represented by the Bloomberg Commodity Index

There can be no guarantee that the Fund will continue to experience low volatility or draw down.

Refer to Appendix for additional performance and fee, correlation, index, and risk information.

Flexibility to capitalize on opportunities in public and private credit

	RESIDENTIAL	COMMERCIAL	CORPORATE	SPECIALTY
<div> <div>■ Focus</div> <div>□ Non-Focus</div> </div>				
PUBLIC MARKET	<div>Legacy RMBS</div> <div>ABS CDOs</div> <div>Agency credit risk transfer</div> <div>FNMA/Freddie preferreds</div>	<div>Legacy CMBS</div> <div>CRE CDOs</div> <div>European CMBS</div>	<div>Stressed loans and bonds</div> <div>Equity special situations</div> <div>EM loans and bonds</div>	<div>Aircraft, Unique ABS</div> <div>CLO mezz/equity</div> <div>Stressed municipals</div>
PRIVATE MARKET	<div>Non-qualified mortgage (QM) origination</div> <div>Re-performing loans</div>	<div>Seasoned commercial whole loans</div> <div>Credit tenant leases</div> <div>Mezzanine loans</div>	<div>Bridge financings</div> <div>Debt restructurings</div> <div>Peer-to-peer (P2P)</div>	<div>Regulatory capital relief</div> <div>European receivables</div> <div>Consumer finance</div>

As of 30 June 2019

The investment-types referenced are presented for illustrative purposes only, as a general example of the type of investments that may be or have been acquired by the Tac Opps Funds, as well as PIMCO's current capabilities in sourcing, modeling and managing such investments (which may evolve over time). There can be no guarantee that the Tac Opps Funds will have or continue to have access to comparable investments, or that PIMCO will utilize similar strategies or techniques in connection with Tac Opps' investments.

Refer to Appendix for additional investment strategy, portfolio structure and risk information.

Tac Opps investment process

Trade idea generation

Macro Views Inform High-Level Outlook

PIMCO Economic Forums

Debate economic and market trends

Global Investment Committee

Daily refinement of market outlook

Sector Specialists

Insights from market experts globally

Tac Opps PM Team

Russ Gannaway

Managing Director

Sharad Bansal

Executive Vice President

- Establish credit market outlook
- Manage portfolio-level risk

- Trade idea generation, selection, and sizing
- Oversee beta hedge ratio and implementation

Dan Ivascyn

Managing Director & Group CIO

Jon Horne

Managing Director

Josh Anderson

Managing Director

Alfred Murata

Managing Director

Sector Specialists

Monitor sector specific risks, identify market opportunities, optimize implementation and execution

Residential

20 PORTFOLIO MANAGERS

Sharad Bansal
Jason Steiner
Eric Clause
Alfred Murata
Josh Anderson

Commercial

38 PORTFOLIO MANAGERS

Russ Gannaway
Jeff Thompson
John Murray
Devin Chen
George Graham

Corporate

20 PORTFOLIO MANAGERS

Jon Horne
Adam Gubner
Lionel Laurant
Gabe Goldstein
Geoff Jones

Specialty Finance

20 PORTFOLIO MANAGERS

Sean Hinze
Harin de Silva
Kris Kraus
Krishna Narasimhan
Ben Ensminger-Law

EM/Muni/Other

30 PORTFOLIO MANAGERS

Pramol Dhawan
Boris Erenburg
Kofi Bentsi
David Hammer
Rachel Betton

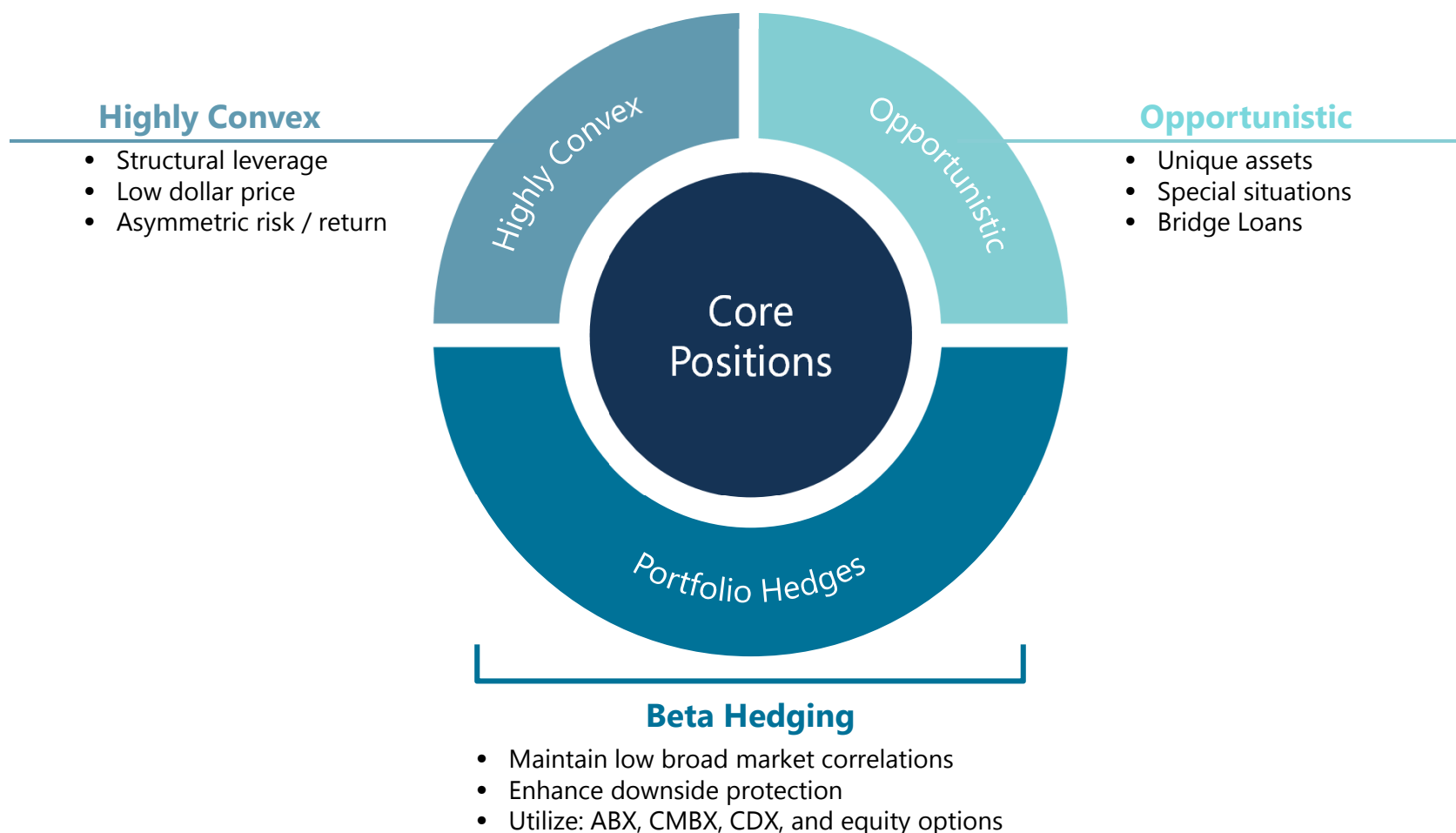
As of 30 June 2019.

For illustrative purposes to show key inputs to the Tac Opps investment process and is subject to change. There can be no assurance that the process outlined above will produce the desired results or achieve any particular level of returns. The individuals listed above may not continue to be employed by PIMCO during the fund's entire term. Refer to Appendix for additional investment strategy and risk information.

Portfolio construction

Supplementing core assets

Core positions target mid-to-high single digit yields with a measure of downside protection, prudent use of leverage, and dynamic beta hedging



The investment terms referenced are presented for illustrative purposes only, as a general example of the type of investments that may be or have been acquired by the Tac Opps Funds, as well as PIMCO's current capabilities in sourcing, modeling and managing such investments (which may evolve over time). There can be no guarantee that the Tac Opps Funds will have or continue to have access to comparable investments, or that PIMCO will utilize similar strategies or techniques in connection with Tac Opps investments. Refer to Appendix for additional investment strategy, portfolio structure and risk information.

I. Background, Context and Overview (Attachment A)

The Fiscal Reserve Withdrawal Guidelines (FRWG) are embedded in the Native Hawaiian Trust Fund Spending Policy. The Office of Hawaiian Affairs two criteria for an effective Fiscal Reserve are the following: (1) the fund collects and dispense appropriate amounts of money at appropriate times; and (2) it is simple to operate.

The purpose of the FRWG is to describe the proposed operation of OHA's fiscal reserve as established by OHA's Spending Policy. These guidelines are not policy, rather it clarifies existing policy that exists and states, "...Any funds available but not spent in previous fiscal years (Fiscal Reserve) held within the Native Hawaiian Trust Fund.

The objective of the OHA's fiscal reserve fund is designed to provide money in certain situations. Money can be authorized under any of the 3 (three) permissible purposes: budget stabilization, unpredicted one-time payments, and capital acquisitions.

The maximum designation is limited to no more than \$3,000,000 annually. Special circumstances use requires a Board of Trustees (BOT) supermajority plus 2 vote (8 affirmative votes). Deposit calculations (into the Fiscal Reserve) "shall be subject to audited financial statements for the respective fiscal year¹. Estimated year-end budget surpluses based upon unaudited records are not permissible." Operations of the fiscal reserve fund is subject to two (2) restrictions: the fund's balance cannot be negative after accounting for all designations; and there is no upper threshold or cap.



OFFICE OF HAWAIIAN AFFAIRS

NATIVE HAWAIIAN TRUST FUND SPENDING POLICY, AS AMENDED

Adopted by the Board of Trustees, September 15, 2004
Amended and adopted by the Board of Trustees on July 6, 2006
Amended and adopted by the Board of Trustees on May 21, 2009
Reviewed with no modifications by the Board of Trustees on April 18, 2012
Amended and adopted by the Board of Trustees on February 27, 2014

II. Discussion Basis

Moratorium. On February 21, 2018, via Action Item #18-03 (Attachment B) the Resource Management Committee (RMC) approved a moratorium on the use of Fiscal Reserve funds until specific policy changes are approved by the Board of Trustees (BOT). As also noted in the Action Item #18-03,

"On March 29, 2017, the Board of Trustees approved the RM Committee's recommendation to create the FSP Working and Implementation Advisory Committee ("FSP Advisory Committee"). Subsequently, RM Committee Chair,

¹ Latest audited financial statements for the OHA is as of and for the fiscal year ended June 30, 2018. In addition, fiscal year ended June 30, 2019 audited financial statements are not anticipated to be issued until February 2020 as audit field work is not scheduled until October/November 2019.

Trustee Hulu Lindsey, created collaborative FSP working groups comprised of Trustees, Administration, and subject matter experts to address the following priority areas: OHA's Spending Policy, Real Estate Investments, Legal and Taxable Structure, OHA's Relationship with the Department of Hawaiian Homelands; and Pension Benefits. The FSP Spending Policy Working Group has met to discuss improvements to the spending policy and fiscal Reserve guidelines, analyzing the policies current implications and outlining the issues that

need to be addressed.

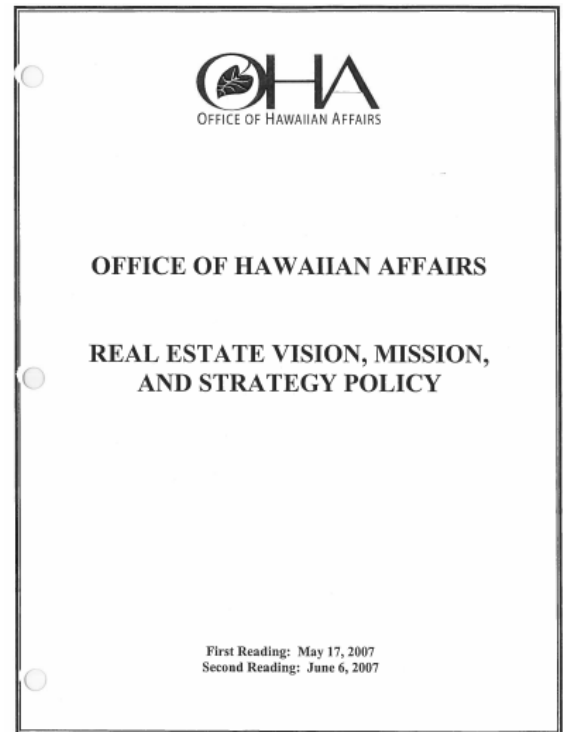
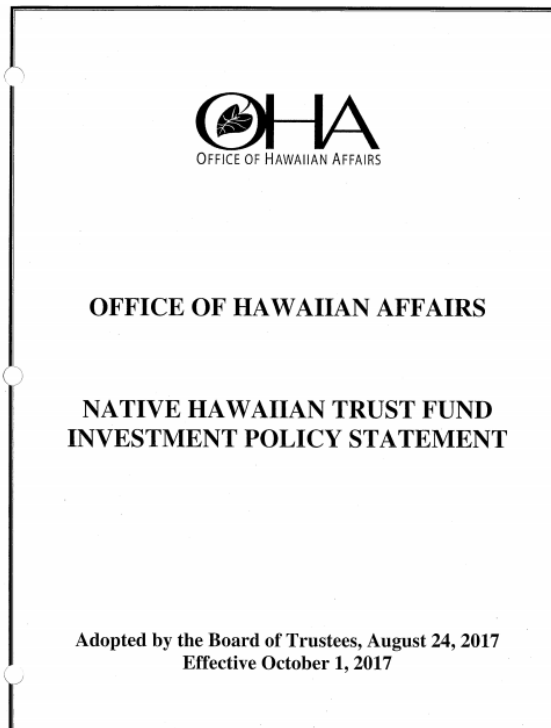
Additionally, the FSP Spending Policy and Real Estate

Investments Working Groups have also met to

discuss improvements to the Native Hawaiian Trust fund Investment Policy Statement and consideration of an investment policy statement that would apply to OHA's real estate investments. These will put OHA on the path to better managing and maintaining the health of its financial resources and other assets so that the agency may continue to address both the present and future needs of Native Hawaiians. As the review, modification and/or creation, and adoption of revised fiscal and investment policy statements will take time and a concerted effort by the working groups, it is appropriate to impose a moratorium on the use of Fiscal Reserve funds Until the Board of Trustees adopts the recommended changes to

the Fiscal Reserve guidelines."

Policy Action. In May 2019, via Action Item #19-07, the Board took action regarding Economic Development, Debt Management, Spending and Investment and Real Estate Policies, noting particularly the following: Acknowledge the Spending Policy language and the existing Native Hawaiian Trust Fund (NHTF) Spending Policy, as Amended, noting Administration will return with a consolidated policy document for Board action; and Acknowledge the Investment and Real Estate Policy language and the existing NHTF Investment and Real Estate Vision, Mission, and Strategy policies, noting Administration will return with consolidated policy document(s) for Board action. At this juncture, work on the Spending and Investment and Real Estate policies are projected to occur with the Board Governance Framework Permitted Interaction Group T-Level policies work.



Discussion Document re: Fiscal Reserve Withdrawal Guidelines

Updated: August 14, 2019

III. Current State

As indicated in Attachment 3 of the Biennium Budget Book (distributed to the Trustees on May 30, 2019 and included below), as of 6/30/2018 the Fiscal Reserve as computed by policy was at \$5.7MM based on the latest audited financial statements for the OHA as of and for the fiscal year ended June 30, 2018. In addition, fiscal year ended June 30, 2019 audited financial statements are not anticipated to be issued until February 2020 as audit field work is not scheduled until October/November 2019 and the information noted below is projected and unaudited. Preliminary estimates of the FY 2019 "add" is \$2,000,000 in unexpended, unencumbered amounts; and another \$2,000,000 in lapsed, closed purchase orders.

While the Fiscal Reserve's mathematical computation is noted below, strategically---unspent, uncommitted (unencumbered) expenditure amounts represent a combination of the following: 1) planned, budgeted activities that did not occur; 2) planned, budgeted activities that occurred but took less resources; 3) too conservative in budgeting because the previous experience is that operating units will be asked to cut back; and/or 4) strategic expenditures are not being made. Further discussion is needed as a whole with Trustees and Administration regarding the OHA's budgeting, spending and variance management.

ATTACHMENT 3

Office of Hawaiian Affairs
Fiscal Reserve Rollforward
Actuals from FY11 to FY 18, Projected to FY 19

Moratorium in Effect (see note 2)

	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Projected
FISCAL RESERVE ROLLFORWARD	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Fiscal Reserve Balance, beginning of year	15,131,590	13,565,235	11,256,763	8,257,459	5,909,701	4,845,506	2,090,142	4,243,980	5,745,956
Addition: to reserve									
Current year lapse to fiscal reserve									
BOT approved budget (less G/F)	33,921,801	32,578,746	33,624,166	33,206,175	32,476,815	32,675,225	33,116,011	32,565,384	36,014,771
Expended / Encumbered (less G/F)	(33,837,132)	(32,576,115)	(33,623,470)	(33,196,854)	(31,109,261)	(32,646,209)	(32,019,207)	(31,075,626)	(33,860,598)
Current year lapse	84,669	2,630	697	9,321	1,367,554	29,016	1,096,804	1,489,758	2,154,173
Prior year PO cancellation	1,348,976	688,898		512,921	568,251	215,620	1,057,034	12,218	1,000,000
Less: board designation: made for use of fiscal reserve	(3,000,000)	(3,000,000)	(3,000,000)	(2,870,000)	(3,000,000)	(3,000,000)			
Add back lapse of fiscal reserve									
Fiscal Reserve Balance, end of year	13,565,235	11,256,763	8,257,459	5,909,701	4,845,506	2,090,142	4,243,980	5,745,956	8,900,129

Note>

1) Per section IV of OHA's Native Hawaiian Trust Fund Spending Policy section entitled, "Policy/Procedure", Fiscal Reserve is defined as "Any funds available but not spent in previous fiscal years." This includes, but not limited to current year lapse, prior year PO cancellation with remaining funds, and prior year designated fiscal reserve lapse. The maximum designations allowable to be made in any fiscal year are limited to no more than \$3,000,000 annually. Under special circumstances that will require the use of funds in excess of the categories noted above, the \$3,000,000 limit may be waived by the BOT with a vote of the super majority plus 2 (8 affirmative votes).

2) BOT Approved Action Item BOT# 18-01, February 27, 2018, Moratorium on use of Trustee Sponsorship and Allowance Fund (TFAAF) and CEO-initiated Sponsorships: BOT approved to impose a moratorium on the use of Trustee Sponsorship and Allowance Fund (TFAAF) and CEO-initiated Sponsorships and the immediate return of the unced balance of the TFAAF to OHA.

IV. Fiscal Reserve Withdrawal Guidelines Discussion Prompts

In anticipation of the FB20-21 budget realignment, Administration asks the Trustees to consider the following reserve uses:

- 60% to 63% increase in fringe benefit rate (Attachment D) – budget stabilization;
- Emergency disaster relief – unpredicted one-time payment (Attachment C);
- Iwi kupuna repatriation – budget stabilization;
- Festival of the Pacific;
- Complete Count Committees for 2020 Census; and
- Capital acquisitions.

V. Discussion Document Attachment(s)

- A. Native Hawaiian Trust Fund Spending Policy, As Amended
- B. RM #18-03 Moratorium on the Use of Fiscal Reserve Funds
- C. RM #18-06 Emergency Disaster Relief \$500,000 for Kauai and Hawai'i Islands
- D. June 17, 2019 Budget and Finance Memorandum re: Fringe Rate – 63.08%



OFFICE OF HAWAIIAN AFFAIRS

NATIVE HAWAIIAN TRUST FUND SPENDING POLICY, AS AMENDED

Adopted by the Board of Trustees, September 15, 2004

Amended and adopted by the Board of Trustees on July 6, 2006

Amended and adopted by the Board of Trustees on May 21, 2009

Reviewed with no modifications by the Board of Trustees on April 18, 2012

Amended and adopted by the Board of Trustees on February 27, 2014

**OFFICE OF HAWAIIAN AFFAIRS
NATIVE HAWAIIAN TRUST FUND SPENDING POLICY**

I. PURPOSE. The purpose of this policy is to ensure the continued viability of the Office of Hawaiian Affairs (OHA) Native Hawaiian Trust Funds (NHTF) by providing specific guidelines to balance the objectives of maintaining principal and producing large, stable and predictable spending. Decisions affecting management of the NHTF focus upon four conflicting objectives:

- A. Maximize long-term total return;
- B. Maximize annual spending from the Trust;
- C. Preserve the real value (purchasing power) of the Trust's principal and of its spending distributions over the long term;
- D. Maximize the stability and predictability of spending distributions. In other words, minimize the spending shortfall risk.

II. OBJECTIVE. The following spending policy reflects the objective of distributing as much total return as is consistent with the overall defined investment objectives while protecting the value of the principal.

III. DEFINITIONS. To further clarify the spending policy, the following definitions are used:

A. Native Hawaiian Trust Fund defined as all Public Land Trust revenue emanating from 5(f) funds that is subject to OHA's Native Hawaiian Trust Fund investment policy.

B. Spending Rate is the percentage (%) applied to the average market value to determine the spend amount.

C. Annual Spending Withdrawals defined as the maximum amount authorized to be budgeted from the Native Hawaiian Trust Fund in one fiscal year.

D. Moving Average Rule – to spend a fixed percentage of the average Native Hawaiian Trust Fund's average market value (e.g., spend 5.0% of the average market value of the previous 20 quarters).

E. Annual Ceded Land Revenues – shall be the \$15.1 million (fifteen million one hundred thousand dollars) annual revenues received from the state of Hawai'i as of fiscal year 2006-2007, or including any adjustments to annual ceded lands revenues in the future by the state of Hawai'i.

F. State of Hawai'i General Fund appropriations are determined by the Legislature during each Biennium and are spent for a specific purpose.

G. To Spend is the result of multiplying the moving average rule (Moving Average) by the spending rate.

H. Spent is when actual disbursement or encumbrances of funds is made. Trustees should never appropriate funds beyond the Spending Policy calculated amount.

I. Average Market Value – shall be computed quarterly based upon the monthly statements received from OHA's Custodian of Record, the average shall be computed from the most recent 20 quarter period ending as of March 31st, fifteen months prior to the start of the budget on July 1. If real estate is included in the Native Hawaiian Trust Fund then the real property market value shall be included to compute the average market value.

J. Public Land Trust Revenue – emanating from 5(f) funds that the State of Hawai'i remits to the Office of Hawaiian Affairs.

K. Real Property Market Value – shall be based upon the latest real estate appraisal. Such an appraisal should be conducted every five (5) years or upon the sale of any respective real estate property, whichever comes first.

L. Investment – an acquisition for future income or benefit.

M. 5(f) Funds – refers to Section 5(f) of the State of Hawai'i Admissions Act.

N. Total return is defined as the sum of earned interest and dividends and realized and unrealized gains or losses, less all investment management costs (*e.g. investment consultant, custodian, money manager fees*).

O. Native Hawaiian Self-Governance Spending Withdrawal defined as a maximum cumulative authorization not to exceed \$3,000,000 to be budgeted from the

Native Hawaiian Trust Fund for self-governing efforts of the Office of Hawaiian Affairs.

IV. POLICY/PROCEDURE. Consistent with the overall investment goals of the Native Hawaiian Trust Fund, the following spending rates and rules for distribution are set forward.

A. The formula for determining **annual spending withdrawals** and the mechanics of its implementation shall adopt the **Moving Average Rule**, whereby;

1. OHA will **spend** a fixed percentage of no more than five percent (5%) of the Native Hawaiian Trust Fund's **average market value**,

plus

2. **Ceded Land Revenues** received by OHA

plus

3. **State of Hawai'i General Funds** received by OHA

plus

4. Any funds available but not spent in previous fiscal years (Fiscal Reserve), held within the Native Hawaiian Trust Fund.

B. Regardless of the performance of the Native Hawaiian Trust Fund, OHA's spending policy will apply. The 5% spending rate shall be applied to investment portfolio and real property assets intended to be income or benefit producing.

C. Funds available from sources other than those defined in Section IV.A. of this policy are not limited by this annual spending withdrawal formula.

V. SPECIAL SPENDING WITHDRAWAL. Public Law 103-150 recognizes that the "...indigenous Hawaiian people never directly relinquished their claims to their inherent sovereignty as a people or over their national lands..." and urges the President of the United States to "...support reconciliation efforts between the United States and the Native Hawaiian people." Act 195 was signed into law on July 6, 2011 and recognized the Native Hawaiian people as the only indigenous, aboriginal, maoli people of Hawai'i. Act 195 encourages OHA to "...continue to support the self-determination process by Native Hawaiians in the formation of their chosen governmental entity" and notes that the State has designated OHA "...as a trust vehicle

to act on behalf of Native Hawaiians until a Native Hawaiian governing entity could be reestablished...". Balancing the opportunity for the formation of a governmental entity that would empower Native Hawaiians to exercise their un-relinquished inherent sovereignty with the objectives of maintaining principal and producing large, stable and predictable spending, a special cumulative spending withdrawal of no more than \$3,000,000 can be authorized to be budgeted from the Native Hawaiian Trust Fund for self-governing efforts of the Office of Hawaiian Affairs and will be known as a **Native Hawaiian Self-Governance Spending Withdrawal**. Authorizations of funds pursuant to Section V. will require a separate Action Item appropriation request pursuant to Section 1.4.b of OHA's Board of Trustees Executive Policy Manual. This Section V. specifically disallows transfer of funds or appropriations of any kind to the Native Hawaiian Roll Commission, as established by Act 195.

VI. REVIEW

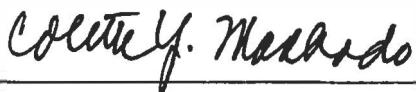
A. The Spending Policy will be reviewed at least every two years or as recommended by the Chair of the ARM Committee.

B. Modifications to the Spending Policy must meet requirements as provided by the then current By-Laws. Any modification or exceptions to OHA's Spending Policy shall require six (6) votes and two (2) readings at the Board of Trustees level and require external due diligence to be conducted.

VII. EFFECTIVE DATE. "The effective date of this policy is February 27, 2014 and this policy shall be deemed to pre-exist funds disbursed to OHA by the State pursuant to Act 178, SLH 2006."

Adopted on the 27th day of February, 2014

OFFICE OF HAWAIIAN AFFAIRS BOARD OF TRUSTEES



Colette Y. Machado, Chairperson

First Reading	2/20/2014
Second Reading	2/27/2014

OHA'S NATIVE HAWAIIAN TRUST FUND SPENDING POLICY'S FISCAL RESERVE WITHDRAWAL GUIDELINES

I. INTRODUCTION. The Office of Hawaiian Affairs two criteria for an effective Fiscal Reserve are the following: (1) the fund collects and dispenses appropriate amounts of money at appropriate times; and (2) it is simple to operate. Of the various alternatives studied by Administration, the fiscal reserve fund proposed here comes closest to satisfying these criteria. The purpose of this section is to describe the proposed operation of OHA's fiscal reserve as established by OHA's Spending Policy, which was initially adopted on October 31, 2000 and subsequently amended in September 2004, July 2006, and May 2009, respectively. These guidelines are not policy, rather it clarifies existing policy that exists on page 3, section IV of OHA's Native Hawaiian Trust Fund Spending Policy section entitled, "Policy/Procedure" and states "*plus*" A.3 "*Any funds available but not spent in previous fiscal years, held within the Native Hawaiian Trust Fund.*"

II. OHA'S NATIVE HAWAIIAN TRUST FUND SPENDING POLICY'S – FISCAL RESERVE. Following is a description of the fiscal reserve fund:

A. Objective. OHA's fiscal reserve fund is designed to provide money in certain situations.

B. Authorized uses. Money can be authorized under any of the 3 (three) permissible purposes as follows:

- 1. Budget Stabilization** – To address shortfalls in funding that directly translate into a significant spending decrease for a budget year. The shortfall can be the result of a downturn in the economy that negatively impacts the value of the NHTF investments, or can be the result of a reduction in general funding or ceded land revenue payments received from the state. Costs of programs can be funded through the fiscal reserve if it is determined that not providing the funding will have a severe negative impact on OHA's beneficiaries. The amount that can be utilized under this category in any given fiscal year, cannot exceed the previous year's spending limit subject to the limitations set forth in (E.) below. In other words, the budget stabilization can be used so that the fiscal reserve will supplement the current year budget to be at least equal to the prior year budget up to the limit set forth in (E.) below.
- 2. Unpredicted One-time Payments** – to address events or opportunities that are non-recurring in nature, have not been contemplated in the

budget process, and cannot wait to be included in the next budget cycle. This category would also include any expenditures needed to address legal issues as well as to remedy an emergency condition (which means a situation that creates a threat to public health, welfare, or safety that may arise by reason of major natural disaster, epidemic, riot, fire, or other reason.) The maximum designation amount under this category is subject to the limitations set forth in item (E.) below.

3. **Capital Acquisitions** – Major purchases of non-investment land or other capital assets that either have not been contemplated during the time of budget preparation, or cannot be addressed within the confines of the budget, and cannot wait to be included in the next budget cycle. The maximum withdrawal amount under this category is subject to the limitations set forth in item (E.) below.

C. Maximum Designations. The maximum designations allowable to be made in any given fiscal year, using any combination of items B.1. through B.3. above, are limited to no more than \$3,000,000 annually. The \$3,000,000 limitation is based on the fiscal year in which the designation is made, regardless of the year of funding specified in the designation. For example, if a \$2m designation is made in budget year 1, to be funded in budget year 2, the \$2m will count towards the limit in budget year 1, and only an additional \$1m can be designated in budget year 1. In budget year 2, the full \$3m of designations is still available.

D. Special Circumstances – There may be special circumstances that will require the use of funds in excess of the categories noted above. For example, the imminence of the passage of a federal recognition bill may trigger events for which OHA will be required to spend monies not otherwise available. In these special circumstances, the criteria set forth above can be waived by the BOT with a vote of the super majority plus 2 (8 affirmative votes). Since the “fiscal reserve” is a part of OHA’s Native Hawaiian Trust Fund and not an account established separately, if and when the fiscal reserve is utilized, the funds identified will merely serve as an additional means of financing.

E. Deposit Calculations. The source of data required to calculate the amount to be “restricted” as an OHA NHTF Spending Policy Fiscal Reserve shall be subject to audited financial statements for the respective fiscal year. Estimated year-end budget surpluses based upon unaudited records are not permissible.

F. Restrictions. The operation of the fiscal reserve fund is subject to two (2) restrictions:

1. no more than the current balance of the fiscal reserve in any year will be designated from the fund (e.g., the fund's balance cannot be negative after accounting for all designations; and
2. the total amount of money earmarked as a fiscal reserve does not have an upper threshold (*cap*) imposed upon it.

G. Operation

A. Pursuant to the OHA Spending Policy, Administration is tasked with calculating the spending policy limitation for the upcoming fiscal year utilizing a 20-quarter rolling average of the Native Hawaiian Trust Fund's market value, ending as of March 31st, fifteen months prior to the start of the budget on July 1. The respective 20-quarter rolling average along with a Board of Trustees determined spending rate (up to 5%) eventually determines the upper threshold for the development of a biennium budget, which is revisited during the supplemental year to correct any upward or downward adjustments in accordance to the actual spending policy formula. Note: during the development of a biennium budget, only the first fiscal year can utilize actual figures with the second year requiring Administration to "estimate" the market value of the upcoming four quarters based upon financial analysis techniques.

B. Only upon the close of OHA's fiscal year end financial records and the successful completion of a financial audit engagement can fiscal year "expenditure" figures be utilized, less any investment related expenses, and then deducted from OHA's calculated spending policy ceiling. As a part of OHA's adjusting fiscal year end journal entry, the difference is to be accumulated to any existing fund reserve account. Note: the funds are maintained within the Native Hawaiian Trust Fund, without the benefit of interest income and/or capital gains accrual, and are merely recognized as "reserved" funds within OHA's financial statements.

III. PROCEDURE. The procedure to be followed when requesting money via these guidelines for Board consideration shall be in the form of an Action Item and must include, at a minimum, the following information:

1. Identify the originator of the request;
2. Cite specific "Authorized Use" being requested as:
 - a. **B.1. Budget Stabilization,**
 - b. **B.2. Unpredicted One-time Payments, or**

c. B.3. Capital Acquisitions

3. Cite **D. Special Circumstances** if applicable.
4. Explain why the request cannot be accommodated with funds from the current Core Operating Budget.
5. State the urgency of the request and its impact on OHA if the request is denied or the decision is delayed.
6. Attach a letter or proposal detailing the request in sufficient detail to reasonably draw a conclusion of merit.

IV. VOTING REQUIREMENTS.

A. The Board of Trustees with six (6) affirmative votes may authorize expenditures from the fiscal reserve up to the maximum designation allowable under Budget Stabilization, Unpredicted One-time Payments, and Capital Acquisitions categories as set forth in Section II. B.1., B.2. and B.3., respectively, above.

B. The Board of Trustees with eight (8) affirmative votes may authorize expenditures from the fiscal reserves above the maximum designation allowable under the Special Circumstances category as set forth in Section II.D. above.

Adopted on the 27th day of February, 2014

OFFICE OF HAWAIIAN AFFAIRS BOARD OF TRUSTEES



Colette Y. Machado, Chairperson

First Reading	2/20/2014
Second Reading	2/27/2014

Office of Hawaiian Affairs
560 N. Nimitz Hwy, Suite 200
Honolulu, HI 96817
Roll Call Vote Sheet

ATTACHMENT B

BOARD OF TRUSTEES MEETING	DATE: February 27, 2018
----------------------------------	--------------------------------

AGENDA ITEM:

V. New Business

B. Committee on Resource Management

1. RM 18-03: Moratorium on Fiscal Reserve Spending

MOTION:

Move to approve a moratorium on the use of Fiscal Reserve funds until specific policy changes are approved by the Board of Trustees.

AMENDMENT:

MEANS OF FINANCING:

		1	2	'AE (YES)	A'OLE (NO)	KANALUA/ ABSTAIN	EXCUSED/ ABSENT
TRUSTEE LEINA'ALA	AHU ISA			X			
TRUSTEE DAN	AHUNA			X			
TRUSTEE ROWENA	AKANA			X			
TRUSTEE KELI'I	AKINA			X			
TRUSTEE PETER	APO			X			
TRUSTEE CARMEN HULU	LINDSEY	x		X			
TRUSTEE ROBERT	LINDSEY			X			
TRUSTEE JOHN	WAIHEE		x	X			
CHAIRPERSON COLETTE	MACHADO			X			
TOTAL VOTE COUNT				9			

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

DISCUSSION:

Office of Hawaiian Affairs

**COMMITTEE ON RESOURCE MANAGEMENT
(RM)**

Committee Report

February 27, 2018

The Honorable Colette Machado,
Chairperson Board of Trustees
Office of Hawaiian Affairs

Madame Chair Machado,

Your Committee on Resource Management, having met on February 21, 2018 and after full and free discussion, recommends approval of the following action to the Board of Trustees:

To approve a moratorium on the use of Fiscal Reserve funds until specific policy changes are approved by the Board of Trustees.

Relevant attachments are included for your information and reference. Attachment(s):

- 1) Action Item RM #18-03
- 2) RM Roll Call Vote Sheet(1)

Respectfully submitted:


Trustee Carmen Hulu Lindsey, Chair

excused
Trustee Peter Apo, Member

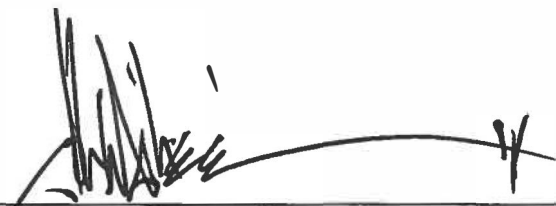

Trustee Leina'ala Ahu Isa, Member

excused
Trustee Robert Lindsey, Member


Trustee Dan Ahuna, Member

excused
Trustee Colette Machado, Member

excused
Trustee Rowena Akana, Member


Trustee John Waihe'e, IV., Member



Trustee Keli'i Akina, Member

OFFICE OF HAWAIIAN AFFAIRS
Action Item
Committee on Resource Management
February 21, 2018

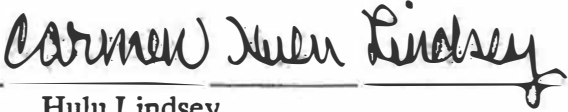
RM# 18-03

Action Item Issue: Whether the Resource Management Committee ("RM") shall approve a recommendation to the Board of Trustees for a moratorium on the use of Fiscal Reserve funds until specific policy changes are approved by the Board of Trustees.

Prepared by:  2/16/2018
Max Mukai
Ke Kua Kāko'o, Trustee Aide Date

Reviewed by:  2/16/18
Kamana'o M. Crabbe, Ph.D.
Ka Pouhāna, Chief Executive Officer Date

Reviewed by:  02/16/18
Colette Y. Machado
Ke Kauhuhu, Chair of Board of Trustees Date

Reviewed by:  2/16/2018
Hulu Lindsey
Ho'omalū Komike RM, RM Chairperson Date

I. Action:

Approval of a moratorium on the use of Fiscal Reserve funds until specific policy changes are approved by the Board of Trustees.

II. Issue:

Whether the Resource Management Committee ("RM") shall approve a recommendation to the Board of Trustees for a moratorium on the use of Fiscal Reserve funds until specific policy changes are approved by the Board of Trustees.

III. Background:

On March 29, 2017, the Board of Trustees approved the RM Committee's recommendation to create the FSP Working and Implementation Advisory Committee ("FSP Advisory Committee"). Subsequently, RM Committee Chair, Trustee Hulu Lindsey, created collaborative FSP working groups comprised of Trustees, Administration, and subject matter experts to address the following priority areas: OHA's Spending Policy, Real Estate Investments, Legal and Taxable Structure, OHA's Relationship with the Department of Hawaiian Homelands; and Pension Benefits. The FSP Spending Policy Working Group has met to discuss improvements to the spending policy and Fiscal Reserve guidelines, analyzing the policies current implications and outlining the issues that need to be addressed. Additionally, the FSP Spending Policy and Real Estate Investments Working Groups have also met to discuss improvements to the Native Hawaiian Trust Fund Investment Policy Statement and consideration of an investment policy statement that would apply to OHA's real estate investments. These efforts will put OHA on the path to better managing and maintaining the health of its financial resources and other assets so that the agency may continue to address both the present and future needs of Native Hawaiians. As the review, modification and/or creation, and adoption of revised fiscal and investment policy statements will take time and a concerted effort by the working groups, it is appropriate to impose a moratorium on the use of Fiscal Reserve funds until the Board of Trustees adopts the recommended changes to the Fiscal Reserve guidelines.

IV. Alternative Actions:

- A. Recommend approval of the moratorium, and transmit the recommendation to the Board of Trustees for consideration.
- B. Decline approval of the moratorium and take no other action.
- C. Take no action.

V. Recommended Action:

To approve a moratorium on the use of Fiscal Reserve funds until specific policy changes are approved by the Board of Trustees.

VI. Timeframe:

The moratorium will take effect immediately upon approval by the Board of Trustees.

VII. Funding Source:

No funding required.

VIII. Attachment:

None.

Office of Hawaiian Affairs
560 N Nimitz Hwy. Ste. 200
Honolulu, HI 96817
Roll Call Vote Sheet

Committee on Resource Management**DATE: February 21, 2018****Motion:****Vote:****AGENDA ITEM: III. New Business****B. RM 18-03: Moratorium on Fiscal Reserve Spending****MOTION:**

To approve a moratorium on the use of Fiscal Reserve funds until specific policy changes are approved by the Board of Trustees.

AMENDMENT:**MEANS OF FINANCING:**

TRUSTEE		1	2	'AE (YES)	A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
LEI	AHU ISA			X			
DAN	AHUNA			X			
ROWENA	AKANA						X
KELI'I	AKINA			X			
PETER	APO						X
ROBERT	LINDSEY						X
COLETTE	MACHADO						X
JOHN	WAIHE'E			X			
CHAIR HULU	LINDSEY			X			
TOTAL VOTE COUNT				5			

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

--

Office of Hawaiian Affairs
560 N. Nimitz Hwy, Suite 200
Honolulu, HI 96817
Roll Call Vote Sheet

ATTACHMENT C

BOARD OF TRUSTEES MEETING

DATE: June 7, 2018

AGENDA ITEM:

V. New Business

A. Committee on Resource Management

- 1. Action Item RM 18-06: Approval for the Administration to utilize \$500,000 for Emergency Disaster Relief on Kaua'i and Hawai'i Islands.**

MOTION:

Move to Authorize Administration to utilize \$ 500,000.00 for Emergency Disaster Relief on Kaua'i and Hawai'i islands.

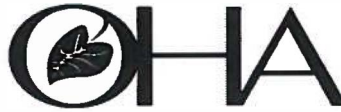
AMENDMENT:

MEANS OF FINANCING:

		1	2	'AE (YES)	A'OLE (NO)	KANALUA/ ABSTAIN	EXCUSED/ ABSENT
TRUSTEE LEINA'ALA	AHU ISA			X			
TRUSTEE DAN	AHUNA		x	X			
TRUSTEE ROWENA	AKANA						Excused
TRUSTEE KELI'I	AKINA			X			
TRUSTEE PETER	APO						Excused
TRUSTEE CARMEN HULU	LINDSEY						Excused
TRUSTEE ROBERT	LINDSEY			X			
TRUSTEE JOHN	WAIHEE	x		X			
CHAIRPERSON COLETTE	MACHADO			X			
TOTAL VOTE COUNT				6			3

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

DISCUSSION:



OFFICE OF
HAWAIIAN AFFAIRS
STATE OF HAWAII
RECEIVED-BOT

2018 JUN -4 P 3 36

OFFICE OF HAWAIIAN AFFAIRS
Interoffice Memorandum

Date: June 4, 2018

To: Chair Machado
CC: Trustee Hulu Lindsey
Board of Trustee's Secretary, Dayna Pa

Via: Hand-Deliver

From: Trustee Aide, Max Mukai

Subject: **Revision of Committee Report for Action Item RM 18-06**

Aloha Chair Machado,

Due to a clerical error to the Committee Report from the Committee on Resource Management, with regard to RM 18-06, please take care consideration of the following:

The current Committee Report Cover page states that the action approved by the RM Committee is: **"To Authorize Administration to utilize a lesser amount for Emergency Disaster Relief on Kaua'i and Hawai'i Islands."**

This language does not reflect the action taken at the table.

The following language for the action item was taken at the table on May 30, 2018:

"Move to approve administration to utilize \$500,000.00 for emergency disaster relief to Kaua'i and Hawai'i islands."

Our office will be distributing a new cover page for the committee report reflecting the proper language.

Mahalo nui loa,

A handwritten signature in black ink, appearing to be "GM" with a stylized flourish extending from the end.

Trustee Aide Max Mukai

Office of Hawaiian Affairs

**COMMITTEE ON RESOURCE MANAGEMENT
(RM)**

Revised Committee Report (6/4/2018)

June 7, 2018

The Honorable Colette Machado,
Chairperson Board of Trustees
Office of Hawaiian Affairs

Madame Chair Machado,

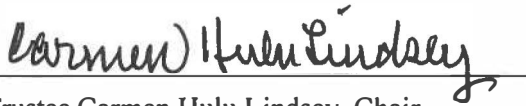
Your Committee on Resource Management, having met on May 30, 2018 and after full and free discussion, recommends approval of the following action to the Board of Trustees:

To Authorize Administration to utilize \$ 500,000.00 for Emergency Disaster Relief on Kaua'i and Hawai'i islands.

Relevant attachments are included for your information and reference. Attachment(s):

- 1) Action Item RM #18-06 and attachments
- 2) RM Roll Call Vote Sheet(1)

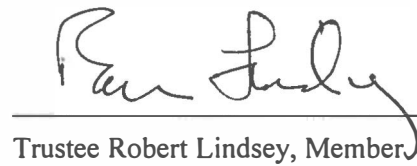
Respectfully submitted:



Trustee Carmen Hulu Lindsey, Chair

Trustee Peter Apo, Member

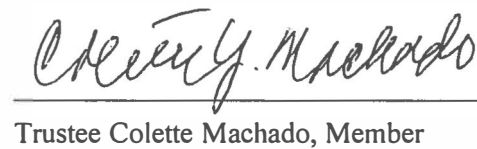
Trustee Leina'ala Ahu Isa, Member



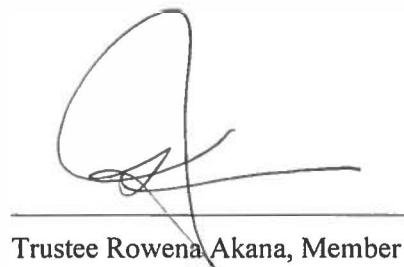
Trustee Robert Lindsey, Member



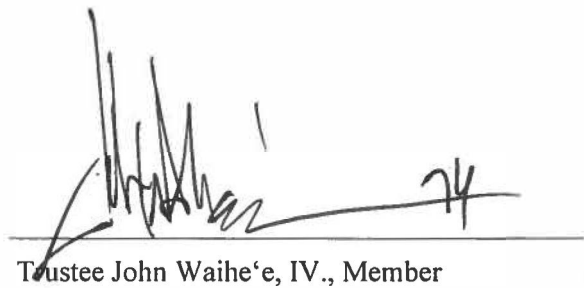
Trustee Dan Ahuna, Member



Trustee Colette Machado, Member



Trustee Rowena Akana, Member



Trustee John Waihe'e, IV., Member



Trustee Keli'i Akina, Member

II. Background

Two catastrophic natural disasters have devastated two islands of our pae ‘āina, Kaua‘i and Hawai‘i.

On April 14, 2018 and into the following day, a flash flood struck the island of Kauai, caused by a period of intense rainfall. A rain gauge owned by the Waipa Foundation, just west of Hanalei on Kauai's northern coast, recorded 49.69 inches of rainfall in the 24 hours ending at 12:45 PM (Hawaii Standard Time). The total would also break the Hawaii record of 38 inches set on January 25, 1956 at Kilauea, also on Kauai. (NOAA, 2018)

The sudden rainfall caused flooding and mudslides, with the worst erosion in isolated areas. The floods washed away roads and small bridges, including a portion of Hawaii Route 56. Governor David Ige declared a state of emergency and on April 18, the state legislature approved \$125 million in disaster funding, including \$100 million for Kauai.

Separately,

On May 3, 2018, after a 5.0 earthquake struck Hawai‘i island earlier in the day, steaming ground cracks opened in Leilani Estates and began to spew lava, causing evacuations of the Leilani Estates and Lanipuna Gardens subdivisions. The outbreak marked the beginning of the 62nd episode of the current east rift zone eruption, which began in January 1983. That evening Governor David Ige activated the state National Guard to help with the evacuation process.

The devastation from the eruptions continues today and according to the USGS there is no sign of an end.

III. Discussion and Assessment

Kaua‘i Island Assessment

On May 16, 2018, Trustee Dan Ahuna, led a team of OHA Staff to Kaua‘i to assess damages sustained by Native Hawaiian community members in the areas of Wainiha and Haena. The needs of the communities are great. Based on the assessment by OHA staff a presentation to the Committee on Resource Management was given on May 23, 2018 with the following recommendation for distribution of monies:

- 1) \$250,000.00 in Relief aid for:
 - a. \$200,000 will be dispersed to affected households which shall include approximately 150 NH households based on survey data and community feedback consulting.
 - b. Procurement Manager Phyllis Ono-Evangelista and Community Engagement Pou Kihi Mehana Hind have worked collaboratively to develop OHA’s intake form specific to Kaua‘i. **See Attachment 1. for review of the Kaua‘i Emergency Disaster Relief Fund Form for demographic data collected.**
 - c. \$50,000 will be dispersed to taro farmers who meet criteria for “high, moderate, low priority” regarding extent of damage to lo‘i property, remedial prep to restore lo‘i for planting and timeline necessary to complete.

Feedback from farmers and community representatives will identify and assess the farm's ability to restore kalo cultivation through the recovery process to produce the level of kalo production prior to the flood disaster. Trustee Aide Davis Price has been working with community leaders &/or representatives to continue gathering information to refine the intake form. See Attachment 2 for a review of the Application for Cultural Based `Ohana Style Farmers

- 2) Contract with a third-party vendor to provide social services:
 - a. Case management and emergency financial assistance, as determined,
 - b. OHA will provide Emergency Crisis Intake Form to assess benefits to
 - i. Community
 - ii. Meet program requirements
 - iii. Follow up regarding data collection

Hawai'i Island Assessment

- 1) \$250,000.00 in Relief aid for:
 - a. Emergency financial assistance to NH households who meet criteria to be developed by Administrative staff. No preliminary data is available as of yet but once Community Outreach staff has compiled a report of Native Hawaiians and Native Hawaiian households affected the scope of delivery services can be crafted with specific terms and conditions for the disbursement of funds.
 - b. First priority will be given to those resident of Puna who were under the Mandatory Evacuation. Second priority will be given to those in the Puna district who voluntarily evacuated. Third priority given to those outside of the Puna district who are negatively affected by the volcanic eruptions, air quality, and earth quakes
 - c. **See Attachment 3. for review of the East Rift Zone of Kilauea Volcano Request for Emergency/Crisis Assistance.**

Procurement Requirements, Applicable to both Kaua'i and Hawai'i

On April 15, 2018, in addition to March 29, 2018, Governor David Ige issued emergency proclamations for Kaua'i island. On May 3, 2018, Governor David Ige issued an emergency proclamation for Hawai'i island. These proclamations set the basis by which state agencies can provide emergency relief funding suspending procurement requirements in order for funds to reach the communities immediately. In concert with the proclamations, Hawai'i Revised Statutes provides the following procurement guidelines.

Hawai'i Revised Statutes Chapter 127A. §12 Emergency management powers in, general

5. (b) The governor may exercise the following powers pertaining to emergency management:
 - (4) Sponsor and develop mutual aid plans and agreements for emergency management between the State, one or more counties, and other governmental, private-sector, and nonprofit organizations, for the furnishing or exchange of food, clothing, medicine, and other materials; engineering services; emergency housing; police services; health, medical, and related services; firefighting, rescue, transportation, and construction services and

facilities; personnel necessary to provide or conduct these services; and such other materials, facilities, personnel, and services as may be needed. The mutual aid plans and agreements may be made with or without provisions for reimbursement of costs and expenses, and on such terms and conditions as are deemed necessary;

OHA will be utilizing these proclamations and applicable emergency powers statutes to enter into disaster relief contracts for each island:

1. Program Scope of Services

Establish the Kaua‘i Emergency Disaster Relief Program (KEDRP) to provide financial assistance to Native Hawaiian beneficiaries who reside in the affected areas of Wainiha, Haena and County of Kauai. The financial assistance provided to the participants shall include, but may not be limited to: food, clothing, medicine, and other materials; loss and/or damage to dwelling unit, emergency housing; health, medical and related services; rescue, transportation and construction services and personnel necessary to provide or conduct these services as may be needed and other materials, facilities, personnel, and services as may be necessary.

Hawai‘i island requires additional assessment at this time. However, based on the reports from OHA personal and support agencies on the ground a similar scope will be utilized to address the immediate need which shall include, but may not be limited to: food, clothing, medicine, and other materials; loss and/or damage to dwelling unit, emergency housing; relocation; health, medical and related services; rescue, transportation and construction services and personnel necessary to provide or conduct these services as may be needed and other materials, facilities, personnel, and services as may be necessary. for Hawai‘i island contract.

IV. Funding – Fiscal Year 2018 Available Funds for Emergency Disaster Relief

The following are available funding sources for the Kaua‘i and Hawai‘i island Emergency Disaster Relief:

1. Department of Hawaiian Home Land (DHHL) Debt-service Obligation;
2. Community Grants Leveraging Initiative.

The first source of available funding comes from the annual \$3 million DHHL debt-service obligation. Due to the DHHL Revenue Bond refund in 2017 OHA received a credit in the amount of \$1,012,780. The second source of funding comes from the Community Grants Leveraging Initiative. Both sources for the Emergency Disaster Relief Fund are summarized in Table 1 below:

Table 1 - Proposed Funding for the Emergency Disaster Relief Fund

Request	Available Funds		
	Leveraging Initiative	DHHL Debt-service Obligation	Total Relief Fund
Kaua‘i Disaster Relief Fund	\$220,000.	\$30,000.	\$250,000.
Hawai‘i Disaster Relief Fund		\$250,000.	\$250,000.
Total Request	\$220,000.	\$280,000.	\$500,000.

V. Recommended Action

Authorize Administration to utilize \$500,000.00 for Emergency Disaster Relief on Kaua'i and Hawai'i islands.

VI. Alternatives

1. Take no action
2. Authorize Administration to utilize a lesser amount for Emergency Disaster Relief on Kaua'i and Hawai'i islands.

VII. Time Frame

This action shall be effective immediately upon approval by the BOT

VIII. Attachments

See Attachments 1, 2, & 3

ATTACHMENT 1

Kauai Request for Emergency/Crisis Assistance

Emergency/Crisis funding is available to Native Hawaiians who reside in the communities of the county of Kauai and experienced hardship due to the April 2018 flooding disaster. One person per household shall be provided with a one (1) time assistance upon confirmation that all eligibility criteria have been met.

Applicant Name: (Print Name)		Date of Birth
Mailing Address:		Email:
Place of Residence: (leave blank if Same as above)	Cell Phone: Work Phone:	
Native Hawaiian <input type="checkbox"/> Yes <input type="checkbox"/> No	I authorize OHA to retrieve vital records on my behalf to verify Native Hawaiian ancestry during this emergency period. <input type="checkbox"/> Yes <input type="checkbox"/> No	
Number in Household Prior to April 2018 Adults # _____ Children # _____	Number in Household After April 2018 Adults # _____ Children # _____	Amount Requesting \$
Employment Status prior to April 2018: <input type="checkbox"/> FT <input type="checkbox"/> PT <input type="checkbox"/> None	Mo. Income: \$	Employment Status after April 2018: Employment: <input type="checkbox"/> FT <input type="checkbox"/> PT <input type="checkbox"/> None
Total Household Income Prior to April 2018; \$		Total Household Income After April 2018: \$
Dwelling Unit Status	<input type="checkbox"/> Intact <input type="checkbox"/> Some Damage <input type="checkbox"/> Not Inhabitable <input type="checkbox"/> Now Sharing <input type="checkbox"/> Requires Relocation	

Mark all hardships below that apply

- | | | | |
|--|---|---|--|
| <input type="checkbox"/> Food | <input type="checkbox"/> Loss of wages | <input type="checkbox"/> Pay Emergency Housing | <input type="checkbox"/> Loss of Transportation |
| <input type="checkbox"/> Clothing, personal items | <input type="checkbox"/> Loss of employment | <input type="checkbox"/> Inability to pay rent/mortgage | <input type="checkbox"/> Need Fuel |
| <input type="checkbox"/> Medical/medicine related services | <input type="checkbox"/> Repair Dwelling | <input type="checkbox"/> Loss of child/elderly care provider. | <input type="checkbox"/> Loss of equipment used for work |
| <input type="checkbox"/> Need for household supplies | <input type="checkbox"/> Loss of dwelling | <input type="checkbox"/> Needs Relocation | <input type="checkbox"/> Damage to vehicle (inoperable) |

Provide a short description of the hardship caused by the drastic weather conditions in April 2018, if other than listed above:

Funds shall be used for:

- | | | | |
|---|--|---|---|
| <input type="checkbox"/> Food | <input type="checkbox"/> Assist with loss wages | <input type="checkbox"/> Assist with Emergency Housing | <input type="checkbox"/> Assist with transportation needs |
| <input type="checkbox"/> Clothing /personal items | <input type="checkbox"/> Financial support due to loss of employment | <input type="checkbox"/> Assist with Rent/ mortgage | <input type="checkbox"/> Pay for fuel |
| <input type="checkbox"/> Medical/ medicine related services | <input type="checkbox"/> Household supplies | <input type="checkbox"/> Need to Relocate elsewhere | <input type="checkbox"/> Replace Equipment |
| <input type="checkbox"/> Household supplies | | <input type="checkbox"/> Payment for child/elderly care | <input type="checkbox"/> Repair Dwelling |

Applicant Signature

Print Name

Date

Service Provider Verification

Funds Requested: \$	Funds Approved: \$
Method of Self Identification: <input type="checkbox"/> OHA Hawaiian Registry <input type="checkbox"/> Birth Certificate <input type="checkbox"/> Verified by other Agency <input type="checkbox"/> Verified by other NH Agency <input type="checkbox"/> Self -Declaration on intake form	
Agency Approval: I have reviewed request and verified the information provided.	
Signature	Date

ATTACHMENT 2



**Application for Cultural based, 'ohana style Taro
Farmers**

For assistance with April 2018 flood related losses

Name: _____ **Date:** _____

Farm/Business Name: _____

Phone: _____ **Email:** _____

Address (mailing): _____

Where is your farm located? _____

Total farm size (in acres): _____ **How many acres in Taro?** _____

Who are your customers (or who do you sell your taro to)?

Please explain how the flood damaged your farm _____

_____ **See next page**

For internal use only

Received by:

Date/time:

Via:

Kept original and gave a copy to the farmer?
--

Equipment lost or damaged and estimated replacement cost (in order of importance to you):

1. _____ \$ _____
2. _____ \$ _____
3. _____ \$ _____
4. _____ \$ _____

Other tools, supplies, fertilizer lost or damaged and estimated replacement cost (in order of importance to you):

1. _____ \$ _____
2. _____ \$ _____
3. _____ \$ _____
4. _____ \$ _____

Anticipated lost income if you can estimate it \$ _____

Anything else you would like to share with us?

Return this form to Waipā Foundation:

By dropping it off at our office 5-5785A Kuhio Hwy, Hanalei, 96714

Email to waipaonline@gmail.com

Fax to (808)826-9969

Mail to P.O. Box 1189, Hanalei, HI 96714

Mahalo for growing taro, and for taking the time and energy to fill out this form as completely as possible. We may need to ask you more questions as and will be in

touch with you soon. If you have questions or need help filling out this form, call or text Stacy Sproat-Beck at (808)639-1815.

ATTACHMENT 3

East Rift Zone of Kilauea Volcano Request for Emergency/Crisis Assistance

Emergency/Crisis funding is available to Native Hawaiians who reside within the communities of the East Rift Zone of Kilauea Volcano on the county of Hawaii and experienced hardship due to the erupting volcano. One person per household shall be provided with a one (1) time assistance upon confirmation that all eligibility criteria have been met.

Applicant Name: (Print Name)		Date of Birth
Mailing Address:		Email:
Place of Residence: (leave blank if Same as above)	Cell Phone: Work Phone:	
Native Hawaiian <input type="checkbox"/> Yes <input type="checkbox"/> No	I authorize OHA to retrieve vital records on my behalf to verify Native Hawaiian ancestry during this emergency period. <input type="checkbox"/> Yes <input type="checkbox"/> No	
Number in Household Prior to April 2018 Adults # _____ Children # _____	Number in Household After April 2018 Adults # _____ Children # _____	Amount Requesting \$
Employment Status prior to April 2018: <input type="checkbox"/> FT <input type="checkbox"/> PT <input type="checkbox"/> None	Mo. Income: \$	Employment Status after April 2018: Employment: <input type="checkbox"/> FT <input type="checkbox"/> PT <input type="checkbox"/> None
Total Household Income Prior to April 2018; \$		Total Household Income After April 2018: \$
Dwelling Unit Status	<input type="checkbox"/> Intact <input type="checkbox"/> Some Damage <input type="checkbox"/> Not Inhabitable <input type="checkbox"/> Now Sharing <input type="checkbox"/> Requires Relocation	

Mark all hardships below that apply

- | | | | |
|--|---|---|--|
| <input type="checkbox"/> Food | <input type="checkbox"/> Loss of wages | <input type="checkbox"/> Pay Emergency Housing | <input type="checkbox"/> Loss of Transportation |
| <input type="checkbox"/> Clothing, personal items | <input type="checkbox"/> Loss of employment | <input type="checkbox"/> Inability to pay rent/mortgage | <input type="checkbox"/> Need Fuel |
| <input type="checkbox"/> Medical/medicine related services | <input type="checkbox"/> Repair Dwelling | <input type="checkbox"/> Loss of child/elderly care provider. | <input type="checkbox"/> Loss of equipment used for work |
| <input type="checkbox"/> Need for household supplies | <input type="checkbox"/> Loss of dwelling | <input type="checkbox"/> Needs Relocation | <input type="checkbox"/> Damage to vehicle (inoperable) |

Provide a short description of the hardship caused by the drastic weather conditions in April 2018, if other than listed above:

Funds shall be used for:

- | | | | |
|---|--|---|---|
| <input type="checkbox"/> Food | <input type="checkbox"/> Assist with loss wages | <input type="checkbox"/> Assist with Emergency Housing | <input type="checkbox"/> Assist with transportation needs |
| <input type="checkbox"/> Clothing /personal items | <input type="checkbox"/> Financial support due to loss of employment | <input type="checkbox"/> Assist with Rent/ mortgage | <input type="checkbox"/> Pay for fuel |
| <input type="checkbox"/> Medical/ medicine related services | <input type="checkbox"/> Household supplies | <input type="checkbox"/> Need to Relocate elsewhere | <input type="checkbox"/> Replace Equipment |
| <input type="checkbox"/> Household supplies | | <input type="checkbox"/> Payment for child/elderly care | <input type="checkbox"/> Repair Dwelling |

Applicant Signature

Print Name

Date

Service Provider Verification

Funds Requested: \$	Funds Approved: \$
Method of Self Identification: <input type="checkbox"/> OHA Hawaiian Registry <input type="checkbox"/> Birth Certificate <input type="checkbox"/> Verified by other Agency <input type="checkbox"/> Verified by other NH Agency <input type="checkbox"/> Self -Declaration on intake form	
Agency Approval: I have reviewed request and verified the information provided.	
Signature	Print Name
	Date

Office of Hawaiian Affairs
560 N Nimitz Hwy. Ste. 200
Honolulu, HI 96817
Roll Call Vote Sheet – ACTION ITEM

Committee on Resource Management

DATE: May 30, 2018

Motion:

Vote:

AGENDA ITEM: IV. New Business

A. RM #18-06: Approval for Administration to utilize \$500,000 for Emergency Disaster Relief to Kaua'i and Hawai'i Island

MOTION: To Authorize Administration to utilize \$ 500,000.00 for Emergency Disaster Relief on Kaua'i and Hawai'i islands.

AMENDMENT:**MEANS OF FINANCING:**

TRUSTEE		1	2	'AE (YES)	A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
LEI	AHU ISA			x			
DAN	AHUNA			x			
ROWENA	AKANA		x	x			
KELI'I	AKINA			x			
PETER	APO			x			
ROBERT	LINDSEY			x			
COLETTE	MACHADO			x			
JOHN	WAIHE'E	x		x			
CHAIR HULU	LINDSEY			x			
TOTAL VOTE COUNT				9			

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

DAVID Y. IGE
GOVERNOR



ROBERT YU
ACTING DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

June 17, 2019

FINANCE MEMORANDUM

MEMO NO. 19-07

TO: All Department Heads

FROM: Robert Yu
Acting Director of Finance

SUBJECT: Interim Fringe Benefit Rates for FY 20

Act 17, SLH 2017, establishes the pension accumulation contribution rate for FY 20 at 36% for police officers, firefighters, and corrections officers, and 22% for all other employees. The rates for FY 18 are the latest approved rates. The interim rate is being transmitted to you for your information and records. Until new fringe benefit rates are approved by the U.S. Department of Health and Human Services, the following interim fringe benefit rates for FY 20 will be in effect:

	<u>Approved FY 18 Rate</u>	<u>Interim FY 20 Rate</u>
Pension Accumulation	18.00%	22.00%
Pension Administration	0.01%	0.01%
Retiree Health Insurance	10.14%	10.14%
Employees' Health Fund	7.69%	7.69%
Workers' Compensation	1.24%	1.24%
Unemployment Compensation	0.02%	0.02%
Social Security	6.20%	6.20%
Medicare	1.45%	1.45%
Other Post-Employment Benefits	<u>14.33%</u>	<u>14.33%</u>
Composite Rate	59.08%	63.08%

-2-

It is noted that for FY 20, the pension accumulation rates are as follows:

<u>Job Category</u>	<u>Employer Contribution Rate</u>	<u>Statutory Authorization</u>
General Employees	22.00%	Act 17, SLH 2017
Special Categories (Police Officers, Firefighters, and Corrections Officers)	36.00%	Act 17, SLH 2017
Retiree – Return to Work General Employees	18.20%	Not Applicable*
Retiree – Return to Work Special Categories (Police Officers, Firefighters, and Corrections Officers)	28.90%	Not Applicable*

*Retiree – Return to Work rates are determined by the Actuary.

Should you have any questions or require further information, please contact me, or your staff may contact Mr. Neal Miyahira, Administrator of this department's Budget, Program Planning and Management Division, at 586-1530.