

STATE OF HAWAII
Office of Hawaiian Affairs
560 N. Nimitz Highway, Suite 200
Honolulu, HI 96817

Minutes of the Committee on Resource Management
Wednesday, March 4, 2020
10:00 A.M.

ATTENDANCE:

RM Chairperson Dan Ahuna
RM Vice-Chairperson Robert Lindsey
Trustee Lei Ahu Isa
Trustee Kaleihikina Akaka
Trustee Keli'i Akina
Trustee Brendon Kalei'āina Lee
Trustee Carmen Hulu Lindsey
Trustee Colette Machado
Trustee John Waihe'e, IV

LEGAL COUNSEL:

Robert G. Klein, Esq.

ADMINISTRATION STAFF:

Sylvia Hussey, Ka Pouhana
Lisa Watkins-Victorino
Everett Ohta
Lee Miller
Daniel Santos
Marc Bantolina
Kevin Chak

GUESTS:

Rita Kanui
Rodney Lee, Spire HI
Walter Thoemmes, KS
Chris Deuchar, KS

BOT STAFF:

Anuheia Patoc
Hihina Ahsing
Brandon Mitsuda
Mark Watanabe
Alyssa-Marie Kau
Kauikeaolani Wailehua
Kama Hopkins
Melissa Wennihan
Nathan Takeuchi
Maria Calderon
Paul Harleman

I. CALL TO ORDER

RM Chair Ahuna calls the Meeting of Committee on Resource Management to order at 10:01 a.m. Roll call is taken; Trustees Ahu Isa, Akaka, Akina, Lee, Carmen Hulu Lindsey, Robert Lindsey, and Waihe'e are present, constituting a quorum. Trustee Machado is expected to arrive shortly.

Members I'd like to bring attention to the 72 Hour rule, pursuant to OHA BOT Operations Manual, Section 49, shall be waived for the following items:

III. New Business

B. Workshop 6: Commercial Property Development Process(es) in Private and Public Contexts.
Presentation by Kamehameha Schools.

II. PUBLIC TESTIMONY

RM Chair Ahuna With that said we are at item number two, anyone here wishing to give public testimony?



Rita Kanui Aloha my name is Rita Kanui, I think this is the second time I've been here and thank you for reminding me, I am a beneficiary, I was hoping more people would be here today, but everybody got to work. My concern as a beneficiary, when we come here to the OHA office, there are many issues that face our people, for myself, I know my genealogy back and forth, that's not my issue, but my issue here is that because I lost my purse last January, somebody stole my purse with my wallet and my phone in my purse with all my information, I came here to get help, I have five, six minutes, okay, anyway, that's what happened to me so, we went online for the, there is a grant from CNHA, cause the last time I was here, I found out that OHA doesn't give emergency funds and I think as beneficiaries we should have that in place somehow. I went through CNHA and you have to fill out this application which I did five times, it was all wrong, so I asked Kaimo Muhlestein to help me, she helped me fifteen times until we finally got it okay(ed). Finally. So there is something wrong with their system it's not friendly at all, so you might want to put that down in your notes and say hey, fix that thing because if you have a trustee that who goes to the phone they don't know what's happening, and if you need to say, you know wait for us how many minutes is that?

Some phones will say you're caller fifteen, they'll let you know if you're caller number one, and they go down the line so you can hold, but we only have fifty cents to call it doesn't make sense to them as beneficiaries who don't have a phone would have to go to the phone and say I need help, but now we can't help you because you have to wait, so there is an unfriendly kind of message that they are sending to us, while they are saying, well we want to help you but we can't cause we're not here and you need to leave a phone number and there is no phone number to call except they have to stay on the phone. So I use the phone here in the office when I come here because I want to make sure if something is wrong I have somebody to talk to in the office and it's usually somebody in the front office. Anyway, that's my mana'o today. Okay, thank you very much.

Chair Ahuna thank you so much. Usually when we give public testimony it has to be connected to the agenda items, but today we are going to allow that, just because it's only you, but thank you so much.

Rita Kanui well I was hoping more people came, I wanted to thank those people, I forget who it was that contributed forty dollars to my friend coming down from America.

Chair Ahuna Trustee Hulu Lindsey

Trustee Hulu Lindsey Aloha, I just wanted to let you know that the monies that CNHA gives out for emergency funds comes from the Office of Hawaiian Affairs. So that is the office money.

Rita Kanui Oh, okay, they never said that, they said it was their money but

Trustee Hulu Lindsey No the emergency funds given out by CNHA is OHA funds.

Rita Kanui You should put that in there because it doesn't say that.

Trustee Hulu Lindsey Okay, thank you.

Chair Ahuna Thank you so much for being here. Members moving right along to roman numeral number three under new business I'd like to get a motion to approve the minutes for July 31, 2019.

III. NEW BUSINESS

A. APPROVAL OF MINUTES

1. July 31, 2019
2. November 6, 2019 (deferred)
3. December 4, 2019
4. Summary of the Limited Meeting on February 5, 2020



Trustee Robert Lindsey So moved mister chair.

Trustee Hulu Lindsey Seconded.

Chair Ahuna November 6, 2019, December 4, 2019 and the Summary of the Limited Meeting on February 5, 2020. So moved by Trustee Bob Lindsey and second by Trustee Hulu Lindsey.

Trustee Lee Mister Chair

Chair Ahuna Trustee Lee

Trustee Lee So I have a question about the November 6th minutes. On page five of the minutes under item C. It has a recorded vote of motion pass with seven yes votes, doesn't say what the motion was, and it doesn't say who voted on what, it doesn't say who moved, who seconded, no idea what this vote was.

Chair Ahuna It has been brought to my attention that the November 6th meeting minutes will still have to. I apologize.

Trustee Hulu Lindsey Mister Chair we'll redact our motion to approve and second on that particular minutes and after we'll move for a deferral to Beth for correction.

Chair Ahuna Trustee Bob Lindsey and Trustee Hulu Lindsey has taken back the motion and second and we would like to just approve the minutes, all the minutes except for the November 6th minutes, so July 31st, December 4th, and the Summary of the Limited Meeting on February 5th. Is that correct?

Trustee Hulu Lindsey That's correct.

Chair Ahuna Can I get a motion to

Trustee Hulu Lindsey It's our motion

Chair Ahuna It has been moved by Trustee Bob Lindsey and second by Trustee Hulu Lindsey for the minutes of July 31st, December 4th and the Summary of the Limited Meeting of February 5th. Are there any discussion members? Hearing none, can I get a roll call vote.

RM Chair Ahuna calls for a **Roll Call Vote**.

						10:08 A.M.
TRUSTEE	1	2	'AE (YES)	A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
RM CHAIR DAN AHUNA			X			
RM VICE-CHAIR ROBERT LINDSEY	1		X			
LEINA'ALA AHU ISA			X			
KALEIHIKINA AKAKA			X			
KELI'I AKINA			X			
BRENDON KALEI'AINA LEE			X			
CARMEN HULU LINDSEY		2	X			
COLETTE MACHADO						
JOHN WAIHE'E			X			
TOTAL VOTE COUNT			8	0	0	1



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

Chair Ahuna Moving along to roman numeral number three

Trustee Hulu Lindsey Do we have to defer the minutes

Trustee Lee No, so deferred

Chair Ahuna Three B Workshop 6, commercial property development process in private and public contexts presentation by Kamehameha Schools, I'd like to call on our Ka Puohana, Sylvia Hussey.

III. NEW BUSINESS

**B. Workshop 6: Commercial Property Development Process(es) in Private and Public Contexts
Presentation by Kamehameha Schools**

Ka Pouhana Hussey Good Morning Trustees, we are so fortunate that he answered the email. We are going to have Walter and will introduce everyone and provide context for us and again they have been very generous with their 'ike and their support for our learning in Kaka'ako Makai, so very grateful to them for coming.

Walter Thoemmes Aloha.

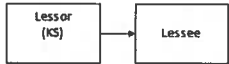
Trustee Hulu Lindsey Mahalo for coming back

Walter Thoemmes Mahalo for having me, I think the last time we were here, we talked a little bit about the actual projects we were working on and so this is more about the process, and I'd like to introduce Chris Deuchar, Chris is one of our key senior leaders, he's actually in charge of all our planning and development activity for market real estate team and so his team actually oversees the development activity of Kaka'ko and a few other things. So what we prepared was a deck of really different approaches that you can take, trust me I did talk with our legal team there's any specific deal terms in here, largely the messages, you know we haven't created all these different processes we've learned a lot over the last then years since Kamehameha started to get into more active development, starting with the redevelopment with the Royal Hawaiian Shopping Center, back in about 2007. We've been ramping up our learning and really happy to share with you the various structures that we taken a look at.

So leading off I would suggest a first it what we are most known for, this is a traditional commercial ground lease where we have reached agreement as a lessor with the lessee and they are permitted to develop and operate the property over a long period of time. Typically, fifty to seventy years, as you can see it's every, by way of example, every structure we have explains at a high level a very rudimentary chart of the relationships between the parties of the kind of documents that may be required that pros and cons. We also added in some examples of these are recent ground leases that we've done. Kamehameha has a ground lease with a lessee, we typically either go out to solicit a lessee interest if we are doing it practically and we do that to an offering (inaudible) type of process. Sometimes we get lessees come to us. They might see an opportunity and come with an idea to us so, kind of the prospecting can actually happen. We will negotiate a letter of intent, which generally encapsulates the major deal terms of a lease, generally it's a two- or three-page type of document, we get that approved inhouse by our Trustees or CO, whatever level that would go to.

GROUND LEASE

An agreement in which the Lessee is permitted to develop and operate a property during the lease term, upon GL expiration the property's control reverts to the fee property owner. The length of term is typically between 50 to 75 years.



- Documents required may include:
- Offering Memorandum (RFP/RFQ)
 - Letter of Intent
 - Agreement to Lease
 - Ground Lease



The Plaza at Kāne'ohe
Developed by MW Group
145 assisted living beds

Pros	Cons
<ul style="list-style-type: none"> • Generally a simple, straightforward transaction. • No capital investment, beyond transaction costs • Long-term income stream passive income with little oversight required. • Low risk. • Requires no RE operational/development expertise. • Leases tend not to expire (Lessors generally extend term). 	<ul style="list-style-type: none"> • Less control. • Lower financial returns. • Property reversions can result in deferred maintenance. • Rents generally do not keep pace with land market value until rent re-openers. • Few opportunities to add additional value. • Current lending environment prefers known rent over future market value resets.

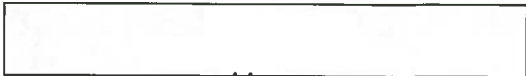


The Parlor Express Bougainville
To be developed by Kapiolani Express AutoSpa, LLC

Then we negotiate an agreement to lease. So, an agreement to lease essentially is a binding document that is short of being a ground lease itself, until they are fully committed. Until they got all their financing in place and assuming they are going to build something, they got their construction contracts, so they basically will be fully committed, so the ground lease is in effect for the term of it. So, what's good about it is, it's simple and straight forward, it's very common in Hawai'i, there is no capital investment by KS, we basically turn over this opportunity to another party, we generate long term income, very low risk cause we are not having to perform anything. It doesn't require a lot of expertise, good attorneys and working knowledge of real estate is good and they tend not to expire so, you know it's actually a good thing to have, in a depressed type of market because your ground leases are almost like a bond that keeps creating. The cons though, less control. Most of our portfolio is ground leases and we gave up control of these lands for a very long time, and a lot of the activity you see at KS is a result of ground leases is ending and we are able to do Kaka'ko today Kapālama because of the history of ground lease cycles is coming to an end. They tend to be lower financial returns in the sense that the value of a ground lease against the market value of the land, land appreciates a lot in Hawai'i so lot of times your return against land value can be really low. Especially depending how the ground lease is structured.

What happens at the end of a ground lease, you know most lessees are not going to put money, any money into it, as approaches the end of its life. We let them know we are going to take this property back, say it's a warehouse in Kapālama in 2022, from ten years ago they are not putting anything. So, we tend to get back properties that require capital to even get up to a rentable state. It's a challenge at the end of a ground lease. Rents do not generally keep pace with market, value of land. There is no up-side, very little up-side opportunity in a long term ground lease, unless intend to extend the lease, so a good example of that might be a hotel where we want to extend the lease and encourage the lessee to re-invest, we might be able to negotiate in an extension of a lease, the current leading environment is a little different, much of the ground leases that Kamehameha did fifty years ago included set rents for the first thirty, thirty-five years and then market re-sets, where we get caught up to land value. The current lending environment is not really supporting that practice anymore, so we are having to do deals where we have preset elevators in the lease. It creates a situation where rents are known over the term of the lease for a counter party, and so depending on what land values are doing, you could be performing poorly at base land value or better depending on the present environment.

So this is ground leases and we've done a couple recently, the Plaza Kāne'ohe just opened across the street from Windward Mall, as well as we are doing a car parlor in, which is a new kind of car wash automated system, and again we've been



doing this for a long time and so we've developed a lot of 'ike about how to do this and it still remains a stable part of our portfolio. So, any thoughts or questions on this?

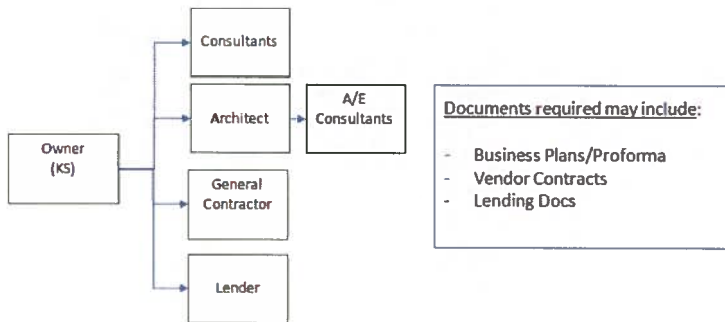
Trustee Hulu Lindsey I have a question, do you invest in the projects that people come to you for ground leases?

Walter Thømmes So, in this structure, a simple ground lease, no, but we have another structure where we will, we'll get to that one next. Okay, then, Self-Performed Development, this is the other end of the spectrum, where KS as the owner takes the full risk and full benefit, of development. As you can see from the org chart, we would go out and we would hire out consultants, and our architects, and their team, and we would manage the contractor, get financing and go to the credit market, in this case the work is all done internally, so we do business plans and (inaudible) that we have to manage all the contracts and deal with the lenders. The pros of this situation obviously, is we have full control, its our vision, we're going to implement it, but we are responsible for that execution, we have full control of the selection of the participants in the project and the management of the project, we have the potential for far greater financial returns and the process can move quicker, we don't have to get locked a negotiation with another party because we know what we want and we can do a business plan that supports it, we just get moving.

The cons, though, is high risk, and you take all of the risk, when you are self-developing. There is execution risk, are we really going to get it done, there is market risk too. Especially with commercial projects dependent upon the income return you can get.

SELF-PERFORMED DEVELOPMENT

A project in which the owner acts as developer.



Pros

- Full control of a projects vision and execution.
- Selection and management of project's architect, contractor(s) and consultant(s).
- Potential for greater financial returns.
- Process can move quicker if you have the development expertise.

Cons

- High risk (execution & market).
- Huge learning curve.
- Large capital investment.
- Requires significant in-house expertise. (development, leasing, construction, construction management, asset management, sales, finance, etc.



SALT
80,000 sf. of retail, office space and a 267 stall parking garage.



The Flats at Flats at Pu'unui
88 units of kama'aina rentals.

Trustee Ahu Isa I have a question

Chair Ahuna Trustee Ahu Isa

Trustee Ahu Isa I was telling Chris, I live right over there and I see the lofts at Pu'unui, right below there, Lopaka, one of our guys lives there, is Chris the one that comes up with all these ideas, on what to build cause I'm just fascinated how you guys think about these things and



Walter Thoemmes Oh, okay. So, you are speaking to the vision. As I came and shared the last time, our goal is to have a master plan vision for every one of our market areas, so we had a vision for Kaka'ko that was created in about 2008, 2009. What you see there is really kind of activation and execution of that vision. It takes a village of a lot of different opinions in there, but we knew we wanted to have affordable rental housing, we knew we wanted it to look nice and fit into the community to support all that retail. It's Chris and Chris' team as well as others.

Trustee Ahu Isa With the master plan, you still got to note when you put in the RFP, I'm just fascinated with all the stuff coming up there and how do you figure out what's going to make big money

Walter Thoemmes We do a lot options analysis I can tell ya, this is a self-performed one, so we didn't do an RFP because we did this ourselves. So this is fully developed by KS.

Trustee Ahu Isa You need more parking

Walter Thoemmes There's supposed to be a thing called transit there. So this requires significant in-house expertise, and we don't even, just in our commercial real estate team, you'll see later in the presentation, we depend on a range of expertise that is outside of that from in-house lawyers and marketing staff, and our accounting people and we have a construction management group that handles things for us so it does require a lot to step into the world of self-performed development.

Chair Ahuna Trustee Akina

Trustee Akina Thank you Walter, this is very fascinating. When you look at the gears in which KS is involved in ground lease primarily and now in its ability to do self-performed development, how valuable was that learning process, having that experience to operating ground lease to other development options and second part of that question would be; looking back would you say you should have perhaps moved a little more quickly or the timing was just right.

Walter Thoemmes So, I would say, we obviously get to, when you are doing a lot of ground leases, you get to sit on the side and watch how your counter parties do and there is a lot of learning in that. Sometimes you say, I wish we were a part of that team. They are doing really well, to bad we didn't do that. For me at least in my time at KS, because so much of the land was already locked up in ground leases, we really didn't have the opportunity until we, the gift of time, created a situation were a lot of the ground leases in Kaka'ko and Kapālama, they were done in the fifties, sixties and seventies, so there really wasn't an opportunity to do much of it before.

I will say within the larger KS universe we had a for profit entity that was developing on the Big Island, kind of a cousin institution, we didn't interact much with them, but they were the ones that actually developed the Royal Hawaiian Center back in the late seventies or early eighties. We learn a lot from watching how our partners perform, but it took building a team to (inaudible) things are very different, and underwriting is very different than it was forty years ago. So, to bring in guys like Chris and others that have that kind of experience. There are a few hotels I wish we owned.

Chair Ahuna We have one more question, Trustee Lee.

Trustee Lee Would it be fair to say that if KS had that time back, so, KS had the opportunity to have a bigger brother who learned all this stuff to learn from, that KS would have done a lot more of these hybrid more lucrative deals sooner. For instance, as a very good example, where we sit today in the Office of Hawaiian Affairs, we have the benefit of time from learning from KS time versus having to go and learn this on our own time frame.

Walter Thoemmes A real estate team we can look at things at a real estate portfolio, we are also part of a larger endowment and there are always risks and challenges to how much we're allocated to a real estate, and the geographic concentration of our real estate, there are questions about (inaudible), so when we obviously investing as we do takes a lot of capital, takes a lot of equities off the table, it needs to be balanced by what's happening in the financial assets world as well as the spends projection for organizations are, so, while I may be talking specifically commercial, there be other factors in play that would



determine at that point in time whether or not, we would go this route or not and that exist to today too. We can have our greatest plans in the world, but it still leads to fit in a financial framework of the organization, but certainly having the skills and ability to check the box that we are capable of doing it, we understand it's nice to have. We may not do a lot of self-performed development

Trustee Lee For that reason

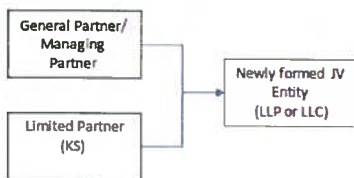
Walter Thoemmes For that reason, right. We'll talk a little bit about monetization as well, because that's an important ability for us to kind of rebalance the portfolio

Trustee Lee I was going to ask, because you brought up the endowment, that's something that we're learning now. Everything here is very separate, we have the portfolio and we have the land, it's not an endowment.

Walter Thoemmes It's hard to reconcile; one is very local, very operational, there are benefits that are economic and non-economic, to doing things in the community, it's hard to compare a fifty million dollar investment Hawai'i real estate to a private investment in New York, that might have similar returns economic returns, but on the non-economic side there is much more compelling reason to do things locally, so welcome to my life. I can tell you what I fight for. Joint venture, so, this is a structure that we don't have history on, we have made many attempts to do this over time, and at least in my twenty five years of the organization, we went into one joint venture that needed to get unraveled on the Big Island, and that didn't work. There was an example that we can point to Keauhou Lane that so far has worked out for us. This is a deal where two or more parties, this case it's two parties Kamehameha and (inaudible) actually form the joint venture entity so a legal entity for the purpose of developing a project, so, this is an affordable mix-use rental project in Kaka'ko.

JOINT VENTURE (JV)

A deal utilizing two or more parties with shared returns, risks and governance.



Keauhou Lane
Joint-Venture with Gerding Edlen
209 kama'aina units and approximately 30,832 sf of retail.

Pros

- Potentially greater capital efficiency.
- Provides access to 3rd party expertise.
- Ownership of land retained (if GL).
- Form of participation can vary (cash, land, combination, etc.)
- Unsubordinated ground lease allows for non-recourse leverage to be deployed, thereby boosting equity returns.
- Ability to mitigate capital loss if project is unsuccessful.
- Shared oversight/governance.

Cons

- Potentially less profit than a self-performed development.
- Less control than a self-perform development.
- Unsubordinated ground lease increases debt costs.
- Structure depended-JV partner may control exit strategy and timing.
- Additional time required to identify and negotiate with JV partner, thereby extending the construction start date.
- If the project is small scale, it is likely not worth the administration and accounting effort required.

Documents required may include:

- Offering Memorandum (RFP/RFQ)
- Letter of Intent
- Joint Venture Operating Agreement
 - Buy out provisions
- Agreement to Lease
- Ground Lease

Now, the benefit of this is very capital efficient for us. We essentially contributed the value of the land in some cash into an equity stake in this entity that was created, and this entity is managed by our partner, so they are the managing partner they handle the development they built it, they are operating it, we're the limited partner. So, we just sit back and take a passive role in the actual operations, but we participate in the returns, on a (inaudible) basis, so, provides us access to this third party expertise, this group out of Oregon, they do rental housing all over the country, first time in Hawai'i, wanted to



break into the market, we were a great partner for them because, we have all the relationships, we had a master plan, we could help with entitlements, they did a lead platinum affordable rental project, and I will tell you, I doubted that from the beginning, I said, no way. You're going to be having to sacrifice the investment in lead because you don't understand how construction, how expensive it can be, they actually delivered it, I'm quite happy to say, they delivered on their promise. I think that's part of, that's what their secret sauce is. Able to leverage that. The entire deal is done under a long term ground lease, so the ground lease is structured in such a way that KS took advantage of the value of the land up front and threw it into the equity position, so we have a long term ground lease, that goes out, I believe sixty-five years. So, we not divorcing ourselves from the land. You can modulate the participation if you want more ground lease payments then your equity stake will be less, if you want more equity, then the ground lease payments will be less, and however you think that makes sense for you. It's an unsubordinated ground lease which essentially means that's at the top of the (inaudible) in terms of risks, so the bank lender is, we are in the number one position, should something happen. We didn't want to give that up.

Chair Ahuna Trustee Ahu Isa

Trustee Ahu Isa I live across the street from here, I'm really wondering about this because I saw a for sale sign, it's a million dollars, you know, they are selling

Walter Thoemmes Yeah, so, basically these are two separate projects

Trustee Ahu Isa And I thought this was affordable housing

Walter Thoemmes No this is not for sale, so, what you are seeing is one of the townhomes that Stanford Carr Keauohu Place, these are actually two separate projects, but they are connected, so, we did this in partnership with Stanford and sold the land to Standford for the condominiums, this is one hundred percent (inaudible) and so, none of these units are for sale.

Trustee Ahu Isa So, Ya-ya's is there?

Walter Thoemmes Yes, so, all of the commercial for the project and the rental housing is under this entity, and is now affiliated with Stanford Carr, although he likes to take credit, I love Stanford. So, you know it's, there's a shared oversight on this so, our partner we have a monthly call and they brief us on, you know how construction was doing as they were developing it and how it's performing. Now the cons: obviously it's a shared participation, so you don't get the full benefits because you're not taking the full risks. You have less control as well, we are a limited partner, there are certain things that we cannot control, we can ask, but at the end of the day, they felt Ya-ya's wasn't the best tenant, and wanted to replace them, we really don't have a position to intervene.

It's just different because you are not fully in control like you are in self-development. What was really hard about this is, the exit, so as a perpetual trust, we have a very long-time frame so development like this we see ourselves being in till the end. Most development people and their financial backers, they need an off-ramp. You need to structure and exit for your partner otherwise, they just won't have the same investment horizon, right? They may want to be in for five years or seven years and they need a way to get out of it, so we needed to negotiate, in the joint venture a number of instruments that would allow the partner to leave or us to buy them out, so there is a protocol options basically in there that allows an exit that gives Kamehameha the opportunity to buy them out or just sell the whole thing. We could cash in our equity position with them because we have the underlying ground lease, so we take all of our benefit up front, with them and go do something else, knowing that at the end of this lease, it all comes back to Kamehameha anyway. So, it's a great joint venture with the ground lease attached to it, that gives us a lot of options and that was actually the hardest part. Took us probably, a year to negotiate this deal and a lot of it which is on, how to create a structure that there is flexibility in the exit. If so, again, the last point, if the project is too small it may not be worth, just the brain damage, it has to have a certain scale. This is a I believe a ninety-million-dollar development, which I think is about right for something of that size, anything less than that would be a little harder.

Trustee Hulu Lindsey How many units?



Walter Thoemmes Two hundred and nine. It's all at hundred eighty to a hundred, I'm sorry, eighty percent to a hundred percent AMI. So, in this case, more complex, so, you need some sort of RFP or process to select your partner, similarly we negotiated a letter of intent, get the major business terms agreed to, and then you got all the joint venture documentation, so to set up the entity itself, the operating agreements, because it was a ground lease, we did an agreement to lease as well as a ground lease, so, this one had a lot of complexity in the actual agreements and as I mentioned the buyout provisions were negotiated at length.

Trustee Lee Walter, so for a deal structured like this, KS needed a lot of house expertise for that as well?

Walter Thoemmes Yes, well we learned a lot too.

Trustee Lee Well, we're thinking about our capacity, OHA's capacity for in-house expertise versus Kamehameha Schools capacity for in-house expertise is very, very different. So, if KS was a smaller entity, is this something that could be contracted out for the expertise?

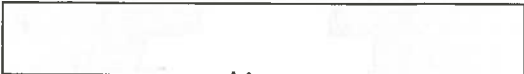
Walter Thoemmes It could be, we have, because we do, and the way we are set up, we have planning development, but we actually have transactions team too, and they get involved in all the different transactions from ground leases to something like this so we have a couple people that's all they do, and a lot of lawyers, it's pervasive, it's the biggest department in KS, but even that, a lot of the attorneys that we used it's really outside counsel. We have some in-house attorneys, and they are really good with our ground leases but when you get into this type of deal, we really rely on our third parties.

Trustee Lee So, if you structured the deal well enough, contracting the, because contracting out is a cost as, well right? So, contracting the expertise out could still make this model profitable, versus it all being in-house.

Walter Thoemmes Yep, and what I will tell you, is we model it such at our cost, are included in the project. So, you're going, these costs got to get paid somewhere right?

Trustee Lee right, right, so, the cost of going out

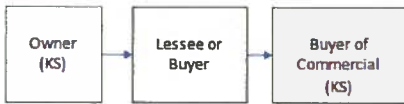
Walter Thoemmes Could be higher, but either way it's got to get factored in, to your investments. Okay so, Trustee Hulu Lindsey, this is the question you had. Here's a, this is a, and it can be similar, ground lease for sale with a commercial buy back. So, this is where Kamehameha would enter into an agreement with a developer and it could be a buyer or a lessee under a ground lease, to sell or lease the land, or also buy back, we have a retained interest in the project or in the land. In this case we would KS is the owner, we come to an agreement with a lessor or buyer for a project, but we realize we want to own something in there so we would negotiate a buy back provision or option, to buy back something, so a good example, the bottom right, 400 Keawe, so that was developed by Castle & Cook. This is actually a sale, because Castle & Cook was doing for sale condominiums, but we felt it's important to own a commercial at the street as a part of our broader ownership of Kaka'ko commercial, so, we negotiated, there was a sale price for the land and agreement upon the development by them and we negotiated buy back of the commercial, about a hundred thousand, about ten thousand square feet of commercial, so, we essentially agreed to a buy back price with them so they went, closed on the land, they took down the existing assets that were there that built this, and we had arranged to buy back the commercial. So, we had an influence of the design of the commercial and all of that and then it's our responsibility to actually lease it out, because they turn it over basically (inaudible). In this case the buyer should be lessee, (inaudible) the developer, so we don't need to develop it, in this case Castle could developed it. So, it's less capitol involvement. We actually, the investment we are making, the buyback of the commercial and our build out of the commercial is actually offset by the closure you get from the land sale. If it's a ground lease there's no sale proceeds, so you need to fund the buyback separately, the retained ownership allows for us to kind of control the district, the merchandising, and the feel of Kaka'ko, and again we get long-term income from ground leasing, if it is a ground lease situation. The upper example is one we are working on right now in Mō'ili'ili, where if you just looked the Varsity Building is, those blocks, we're very close, Chris is almost there, on negotiating, finishing a deal where they would actually build affordable rental housing we would by back the commercial that is below the rental housing and it was



all be under ground lease, so there is no land sale, so we do need to finance the purchase of the commercial in that case, so Mō'ili'ili is actually a big one, because we have the apartment developer, we have a hotel developer that we are close to reach an agreement on as well as a student housing developers, so it's roughly a four hundred fifty million dollar project envision, and eighty to a thousand square feet of retail we are buying back, so these are all ground leases, but we are buying back control of the retail across all three leases. So, we go in and get approval for the lease as well as the investments decisions into this retail. We think it's going to be fantastic. It's such a great location and near the University. That's why we made that decision.

GROUND LEASE or SALE WITH A COMMERCIAL BUY-BACK

An agreement with a developer (Buyer or Lessee) to sell or lease land whereby the Seller or Ground Lessor buys back a commercial components in either fee or leasehold interest.



Documents required may include:

- Offering Memorandum (RFP/RFO)
- Letter of Intent
- Agreement to Lease
- Ground lease
- Purchase Sale Agreement
- Subdivision and/or Condo Docs
- Deed
- Closing Documents



Mō'ili'ili Gateway
Affordable housing, hotel, student housing, and a central parking garage with approximately 80K-100K sf of ground floor retail

Pros

- Buyer/Lessor acts as the developer.
- Less capital investment required to maximize land value.
- Retained ownership over commercial allows for placemaking, cultural programming, opportunities and retention of āina footprint within a community (sale or ground lease).
- Long-term passive income stream (ground lease).

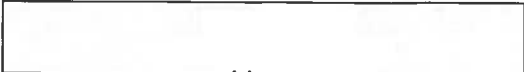
Cons

- Complex transaction.
- Requires subdivision and/or condominium docs.
- May have to pay conveyance tax twice.
- Requires strong collaboration with the developer.
- Requires in-house developer/RE expertise.
- Smaller projects may not be worth the effort of the transaction.
- Negotiations can be long and cumbersome resulting in a delayed construction start.



400 Keawe
Developed by Castle & Cooke
95-unit residential units and 9,680 sf commercial mixed-use

This one is complicated as well. We did go out with an offer memorandum almost nation wide ended up selecting, the developers we selected, we reached agreement now, on letter of intent, got that approved and actually negotiating an agreement to lease on a ground lease, and we should have that done Chris? Put you on the spot. In the next month. So, if it's a sale you wouldn't have agreement to lease or ground lease, you would have a purchase sell agreement, right? If it's a sale you would need to do some sort of subdivision and create a condominium, right? We may do that in the ground lease as well, because the ownership of the retail is a asset too, that we could actually monetize that asset, it starts to get complicated but you can create a condo of almost anything now a days it's so, the housing units can be a combo of retail component, for sale units can be, the parking can be a (inaudible). A lot of complexity. It requires some sort of subdivision or similar type of document, conveyance tax comes into play, super strong collaboration with the developer, we always start with, we have to know what we want, our vision, and we start with that, we leave room to a developer who might have a different idea, but if they are not close, and they just think it's really something else, we are just wasting our time, the relationship is more important than anything, finding a developer that can collaborate with is key. A lot of in-house, we view this in this case if Mō'ili'ili at this square footage could be an eighty million dollar investment. We have to know what we are doing and to make that sort of investment, we've got to watch our interest, just as if we were self-developing this thing. Again, similar, smaller projects probably not good for smaller projects, the number of complexities, doesn't make it worth it. Negotiations can be long, it's just one that we've been negotiating about fourteen months now, so, we'll just do it ourselves, then we probably be in for (inaudible) right now, we would also be having to come up with four hundred fifty million dollars, which is not what we want to be doing. It is worth going through this level of complexity because we get to



see this, hopefully, knock on wood, this project being done, that delivers long term value to KS that we get to own a piece of. We can control the leasing of it, we can decide one of the ideas that our regional teams have, work with UH, trying to incubate Hawaiian businesses here perhaps. Working with UH and Manoa innovation center, those kind of things, if we owned a retail we can do those things, if we just ground lease it, we'll have no say, so, it really was a strategic, not just economic reason to stay in this deal.

Chair Ahuna You want to ask a question? I don't know if we can do that from outside there, oh, okay, we can.

Rodney Lee (inaudible) speaking from the Board Room's guest seating. (laughter).

Trustee Ahu Isa If you're not from O'ahu, I was just telling Chris (inaudible) also owns the Varsity Building and that's Mō'ili'ili and that ties into Isenberg, that whole (inaudible) if you talking about students of UH and Hawaiian influence. It's huge. Not just Isenberg by the

Walter Thoemmes Lot of potential I think in Mō'ili'ili. That's for another day. Okay, so Monetization. This is a situation where you have a ground lease asset that, has a value and is attractive as an asset, and so it might have been held as a space, like the Royal Hawaiian Shopping Center, where we owned the entire asset and in the right environment with the right money out there we can monetize that and essentially sell the improvements and turn it into a ground lease, in this case, the asset is the control of the vertical improvements, is different from the control of the land and we're able to monetize by selling the vertical improvements to a counter party who becomes then our ground lessee. So, in this case very similarly we got to go out and find a partner with different kind of process you really want a transaction advisor type of broker type of person, who sees what the market desires, and what, a lot of it will be institutional money that is out chasing these sort of deals, but similarly, because it becomes a ground lease we end up negotiating an LOI and follow that on with an agreement to lease and a ground lease so, in some cases they mean, there acquisition they want a lot of term, which is fine, it's all part of the deal and (inaudible) selling the improvements. The pros is, we've just kinda of changed the land tenure aspect of it, it's gone from a space lease to a ground lease so we maintain fee ownership, we sell without really selling the land, and we get dis-infusion of capital, which allows us to kind of really balance our asset allocation to Hawaii real estate allows us to go and invest it elsewhere or if we are in the mode of developing new community here to turn around and put it elsewhere in the Hawai'i marketplace, places like Kapālama or what not, and it secures a long term cash flow now because you're essentially, Royal Hawaiian, we did this in 2014, so we are in year six of a seventy year ground lease right now. Super passive and we have little control, that's a con, because we don't have control anymore, it can be a long process, it took us a while and it does trigger tax implications, we give up the ability to add value in the process or capture value but in some ways we took it all up front, we got to be okay with that. We did this twice, in 2014/15 with the two assets that we show here. Questions on that?

Chair Ahuna Trustee Hulu Lindsey

Trustee Hulu Lindsey I was just wondering what was the basis of your decision to sell the vertical on the Royal Hawaiian Shopping Center, cause you still own the land underneath it right?

Walter Thoemmes Yeah, I mean, largely asset allocation and then the desire to

Trustee Machado Is that another way of saying show me the money ...

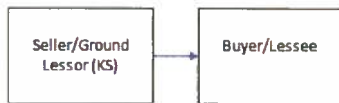
Walter Thoemmes No, it's you know, we're cognizant of, the endowments supports, you know, everything that the school is doing, right in education, and community, ninety-eight percent of it is funded by endowment and you know, we were at the time, allocated to Hawai'i real estate, I can't remember exactly the number, maybe thirty-three to thirty-four percent, something like that. The sale allowed us to re-balance and re-allocate, and essentially by taking the proceeds out of real estate and putting it in our financial assets' portfolio, we got our asset allocation to Hawai'i real estate down to twenty-six percent or so. In the world of modern portfolio theory, we should have so much allocated to one asset class, like real estate, and especially geographically concentrated in Hawai'i, but we're okay with it. I mean we recognize that we are unique, and



we shouldn't apply to the same rules (inaudible) in real estate, right? Because of the cultural ties, and so, that, I believe what was largely behind the decision at the time, that, and the fact that there was a lot of capital out there and they were paying a lot as well, and would we have made the same decision in a different (inaudible) environment, probably not. So, it was an opportunity to harvest the value of a real estate development in a way that has never been done before. It's actually strengthen out ability to think about reinvesting in Hawai'i real estate going forward.

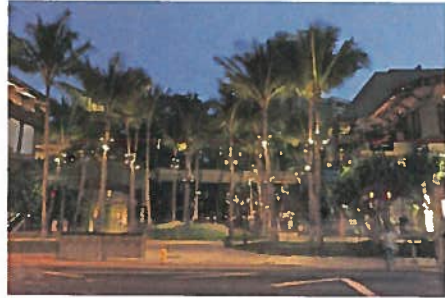
MONETIZATION (GROUND LEASE W/ SPACE LEASE SALE)

An agreement between the Fee Owner/Space Lease Seller and Ground Lessor/Improvements Buyer that allows for significant Monetization.



- Documents required may include:**
- Offering Memorandum (RFP/RFQ)
 - Letter of Intent
 - Agreement to Lease
 - Ground Lease or Ground Lease Extension
 - Purchase and Sale Agreement

Pros	Cons
<ul style="list-style-type: none"> • Maintain fee-simple ownership of the land. • Acts like a sale without having to surrender the underlying fee interest. • Benefit of upfront cash infusion. • Long term cash flow. 	<ul style="list-style-type: none"> • Analysis of this deal type can be long and cumbersome. • May trigger tax implications. • Less control. • Few opportunities to add value.



Royal Hawaiian Shopping Center
310,000 sf of retail



Hawaii Kai Shopping Center
230,749 sf of retail

Chair Ahuna Trustee Akina

Trustee Akina Walter, historically the Royal Hawaiian Shopping Center has been committed to maintain a sense of place in Hawaiian values, in the structure you have now are you able to continue to ensure that, is that compromised at all?

Walter Thoemmes Yeah, so that was actually a big concern, at the time, before we even knew who the counter party was. We structured deal in a manner which KS retained certain rights over place making and the Royal Grove and the Pauahi statue in the deal. We maintained that kuleana, and costs that contributed into it. What I found interesting was when JP Morgan made the offer and we got into the discussions with them about it, and we brought this up, they were like, actually this is the reason we are buying this place. That culture and that execution, they didn't see as diminishing value, they actually saw it as driving value, so they we're like, we are happy if you guys want to retain this, because this is what we find fascinating about it, so even an organization like that, who sees the value of culture and maintaining that culture, so they've been a great partner, and so will it always happen that way, I can't guarantee that, in that case we did recognize the need and the kuleana we had for that place and built that into the deal, so it's there, black and white, from a practice, they kept Manu Boyd on and now they got Aaron and Monty and they are running a lot of that program.

Chair Ahuna Trustee Akaka

Trustee Akaka I had question regarding the Royal Hawaiian Shopping Center and if you explain to the Board about your partnership with The Festival Companies and how that works in terms of, with your different tenants and how that can be a flow of income with the different, the monthly amounts that you get and how that maybe could be a benefit as well.



Walter Thoemmes Yes, so Festival actually is a, they came on and they were a fee developer, and they helped our team re-develop the center, this was before my involvement with commercial real estate but they lead the development the redevelopment and utilized their expertise, especially in retail, and partnered with that, we're signed on to be the leasing and management company. Every commercial property we own, we don't manage the day to day operations or the leasing we use the third-party managers, so Festival was unique in the sense, where you need that, you need the development leasing and management all kind of working together even before you break ground. Especially with an actively management and open center, you gonna do this massive renovation, you really need someone that can do all three. So, we brought them in, and they really drove value and I thought had a lot of ideas, very strong, national contacts in terms of leasing and getting in some of these retailers. Where I would say they could have done better, was with some of the local, handling of the local retailers. We did use them initially in Kaka'ako in Salt, and it didn't have the same impact, so we had to switch them out, because it's a different execution, in kind of a neighborhood serving type of development versus a more hospitality serving type development. So, Festival, they were kept and retained by JP Morgan, that wasn't a condition we created, I think when JP Morgan bought it out, they approached Festival and kept them on. So, Festival worked for us right up to the day that deal closed, and the day after they weren't working for us anymore. They must be doing pretty good cause they are still there, and Marlene is still, and were smart, they brought in some of the people that where there from the beginning. From an operational standpoint, leasing can drive a lot of the revenue in retail. You have to balance, not every broker and leasing agent is good at everything, some have very strong ties to the national retailers, and can get them to the table and but yet may not be as successful as dealing with the Mom and Pop local retailers, so it's trying to have the companies that have the skills and the contacts in the reach for what you are trying to do.

Trustee Akaka Speaking of those skills and just the nature of the economy are you able to also share with us how the partnership between Kamehameha Schools and Festival, how, say back in 2009 and prior to that with all the renovations and the opening of the different tenants, there where long term tenants and short-term ones that had a hard time paying that amount every month to the companies.

Walter Thoemmes So, I don't have specific history, I wasn't running this at that time. I do know that, kind of stepping back 2009, 2010 was a hard time for everybody, as maybe the case right now going forward, we are watching this very closely. I know that there were programs put into place, to deal, not just with the financial downturn but also what happened during the development, you know it took two years to redevelop the mall and tenants, they needed to be moved around, so, there were different programs put in place, that I'm sure some were very successful situations and some probably not very successful, but I do know there was a program in place for considering different mechanisms to support tenants through trying times, which any good landlord should be doing. Festival as the agent kind of handles the front-end of it, but generally the decisions will get made by Kamehameha. I know we had set up a committee at the time were the Festival agents with our commercial team they decide on a case by case basis the different moves that needed to be made with tenants, specially in a downturn the last thing you want is a space (inaudible) because it's super hard to get space filled in the best of times much less in a downturn, and so what form does assistance take, what kind of documents can they produce that would show historical sales: my sales have gone down forty percent, what was it for, what can you show, so do you abate rent, do you defer rent, do you forgive prior delinquencies. There's a lot of different ways to approach it, but I would say that to my knowledge it was done case by case, and that's probably the way it should be versus kind of a blanket, you know deal, because some tenants continue to do well and others really struggle.

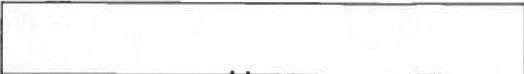
Trustee Akaka Thank you.

Walter Thoemmes Yes, you're welcome.

Chair Ahuna Walter you have four slides left, and you can continue.

Walter Thoemmes Still get time?

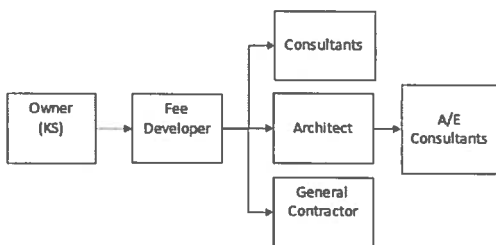
Chair Ahuna Yes, you have plenty time.



Walter Thømmes Okay, so, next slide: Fee Development. This is a structure where it's similar to Self-Perform except that, we, either something we don't have the skill sets for or we don't have the capacity for. So, we will essentially bring a fee developer in who will run the project for us for a fee. The good part like self-development, is you maintain ownership, you can shift some risks to the developer through incentive-based type agreements, but you take a lot of the risks. You don't have to build an internal team because you got a developer that's doing this for you, and you benefit from their third-party expertise. The con is, it's still your money, you still got to pay for everything in addition to now the element of fees the developer will charge. The returns obviously get diluted because you're paying this addition fee to a developer. It, you have to be really careful on how you structure a deal with a developer, you want to incentivize them to meet your goals as much as possible. You loose control, less day to day control because you have somebody doing this for you. We did a recent example of this, where we did a deal, if you've been to the McDonald's in Kahala, kind of cool, it's very techy and they wanted to do a new McDonalds on a ground lease and we said great, we had Wai'alae Bowl sitting there empty for a decade. What we really want to do is a commercial center, and we were really busy doing other things so we did a deal where McDonalds actually developed this for us, so we gave them our requirements and they approved the design and all, but they developed the whole thing, so we just got it turn key. In this case there was no offer of memorandum, because they were the ground lease partner, so they were a natural partner, but we did do an LOI, and we came up with a pre-development agreement, and then a master fee development agreement. So, they essentially turned over the improved assets to us at the same time their ground lease went into effect. So, it was all written into the agreement. I would say, not my most beloved deal, uhm you know, it's hard right, cause you think okay McDonalds they do this all over the country, they went through three different project managers over the life of the project. You have very little control over that, it ended up being a situation where we needed to deploy some of our people, to get out there and watch that, uhm, I'm not going to down play, I thing fee development is a good way to go if you don't have the team, it's super important to get the right partner and structure in place, we had to, there was a lot of re-work that had to get done and we needed to work out this thing at the end. So, it is a viable way for organizations, that maybe might do development once in a while, there are many non-profits that may only build a building once in their entire lives, I think it's certainly viable for us, given the fact that the team we have, I don't see us doing a lot more of these.

FEE DEVELOPMENT

A structure where the Fee Developer provides development services on a fee basis.



4618 Kahala
Developed by a ground lessee, McDonald's
14,100 sf of retail

Pros

- Maintain ownership of the project.
- Shifts some limited risk to the developer.
- Limited in-house personnel required.
- Use of 3rd party expertise.

Cons

- Potentially higher capital outlay than self-perform scenario (due to fees).
- Returns diluted due to developer fee payment.
- Developer has little to no "skin in the game"
- Less control of day to day project management.

Documents required may include:

- Offering Memorandum (RFP/RFQ)
- Letter of Intent
- Predevelopment Agreement
- Master Fee Development Agreement



Trustee Akaka For that specific project was that property McDonald's local entity that franchised?

Walter Thoemmes Yes. So, I can't remember the gentleman's name, he has a about three or four, but it was McDonald's Corporate, they work with the franchisee to develop this, so they have a team in Hawaii that works with their franchisees to maintain and build these, so for us it was like, wow, these guys obviously know what they are doing, and they did, they just had a hard time keeping good people and it made a little more difficult, we just thought hey, turn key, we just going to get this at the end and it will be great. Well, we learned, and we needed to stay on top.

Trustee Hulu Lindsey Just like the rail.

Walter Thoemmes Maybe that ... nah, no comment.

Walter Thoemmes For Sale, obviously, we are not in the business of doing residential where you, where we are trying to create communities, we recognize a percentage of housing (inaudible) for sale, it's what the market demands, it actually creates communities we need, buyers buying into a place and taking ownership of it, and so because of that we do have sales activity as well. In Kaka'ko we have two examples here the Collection and Keahu Place which is Stanford Carr project.

FOR SALE*



Documents required may include:

- Offering Memorandum (RFP/RFQ)
- Broker Agreement
- Letter of Intent
- Purchase Sale Agreement
- Deed
- Closing Docs



The Collection
397 units of market rate residential

Pros

- Ability to receive a large upfront cash infusion.
- A home buyer's sense of personal ownership provides a vested interest within a community.
- Minimal risk.
- Cash infusion enables investment capital to be used in other areas within a master plan.
- Stringent conditions-to-close can limit speculation.

Cons

- No control over the long-term use of the land unless ground floor repurchased.
- Upfront payment does not allow for steady income stream.
- Loss of 'āina footprint if ground floor isn't retained.



Keahu Place
423 units of kama'āina and market rate

*NOTE THAT KS' SALES ARE LIMITED AND STRATEGIC.

In this case simpler, you know we will go out with offer of memorandum or an RFP, we'll enter into broker agreements, purchase and sale agreements and we just go through a sales process, the pros are we receive cash up front we kind of benefit from home buyers being in the communities we create very little development risks to us. We put in pretty stringent conditions to close to fork speculation, so, a good example for Kaka'ko we want to see a community development. We don't want a buyer to buy a property sit on it for a few years, sell it to somebody else and the cycle repeats itself, so basically when we reach agreement with a buyer their conditions to close are essentially, they need to get our design approvals, they need to get all their permits, get HCDA's agreement, they gotta get their non-refundable buyers deposits, they need to have an executed construction contract, and get the bank loan signed, so it's like, none of the, we will not close until they are literally ready to bring the o'o sticks in and start construction. Because that's the only way we're going to know that they are going to go. So, we put these very stringent things in there and so it keeps them motivated, cause they will not be able



to close on this deal and we will actually put options in there so when we do a purchase and sale agreement, we give them reasonable time and then they start paying us option payments, and those payments will accrue to the purchase price but unless they don't close. It's an opportunity cost for us. If you don't close then we keep then we keep the option payments, because we could have had this deal with somebody else. We find our developers, they are spending money, architects, they are doing all of their due diligence so they want to get there too, so we protect ourselves, but encourage them to go, because we know the community, look at Salt, we are depending on the residential that's being built too. It does have an impact for us, if developers just (inaudible) it kinda forces them to move so, that's the sales, and we do see that in the various communities that we have, questions on that?

Okay, Public Private Partnerships, we threw this one up here, more academically, this is a government body typically in private entity agreement, there's generally some public project, or public benefit to a PPP. They tend to be long-term, and we actually don't do any, get involved with any PPP right now, but you've heard the term Hart, and that's what they are trying to do with the last phase of the rail. I guess the Mayor Wright project is also a PPP that Hunt entered into with the Hawaii Public Housing Authority, and so, a lot of pros, it brings private entity involve into public infrastructure projects, in theory should be faster completions we are not professing any real expertise on this, but we know that it's out there and we didn't want to, not share this opportunity. I'm very interested in seeing what happens with Hart, but government is involved and has to be involved and maintain some ownership in a PPP and really what can government bring that can then leverage and support the private entities (inaudible) and it's very limited, not a lot of this have been done in Hawai'i, there's other jurisdictions that do this all the time. It would be interesting to see if there is opportunity here with OHA or with somebody else, like I said, definitely that's something to dismiss.

PUBLIC PRIVATE PARTNERSHIP (PPP or P3)*

An agreement between a governmental body and a private entity, with the goal of providing some public benefit. P3s are typically long-term and shift a significant portion of the risk to the private party.



Pros

- Better infrastructure solutions than an initiative that is wholly public or wholly private.
- Faster project completions and reduced delays on infrastructure projects.
- ROI might be greater than projects with traditional, all-private, or all-government fulfillment.
- Risks are fully appraised early on to determine project feasibility.

Cons

- Can increase government costs.
- If the expertise in the partnership lies heavily on the private side, the government is at an inherent disadvantage.
- When there are only a limited number of private entities that have the capability to complete a project, such as constructing a high-speed rail system, the relatively small field of bidders might mean less competition and thus less cost-effective partnering.

*NOTE THAT KS DOES NOT PARTICIPATE IN P3 PROJECTS, BUT OHA MAY CONSIDER AS AN OPTION.



HART

Elevated rail system running from East Kapolei to Ala Moana Center



Mayor Wright Homes

Partnership between Hawaii Public Housing Authority and Hunt Development Group
Redevelopment of up to 2,500 residential units

Chair Ahuna Trustee Lee

Trustee Lee So I noticed your asterisk at the bottom KS not participating in P3 but OHA may consider as an option, a lot of people forget that we're the first P. We're not the second P. If OHA goes out for a partnership, any partnership we go out to by definition is a public private, because we are public, we are government, but we also Native Hawaiian, just want to



put that out there to KS who doesn't do this yet. That they have a Native Hawaiian government out there that might be looking for somebody with something that we've been talking about over and over today expertise.

Walter Thoemmes This is a public private partnership, kind of in a classical structure, as it's been done for infrastructure type of projects. Partnerships between two parties can happen between public and private so, it's not unheard of. We just obviously have considerations that we would need to look into as OHA would as well. For the purposes of sharing our experiences, not something that we've been looking at.

Chair Ahuna Just in case you might want to.

Walter Thoemmes But I heard you Trustee, I heard you. Noted.

Chair Ahuna Just in case.

Walter Thoemmes KS In-House Expertise, so we have two hundred seventy-five properties in a portfolio, I shared that with you the last time, and you know we've needed to grow our expertise as we entered into a more robust planning and development and transactional processes. We are now forty, I think we were about 25 four years ago of just real estate, and so we have areas of expertise and asset management and leasing, planning and development is Chris' area, we have our own finance team, real estate finance is very different than the other types of financing in the organization and we can handle a pretty complex underwriting inhouse and transactions, all of these deals require the meeting of the minds between parties and (inaudible) except self-development, we can do that ourselves, but that's risky and expensive, so that's how we are set up, we got these five areas in commercial real estate, but I'll be (inaudible) we are supported by the KS mother ship in a big way. Communications and branding, natural cultural resources, they come they handle all our iwi and archeological work for us and make sure we are doing things the right way. Information systems and land management of construction management environmental, it's a huge issue for us because

Trustee Lee What a great sales pitch.

Walter Thoemmes I know, I know.

Trustee Lee keep going, keep going.

Laughter

Walter Thoemmes Environmental, when you, your assets have been under the control of lessees, ground lessees for a long time, you think about Kapālama, and the type of industrial uses, I mean there are so many dangers lurking there, we don't even know about, so we have an environmental team that is advising us and kind of structuring how we deal with these type of situations and obviously legal and our strategy team, so we really are supported by at least on a day to day basis, fifteen to twenty people outside of our real estate team, with all that we are working on. It does take a commitment, to do this our board is committed to us to support that growth. It's been fun, it's been fun. I hope that was helpful.

Chair Ahuna Members are there any questions for Chris or Walter? Trustee Akaka, go ahead.

Trustee Akaka With this last example, would you say knowing how OHA is that, that type of overhead would be manageable?

Walter Thoemmes I actually don't know enough about how OHA structure, just at a very high level, I think you got to either start with a project, see how it goes or an opportunity and see how it goes and kind of build from that, it's how we did it. Start with one and try to do it well and learn from that and do the next one and then you get the credibility to be able to go in and put a bigger plan together, I would tell you, one of the hardest decisions we had to make was with Salt, because it wasn't really a, the project by itself didn't pencil. How do you convince the other developers to take a chance on this



community that you've, a lot of pretty pictures but right, unless KS is willing to do something that put its money and it's time and energy into a project that will draw people. That was a hard discussion, I can tell you in 2011.

Trustee Lee And it took a while, when Salt first

Walter Thoemmes Adaptive reuse and how to keep, and build energy there through it, but you know in the end you go back to the vision of what you are trying to do, and if you believe in it, then we got to fund it and we got to try to make the best, and we learned a lot from that project, and things that we are now applying and doing differently in other places. We know at the end of the day it's gonna do well, but A & B would not close on the collection, Castle & Cooke would not have closed on 400 Keawe if Kamehameha didn't make that initial investment.

Chair Ahuna Trustee Hulu Lindsey; Trustee Lee

Trustee Lee Mines not really a question Walter, just kind of a thought. The different Ali'i trust had very specific missions you look at OHA everybody looks at the OHA for everything, even those specific missions of the trust, OHA is suppose to cover everything. The lands that we have a Ka'akako Makai and one property that we have here at Iwilei, and if OHA was acquired to more property, what a great place this would be if we could enter into PPP's with the trusts, versus everybody coming to OHA for everything. Instead OHA participating in PPP's so that the proceeds go to the trusts who have the expertise of delivering those services. Development aside, what does OHA know about education, KS knows a whole lot. What does OHA know about taking care of a kapuna? Lunalilo knows a lot. What does OHA know about healthcare, Queen's knows a lot. What do we know about eradicating poverty, Lili'uokalani is getting a fast track on learning a lot. It's more than money, right?

Walter Thoemmes That's right, a good point.

Chair Ahuna Thank you Walter, for all the expertise. Chris, you guys make a perfect team.

Trustee Hulu Lindsey Walter I just want to thank you folks for coming and sharing with us and I can tell that we are going to really need your folks expertise to guide us, and our Ka Pouhana in, you know fortunately we're at a part in our structure, where she's gong to be staring from the bottom, and you know the experiences you share will help her find the right people to help her, help us. We really appreciate you sharing with us, and I mean you folks are like one huge conglomerate next to OHA, and we are going to take baby steps, it's been very helpful to hear how you folks started, and getting better and better as each project comes before you, you learn from the last project, so, I think the board more or less decided that we would go not one lot at a time, and that's probably how we're gong to learn too, what we could have done better in the next lot, you know that kind of thing.

Walter Thoemmes I appreciate that and I'm very happy to help, Sylvia knows how to reach me.

Chair Ahuna She'll be reaching a lot.

Laughter

Chair Ahuna Chris, did you want to say anything?

Chris Deuchar No I think Walter covered it very well, but it's got to walk before you can run, and honestly it is a great opportunity with the lands that you have. I just encourage you to keep going, and that you never, don't give up. It's so important.

Trustee Lee I rather jump on the back of the guys who are running already.

Trustee Hulu Lindsey So, Chair, I just wanted to ask Chris, are you an employee of KS or are you



Chris Deuchar I am

Trustee Hulu Lindsey Thank you

Trustee Akina I just want to echo what my colleagues have said, we really appreciate you being here Walter and Chris, this is a big step for the Board, for us. We work together under a broader mission, to better the conditions of the Native Hawaiian people and it's wonderful because this is good business, but not just business, it has to do with accomplishing something that we all deeply believe in.

Trustee Ahu Isa tell them your title, what department.

Chris Deuchar I am the Senior Director of Planning and Development.

Walter Thoemmes I will add one more little editorial I guess, Trustee Machado was here at the time, but Ali'i Trust worked on a project, way back when in the 90's called Kūlana 'Ōiwi on Molokai and I was actually the new guy at the time with KS at the time so they threw me on that, Monsieur was a big leader, but you know, I thought it was always going to be like that, that the lead trust, OHA, DHHL would always be working together, we had Alu Like, we did the one project and I thought oh, there will be more to come, and for whatever reason

Trustee Hulu Lindsey It's a beautiful project

Walter Thoemmes In some ways starting with a project everybody can see some benefit in, and getting this together back in cooperative state, cause we are a working for the same betterment right? I just throw that out there cause actually for me, I was there one year, Kamehameha did a pre-school and a resource center, that was the part of it, that I was involved, and I thought it was great.

Trustee Hulu Lindsey In Maui?

Walter Thoemmes No, Molokai

Trustee Hulu Lindsey Cause there is one on Maui as well.

Ka Pouhana Hussey Kapulana 'ōiwi maui continues to be the model of combined services

Walter Thoemmes But it was actually

Chair Ahuna Thank you Walter, thank you Chris. Members with that in mind, that was the last item on the agenda.

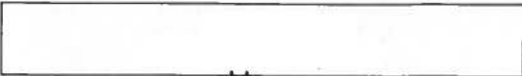
V. ANNOUNCEMENTS

None

VI. ADJOURNMENT

Trustee Hulu Lindsey moves to adjourn the RM meeting.

Trustee Lee seconds the motion.



RM Chair Ahuna asks if there is any discussion. There is none.

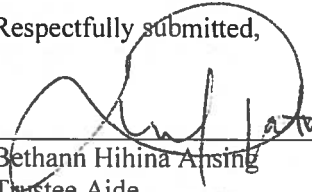
RM Chair Ahuna calls for a Roll Call Vote.

TRUSTEE		1	2	'AE (YES)	A'OLE (NO)	KANALUA (ABSTAIN)	11:08 a.m. EXCUSED
LEINA'ALA	AHU ISA			X			
BAE VICE-CHAIR KALEIHIKINA	AKAKA			X			
	KELI'I AKINA			X			
BRENDON KALEI'ĀINA	LEE		2	X			
CARMEN HULU	LINDSEY	1		X			
RM VICE-CHAIR ROBERT	LINDSEY			X			
	COLETTE MACHADO			X			
	JOHN WAIHE'E			X			
RM CHAIR DAN	AHUNA			X			
TOTAL VOTE COUNT				9	0	0	0


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

RM Chair Ahuna adjourns the Meeting of the Committee on Resource Management at 11:21 A.M.

Respectfully submitted,


 Bethann Hihina Ansing
 Trustee Aide
 Committee on Resource Management

As approved by the Committee on Resource Management on May


 Trustee Dan Ahuna
 Chair
 Committee on Resource Management

ATTACHMENT(s):

- NONE