### PHONE (808) 594-1888

COMMITTEE ON RESOURCE MANAGEMENT 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'āina Lee, At-Large Carmen Hulu Lindsey, Maui Colette Y. Machado, Moloka'i/Lāna'i John Waihe'e IV, At-Large



### STATE OF HAWAI'I OFFICE OF HAWAIIAN AFFAIRS

### MEETING OF THE COMMITTEE ON RESOURCE MANAGEMENT

DATE:

Wednesday, February 19, 2020

TIME:

10:00 am

PLACE:

OHA Board Room, Nā Lama Kukui 560 N. Nimitz Hwy., Suite 200

Honolulu, Hawai'i 96817

### **AGENDA**

- I. Call to Order
- II. Public Testimony\*
- III. New Business
  - A. Approval of Minutes
    - 1. July 31, 2019
    - 2. November 6, 2019
    - 3. November 27, 2019
    - 4. December 4, 2019
    - 5. January 10, 2020
  - B. Workshop 5: Kaka'ako Makai Chronological Review
- IV. Announcements
  - A. Video of The Committee on Resource Management Limited Meeting of 2/05/2020 will be posted on the OHA Website no later than February 19, 2020.
- 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 <a href="mailto:BOTmeetings@oha.org">BOTmeetings@oha.org</a> 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.

<sup>†</sup> Notice: The 72 Hour rule, pursuant to OHA BOT Operations Manual, Section 49, shall be waived for distribution of new committee materials.

Trustee Dan Ahuna

Chairperson, Committee on Resource Management

2/12/2020

Date

### STATE OF HAWAI'I OFFICE OF HAWAIIAN AFFAIRS 560 N. Nimitz Hwy, Suite 200 HONOLULU, HI 96817

Minutes of the Office of Hawaiian Affairs Committee on Resource Management
July 31, 2019
11:00 am

### **ATTENDANCE:**

Trustee Dan Ahuna, Chairperson Trustee Robert Lindsey, Vice-Chair Trustee Kalei Akaka Trustee Keli'i Akina Trustee Carmen Hulu Lindsey Trustee Brendon Kalei'aina Lee Trustee Leina'ala Ahu Isa Trustee John Waihe'e

### **EXCUSED**

Trustee Colette Machado

### **STAFF PRESENT:**

Sylvia Hussey, Interim CEO Brutus La Benz **Everett Ohta** Jim McMahon Keola Lindsey Lee Miller Lisa Watkins-Victorino Merlyn Akuna Miles Nishijima Jonathan Ching Taylor Asao Raina Gushiken Ray Matsuura Zachary Smith Maile Luuwai Lehua Itokazu Claudine Calpito Ron Porter Maria Calderon Paul Harleman Crayn Akina Brandon Mitsuda Kama Hopkins Kauikeaolani Wailehua

Lei Ann Durant Kama Hopkins Priscilla Nakama Nathan Takeuchi

### **Guest and Community:**

Robert C. Klein, Esq. Michael Lyons, Segal Marco Advisors Kealii Makekau Olu Campbell

### CALL TO ORDER

Chair Ahuna welcomes everyone to the Committee on Resource Management and states it is 11:00 am.

	r		
1)	Present	Excused	Comments
TRUSTEELEIAHUISA	Х		
TRUSTEE KALEI <b>AKAKA</b>	X		
TRUSTEE KELI'I <b>AKINA</b>	X		
TRUSTEE BRENDON KALEI'AINA <b>LEE</b>	X		
TRUSTEE HULU <b>LINDSEY</b>	X		
TRUSTEE ROBERT LINDSEY	Х		
TRUSTEE COLETTE MACHADO		EXCUSED	
TRUSTEE JOHN WAIHE'E	X		
CHAIRPERSON DAN AHUNA	X		
TOTAL	8		
At the Call to Order, there are eight (8) To	rustees pre	sent.	

Chair Ahuna states we now will move onto item II. Asked if anyone is here to give public testimony.

### II. PUBLIC TESTIMONY

None.

Chair Ahuna state we are now on item III. Approval of Minutes. We will be deferring item III. B. Minutes for May 1, 2019.

### III. APPROVAL OF MINUTES

A. March 27, 2019

### B. May 1, 2019

Chair Ahuna asks for motion to approve minutes of March 27, 2019.

				'AE (YES)	'A'OLE (NO}	(ABSTAIN)	EXCUSED
RUSTEE LEI	AHLI ISA			Х			
RUSTEE KALEI	AKAKA			X			
RUSTEE KELI 'I	AKINA			X			
RUSTEE BRENDON	LEE			Х			
RUSTEE HULU	LINDSEY	1		X			
RUSTEE ROBERT	LINDSEY			X			
RUSTEE COLETTE N	<b>MACHADO</b>						EXCUSED
RUSTEE JOHN	WAIHE'E	A	2	Х			
CHAIRPERSON DAN	AHUNA	1	1	X	-		
TOTAL VO	TE COUNT	1		8			1

Chair Ahuna states we are now onto item IV. New Business and stated we did not receive some materials IV. A. B, C, D, & F within 72 hours and waived the 72 hour rule pursuant to OHA BOT Operations Manual, Section 49.

### IV. NEW BUSINESS

### A. Presentation: Kaka'ako Makai Policy ASIS

Chair Ahuna calls Sylvia Hussey to the table for discussion.

**Sylvia Hussey** calls on Johnathan Ching and Miles Nishijima to the table. Sylvia gave further discussion and summary on the materials presented on the Kaka'ako Makai Policy AS IS.

**Miles Nishijima** discussed the power point presentation and summary on Kaka'ako Makai Policy in materials provided.

Trustee Lee asked why the huge jump in percentage increases.

Jonathan Ching gave further discussion and summary on Kaka'ako Makai Policy materials presented. He stated these were capital improvements and operations and maintenance total per property, the reason why the jumps are big is this is an ambitious plan for capital development. We will talk about it in our presentation. He gave further discussion as stated in the materials.

### B. Presentation: Kakaako Makai AS IS Master Plan Status

Sylvia Hussey to discuss Kakaako Maki AS IS Master Plan Status.

Sylvia Hussey calls on Jonathan Ching.

**Jonathan Ching** gave further discussion and summary on Kaka'ako Makai Policy materials presented.

### C. Presentation: Legacy Land AS IS Master Plan Status

Jonathan Ching gave further discussion and summary on Legacy Land AS IS Master Plan Status materials presented on Pahua Heiau, Palauea Cultural Preserve, Wao Kele o Puna, Kukaniloko, Waialua Courthouse, Hoomana and Kekaha Armory.

Trustee Hulu Lindsey asks what is the benefit for us to hold onto the courthouse.

Jonathan Ching calls on Brutus La Benz to give a summary and update on who uses the courthouse and the impacts.

Brutus La Benz states 3 hula halau use the courthouse. Waialua Civic club also uses the courthouse regularly on a weekly basis, lomi or la'au lapa'au type things, holds classes on lawn for public. Benefits are more social side of things, not much opportunity for economic return on this property.

Jonathan Ching states numbers provided are lower than actual budget, around \$40-70K annually, tree trimming. Hijpaka has provided arborists, landscapers from Waimea Valley come out, and made a lot on improvements, on way less than we could afford.

### D. Workshop: Emerging details of draft policies

- 1. Economic Development, 2. Debt Management, 3. Spending,
- 4. Investment, 5. Fiscal Sustainability, 6. Kaka'ako Makai Proposed

Chair Ahuna calls Sylvia Hussey to discuss item IV. D.

**Sylvia Hussey** gives summary and update for the Workshop on the materials provided. Would like Trustees to know where we are in policy work. Further discussed the policy levels.

### E. Native Hawaiian Trust Fund - March 31, 2019 QI Update

Chair Ahuna calls on Ray Matsuura to the table to discuss item IV. E.

Ray Matsuura introduced Mike Lyons of Segal Marco. Ray gave discussion and summary on the 01 NHTF update. Went over fees and trust in 01. Also gave outlook since 01, PIMCO will be at the next RM meeting. Finished with discussion about change to the IPS as an action item next month, change the selection process for the managers.

**Michael Lyons** gave further discussion on the first quarter performance, also gave a summary on the responsibility of Segal in the selection process for managers.

Ray Matsuura gave further discussion regarding the selection process for managers.

Chair Ahuna left meeting at 1:05 pm.

Vice-Chair Robert Lindsey thanked Ray and Michael Lyons.

### F. Update and discussion on Public Charter School Solicitation

Vice-Chair Robert Lindsey calls Maile Lu'uwai to discuss item IV. F.

Maile Lu'uwai gives summary and further discussion on the Public Charter School solicitation. Solicitation is for \$3m dollars, 2 year contract, looking for fund administrator to oversee allocation and discursement of funds to charter schools. Also addressed Trustees concerns

**Sylvia Hussey** also gave further discussion and summary regarding the memo with background for solicitation.

Vice-Chair Robert Lindsey thanked Maile and Sylvia.

### V. EXECUTIVE SESSION

Vice-Chair Robert Lindsey asked for motion to recuse into executive session.

Trustee Lee moved.

Trustee Hulu Lindsey seconded.

Meeting resolved into executive session at 1:37 pm.

Meeting resolved into open session at 1:58 pm.

Vice-Chair Robert Lindsey states we are now in open session.

### VI. ADJOURNMENT

Vice-Chair Robert Lindsey asks for motion to adjourn.

Trustee Hulu Lindsey moved.

Trustee Akaka seconded.

Vice-Chair Robert Lindsey asks for roll call vote.

Trustee Hulu Lindsey, MOVED, SECOND by Trustee Akaka to adjourn.							
TRUSTEE	1	2	'AE (YES)	'A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED	
TRUSTEE LEI AHU ISA			X				
TRUSTEE KALEL AKAKA		2	X				
TRUSTEE KELY AKINA			Х				
TRUSTEE BRENDON LEE			Х				
TRUSTEE HULU LINDSEY	₽1		Х				
TRUSTEE ROBERT LINDSEY			X				
TRUSTEE COLETTE MACHADO						EXCUSED	
TRUSTEE JOHN WAIHE'E			Х				
CHAIRPERSON DAN AHUNA							
TOTAL VOTE COUNT			8			1	
MOTION: UNANIMOUS [ X] PASS	SEI	] C	] DEFE	RRED[]	FAILED		
Motion passes with eight (8) YES	3 v	ote	S.				

Chair Ahuna adjourned meeting at 1:58 pm.

Respectfully Submitted,

Claudine Calpito, Trustee Aide Committee on resource Management

Dan Ahuna, Chairperson Committee on Resource Management

Approved: RM Committee meeting

Attachment(s):

1) Excuse letter - Colette Machado

### STATE OF HAWAI'I OFFICE OF HAWAIIAN AFFAIRS 560 N. Nimitz Hwy, Suite 200 HONOLULU, HI 96817



### Minutes of the Office of Hawaiian Affairs Committee on Resource Management November 6, 2019 1:31 pm

### ATTENDANCE:

Trustee Dan Ahuna, Chairperson Trustee Robert Lindsey, Vice-Chair

Trustee Kalei Akaka Trustee Keli'i Akina

Trustee Carmen Hulu Lindsey

Trustee Colette Machado

Trustee John Waihe'e Trustee Brendon Kalei'aina Lee Trustee Leina'ala Ahu Isa

### **STAFF PRESENT:**

Sylvia Hussey, ICEO

Raina Gushiken

Ray Matsuura

Lehua Itokazu

Alyssa Kau

Lopaka Baptiste

Claudine Calpito

Anuhea Patoc

Paul Harleman

Brandon Mitsuda

Kama Hopkins

Kauikeaolani Wailehua

Zuri Aki

Lei Ann Durant

Priscilla Nakama

Nathan Takeuchi

### **Guest and Community:**

Robert G. Klein, Esq.

Kurt Klein, Esq.

Germaine Meyers

Darren Smith, JP Morgan

Charlie Fishman, JP Morgan (telecom)

### I. CALL TO ORDER

Chair Ahuna welcomes everyone to the Committee on Resource Management and states it is 1:31 pm.

	Present	Excused	Comments
TRUSTEE LEI AHU ISA	х		
TRUSTEE KALEI AKAKA	х		
TRUSTEE KELI 'I <b>AKINA</b>			arrived at 1:34pm
TRUSTEE BRENDON KALEI 'AINA LEE	х		
TRUSTEE HULU LINDSEY	х		
TRUSTEE ROBERT LINDSEY	х		
TRUSTEE COLETTE MACHADO	х		
TRUSTEE JOHN WAIHE'E			arrived at 1:32pm
CHAIRPERSON DAN AHUNA	х		
TOTAL	7		
At the Call to Order, there are (7) Trustee	s present.	-	

Chair Ahuna asks if anyone would like to provide public testimony.

Chair Ahuna calls Germaine Meyers.

### **II. PUBLIC TESTIMONY**

Germaine Meyers gave a summary of her concerns regarding the CLA audit.

Chair Ahuna stated we will move onto item III.

### **III. NEW BUSINESS**

- A. Approval of Minutes
  - 1. May 1, 2019
  - 2. May 22, 2019
  - 3. May 29, 2019
  - 4. June 18, 2019
  - 5. August 21, 2019
  - 6. September 25, 2019
  - 7. October 2, 2019

Chair Ahuna stated we would be deferring Sept. 25, 2019 minutes. Asked for motion to approve minutes for May 1 2019, May 22, 2019, May 29, 2019, June 18, 2019, August 21, 2019 and October 2, 2019.

Trustee Akaka moved.

Trustee Hulu Lindsey seconded.

Chair Ahuna asked for discussion.

**Trustee Lee** stated he would like to amend the motion to approve the draft minutes as submitted with the attachments that were submitted electronically, because we do not physically have the attachments. These attachments were already provided to us via the electronic folder file.

Chair Ahuna stated that we did not add the attachments to the minutes for the draft due to excessive waste of paper, but intended to include it in the final minutes.

Trustee Akaka, MOVED, SECOND by Trustee Hulu Lindsey, to approve amendment of motion for minutes of May 1, 2019, May 22, 2019, May 29, 2019, June 18, 2019, August 21, 2019 and October 2, 2019.

TRUSTEE		1	2	'AE (YES)	'A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
TRUSTEE LEI	AHU ISA			Х			
TRUSTEE KALEI	AKAKA	1		X		-63-	
TRUSTEE KELI'I	AKINA			Х			
TRUSTEE BRENDON	LEE	112		X			
TRUSTEE HULU	LINDSEY		2	Х			90 -
TRUSTEE ROBERT	LINDSEY			Х			
TRUSTEE COLETTE I	MACHADO			Х			
TRUSTEE JOHN	WAIHE'E			X			
CHAIRPERSON DAN	AHUNA			X			1
TOTAL VO	<b>TE COUNT</b>			9			17 1 2

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

Motion passes with nine (9) YES votes.

Chair Ahuna stated we will now vote on the main motion (to approve minutes from May 1, 2019, May 22, 2019, May 29, 2019, June 18, 2019, August 21, 2010, and October 2, 2019).

Motion made previously to approve motion (as amended) for minutes of May 1, 2019, May 22, 2019, May 29, 2019, June 18, 2019, August 21, 2019 and October 2, 2019 to approve the draft minutes as submitted with the attachments that were submitted electronically.

0	113	AE	'A'OLE	1/48141114	1
<u> </u>		'AE	'A'OLE	1/41/41	
	1_1_	(YES)	(NO)	KANALUA (ABSTAIN)	EXCUSED
AHU ISA		Х			
AKAKA		Х			
AKINA		Х			
LEE		Х	-		
INDSEY		X			
INDSEY		X			
CHADO		Х			
WAIHE'E		Х			
AHUNA		X			
COUNT		9			
S [x] PAS	SED	[]DEFE	RRED[]	FAILED	<u> </u>
(O) VEC					
	AKINA LEE INDSEY INDSEY ACHADO WAIHE'E AHUNA COUNT S [x] PASS	AKAKA  AKINA  LEE INDSEY INDSEY ACHADO WAIHE'E AHUNA COUNT S [x] PASSED	AHU ISA X AKAKA X AKINA X LEE X INDSEY X INDSEY X ACHADO X WAIHE'E X AHUNA X COUNT 9	AHU ISA X AKAKA X AKINA X LEE X INDSEY X INDSEY X ACHADO X WAIHE'E X AHUNA X COUNT 9 S [x] PASSED [ ] DEFERRED [ ]	AHU ISA X  AKAKA X  AKINA X  LEE X  INDSEY X  INDSEY X  ACHADO X  WAIHE'E X  AHUNA X  COUNT 9  S [x] PASSED [ ] DEFERRED [] FAILED

B. Presentation by JP Morgan Report on Quarter ending September 30, 2019.

Chair Ahuna called upon Ray Matsuura to share on JP Morgan Report.

Ray Matsuura called upon Darren Smith to share at table. Charlie Fishman, JP Morgan (telecom).

Darren Smith and Charlie Fishman (JP Morgan staff) shared details on management of investment account including multi-asset strategy group, market review, new performance with less line items, as well as market outlook/individualized investments to the customized portfolio as provided in the materials.

**Trustee Lee** had further discussion and expresses concerns in communication/information exchanges regarding the investments, specifically differing opinions and risk tolerance.

Trustee Ahu Isa had further discussion regarding differing views on bonds.

Trustee Akina had further discussion on "duration," level of interest rates, and the hedge.

Trustee Ahu Isa commented and had further discussion on monetary policy.

### C. Review of CLA Status Report #5 - Kama Hopkins

Chair Ahuna called upon Kama Hopkins to share CLA Status Report.

Kama Hopkins shares highlights on item B.

Trustee Hulu Lindsey had further discussion on item B.

Kama Hopkins shares highlights on page 4, item F, items 3 and 4.

TRUSTEE LEI AHU ISA  TRUSTEE KALEI AKAKA  TRUSTEE KELI'I AKINA  TRUSTEE BRENDON LEE  TRUSTEE HULU LINDSEY  TRUSTEE ROBERT LINDSEY  TRUSTEE COLETTE MACHADO  TRUSTEE JOHN WAIHE'E  CHAIRPERSON DAN AHUNA  TOTAL VOTE COUNT	TRUSTEE		1	2	'AE (YES)	'A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
TRUSTEE KELI'I AKINA  TRUSTEE BRENDON LEE  TRUSTEE HULU LINDSEY  TRUSTEE ROBERT LINDSEY  TRUSTEE COLETTE MACHADO  TRUSTEE JOHN WAIHE'E  CHAIRPERSON DAN AHUNA	TRUSTEE LEI	AHU ISA			班	0	I - GA	
TRUSTEE BRENDON LEE  TRUSTEE HULU LINDSEY  TRUSTEE ROBERT LINDSEY  TRUSTEE COLETTE MACHADO  TRUSTEE JOHN WAIHE'E  CHAIRPERSON DAN AHUNA	TRUSTEE KALEI	AKAKA		_	_			
TRUSTEE HULU LINDSEY TRUSTEE ROBERT LINDSEY TRUSTEE COLETTE MACHADO TRUSTEE JOHN WAIHE'E CHAIRPERSON DAN AHUNA	TRUSTEE KELI'I	AKINA						
TRUSTEE ROBERT LINDSEY  TRUSTEE COLETTE MACHADO  TRUSTEE JOHN WAIHE'E  CHAIRPERSON DAN AHUNA	TRUSTEE BRENDON	LEE						u egl
TRUSTEE COLETTE MACHADO  TRUSTEE JOHN WAIHE'E  CHAIRPERSON DAN AHUNA	TRUSTEE HULU	LINDSEY						
TRUSTEE JOHN WAIHE'E CHAIRPERSON DAN AHUNA	TRUSTEE ROBERT	LINDSEY						
CHAIRPERSON DAN AHUNA	TRUSTEE COLETTE !	ACHADO						
	TRUSTEE JOHN	WAIHE'E						
TOTAL VOTE COUNT	CHAIRPERSON DAN	AHUNA						
	TOTAL VOT	E COUNT						2

### IV. ADJOURNMENT

Chair Ahuna calls for motion to adjourn.

Trustee Machado moved.

Trustee Kalei Akaka seconded.

Trustee Machado, MOVED, SECOND by Trustee Kalei Akaka. Motion to adjourn.

<del></del>	·····			·	·····		·····
		1	2		'A'OLE	KANALUA	EXCUSED
				(YES)	(NO)	(ABSTAIN)	
TRUSTEE LEI	AHU ISA			Х			X
TRUSTEE KALEI	AKAKA		2	Х			
TRUSTEE KELI'I	AKINA			Х			
TRUSTEE BRENDON	LEE			Х			Х
TRUSTEE HULU	LINDSEY			Х			
TRUSTEE ROBERT	LINDSEY			Х			
TRUSTEE COLETTE I	MACHADO	1		Х			
TRUSTEE JOHN	WAIHE'E			Х			
CHAIRPERSON DAN	AHUNA			Х			
TOTAL VO	TE COUNT			9			
MOTION: L1 LINANIMO	IIC I Y I DAG	QI.	<u>-                                    </u>	LIDEE	EDDEDII	EVILED	

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

Motion passes with seven (9) YES votes.

Chair Ahuna adjourned meeting at 2:47 pm.

Respectfully Submitted,

Anuhea Patoc, Trustee Secretary Committee on Resource Management

Dan Ahuna, Chairperson
Committee on Resource Management

Approved: RM Committee meeting

Attachment(s):

### STATE OF HAWAI'I OFFICE OF HAWAIIAN AFFAIRS 560 N. Nimitz Hwy, Suite 200 HONOLULU, HI 96817

Minutes of the Office of Hawaiian Affairs Committee on Resource Management
November 27, 2019
9:01 am

### ATTENDANCE:

Trustee Dan Ahuna, Chairperson

Trustee Kalei Akaka

Trustee Keli'i Akina

Trustee Carmen Hulu Lindsey

Trustee Colette Machado

Trustee John Waihe'e

### STAFF PRESENT:

Sylvia Hussey, ICEO

**Everette Ohta** 

Johnathan Ching

Lee Miller

Miles Nishijima

Raina Gushiken

Sterling Wong

Carol Ho'omanawainui

Lehua Itokazu

Alyssa Kau

Claudine Calpito

Anuhea Patoc

Paul Harleman

Maria Calderon

Crayn Akina

Brandon Mitsuda

Kama Hopkins

Kauikeaolani Wailehua

Lei Ann Durant

Zuri Aki

Priscilla Nakama

Nathan Takeuchi

Trustee Brendon Kalei'aina Lee Trustee Leina'ala Ahu Isa

**Guest and Community:** 

Robert G. Klein, Esq.

### I. CALL TO ORDER

Chair Ahuna welcomes everyone to the Committee on Resource Management and calls the meeting to order at 9:01 am.

	Present	Excused	Comments
TRUSTEE LEI AHU ISA	х		
TRUSTEE KALEI <b>AKAKA</b>			arrived at 9:24
TRUSTEE KELI 'I <b>AKINA</b>	x		
TRUSTEE BRENDON KALEI 'AINA LEE	x		WC-2000
TRUSTEE HULU LINDSEY	X		
TRUSTEE ROBERT LINDSEY		x	
TRUSTEE COLETTE MACHADO	х		
TRUSTEE JOHN WAIHE'E			arrived at 9.11
CHAIRPERSON DAN AHUNA	×		-
TOTAL	6		
At the Call to Order, there are six (6) Trus	tees presen	testablishin	ig a quorum.

### II. PUBLIC TESTIMONY

None

### III. NEW BUSINESS

- A. Approval of Minutes
  - 1. November 6, 2019
  - 2. November 20, 2019

Chair Ahuna stated we would be deferring November 6, 2019 minutes. Asked for motion to approve minutes for November 20, 2019.

Trustee Hulu Lindsey moved to approve minutes for November 20, 2019.

Trustee Machado seconds the motion.

Chair Ahuna asked for discussion. Hearing no discussion, Chair Ahuna called for a roll call vote.

Trustee Hulu Lindsey, MOVED, SECOND by Trustee Machado, to approve minutes of November 20, 2019.

TRUSTEE	V asiatori	1	2	'AE (YES)	'A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
TRUSTEE LEI	AHU ISA			X			
TRUSTEE KALEI	AKAKA						Not Present
TRUSTEE KELI'I	AKINA			, <b>X</b>			_
TRUSTEE BRENDON	LEE			Х			
TRUSTEE HULU	LINDSEY	1		Х			
TRUSTEE ROBERT	LINDSEY					-	Х
TRUSTEE COLETTE	MACHADO		2	X			
TRUSTEE JOHN	WAIHE'E		4				Not Present
CHAIRPERSON DAN	AHUNA	4		X			
TOTAL VO	TE COUNT			6			

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

Motion passes with six (6) YES votes.

### B. Workshop #2 - Kaka'ko Makai Discussion re: Programmatic Elements

Chair Ahuna called upon Sylvia Hussey

Sylvia Hussey called upon Miles Nishijima to share at table. Jonathan Ching, participated via telecom.

Miles Nishijima and Johnathan Ching shared details on the fourteen programmatic elements. See attachment on the presentation of Kaka`ako Makai.

### IV. EXECUTIVE SESSION<sup>‡</sup>

RM Chair Ahuna asks for a motion to resolve into Executive Session pursuant to HRS § 92-5(a)(4).

Trustee Hulu Lindsey moves resolve into Executive Session pursuant to HRS § 92-5(a)(4).

Trustee Waihe'e seconds the motion.

RM Chair Ahuna calls for a Roll Call Vote.

Trustee Hulu Lindsey, MOVED, SECOND by Trustee Waihe'e, to resolve in	to
Executive Session pursuant to HRS § 92-5(a)(4).	

TRUSTEE		1	2	'AE (YES)	'A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
TRUSTEE LEI	AHU ISA	1		Х			
TRUSTEE KALEI	AKAKA			Х		•	
TRUSTEE KELI'I	AKINA			X			
TRUSTEE BRENDON	LEE			X			
TRUSTEE HULU	LINDSEY			X			
TRUSTEE ROBERT	LINDSEY	4	4				Х
TRUSTEE COLETTE I	MACHADO			X			
TRUSTEE JOHN	WAIHE'E		2	X			
CHAIRPERSON DAN	AHUNA			Х			
TOTAL VO	TE COUNT			8			
			100		Walter Street Control of the Control		

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

Motion passes with nine (8) YES votes.

The committee resolved into Executive Session at 10:19 a.m. to discuss:

- A. Approval of Minutes
  - 1. January 9, 2019
  - 2. April 10, 2019
  - 3. May 1, 2019
  - 4. July 31, 2019
  - 5. October 2, 2019
- B. Consultation with Board Counsel Robert G. Klein, Esq., Kama Hopkins and RM Leadership re: questions and issues pertaining to the Board's powers, duties, privileges, immunities and liabilities relating to CLA-OHA & LLC's Contract & Disbursement Review Draft Report, Pursuant to Hawai'i Revised Statutes §92-5(a)(4).

The committee returned to Open Session at 11:49 a.m.

### IV. ANNOUNCEMENTS

None

### V. ADJOURNMENT

Chair Ahuna calls for motion to adjourn.

Trustee Hulu Lindsey moved to adjourn.

Trustee Waihe'e seconds the motion.

Trustee Hulu Lindsey adjourn.	, MOVED, SE	ECC	N	D by Tr	ustee Wa	ihe`e. Motio	n to
		1	2	'AE (YES)	(NO)	KANALUA (ABSTAIN)	EXCUSED
TRUSTEE LEI	AHU ISA			X			
TRUSTEE KALEI	AKAKA			X			
TRUSTEE KELIT	AKINA	V		X			
TRUSTEE BRENDON	LEE		1	Х			
TRUSTEE HULU	LINDSEY	1		X			
TRUSTEE ROBERT	LINDSEY						Х
TRUSTEE COLETTE	MACHADO			X			
TRUSTEE JOHN	WAIHE'E		2	Х			
CHAIRPERSON DAN	AHUNA			Х			
TOTAL VO				8			
MOTION: [] UNANIMO  Motion passes with eig				[]DEF	ERRED [	FAILED	

Chair Ahuna adjourned meeting at 11:50 am.

Anuhea Patoc, Trustee Secretary Committee on Resource Management

Dan Ahuna, Chairperson Committee on Resource Management

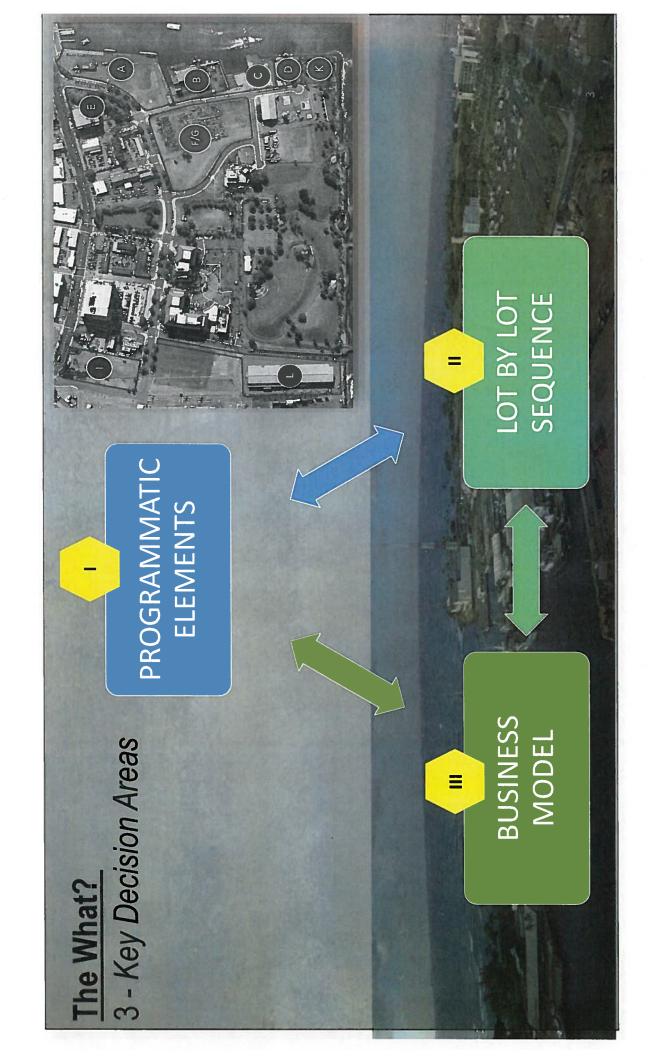
Approved: RM Committee meeting

Attachment(s):

1. Presentation of Kaka'ako Makai (54 pages)

## Jaka'ak **Maka**1





## The How? and the When?

## 3 - Workshops to 1 - Action Item

11/20/2019

Workshop #1 – 1 hour: Kakaako Makai Overview, Programmatic Elements, Sequence and Options (distribution of deck/available on 11/13/2019)

11/27/2019 (or 12/4/2019)

7

Workshop #2 – 1 hour: Kakaako Makai Discussion re: Programmatic Elements (same

12/4/2019 (or 12/18/2019) Workshop #3 – 1 hour: Kakaako Makai Discussion re: Sequence and Options and Review of Draft Action Item (same deck)

1st or 2nd meeting in 2020, month of January 2020 – 1

RM 19-XX –
Approval of
Kakaako Makai
Programmatic
Elements,
Sequence and

0

Land Assets staff – Miles Nishijima, Jonathan Ching and Lee Miller available for individual meetings with no more than two (2) Trustees or Trustees' staff from

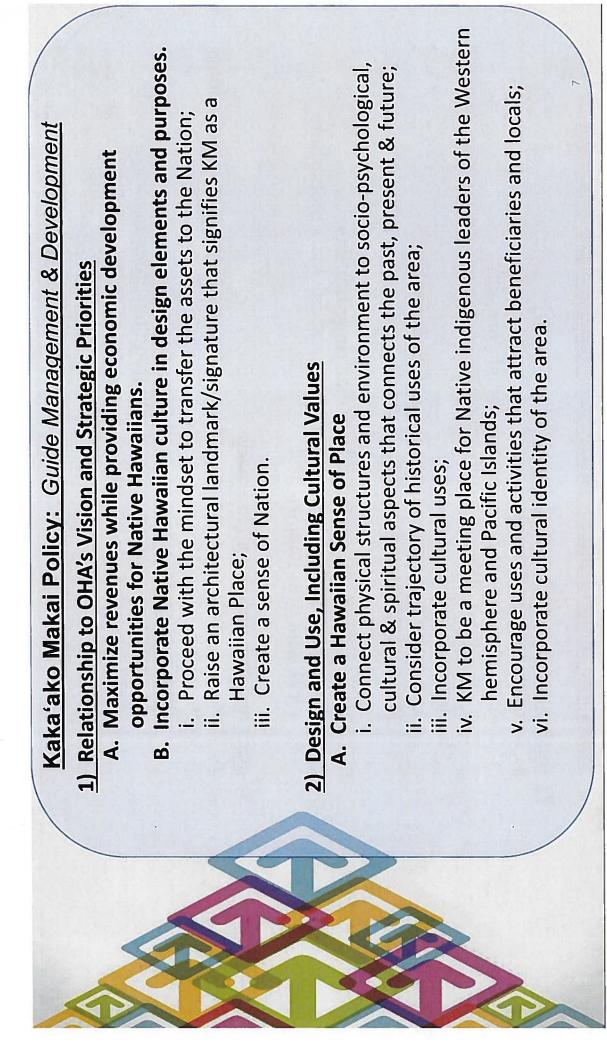
11/13/19 to 01/15/20.

Why? – Need for strategically aligned, Trustee approved Kaka`ako Makai plan

- Setting Context
- What's Happened Since 2012?
- + In the Organization
- + With the Policy
- + At the Legislature
- + With Planning Process

0
>
15
O
>
0
9
O
ĕ
9
١S
.=
ra
4
Fa
6
9
evelop
8
Makai Development Timeline Overview
O
X
O
2
2
~
ण
6
19
TO
3

February Commercial Property Manager Leaves	>2019	Regroup Set Strategic Course Holomua
Master Plan Contract Expires	>2018	• Plans not finalized • Design Guidelines not completed. • EIS and SMA not completed completed completed completed unspent)
OHA Decides to Proceed w/Existing Entitlements OHA Asks HCDA to be EIS Accepting Authority	> 2017	• Pae 'Āina (Report Back) • Begin Work on Design Guidelines
April Commercial Property Manager Leaves	> 2016	September Commercial Property Manager Starts
Pae 'Āina Engagement RM Committee Presentation	> 2015	OHA Stops Pursuing Additional Entitlements
Land Division Created Conceptual Master Plan Begins OHA Requests	> 2014	• Legislature Denies Residential Use • WCIT Selected for Master Plan
April – Oct.	> 2013	<ul> <li>Cultural</li> <li>Context for</li> <li>Development</li> <li>Baseline</li> <li>Development</li> <li>Strategy</li> <li>Basis for</li> <li>Conceptual</li> <li>Master Plan</li> </ul>
Land Transfer KM Policy Adopted	2012	• Balance Rev. Generation w/OHA's Strat. Goals • Create a Haw. Place • Embrace Community



# Kaka'ako Makai Policy: Guide Management & Development

## 2) Design and Use, Including Cultural Values (cont.)

## B. Balance pono and commerce

- Encourage cohesiveness among parcels/projects;
- ii. Establish priority for qualified Hawaiian business and professionals;
- iii. Incorporate mixed uses;
- iv. Use green technology (environmentally friendly);
- v. Prioritize the use of indigenous plants.

## C. Collaborate with other Native Hawaiian organizations

- i. Work with KS on potential partnerships on adjoining properties;
  - ii. Work with other Alii Trusts.

## 3) Revenue Generation and Proceeds

- A. Balance near-term revenue generation for programmatic use with longterm vision.
- i. Create revenue stream for strategic priorities
- Allocate funds for grants (and LLP) (requires policy update)
- Set leases and contractual arrangements at market value.

# Kaka'ako Makai Policy: Guide Management & Development

### 4) Timetable and Process

## A. Key Planning Considerations

- i. Have an overall conceptual plan before considering or initiating major proposals;
- ii. Establish a timeline for tasks that need to be accomplished.

## B. Key execution considerations

- i. Engage professional finance, real estate, marketing, development, etc.;
  - ii. Maintain the momentum, in keeping with fiduciary duties.

## C. Transparency and communication Kuleana

- Embrace community engagement ensuring dialogue with community and neighbors;
- ii. Have a robust communications and information-sharing infrastructure.

# Kaka'ako Makai Policy: Guide Management & Development

## 5) Governance and Decision-making

- A. Vision for master-planning and property management
- i. Implement knowledge-based decision-making;
- ii. Establish efficient management;
- iii. Act in ways that are consistent with KM being a flagship of actions, values and leadership.
- B. Accountability
- i. Lead with people who have financial, management, and development expertise;
- ii. Complete an annual budget and a 5-year management and operating budget.

maintenance of this policy. A review shall be done minimally on an annual basis to insure that amendments or changes in law are duly incorporated; or as Update and Maintenance: The CEO is responsible for the update and requested by the BOT Chair or Chair of a Standing Committee

Status/Effective Date: September 20, 2012





### OFFICE OF HAWAIIAN AFFAIRS

KAKA'AKO MAKAI POLICY

First Residing: August 30, 2012 Second Reading: Separabet 20, 2012



### OFFICE OF HAWAIIAN AFFAIRS

### REAL ESTATE VISION, MISSION, AND STRATEGY POLICY

First Reading: May 17, 2007 Second Reading: June 6, 2007

statement, try to answer this question: If the organization were to achieve all of its strategic goals, what would it look like 10 years from now? An effective vision statement is inspirational and aspirational. It creates a mental image of the future state that the organization Vision: A vision statement describes the organization as it would appear in a future successful state. When developing a vision wishes to achieve. A vision statement should challenge and inspire members.



### Vision: Kaka ako Makai is a Culture & Commerce Center

Mission Statement. A mission statement explains the organization's reason for existence. It describes the organization, what it does and its collaborators and other stakeholders. Both Vision and Mission should help with answering the question of "Why?" in all of the organization's overall intention. The mission statement supports the vision and serves to communicate purpose and direction to members, vendors, strategies, activities, resource investments and development.

## Mission: Kaka`ako Makai exists to:

- 1) Create accessible/meaningful impacts for 'ohana, mo`omeheu and `aina;
- 2) Maximize revenue generation for the Native Hawaiian Trust Fund;

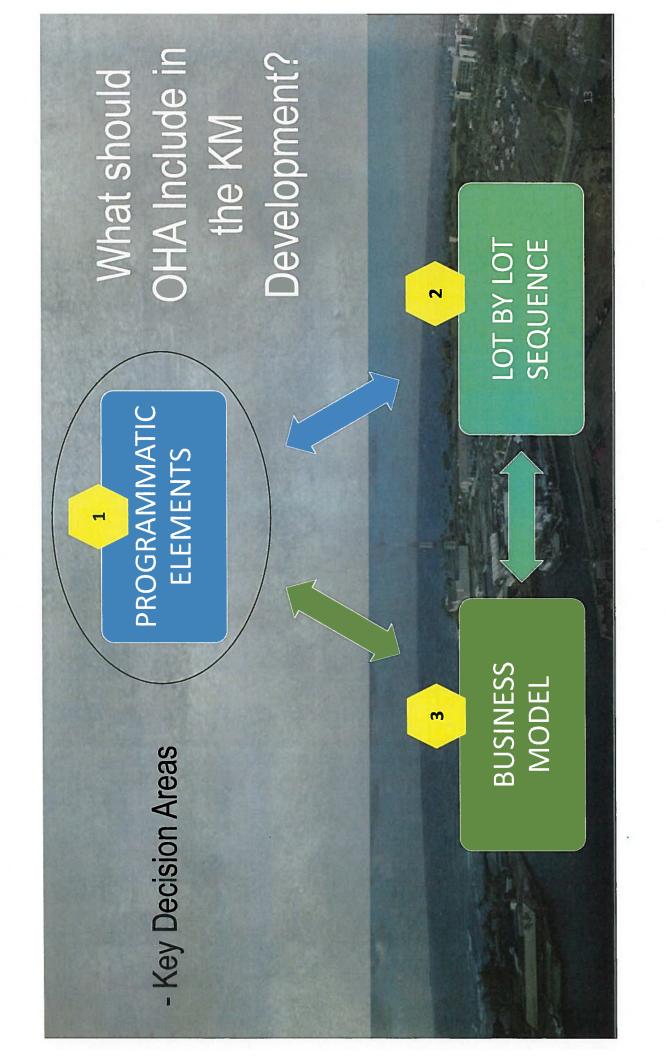
Finalize programmatic elements;
 Sequence development lot by lot;
 Determine business model;
 Implement, monitor, report, adjust

HOW:

Implement, monitor, report, adjust

- Blend culture and commerce spaces, activities and experiences; and 3
- 4) Serve as a commercial attraction for the broader community.





# KAKA'AKO MAKAI: What to include at Kakaako Makai?

## 14 RECOMMENDATIONS RE: PROGRAMMATIC ELEMENTS

### Recommendations based on:

- Allowable and compatible uses;
- Feasibility; and
- Alignment with "Center for Culture and Commerce"

1. New OHA Headquarters	8. Places for Cultural Practice & Display
2. Native Hawaiian Center of Business/Incubator	9. Certified Kitchen & Imu
3. Gathering, Performance, & Entertainment Spaces	10. Open/Naturally Vegetated Spaces
4. Small, Medium, & Large Meeting Spaces	11. Utilize Native Landscaping, include Community Garden
5. Overnight Accommodations	12. Observation Deck
6. Museum that Honors Native Hawaiian Culture	13. Home for Hokulea, Hikianalia and other Waa.
7. World-Class Saltwater Aquarium	14. Automated Dry-Stack Boat Storage



### 1. NEW OHA HEADQUARTERS

45,000 sf (based on existing)

Boardroom/Trustee Offices

- Administrative Offices/Workspaces
  - Meeting Rooms
- Protocol Spaces
- Lumi 'Āina
- Front Desk and Waiting Area
  - Parking (suggest 90 stalls)
- Secured





MENTORING INVESTORS/ VC ACCESS SEED

NEXPENSIVE WORKPLACE

**Business Incubators** MOH

TECHNICAL

Startups

INTELLECTUAL PROPERTY MANAGEMENT

NETWORKING

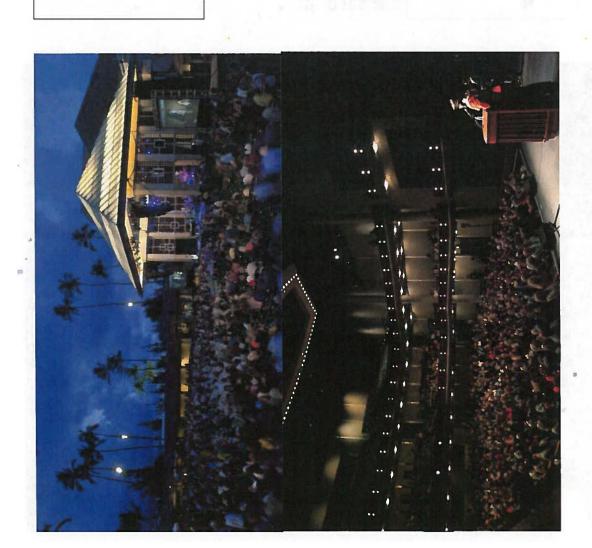
ACCOUNTING

SERVICES FINANCE

#### BUSINESS/INCUBATOR 2. NATIVE HAWAIIAN CENTER OF

start and grow near Honolulu's business district. 1 or 2 (5,000 – 10,000 sf) Native Hawaiian and other business to Create business/incubator spaces for

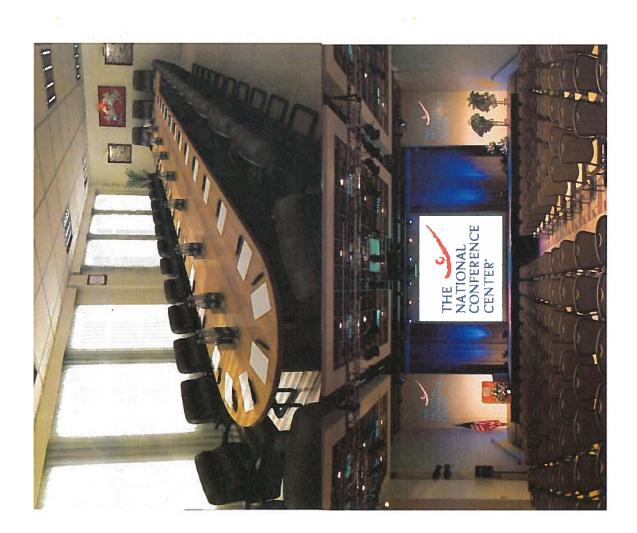
- business plans, assessing financial needs, provide loan financing, small business administration, other business Provide financial assistance, building advisors part of center
- Provide coworking space opportunities, to allow small business to network and build relationships with others
- Provide "pop up" opportunities for businesses to test their products within retail/entertainment venue areas



#### PERFORMANCE, AND ENTERTAINMENT 3. GATHERING, SPACES

parties, concerts, events, etc. Multi-purpose, Indoor/Outdoor, or Outdoor for cultural performances, **Examples:** 

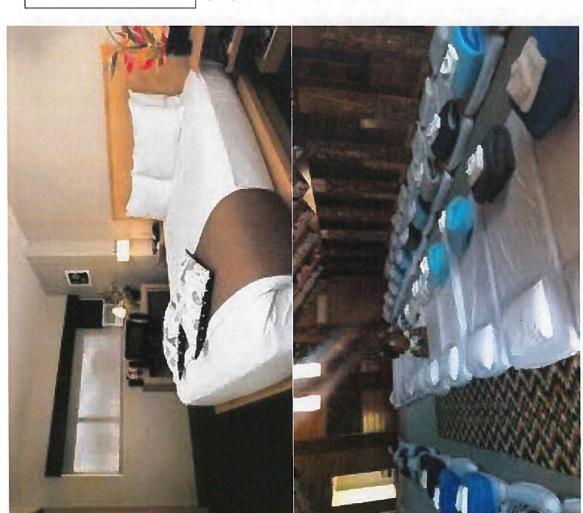
- Ballroom w/outdoor space
- Waikiki Shell (2,400-seat capacity plus lawn)
  - Blaisdell Concert Hall (2,158-seat capacity)
- Blaisdell Arena (7,700 to 8,800-seat capacity)
  - Hawaii Theater (1,350-seat capacity)
- Andrews Amphitheater (5,500-seat capacity)
  - Stan Sheriff Center (10,300-seat capacity)
- Edith Kanakaole Stadium (5,000-seat capacity) Maui Arts and Cultural Center (1,200-seat Castle Theater)



#### 4. SMALL, MEDIUM, AND LARGE MEETING SPACES

Multi-purpose and potentially convertible indoor spaces that can be used for meeting, education, convention, etc. These spaces would be available for use/rent at an affordable rate by beneficiaries, community and tenant

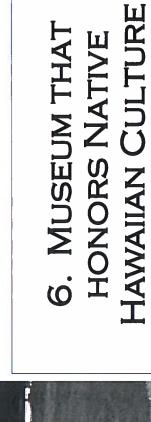
- Small: something like Pukui classroom/meeting room
- Size range: 250 to 500 square feet
- How many: 4-6
- Medium: Something like Boardroom
- Size range: 1,500 (Mauli Ola) to 2,000 square feet
  - How many: 2-4
- Large: Something like Coral Ballroom at Hilton Hawaiian Village
  - Size range: 27,000 to 45,000 square feet, with banquet kitchen
- How many: 1



### 5. OVERNIGHT ACCOMMODATIONS

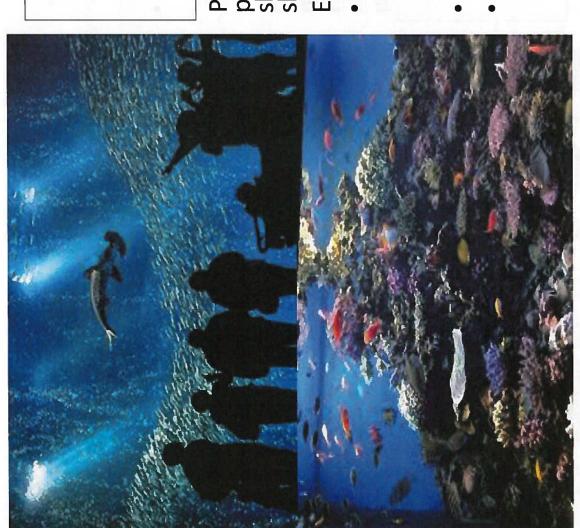
Would require variance for Hotel Use, and would provide places to stay for people, help to provide customers for on-site business, and enable social impact. 1 or 2 (sizes tbd)

- It is intended that Kakaako Makai will have an official area to greet dignitaries in a traditional manner, the intent is to provide informal overnight accommodations.
- House students that are part of short term work study programs that will be held at Kakaako Makai, beneficiaries that travel to O'ahu for medical services, sports teams, etc.



Museums that celebrate Hawaii's history, arts, culture, music, etc.

- Surf, Hawaiian music, hula museums
- Provide educational opportunities
- Host community events
- Intended for both local and visitors as an attraction
- One or two size tbd



# 7. WORLD CLASS SALTWATER AQUARIUM

Provide a Native Hawaiian perspective of what an aquarium should be, educate on, and showcase. 1 size tbd.

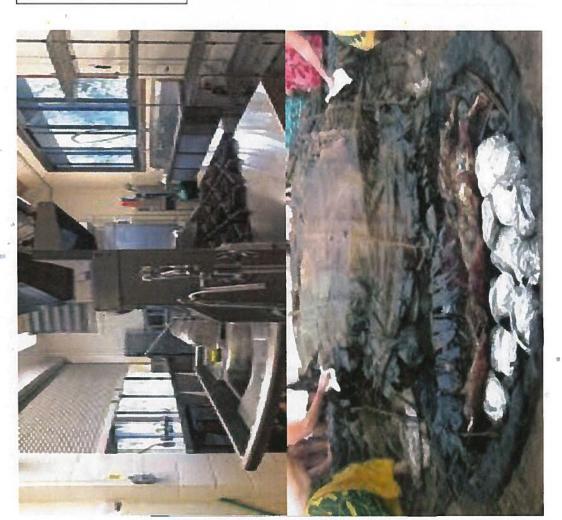
- Provide educational opportunities; aquatic health, how to raise fish, how fish used in Native Hawaiian diet, etc.
- Host community events
- Intended as attraction for both locals and visitors



### 8. PLACES FOR CULTURAL PRACTICE AND DISPLAY

Indoor or Outdoor spaces where cultural practitioners can demonstrate their practices, provide education, and display their work

- Outdoor: Multiple locations can be included in the open spaces or landscaped areas. (300-500sf)
- Indoor: Spaces that would allow for long-term or revolving exhibits. 1 space in a prominent common space in each building (200-400 sf)



# 9. CERTIFIED KITCHEN AND IMU

- Provide certified kitchen for start up businesses (e.g. bakery, food trucks), beneficiary, and community use. 2 or 3 (2,000-40,00sf)
- Utilized in conjunction with communal spaces for use by Native Hawaiian events and activities
- Provide a dedicated community imu and prep-area (with potential cover/smoke mitigation) for cultural, fundraising, educational opportunities, visitor attraction. (1,000 – 1,500 sf)



# 10. OPEN/NATURALLY VEGETATED SPACES

An open and naturally vegetated area that enables diversified use. This area that can be used for protocol and welcoming of dignitaries, notable people/groups, visitors, and our beneficiaries;

- Community Events Lawn (25,000+ square feet) with a large pā hula
- **Amphitheater**
- Maori Marai outdoor spaces
- Size range 25,000sf enable 4,000 pax

# 11. UTILIZE NATIVE LANDSCAPING, INCORPORATE COMMUNITY GARDENS

To be incorporated into the landscaping of the site and engaged by OHA beneficiaries /community for use. Gardens should include native and canoe plants used for cultural practices.

- Provide educational opportunities
- Native practitioners can utilize landscape for medicinal, cultural uses
- Multiple garden areas (2 or more) ranging between 500 – 1,500sf.

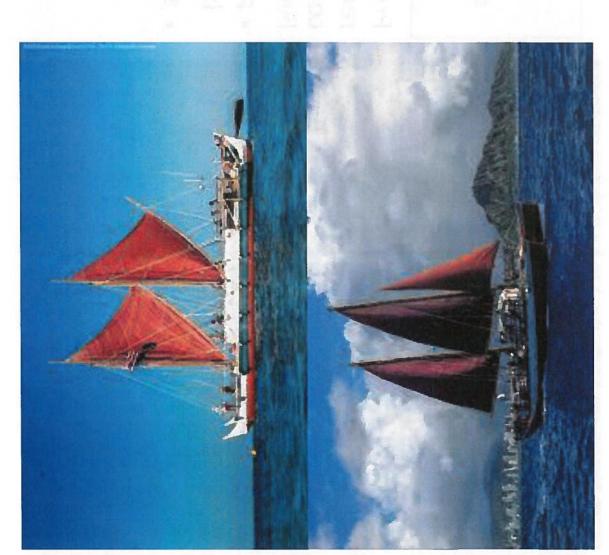




# 12. OBSERVATION DECK

The observation deck(s) are intended to connect people to place, educational purposes, and to observe prominent features/celestial elements, and take in the view. These can be located at the top of one or more of the taller buildings with 200ft height limits.

- Intended for both locals and visitors as an attraction
- To include intuitive Hawaiian wayfinding/navigation elements and a place to observe the surroundings including celestial elements



# 13. A HOME FOR OUR VOYAGING CANOE

Provide waterfront berth for Hōkūle'a and Hikianali'a; symbols of Native Hawaiian pride and success in ocean navigation (size requirements tbd)

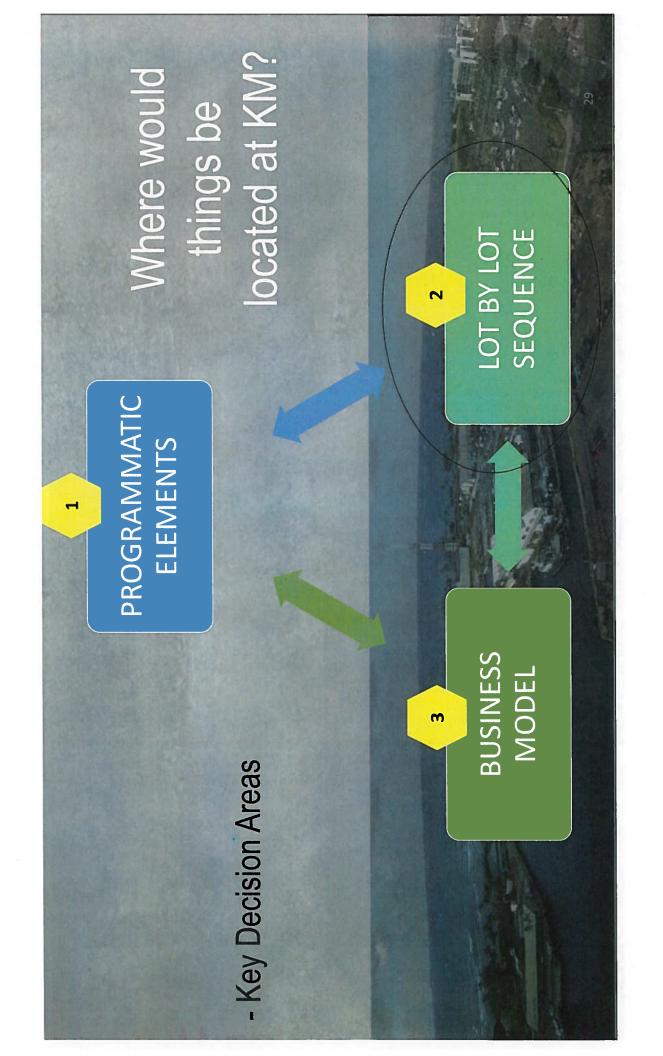
- Intended for both locals and visitors as an attraction
- Educational opportunities;
   wayfinding and navigation
- Host community events

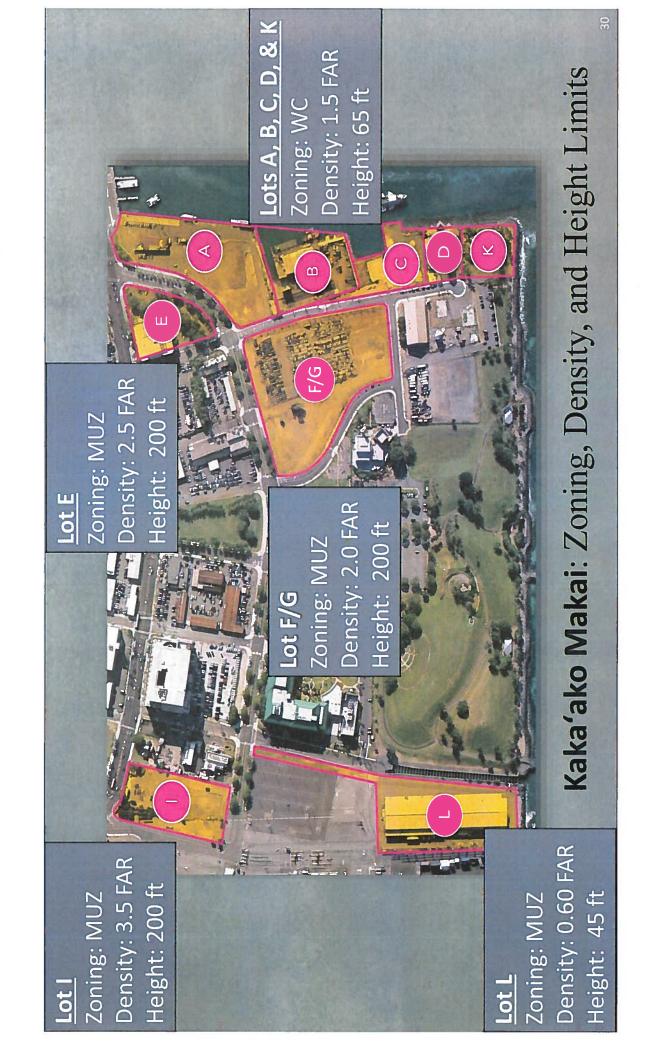




Provide waterfront boat storage rental space to improve conditions for boat owners that live in the urban area. (size tbd)

- Provides access to ocean for boaters
- Alternate source of revenue





# Proposed Land Use by Parcel:

to	Lot A	Lot B	Lot C	Lot D	Lot E	Lot F/G	Lot I	Lot K	Lot L
Approximate Size	4.394 acres	2.378 acres	1.769 acres	0.938 acres	2.200 acres	7.531 acres	3.256 acres	1.358 acres	5.266 acres
Zoning	Waterfront Commercial (potential hotel See Note A)	Waterfront	Waterfront	Waterfront	Mixed-Use Commercial (potential OHA HQ/resident ial (Note B))	Mixed-Use Commercial (potential hotel note i)	Mixed-use Commercial (potential sale to City for a sewer pump station)	Waterfront	Mixed-Use Commercial
Maximum Density	1.5 FAR	1.5 FAR	1.5 FAR	1.5 FAR	2.5 FAR	2.0 FAR	3.5 FAR	1.5 FAR	0.06 FAR
Height Limit	, 59	, 59	, 59	, 59	200,	200,	200,	, 59	45 '
Proposed Phasing	Phase 1	Phase 1	Phase 1	Phase 3	Phase 1 or 2	Phase 1	N/A or Phase 2	Phase 2	Phase tbd (Note C)

Note A: Will need to get a zoning variance for hotel.

Note B: Dependent on transfer of regulatory authority from HCDA to City. Anticipate residential to be allowed.

Note C: Dependent on termination of Next Steps shelter lease

#### Proposed Phasing



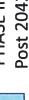
PHASE I 2022-2027





PHASE III Post 2042







### Lots A, B, and C:

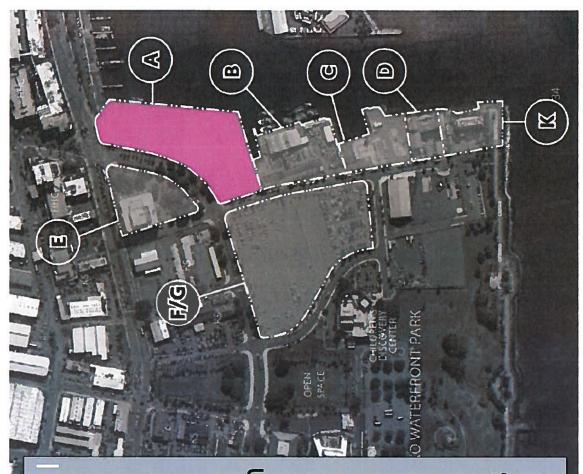
(Phase 1 - Waterfront Commercial):

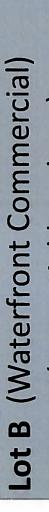
- Assumed to be three or four floors of waterfront retail, restaurant, office and meeting space with maximum FAR.
- Assume that a major parking structure will be on F/G, thus parking may be minimized here with off-site parking on F/G
- Would include loading/delivery zones for tennants; drop-off area for busses, shuttles, and visitors; emergency service access; and handicapped parking.



#### PHASE Commercial (potential for hotel use)); 4.394 acres - 1.5 FAR - 65' height limit Lot A (Phase 1 – Waterfront Has the potential for

- Use. It would require an exemption Overnight acommodation/Hotel from the City when it gets regulatory oversight.
- Native Hawaiian center of business/incubator
- World class aquarium
- Indoor meeting/educational spaces
- Museum





(potential hotel use)

Lot C (Phase 1 – Waterfront Commercial 2.378 acres - 1.5 FAR - 65' height limit.

(potential hotel use);

1.769 acres - 1.5 FAR - 65' height limit.

Has the potential for

- World class aquarium
- Dry-Stacked boat storage
- Indoor meeting/educational spaces
- Museum
- Wa'a and home to Hokulea/Hikianalia
- Place for ceremony







1.358 acres - 1.5 FAR - 65ft height limit.

University of Hawaii, and we have reflected the value of the OHA leased fee interest. However, once the lease expires, it is envisioned the site would be developed with a three or four-story waterfront retail and restaurant improvement - Is under a long-term ground lease with the with 59,000 square fee

Potential for

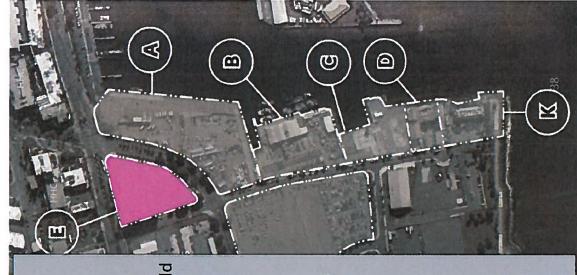
- Surfing museum with ancillary restaurant
- Open outdoor area for ceremony
- Maintain access to ocean



# Lot E (Mixed-Use Commercial (potential OHA HQ/residential); 2.200 acres - 2.5 FAR - 200ft height limit.

PHASE I or II

- May benefit from off-site parking on lot F/G.
- Has potential for high-rise residential and is considered the highest and best use for this property
- Department of Public Safety vacates, perhaps as early as June 2020. Land-banking would last until the transfer of regulatory authority from HCDA to the City, which could result The existing 108,000-sf (AAFES) building is assumed to be land-banked after the in the allowance of residential use.
- Current conditions
- Building will fully vacated as early as summer 2020;
- The building becomes 50-years old in 2019 and eligible for listing on the State Register of Historic Places.
- Current costs for deffered maintenance of the major infrastructure componets (AC, fire alarm system, elevator modernization, electircal/data systems, hazmat abatement) is anticipated to cost approximately \$5-6 million.
  - LAD's recommendation is to demolish the building (preferrably a developer). Anticipated cost for demo is \$1-2 million.
- Potential location for:
- New OHA Headquarters (current leased area at NLK is 45,000 sf)
- Native Hawaiian center of business/incubator
- Indoor meeting/educational spaces
- Museum
- Observation Deck

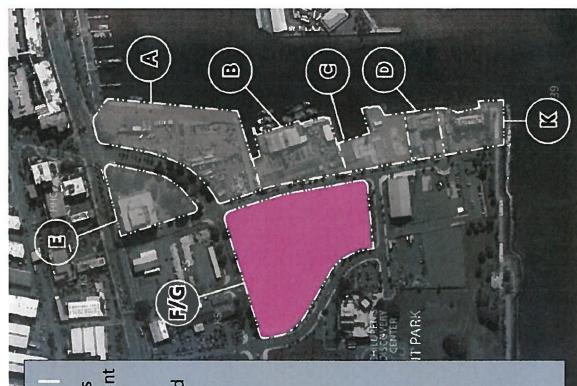


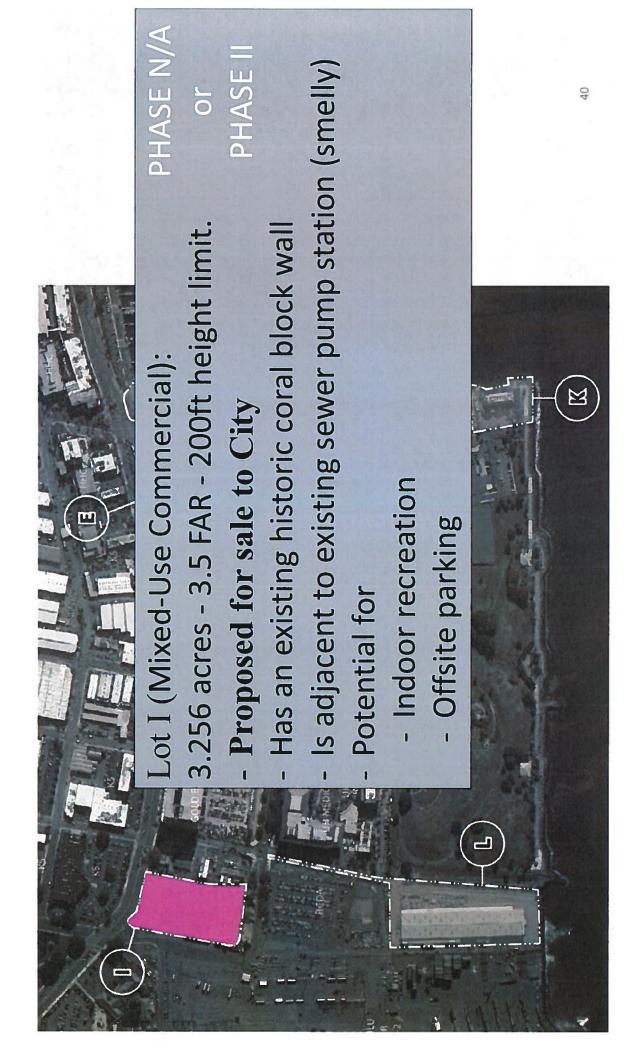
Lots F/G (Mixed-Use Commercial (potential hotel));

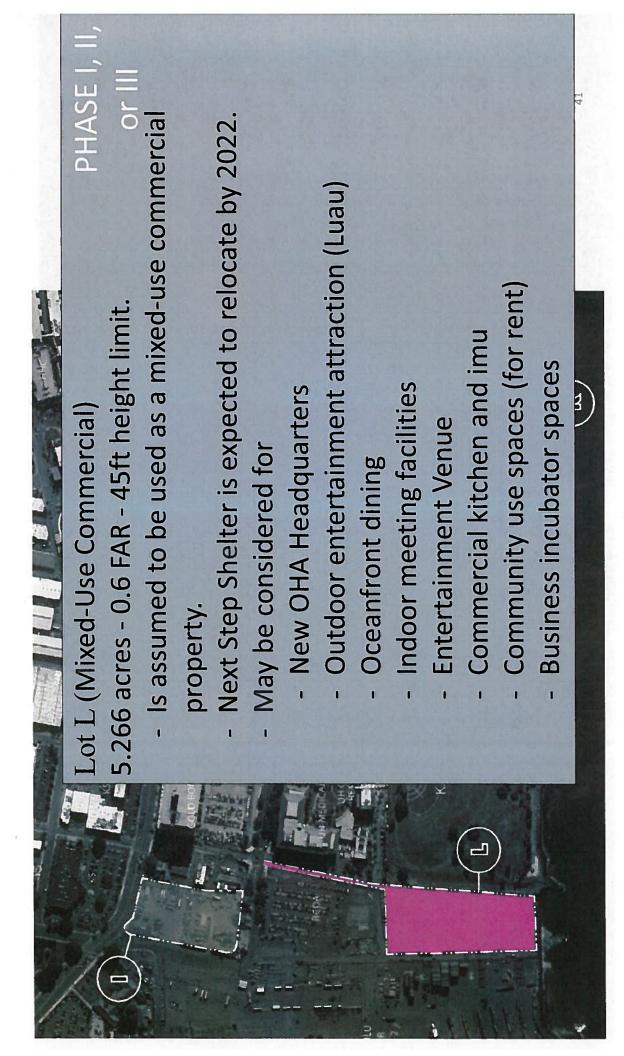
PHASE

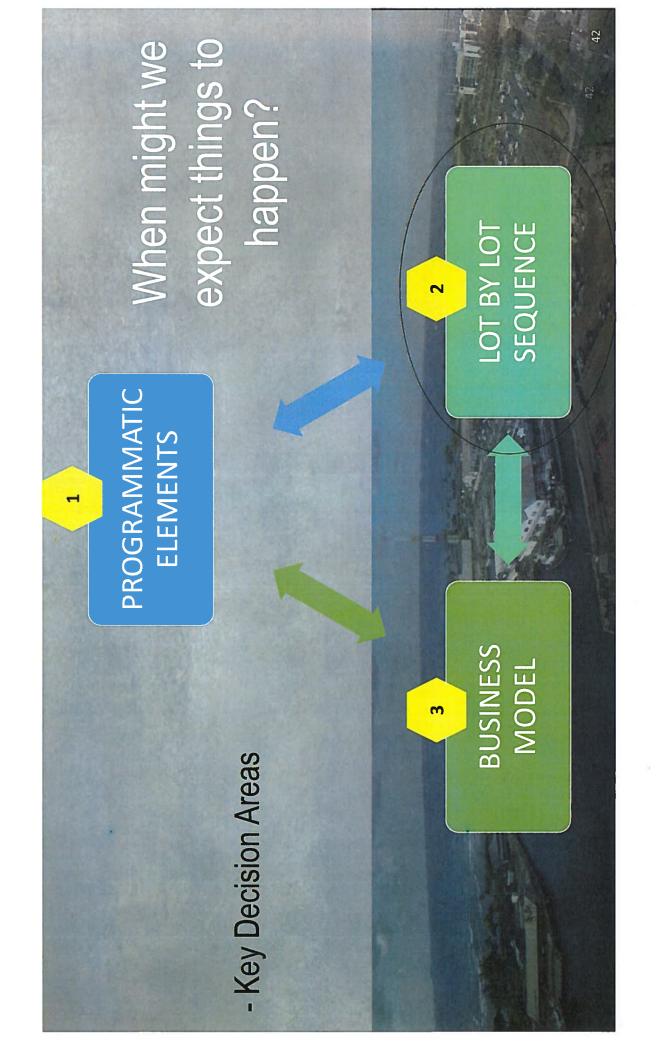
7.531 acres - 2.0 FAR - 200' height limit.

- as well as its own uses. It is envisioned to have ground floor retail and restaurant Assumed to have a large parking structure to accomodate parking for other lots and a sky podium capable of accommodating a variety of programmatic uses and/or outdoor entertainment.
- Could include "Skywalks" connecting the parking garage to lots A, B, C, and possibly E (depending on timing)
- Has the potential for Hotel Use. It would require an exemption from the City when it gets regulatory oversight
- Potential location of:
- Observation deck.
- Performance venue(s)
- The "Great Lawn" on the Ilalo and Ahui Intersection
- Place for ceremony with an ahu
- Indoor/Outdoor Amphitheater with Hula Pa
- Overnight accomodations/Marae-like functions
- Museum(s)
- Busineess incubator and innovation center
- Imu and commercial kitchen.
- Indoor/outdoor meeting/educational spaces
- Primary communal spaces
- Major landscaped and garden spaces









# Kaka'ako Makai Projected Development Schedule Through the New Strategic Plan

Finalize OHA **Element and** Guidelines Desired Design

Option If we do not Master Plan will need to route, OHA go the P3 finalize a

**Ground Lease** If we do not can pusue a route, OHA go the P3

Interim leasing to occur throughout.

2019 2020 2021

2027

2030 2028 2029

2031

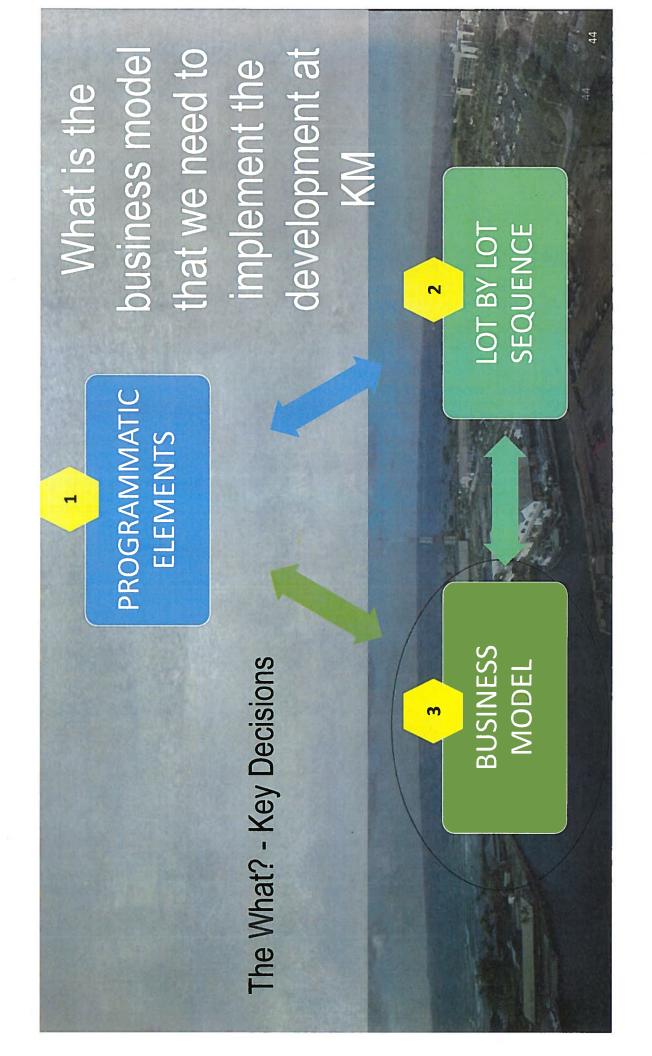
2035

take 3-years to get It is etimated to a P3 up and running

and potentially E,L, entitlements and Construction of Lots: A,B,C, F/G Planning, Phase 1:

potentially E,L, and entitlements and Construction of Lots: K and Planning, Phase 2:

encumbered by 2042 and 2045 leases through Phase 3: Lot D is



# **Business Model Options**

A. The OHA as Developer

C. Master Developer, Ground Lease to the OHA

Business Venture (LLC's)

D. Public Private Partnership

## **Business Model Option A**

#### **OHA as Developer**

#### Description:

OHA creates a Master Plan, finds all funding, secures in-house expertise and 3rd party consultants/contractors/developer to plan, design, permit, build, manage and maintain KM.

#### Key Takeaways:

- OHA has complete control of the project from concept to completion to management
- OHA assumes all of the risks
- OHA will need considerable financing and may have to consider a longer development timeline because it will need to develop one project at a time until it considers another

#### Example:

ð

KS, Royal Hawaiian Shopping Center

	Helpful to Success of the Development	Harmful to the Success of the Development
	Strengths	Weakness
u	<ul> <li>As the landowner and developer,</li> </ul>	<ul> <li>OHA has never done this before;</li> </ul>
oitesi	OHA would make all decisions	<ul> <li>OHA currently does not have</li> </ul>
le inegn	• Highest financial returns	enough funds;
		<ul> <li>Minimal in-house expertise;</li> </ul>
etn bto		<ul> <li>OHA would be responsible for</li> </ul>
		funding development costs;
	が、	<ul> <li>OHA takes on all risks (i.e. delays,</li> </ul>
<b>∀</b>		additional costs, poor performan
		debt, repayment, etc.) and expos
		tne Irust.
	Opportunities	Threats
әшис	OHA could attract non-traditional	<ul> <li>Potential global, national or local</li> </ul>
	funders to participate in its	economic downturn;
GLU GLU	development	<ul> <li>Overall Hawaii real estate market</li> </ul>
		shifts that affect occupancy and
pute		leases;
		<ul> <li>Increasing construction costs have</li> </ul>
		sent many projects over budget;
		<ul> <li>Cost of financing</li> </ul>

ice,

# Business Model Option B (contingent on obtaining title insurance,

Harmful to the Success of the Development

Weakness

"Arms-length" relationship to the

OHA has never done this before

OHA's trust in establishing an LLC Partner's experience in Hawaii or

organization

#### Joint Venture (LLC's)

**Description:** 

OHA creates a Master Plan and assigns building, managing and maintaining of planning, design, permitting, a subsidiary with the charge the development.

#### Key Takeaways:

- OHA benefits from partner experience and clout
- project; Insulate the trust. Limit liability to individual
- Partner can bring other financing resources
- OHA must be okay with LLC structure and limitations

#### Example

Hiʻipaka, Waimea Valley; Typical Real Estate Model (e.g Howard Hughes)

#### Partner can provide additional financial Well known model for development OHA has a voice in the direction and Easier way to procure services with Helpful to Success of the Development Partner could bring development Strengths interest in the project experience and clout ability to negotiate backing Attributes of the Organization

#### Internal

outreach effort needed to build support

#### Limit liability to individual project; insulate the trust.

#### Opportunities

Joint venture could attract more

Joint venture could attract other investors and funding interested parties

Attributes of the Environment

External

#### Potential global, national or local economic downturn

Threats

- Overall Hawaii real estate market shifts that affect occupancy and leases
- Increasing construction costs have sent many projects over budget
  - Cost of financing
- Potential public perception of an OHA LC. (Distrust)

# Business Model Option C (contingent on obtaining title insurance,

#### C. Master Developer, **Ground Lessee**

#### **Description:**

direction

responsible for building, managing and OHA creates a Master Plan and selects a Master Developer to be a Ground Lessee. The ground lessee is then maintaining the development.

#### Key Takeaways:

- OHA has very little control after selection of the developer
- Developer assumes all of the risks
- Developer is responsible for all financing, construction and management

#### **Example**

KS, Pearl Ridge and Kahala Mall

Financial stability of master develope business
<ul> <li>Developer assumes all economic risks</li> <li>Lessees and tenants will be attracted to developer's reputation and relationships</li> </ul>
External Attributes of the Environmen

veloper

# Business Model Option D (contingent on obtaining title insurance)

#### D. Public Private **Partnership**

#### responsibilities to the Private entity. OHA gets its Consultant, Third-Party Counsel, and Underwriter create a master plan that works for OHA and the Private party. OHA then decides how much risk uses and can participate in the interim and can OHA hires a P3 Consultant, Financial Advisory (to secure funding) to work collaboratively to we will take on and passes the rest of the Description: (30 years).

#### receive income (based on how much money OHA puts in up front); and gains asset at end of term

#### Key Takeaways:

- Brings all the expertise under one umbrella
  - Performance based
- Long and complex procurement process Rigorous process with strong controls

lawaii real estate market shifts

- Requires an intricate profit-sharing
  - agreement.

#### Example

Aloha Stadium, OCCC, UH Dorms

Internal Internal Stributes of the Organization	Helpful to success of the Development  Strengths  P3 creates strong partnership with private sector Rigorous process with strong controls should keep project in check Performance based project development Multiple financing vehicles and performance securities Potential use of tax-exempt status Shared risks  State is moving toward enabling P3's as a procurement process	Harmful to the Success of the Development  Weakness  New to OHA and the State of Hawaii  Long and complex procurement process  P3 projects are generally not profit driven, if that is an objective.  Payback primarily comes back after 3 years. OHA may benefit from revening neartion contingent on initial investment  Threats  Potential global, national or local economic downturn  Overall Hawaii real estate market shi that affect occupancy and leases

HA may benefit from revenue primarily comes back after 30

## **Business Model Risk**

Business			Risk Types	ypes	
Model	Financial/ Economic	Operational/ Management	Construction	Procurement	Maintenance
OHA as Developer					
Joint Venture					
Master Developer / OHA land lease					
Public Private Partnership					

KISK Level	Color
Low	
Moderate	
High	

#### 51

# **Business Model Consideration Matrix**

### I. Purpose/Objective

What are the main objectives (financial, operational, programmatic)?

#### ll. Feasibility

How much can the organization afford financially?

#### III.A Business Model

Which business model will work best?

≡.B **Use**  Which use types are preferred?

#### IV.A Strategy

How should it accomplish its purpose given its feasibility?

#### IV.B

#### Development

What is the optimal use based on the objectives?

OHA should consider how these considerations can be answered to create the optimal solution.



How can OHA best answer these questions?

# Next Steps



Land Assets staff – Miles Nishijima, Jonathan Ching and Lee Miller available for individual meetings with no more than two (2) Trustees or Trustees' staff from 11/13/19 to 01/15/20.

Kakaako Makai Contact Information

Miles Nishijima Jonathan Ching Lee Miller

# APPENDIX – GLOSSARY (See Handout)

## STATE OF HAWAI'I OFFICE OF HAWAIIAN AFFAIRS 560 N. Nimitz Hwy, Suite 200 HONOLULU, HI 96817

## Committee on Resource Management Minutes

December 4, 2019 9:02 am

## **ATTENDANCE**:

Trustee Dan Ahuna, Chairperson Trustee Leina'ala Ahu Isa Trustee Kalei Akaka

Trustee Kalei Akaka Trustee Keli'i Akina

Trustee Carmen Hulu Lindsey

## NT: <u>Guest and Community:</u>

Robert G. Klein, Esq.
Keli'i Makekau
Germaine Meyers
Jenny Dominguez, CLA
Ernie Cooper, CLA
Ana Rodriguez, CLA
John Marco, Segal Marco Advisors
Joe Falcha, Commonfund Portfolio

Trustee John Waihe'e

Trustee Brendon Kalei'aina Lee

## **STAFF PRESENT:**

Sylvia Hussey, ICEO
Raina Gushiken
Ray Matsuura
Carol Hoʻomanawanui
Dayna Pa
Lehua Itokazu
Alyssa Kau

Claudine Calpito Anuhea Patoc Paul Harleman

Maria Calderon Brandon Mitsuda

Kauikeaolani Wailehua

Zuri Aki

Lei Ann Durant Priscilla Nakama

Nathan Takeuchi

## I. CALL TO ORDER

## Gavel sounds.

**Chair Ahuna** – Aloha mai kakou. I'd like to invite everyone to this meeting of the Committee on Resource Management for Wednesday December 4<sup>th</sup> 2019. It's 9:02am, I want to call this meeting to order with the roll call please.

## Roll call taken.

	Present	Excused	Comments
TRUSTEE LEI AHU ISA			arrived at 9:04am
TRUSTEE KALEI <b>AKAKA</b>	х		
TRUSTEE KELI 'I <b>AKINA</b>	X		
TRUSTEE BRENDON KALEI 'AINA <b>LEE</b>	x		
TRUSTEE HULU LINDSEY	х		
TRUSTEE ROBERT LINDSEY		x	EXCUSED
TRUSTEE COLETTE MACHADO	х		
TRUSTEE JOHN WAIHE'E			arrived at 9:08am
CHAIRPERSON DAN AHUNA	х		
TOTAL	6		
At the Call to Order, there are (6) Trustees present.			

**Chair Ahuna** – And for the record, I did receive an excuse letter from Trustee Bob Lindsey for today. for II. Public Testimony, today we have a beneficiary who wants to speak. I'd like to call up Germaine Meyers.

## **II. PUBLIC TESTIMONY**

Germaine Meyers - Aloha. Good morning. My name is Germaine Meyers. I am an OHA beneficiary for Beneficiary Advocacy and Empowerment and I'm also a Nanakuli Hawaiian Homestead lessee. Good morning trustees. Good morning Chair. I looked online last night, last Friday when the agenda got posted. I looked for the CLA report so that I could provide my data views and arguments. Unfortunately, none was posted. So, I'm just curious why it wasn't posted for us to be able to provide our data and our views and our arguments regarding the report. I understand there's going to be on tomorrow's agenda for ratification. But, again, just to give us a short period of time when some of us work, when some of us have families. Why aren't you guys posting it? I mean the report came out, we saw it on the Executive Session for last week's meeting. And why are we, the beneficiaries, whose trust funds - \$500,000- was used to create this report – why wasn't it provided to us? I mean couldn't we have had it last week Friday when the agenda was posted? That's my concern. Why is there no transparency? So here we have an audit report when you're supposed to provide us with transparency. And then last week

Thursday, or last week Wednesday we see it on the RM agenda for Executive Session. I was told at the last meeting that I attended the timeline in which it was going to be released. And yet, no packet. All I saw in the packet was the next agenda item. So, I'm just wondering is OHA really serious about transparency? Is OHA really serious about cleaning it up. Cleaning up things, addressing matters, addressing difficult situations, difficult circumstances. When we met with the 9 of you, last election there was 5 of you and I remember going to each of the campaigns you know, I went to CNHA, I read your guys' files, I read your guestionnaires, in order for me to understand how you felt about an audit, how you felt about transparency for OHA. And 5 of you made promises and some of you are vice chair right now of the board. And I'm just wondering why it is – why wasn't there any type of advocacy, empowerment - to say hey the beneficiaries should have a sufficient time to review this report before we ratify it on Thursday. But instead I'm stuck here looking at you going I don't know what's in the report so tonight, when I have a planning and zoning meeting, between my planning and zoning meeting and tomorrow morning, I'm supposed to rush to read it in order to give my data views and arguments which is my right. How am I supposed to communicate to you when the RM committee no longer has community concerns? So, I cannot address it to this committee anymore because you don't want to hear 5 minutes' worth of my kuleana on community concerns. So instead I got to wait till it come on the agenda. And here it is on the agenda, the audit report, and then I'm not able to provide my kuleana about it. I'm not able to review it until after the meeting. I guess I'm going to be told when agenda item III comes around or this CLA report comes on the agenda then I'm going to be told how to retrieve the report. And then I gotta hustle to print it? Hustle to read the digital files? Is that the kind of obstacles you want us beneficiaries to jump through in order to engage with this trust? Again, I told you the last time I came here, people are saying this is no longer Office of Hawaiian Affairs. Instead, we are, I am told, this is Office of Hidden Affairs. And the fact that I cannot even look at this report before this meeting tells me there's some kind of truth to that – that this is Office of Hidden Affairs. So, I'm very concerned and I'm concerned that if you don't even want us to see the report, are you going to even do something about it? Well I hope that you are because you asked to be at this table, at this seat, in order to meet the challenges of the Native Hawaiian and Hawaiian community and so I hope, I hope that you will give us the report and you will engage with the community. My time is up. E hana kakou.

**Chair Ahuna –** Mahalo Germaine. I just wanted to make something clear that we all just received the final report just this morning.

**Germaine** – So when you guys had a report last week when we were told by Kama at the previous meeting that wasn't this report?

**Chair Ahuna –** That was a draft.

Germaine - That was draft? Ok.

**Chair Ahuna –** Today is the meeting that were agenizing the final report that were all getting right now.

**Germaine** – So in other words, between now and tomorrow morning, when it's on the agenda to be ratified or something, that's when all the trustees have to hustle to read the report?

**Trustee Hulu Lindsey –** Well, we can't do anything about the report anyway. The report is the report. So, we just need to accept it and then study it, you know, over whatever time our chair gives to study it. But we cannot change what's in the report. And actually, you'll hear what's in

the report from the CLA people that are here today. So they should be able to enlighten us a little bit more.

**Germaine –** Ok well I look forward to a schedule of how were gonna go through the process of reviewing the report.

**Chair Ahuna –** And Germaine, there was a timeline and its stated with all the dates when they're gonna receive it – very transparent and accountable.

**Germaine** – Ok, no but as far as the follow ups of what is in the report. The follow up as far as what's in the report. We're gonna be engaged as a community.

**Chair Ahuna –** Well were gonna talk about it. That's what's on the agenda today. We're going to talk about this report today. So that's what you're going to be hearing today.

**Germaine –** Ok, and I'll see you guys also tomorrow. Thank you so much.

**Chair Ahuna –** Thank you.

**Trustee Machado –** Sorry Germaine. The other point is that we're going to have the discussion with the CLA principals in open session, not in executive session.

Germaine - Ok. And just for today and tomorrow? Or just for today?

**Trustee Machado –** Tomorrow is just a referral from the committee to the BOT. So normally, when we review the referral, it's just a matter of ratifying.

**Germaine –** Ok. I appreciate it. Mahalo.

Chair Ahuna - Trustee Akina.

**Trustee Akina** – Mr. Chair, I have a question and I hope someone can answer it. Were we obligated to include this report, the audit, in the online folder that is posted for the meeting in advance of the meeting?

**Trustee Lee –** No were not obligated.

Chair Ahuna - Were not obligated but we will do it.

**Trustee Machado –** Mr. Chairman, just to clarify, anything up until we make certain decisions on the receiving of the final report and how we proceed is not final. So, anything we discuss previously is not final until we take an action and accept this final report that has been revised from the draft. And hopefully today, with the principals here, we'll be able to understand, more or less, what they've developed in their observations and the recommendations that they've attached.

Germaine - So Chair, I can go home this evening and download it from online?

Trustee Machado - I would refer to our administrator to provide that. Ka Pouhana?

**KP Sylvia Hussey –** Yes. Were prepared to because it's a public document discussed at the table. Were prepared, after the meeting, to post all the files. We do have to make sure (it's a very large file.... its over 1000 pages) it will be there. And it will be there in digestible bite sized pieces - executive summary, attachments, files....

**Germaine** – So no printed copies for the beneficiaries?

**KP Sylvia Hussey** – You can download the files and then take it to a ....

**Germaine** – That's normally \$0.12 a copy

KP Sylvia Hussey - Yeah. Its 1000.....

Germaine – That's \$120.00

**KP Sylvia Hussey** – This is a small forest, right that we have here.

**Germaine** – ... I would go printing company (audio indiscernible) .... otherwise everyone else pays \$0.12.

**Chair Ahuna** – It's going to be in a file. Thank You. Mahalo. Moving right along. Under III, New Business.

**Trustee Lee –** Only one person?

Chair Ahuna – That's all I got, one person. ... Under III New Business, we're going to defer the minutes and for letters B, C, D, I'd like to make a 72-hour rule – pursuant to OHA BOT Operations Manual, Section 49, shall be waived for distribution of new committee materials. So, without further ado, I'd like to call up for the NHTF Fiscal Year Quarter 1 Performance Review with Investment Consultant John Marco from Segal Marco Advisors and Joe Falcha from Commonfund Portfolio Update & Outlook.

## **III. NEW BUSINESS**

A. Approval of Minutes 1.November 6, 2019

## III. NEW BUSINESS

B. NHTF FY Q1 Performance Review with Investment Consultant John Marco from Segal Marco Advisors and Joe Falcha from Communfund Portfolio Update & Outlook.

**KP Sylvia Hussey –** Thank you Chair. As the gentlemen are making their way up to the table, I wanted to point out to the trustees the hard copy distribution of the primer. Easy read, but it's a good way for us to be on the same page in terms of terms. It's also important that it's going to help frame the next work that the trustees will be engaged in through the permitted interaction group regarding trustee level policies, which will include investment spending and land policy. So, we hope that as you listen to the information that our advisors have, that you will also think about our current state as is and also think about what our future state what might be as to our investments, our future business models. Today we'll talk a little bit about ESG type investing. So, we'd also like you to think about social impact investing and triple bottom line kinds of models in that investments have both commerce capital and culture impact and capacity impact in our communities. So, as you think about that, think about all of those pieces swirling as they provide not only the current assets portfolio, but also some things to think about in the future as we continue our work together. So, we'll just set that context and turn it over.

Ray Matsuura – Morning trustees. John Marco, from Segal Marco Advisors will be going over the first fiscal year quarter ending June 30 performance and Joe Falcha from Commonfund is coming to give you and update on Commonfund and again lead the discussion on ESG on kind of a primer on that. Before we start out, I thought I'd share – within your packets you have a one sheet just of fees, just to show you – that we are, our fees are lower than they were 3 years ago... which is a good thing. If you look on page 35 of the performance book, were still in the top quartile of performance among our peer group and other endowments. Even though our fees are low, we haven't sacrificed anything – in performance, relative to our peers. So, having said that, I'll turn it over to John to give the first quarter fiscal year.

John Marco - Good morning everyone. We have a very positive report. We've seen strong market conditions so far this year. We'll briefly touch on those, then walk through the performance of the report. At any time be please don't hesitate to pop in with any questions. Coming off of last year, around the fourth quarter of 2018, it was sharply negative. Since then, we've seen a significant rally and bounce back. You would think that if you slash corporate taxes, stock prices would just go straight up. They didn't because of these other concerns that are out there. But naturally, if this happens, this should happen. So ultimately, this run of the stock market is not unexpected, partly because of those factors. What we've is there's a lot of volatility, a lot of hesitation where the market seems to pull back before charging back ahead. And that's because of geopolitical concerns. We have issues like the trade wars, trade war with China, and all it takes is a little bit of news for that to drive the markets. Just this week there was a mention of the president said they would expect to push that back passed the 2020 election. The markets didn't like that. There was this one small comment – Coca cola didn't make less money last quarter. They didn't make more money. It went down because of something that was said about a trade deal with china. So those are the external factors that are driving the volatility of the market. Because when we look at the fundamentals, corporations are making profits. record profits, prices are going up, inflation is staying down, unemployment's very good. So those underlying factors all point to a consistency – it's the volatility, geopolitically that's driving a lot of the concerns. Another unexpected thing that happened in 2019 was that the FED decided to reduce interest rates. The FED sets the baseline interest rates. All the other interest rates for mortgages, for corporate borrowing, things like that, they're all built off of this original short-term interest rate set by the FED. That rate had been going up since the 2008 financial collapse... trying to get back to a normal interest rate environment. Due to political pressures, this year we saw our rate decrease which was a surprise. A surprise has a big impact on the market. If everyone's expecting a rate decrease its gonna have a muted impact. But since it was a surprise you actually saw bomb prices. When interest rates go down, bomb prices go up. So that's what we've seen in the stock markets. Surprise and external factors have been driving the market and so pretty much driving for the year. I'm happy to answer any comments or questions. Otherwise, I'll jump right into the report.

**Chair Ahuna** – Trustees, any questions? Ok thank you we can proceed.

**John Marco** – For those of you who have books in front of you, I'd like you to go to tab 2. I'd like to start here on page 21. You can see the total client return as of September 30<sup>th</sup>. Look at the difference between the year to date and one year. 10.96 versus 4.49, that's because when you look back 12 months rather than just year to date, you were all in that terrible fourth quarter that I mentioned from last year. On the next page it shows our target allocations to each of the investments so page 22 on the top right, you can see total global equities targeted at 40%. Were at 38.4%, right in line with expectations. You can never be particularly on those targets.

Chair Ahuna - Trustee Lee

**Trustee Lee** – Thanks for being here, John. So when I look at our target allocations and our actual allocations, and when I look back at page 21 that you just went over, I noticed that not being at our target allocation and then looking at what our benchmarks would be - had we been at our allocations – I'm looking at roughly at 225 basis points difference. What can we... We as trustees, there's nothing we can do about that, right? - we don't direct the rebalancing of our portion. That's not our kuleana to do. That's not our responsibility to do. Is there anything we can do, as we are looking forward, to rewriting policies and revisiting our policies. Is there anything we can do, policy wise, to get us more in line with our target allocations? - And I understand about rebalancing, like were not always going to be right there. When I look at where we would be if we were at our target allocations versus – let me make it more clear – where we would be with our target allocations with the performance portfolio versus where we are with the performance of our portfolio and our actual allocation, I want to know, is there anything we can do, policy wise, and not necessarily specific - but is there a direction you can point us that we can try and help you guys with this so that we can be performing where we should be performing versus where we are performing.

**John Marco** - Sir, I appreciate your comments and you're absolutely right. It's something that all of our clients deal with - trying to keep in line with those target allocations. Over 90% of your investment returns is based on where your money is. Stocks, bonds, real estate, whatever. The other 8% is some of its noise, some is who you pick. Is it the best manager in the world or is it someone who's not so good - that's on the fringe? It's really about that allocation. What happened at the end of last year in 2018 with that sharp downturn in the stock market, most clients went under weight relative to their targets, but unfortunately many of them didn't have a meeting between that downturn and the recovery. So, they couldn't proactively rebalance in between meetings. What you have in this...

**Trustee Lee -** I don't believe we did that though, did we? We didn't. We didn't make that decision. We didn't go running. We didn't say, oh, fourth quarter, horrible, lets rebalance, let's go underweight, we did not make that decision.

**John Marco** – No. The underweight happened naturally by the prices declining, right? So, if you're at your target allocations and the stock prices fall by 15%, you're not underweight relative to that target. So that is how it got out of balance. You have an OCIO Manager in JP Morgan that has exposures across the markets, and they are the ones making those short-term tactical decisions whether to rebalance the short term and where to invest that money. So, you've kind of given that responsibility within in that portfolio to JP Morgan. The structure of this portfolio, currently, is broken up into a few pieces. You have commonfund here who runs some of the private market investments, you have JP morgan in the OCIO capacity, so the segmentation of that makes it harder for this one to keep directly on these targets.

**Trustee Lee** – Ok I think that answers my question. Thank you.

Chair Ahuna – Trustee Akina

**Trustee Akina** – Thank you again for being here, but how significance is the variance between the target allocation and our actual allocation. I notice in global equities, its only 1.2% and overtime, I know this is just a snapshot for this quarter – are we really looking at anything problematic? How do we weigh the significance of that variance?

**John Marco** – So typically, you have a target for your investments, let's say 50% target equities. You're never gonna be right at 50, right? Even when you rebalance because the day you rebalance something else is going to move. It's a moving target. Typically for larger

allocations we have a cluster of -5%. That's very typical across the industry. They have an automatic -

**Trustee Akina** – And were within that plus or minus 5%?

John Marco – Absolutely. For each of the asset classes you're within 2%....

Trustee Akina - that's right.

**John Marco** - ...in each of the asset classes. So, I don't feel too concerned about that in terms of where were at today. But to your point before, it's really about controlling that asset allocation and the structure and segmentation of the investments the way you have them today, that makes is a greater challenge.

**Trustee Lee** – Thanks for pointing that out John. It's not the 2% that were off that's concerning – it's not that its concerning – there's clearly room for us to improve on that, right? 225 basis points is not something to sneeze at. So were well within our 5%. But given that were going to be looking at our policies (as someone who helps with the policies) I was asking is there a way that we can help you guys - because we don't make those daily decisions – is there a way we can write policy to help you guys to better maximize our money working for us. And that's really what it was.

Ray Matsuura – I'd just like to add that if you look on page 22, the total private equity is the significant overweight in the portfolio and theres really nothing you can do about that. We can't rebalance private equity. Rewriting policies. We can't take money away from private equity. Its committed. And if you look at the global equities, we are underweight in global equities but as a percentage of the 40%, its alot less than the 3% of 18%.

**Trustee Lee** – Well, yeah. So, since you brought that up, our overall allocation with 225 basis points down and were underweight some but were overweight some but when I look at the total allocation across the board, somethings lacking. Or we wouldn't need 225 basis points down.

Ray Matsuura – Well, again, that's for the year to date.

Trustee Lee – because that's the numbers I have in front of me.

**Ray Matsuura** - But I'm saying on private equity, you can look at less than a year. So if you look at the short term, we are performing, but I think the allocation - the private equity is probably understated.

**John Marco** - Yes, I apologize. It's important to note that the private equity returns are on a quarter lag, at least because they have to do the evaluations of these private owned companies and send us a report. They do an annual audited report but then they do these quarterly updates that we include in these reports. If we do not receive a private equity statement, we hold it at zero. If we don't imply like the rest of them, lets apply 5.... we do not. We take a very good servant approach. Many of these will be listed at a zero....If you'd like further information on that I can get the exact ones that we have, update numbers for this report, I don't have those on hand... there's about 40 of them.

**Trustee Lee** – Well since Ray brought up that this is the year to date, going back to page 35, from the onset, when I look at the 1, 3, 5, 7 and 10 years, if I look at our plan versus our benchmark, we are consistently in the lower percentage. And although it's been pointed out that were out performing, for lack of a better word, our equals out there, to be honest, I don't care

how we perform against other people. I care about how we perform. And if I look that we are performing below where are benchmarks are, and when I look at ... I'm well aware that it's a quarter lag when we get private equities. So, I know that this is not completely up to date. But it shows that something is lacking. What do we, the 9 of us, do about that? How can we help? And if there isn't, then that's the answer that I expect. There's nothing we can do, it's the nature of the beast and.... I'm not going to like that answer but if that's the answer, that's the answer.

**John Marco** – If I may, to your point, on page 35, I want to walk through what this universe is and what it means.

Trustee Ahu Isa - Can I just say something Chair?

Chair Ahuna – Trustee Ahu Isa.

**Trustee Ahu Isa** – .... Because you're talking about policy so I just want to add to that before we go into page 35 and how we can help. If we're going to set policy, we also have to look at bottom line profit because we're going to look at the ESG which our Ka Pouhana mentioned because sometimes we use money on how we believe our funds should be invested. It's affecting us. Because I remember being an activist in college and going to that whole thing about environmental, social, and governmental... that's talking about policy. That's all I wanted to add, Chair.

John Marco – So what we have here in this report... this is the all endowments universe. So other endowments across the U.S. and Canada, they are included in this database which is the national third party that takes and creates these performances for us. It creates this universe that shows us what others are doing. Its led to this vertical green box. Its broken down into the 4 quartiles. There are two different markings within those boxes. The green square, that's OHA's for that time period. Then you have the yellow circle and that is representative of the custom index. Custom indexes are created based on your targets. So, if you recall before, you look at the allocation are underweight, a little overweight in private equities. That is a static allocation with 40% global equities x amount fix, so that is static in nature. We seen a lot of clients this year underperform because that down draft in the four quarter followed by the extremely swift rebound, very few investors were able to, institutional investors, were able to rebalance their portfolios in that short amount of time, so they were starting from an underweight at the start of the year, that underweight in the market, runs off, you're supposed to be getting 25%, you may have gotten 25% but you were underweight so you didn't get that full impact, that's happened to a lot of clients, the second I will note in the year of date that underperformance, if a large portion of it is within your fixed income portfolio, I mentioned earlier in the market environment about the surprise interest rate decrease, well a lot of investors, had taken an underweight to interest rates sensitive investments, what I mentioned before if straits go up bond prices go down. It's an inverse relationship. We've been in a rising rate environment and most investors say, I don't want to be exposed to bonds they are going to get hurt worse, by raising rates, so smart investors, ones that you have out here, underweighted things like treasuries which were yielding 2% on a ten year, which is next to nothing, and there very interest rate sensitive, when we had those interest rate moves, they were impacted in outside ways to the positive, so in that short term, we saw those bonds rally and that is not the long term strategy or investment, it was a short term positive for example year to date, the index is up by 8% the yield is 3 and a half so 8 % doesn't make any sense in the long run, that can't be sustained. That pop happened within those interest rate census, so long term as you look out to three year, five year, seven, ten, you're averaging at or above medium so, right in line with that custom index over time on the tenure being able to add a little more value the short term underperformance that we saw here

year to date, let's go a few pages ahead and show you there: first off if I could ask the Trustees to go to page 40. This is your equites, so equites year to date, pretty much right in line, 46 percentile the portfolio is nice, it's matching the index, it was slightly underweight at the start of the year so that added to total plan on performance throughout the index, if you get into global fixed income, they are trailing one year and a little bit year to date as well as most recent guarter you see that underperformance this has been a very hard index to beat recently but we have faith in the long term that active managers should be able to add value relative to the individual index. If you go to page 46, we got the global real assets. Strong performance year to date on the trailing one year still top, but slightly behind that index, it's important to note that in these real assets you can't actually index these things. You can't buy a private equity index, you can't buy a real estate index, private place of real estate index and so while you can buy the S&P 500, for very little cost, you can buy an index per bonds, you can't in some of these other assets. I will point out though, you look at this trailing performance here, we're looking at top core tile so while it may vary relative to the index, relative to other real asset portfolios assets, this is what is actually performing extremely well. Hedge funds, if we move two pages ahead to 49. One thing we've seen is a very consistent long term returns, hovering around that 4% as you go back in time, really tracking closely over that time period, overall this portfolio, is out performing its peers, the hedge fund over all had been disappointing, you look at these single digit returns, better than what we seen in stocks and what we seen in bonds, that's it's a disappointing run for hedge funds, across the industry, not just you're portfolios. Lastly we have private equity, as I mentioned this is slightly overweight at a 20% target, a little bit overweight here, when you lift money to private equity, they call it as the opportunities come up and they distribute the capital as transactions occur, it is impossible to get a specific target allocation, cause there is constant money going back and forth, so overall the portfolio is within the range for those targets so overall the portfolio is within the range for those targets, total allocation, your out performing peer groups significantly like over time, most recently the underperformance relative to that index is a short term one. I think long term we've seen being able to add value. As I've been working with this group and this fund for just about a year now, a few things that Ray and I discussed to more actively utilize capacity and capabilities, in particular with a search, we do investment manager searches for our clients, and that just means we help them find the right investment to plug into their international equity portfolio, their hedge fund investment, we do hundreds of meetings every year with investment managers, we evaluate their products, their companies, we do onsite and we write up a report on every approved one that typically is around 15 to 25 pages of detailed information for all those investments. It's a core confidence of ours and we utilize a lot of resources to do so. We have not been utilized in that capacity so far, until more recently, there's a change to the investment policy, we are in the process to taking the steps to replace your bond index book, you have a fixed income index fund as I mentioned before with those treasuries and what not, they are very interest rate sensitive and has extremely low yield, we believe active managers can beat that index over time and both on the downside protection and an incremental out performance of good tops. We have a stable of managers that reviewed, approved, recommended for our hundreds of clients and we'll be working with Ray's office to facilitate that process for the search to replace the stage three fixed income.

**Chair Ahuna** – any questions, Trustees? Good job.

**John Marco** – Thank you very much for your time.

**Ray Matsuura** - Let's turn it over to Joe, and give a overview of Commonfund one of our managers and take it away.

Joe Falcha - Thank you and thank you everyone on behalf of CommondFund, it was great to get out here and see everyone, so thank you for always being so welcoming. I see some of you had some of the Commonfund forms and so on so, it's always welcoming here. So, when Ray and I talked about with the go over, we thought it would be interesting to talk about ESG Investment, sustainable investment, I'll give a broad shoulder review of what that is what CommondFund is seeing as well as John's side, John will jump in as well. I have a couple of clients that are, they are at different parts of the process, one is at the beginning educational portion of the discussions and one about half way through we're we are going through some surveys with them which is very, very interesting. A third one that is actually adding a piece to their investment policy about very general, but about sustainability in the extreme vesting, just thought we would talk about a little bit about it and please jump in as I know you all well. Why don't we turn to page. I don't know if you have the CommondFund books in front of you. It will be page ten, so ESG, you know a lot of people talk about sustainability a lot of institutes that we talked to say this is great, let's do it, it makes perfect sense. When you start talking about and trying to get to that implementation portion it gets very challenging. On page 10 we kind of set this up you know it being environmental, right so it's really, you talk about global warming, the carbon footprint, trying to think about the future, not just next year, twenty, thirty, forty years and so on in the future. Which is social and that's been around for the longest, there is social screens, you have faith-based institutions that you would kind of screen and take out some of that so called in stocks, tobacco, gambling, fire arms, right? Some would consider it since, not everybody, put that on the record, and then Governance, that's really where the investment world looks at, they think about when they look at companies, is this company a green company or not a green company, there is a big grey area and we'll talk about that, that's really where investment side where you think about things and how to look at companies as we go forward.

John Marco – On the governance side it's important to know when you own stock, you're owner of that company, you have votes on every single one of those shares and for years the governance of these, the voting of these proxies, proxy votes that you get from a shares of the company, they were just a rubber stamp for the management and so that's when you run into a lot of the self-dealing, you got insiders, doing the Board the Chairman is the CEO, they are making their own salary and stuff like that, back in 1990 before we had merged with Segal that at Marco Consulting we launched a proxy voting program where we voted on behalf of our clients, since then, it was the early stages, we barely get 5% voting against some of these outrageous things, but it makes us think and we'd pound the table and try to gain more visibility for it. To these days their huge counsel, institutional investors there's a bunch of groups out there pushing for these governance issues, so that's very communal, that can be done and engaged upon, it's the only two that become a little more challenging for implementation.

Joe Falcha - thank you very much John. And so just from Communfund's perspective, we have an impact task force. And I'm sure John works with these institutions as well. When we do our due diligence with managers, and actually anytime we go through the process again with an existing manager, we have a questionnaire and we do some type of interview. Within that is embedded, ESG questions. 'What are you doing to think about ESG? How are you investing? Do you have any thoughts on your investing, surrounding ESG?' So we have statistics every year because everyone's thinking. Going back 2 years, the managers we looked at were around the 50% where they thought about ESG in their process. Today our equity managers are about 70-75%. Other managers are thinking about that. Its on the top of everyone's mind. I just read something..... there was a survey.... 70 of the largest executive firms...They all unequivocal said, this is on the top of our mind. Now, that doesn't mean that people are going all the way through

the process of investing in the ESG, but its something to think about and you all think about that here in the islands. I'm sure its in your day to day lives thinking about the emissions, the carbon footprint, and all that fun stuff. Its on everybody's minds. I'll just give you a quick example on page 12. This is how challenging this is to evaluate companies. There's always such a big grey area when you evaluate. And one evaluation firm can be very different from another when they're evaluating. This is really just looking at "is amazon a green company?" So if you look on the first bullet where it says green peace and carbon disclosure private names amazon one of the worst for carbon reporting. So this was one evaluation done. And so, we kinda went through this process and said, yeah amazon has low estimating emissions, right? And so, if you look at some of the bullets below it says, amazon is a logistic company but it dolls out basically all of its travel to UPS. Just to give you a quick example on the table, it says emission scope #1 - that's really direct emissions from the company itself. And you compare UPS to Amazon and really, it looks as though is very low in direct carbon footprint to the company. If you scoot to the right a little bit these are more indirect. Like buying, purchasing, heat and oil and stuff like that for the company, and again, its very much lower than UPS. So, the question becomes, and I don't have an answer on this page, but the question becomes, is amazon a green company, right? One firm will say no way, no they are not, where another firm will look at this, evaluate and say, yes, they are. So, it is a very difficult challenge when you think about trying to invest in an ESG platform, because there are so many different opinions or evaluations on companies. On page 13, this is the prime example, 2 different environmental rankings, one is sustained analytics and one is RoboCo, and the interesting thing is the top field to the right there, 2 providers, 2 completely different scores when they were evaluating for green as a company. In one company they were looking at the top 25 is completely different from one to the other. From one end is the top 25 when you think about green companies and one is the bottom 25%. So, again, it's just the point that it's very, very challenging, when you try to evaluate a company and to think about investing in the ESG.

John Marco - I'm just going to jump in, I have a couple examples. Mr. Chair, if I may?

Chair Ahuna - Please go ahead.

**John Marco** – Thank you, so, I've worked with a lot of clients over the years that wanted to implement ESG programs and when I first started working in the investment industry back in 2000, what's important to note is, I think it was pretty well described here on this chart, was ESG means different things to different people and I have labor clients, plumbers pension funds I work with, they want the keystone pipeline, for them that's the social. They want good labor jobs, they want good paying, benefits, they want that job. The environmental folks are saying no way. So, it's really different things to different people. The best ways that I've seen it implemented is through the top down in the investment policies saying, these are the goals for the organization and here's, so, you start off with kind of a mission statement and then you get into specifics. Now the problem is the execution of it. Let's say, I'm throwing some examples out there, we don't want any exposures of fossil fuel companies, we want to cross out the oil and gas companies. That's fine, though your current structure can't do that, it can't. JPMorgan in there OCIO Structure allocating to their underlying mutual funds. They can't go there and cut out those holdings just for you. The only way to do that is to be a large enough fund were you have what we call separate accounts, so instead of investing in a mutual fund you literally put cash in a bank account and then the investment manager buys those stocks on your behalf, they create a custom portfolio for you. This fund is big enough to do that, but it would require a significant change in structure, to be able to do so. That's the only way you are going to be able to execute the will of the Board. When it comes to ESG cause certain things mean different things to

different people. If you are going to go down that road, it's really important that these are significant issues, but the implementation execution is challenging but doable.

Joe Falcha – I was just going to add that John mentioned the different variations, who want what, talk about the pipeline, which adds value versus value, right? So, it's values, what the group wants as far as, you know the community, the ESG investing versus the value you get. If you change to an ESG portfolio, is that going to get you the same results as your current portfolio today? It's always a challenge there. You have to weight what's the most important thing? To John's point to it is very challenging, you do have to do it form your mission statement, there are ways to carve out, I do have one client that wanted to carve out a small portion of the portfolio, had to be in a separate account, but there's ways of doing that as well. There are different things to do but it's a process, and as an example, we had a client that is going through the process, I would say we're 20% of the way there, they believe they are about 90% of the way there. So that's how challenging it is. So we said let's do a survey, because they all felt as they were on the same page, this is to John's point, the survey came back and they were all over the map.

John Marco - This is one Board

Joe Falcha - One Board

**John Marco –** So you do a survey of what matters to you from an ESG, rank these things

Joe Falcha - It was all over. You know environment was important, to you know, I'd say for the mem, number one, so you get, kinda rate them and then governance, it was, it was completely all over the map, and they felt like they were all in unison, right, in there thought process, so it is very challenging, we talk about it here because it is on everybody's minds and we wanted to make sure that the group is thinking about this, but we are not saying, change your portfolio, we just wanted to kinda talk about it and open it up to any questions you may have.

**Chair Ahuna** – I'm just curious, when you guys were talking about the carbon emissions and who burns more, amazon or UPS, who ends up paying for the carbon plants? Who ends up paying for all of that?

**John Marco & Joe Falcha –** there is no one. There is no one now ... only environment pays. We all collectively pay for it. They've talked about a carbon tax but it's, they've talked about it but it hasn't been implemented. There cap and trade and things like that, to try to limit the amount that we are putting in, stop, were we are at and try to control the damage.

John Marco – One last thing I will point out is, that, I mentioned before about the governance side in proxy, in when you own companies if you don't own them, you don't get to vote. So, I have clients, who wanted to target search companies, specifically because wanted to push them in the right direction and so, I've gone to facebook shareholders meetings and held them to account on behalf of my clients, it's kinda a fun thing to do. Get to wag your finger at Zuckerberg and what not! If you want Walmart to pay workers better, if you don't own them you can't introduce a proxy vote and be a thorn in their side until they do things right. We've wrestled with it, do you want to own these companies and engage with them, push them in the right direction or do you say I'm not going to mind, and it's important to note that when you buy a stock you're not giving that company money, that share is already floating out in space. So, unless you're buying direct from the company, who is issuing new shares, you're not giving a dollar to them, you are buying a share that is already floating out in the marketplace.

Chair Ahuna – Trustees, any questions?

**Ray Matsuura** – if not, I just want to introduce the topic again, we were going to meet with JPMorgan last month but I think it's an important topic as we plow through Segal's hard work and as you mentioned in the beginning that, you know, these are the kind of things we should keep in mind, how overall portfolio is run, as well as the organization. Thank you very much for your time.

Chair Ahuna – Thank you.

## **III. NEW BUSINESS**

C. Presentation: CLA – OHA & LLCs Conract & Disbursement Review Final Report

Ernie Cooper, CLA - Good Morning. Frist of all, on behalf of CliftonLarsonAllen-CLA, myself, Jenny and Anna, we really want to thank you personally for having us here today and alowing us to be of service to you, are engagement process, we had really, along with you folks worked really, really hard on this engagement and I can't tell you again on behalf of our firm, how thankful we are to be of service, and what we want to do this morning is to spend some time on presenting our report dated December 4, 2019 it's entitled OHA and LLCs the Contract and Disbursement of Review of Report. We want to go through that this morning by separating out Jenny and Anna and then we want to be able to take on any questions that you may have. We'll go through our sections and certainly you can ask any questions at that time, but certainly when we are done with our presentation, then any questions you may have please ask them to us. This is our final report. It's dated December 4, 2019, this is our deliverable to you, and as I understood earlier, I believe this report is going to be posted on your website where you are, you know pleased about that, and this is it. This is the culmination of our work and what I'd like to do right now is turn it over to Jenny, she's going to introduce a little bit about herself, what's she's going to cover as going to do the same thing, and then it will come back to me and just real briefly, again the report is, as you have seen, you have received copies, it's very thick, I think the report itself is approximately 300 pages with attachments, couple hundred pages, there exhibits that are 500 pages, it's very voluminous, it's very detailed, but this is what was required.

Trustee Lee - I was going to say, how come your folder is smaller than mine

Laughter, **Ernie Cooper, CLA** – Yeah, I just have the 300 pages, double sided and very small thread, so in any of that our firm CLA, is a number eight firm, counting for nationally in the United States, we do not have an office here in Hawai'i, we are the team that worked from Southern California, different places in Southern California, basically is where we are based and Jenny, I want to have you talk a little bit about yourself and what you are going to be covering this morning.

**Ernie Cooper of CLA** turns it over to Jenny.

**Jenny Dominguez of CLA** – Thank you Ernie, I am going to turn this to me, hopefully you guys can hear me okay. I am first also going to apologize, because I woke up with a little bit of a hoarse voice this morning, so if I cough or have to clear my throat, I apologize. Good morning,

Jenny Dominquez and I was kind of one of the key to member on this team from the very beginning, when we first met to negotiate this contract, it was Ernie and I, as we had an opportunity to watch folks early on. I been with CLA for over ten years, but I've also been working forensic accounting type of environment for well over seventeen years. I started my career doing financial statement audits then moved over into the consulting side of accounting. I am a Certified Public Accountant here in the State of Hawai'i, but I'm also a Certified Fraud Examiner and Certified in Financial Forensics. So, this is something I've been doing for quite of bit of time, engagements of this nature and different reviews, and internal controls reviews and stuff like that. In addition to the three of us, we did have several other members on our team that were assisting throughout the project to obviously, with the magnitude and size of this engagement the three of us couldn't do it alone, so we do have other team members that aren't here with us today that did help with reviewing documents, financial analysis, helping prepare this report and the recommendations that are included with the report, but I'll go ahead and turn it over to Anna to give her introduction.

Anna Rodriquez, CLA - Thank you Jenny, and thank you for having us again, I am Anna Rodriquez, I am a manager with CliftonLarsonAllen and I too, was involved from the beginning in this project from the time that we responded to the RFP which has been a number of months now, and I am also a Certified Public Accountant, and Certified Product Examiner and I been doing forensic accounting for the last six years, so I don't have quite the level of experience that Jenny and Ernie have, but I learned a lot from them definitely, and again, thank you for having us, I will be discussing more of the work that we did related to the LLCs so that will be the section that I will be covering once we get to that.

Ernie Cooper, CLA - Thank you Jenny and Anna and again, I'm Ernie Cooper, I'm the Lead Principal of this engagement, I don't know if you can tell, but I'm the oldest of the three. (Laughter) I've been involved, I'm a CPA, Certified Fraud Examiner, CFF, I'm also an Attorney, but I'm not a practicing attorney, and I've been invovled in this professional line of work starting way back many years ago as an auditor with PricewaterhouseCoopers (International Limited). I did some time with KPMG (KPMG International - KPMG Global) But I am a retired FBI Special Agent, spent over twenty years with the FBI, doing a variety of criminal type of investigations, public corruption, white collar crime, narcotics, drug investigations, and a lot of other ancillary duties, my assignments took me throughout the United States, and including here in Hawai'i, I have a very fond relationship with the islands of Hawai'i, first came out here approximately 1994 when I was with the FBI, and I'm not going to spend too much time on it, but I did meet my wife, who is a resident of Hawai'i and got married out here in 1999, then she left beautiful Hawai'i and went to beautiful Los Angeles. (laughter) cause I hear it, everyday! In any event with all that background, is what we started with OHA, we did not know anyone, with OHA. Even though we had some connection, did not know anybody from OHA and no relationships with anybody here at the table, or anybody associated with the table. So, I wanted to make sure I get that out. In a little bit of background, I'm going to spend about ten, fifteen minutes giving a little bit of background on the report that Jenny is going to talk about the OHA results then as Anna mentioned she's going to talk about the LLCs. Even prior to

Jenny Dominguez, CLA - Thank you Ernie, as Ernie mentioned, I'm sorry I failed to mention that when I first spoke, but I'll be going through the OHA procedures performed and results and those start on page 30, so as we walk through that section it goes from page 30 to roughly 20 (something), so it's quite a large section, I'm going to walk through a very high level and I will refer to the pages I am talking about as I go and try to give time for pages to be pulled up on the screen. Everyone can hear me okay. Yes. Perfect. Starting on page 30 is where the results for OHA are discussed and it starts with the summary of work performed which Ernie did address some of these areas already, but I want to touch on a few points. We did begin our process by conducting information gathering and process interviews which are discussed on page 30 and through 31. It talks about that process and as Ernie mentioned, we first actually began gathering information in June of 2018 when we came out to meet with the representatives of the Resource Management Committee to negotiate this contract, so that was the initial attempt in start to gathering information. Then once that contract was signed, we submitted a detailed document request list to OHA to gather addition documents and information that was need to conduct our financial analysis on the activity of OHA on the five fiscal years as well as information to understand the organization, like organizational charts, that type of thing, general ledgers, registers, quite a bit of information.

In September of 2018 we conducted process interviews to gain a more detailed understanding of the processes and procedures obtaining to contracts and disbursements and then after receiving all the financial data that we did request, we conducted various financial analyses, this is discussed starting on page 32. We performed reconciliations to ensure the completeness of the financial data we received so that when we go to select our sample, we know we are selecting it from the full population of transactions. We summarized the check register in the general ledger activity to identify total disbursements by vendor name, payee name, and fiscal year so we know who was paid by the organization in those five years. We also summarized the expense account data to identify fluctuations in expense accounts over that five year period just to look for large fluctuations and we also obtained data from Ki'i, which is used by OHA and documents the details of purchased requisitions and payment requests, so we requested that data cause that actually documents who's requesting certain disbursements and that type of thing and did some analysis on that. So, after gathering, after doing our interviews, gathering that data and conducting our analyses, that's when we began selecting our sample. So that started well into the process of our engagement and as Ernie mentioned we selected a sample of 80 contracts and 50 disbursements for OHA, so our sample collection process, that is discussed on page 34.

I'll touch on a few points there. The contracts and disbursements that were selected was based on the information that we learned up through that point based on the interviews and or analysis, and our scope of work was to develop procedures to identify potential areas of fraud, waste and abuse specifically in the scope of work on page 24, you don't' have to go back to that, but just wasn't to emphasize that point because our samples selection process was a judgmental process. We took a risk-based approach to selecting our sample which is different than other sample selection methodologies. So in a risk basis approach we look for those transactions that may pose a greater risk to the organization just based on our understanding of

processes through the interviews and also looking at the financial data, so like I mentioned a judgmental sample process is different than something like a random sample or a statistically significant sample, cause the intention of our judgmental sample was not to select a sample of contracts an disbursements that were representative of the entire population. Our goal which was in our scope was to identify areas of potential fraud, waste and abuse so therefore our results are not necessarily representative of the full populations of transactions from where we selected our samples. Just wanted to make that clear it was a very intentional approach that we took through our samples.

Then starting on page 35: Document production to CLA, so supporting documents, when we provided our sample selection to OHA we identified the specific types of supporting documents that we needed to be able to detest each contract and disbursement and the types of documents requested are listed on page 35 and 36 so that OHA knew upfront, here's everything you need to gather because we knew that it was going to be quite a large task at hand. Ultimately OHA provided supporting documentation to us and scanned PDF files which was very helpful for us to get that documentation electronically, so we didn't have to go through hard copy documents at all that allowed us to retain a copy of all the documentation to refer to throughout the process of completing our work and preparing this report. In total approximately 870 scanned PDF files were provided to us just for OHA samples, some of the PDF files contained multiple documents pertaining to a contract or disbursements such as the purchase requisition, purchase order, contract, contract or deliverables, invoices, etc. One file contained well over 100 pages related to a contract or disbursement. So, there were eight hundred, not all of them were over 100 but it was quite a large volume of documents, just so everyone understands the efforts taken by staff as well the effort on our end to review all that information.

Then we also wanted to perform inquires with OHA staff, that starts on the bottom of page 36 and goes on to page 37, again when we submitted our sample selection to OHA we requested that OHA provide the name of the contract manager for each contract, so one of the things we learned through our process interviews was that OHA did assign a contract manager to each contract that's executed and that person is responsible for overseeing that contract. So, we requested from our aide that we selected who the contract manager for each contract and that would allow us to identify the individual within OHA that we wanted to inquire with, if we had any questions pertaining to a contract. When OHA responded to our request for those names, they did indicate whether the staff were still with OHA, whether the staff were in a different position within the organization or the staff had left the organization and I'll talk a little bit more about that later on when I get into our results of just the impact of that, part of it. On page 38 begins the testing criteria, and I really want to make sure we are spending time walking through our approach, so everyone understands how we went about our work.

The testing criteria basically refers to the specific requirements of the statues and OHAs internal policies and procedures that we identify, that were identified, I apologize, to be covered in our scope of work, so the scope of work, which I know Ernie touched on a little bit, but it provided form a very high level the areas that we were supposed to task the contracts and disbursements against. On page 38 B and then Section 1: it says contract specifically for OHA Contracts: 1A, we were supposed to, or we did task the approval and execution of the OHA contracts for a

compliance with HRS Chapter 103D, which is Hawaii Procurement Code HRS Chapter 84 which is Standards of Conduct and OHAs applicable internal policies and procedures that is directly from the scope of work. What we had to do is now look at those documents to say okay what are the specifics requirements within those statues and OHA's internal policies and procedures that dictate how a contract has to be approved and executed, so that's our testing criteria, that's the specific requirements in those codes and the policies and procedures that we had to test against, we also, of course tested the sufficiency of contract oversight provided by the assigned contract manager, that deliverables were met by the contractor and looked for the identification of possible fraud, waste and abuse. For disbursements there were two contracts we tested compliance for HRS Chapter 103D, Hawaii Procurement Code, HRS Chapter 84 Standards of Conduct and then OHA's Internal Policies and Procedures, for disbursements we tested compliance with budget restrictions and then also again looked for the identification of possible fraud, waste and abuse. So, for each type of contract and disbursement that we selected we created a list of specific criteria that we are going to task. So a list of that criteria are included in the attachments that are included with this report there's an attachment by each contract type and by each disbursement type and it lists out all the criteria and the results of our testing associated with each of that and when I talk about all the types of contracts and grants, at the bottom of page 38, sorry not grants, contracts and disbursements, at the bottom of page 38 we identify the different kind of categories of the contracts of disbursement, cause once we select the sample and as we were looking through the policies and procedures in the procurement code we realized there's different types of contract and different processes and procedures that have to be followed based on the type of contract and disbursement so we define those different contract types and disbursements types starting on page 38 and that goes through page 43, I'm not going to go into details on each of those but that information is in there. It also refences the specific attachments associated with each of those. Beginning on page 45 is what we call our testing methodology, this is basically referring to the strategy and analysis that we imply in reviewing the supporting documentation and information to determine whether a contract or disbursement complies with HRS OHA's internal policies and procedures and the other areas that we were testing so we've walked through for each of the areas as we are testing, how do we go about testing that area. So, I will touch on that a little bit. So for HRS 84 which is Standards of Conduct we identified three subsections that were specific to the approval and execution to contracts and disbursements, those subsections relate to conflicts of interests, contracts with legislators and contracts with former employees so to assess whether a contract or disbursement applied to the specific subsection we relied on the information provided in the supporting documentation as well as upon publicly available information.

For HRS 103D Hawaii Procurement Code, we requested that OHA provided procurement method used for each contract selected for testing. When reviewing the supporting documents provided we assessed two things, we assess whether OHA categorized the contract correctly based on the type and amount of the goods of services purchased, so if they said that we procured this contract, via the professional services method we verified that was the appropriate method to use based on the type of service that was being procured, also we assessed whether the appropriate steps were taken by OHA as outlined in HRS 103D to procure approve and execute each contract. A significant number of the contracts and disbursements tested, and I

apologize, a significant number of the contracts and disbursements tested included grants, which are specifically exempted from 103D, however HRS 10 which is specific to the Office of Hawaiian Affairs does include a subsection that speaks to grants and process required for awarding and monitoring grants, so although it wasn't specifically identified in the scope of work we did apply HRS 1017 to look at the grants that we selected for testing, so I did want to point that out, for OHA's applicable internal policies and procedures with that is discussed at the top of page 46 item number 3, we obtained the most current approved version of OHA's fiscal procedures manual which was revised on March 2, 2009, as Ernie mentioned, we are testing a five year period that went through the fiscal year 2016, so we need to look at policies were in place and approved at the time of those transactions, that those transactions occurred so that was the most current approved process manual. We identified from that manual the specific procedures that were required to approve and execute each contract and disbursement based on the type of the procurement and then through the review of the supporting documents that were provided we basically verified whether the procedures were adhered to and a lot of those procedures mirror what's required in like HRS 103D but there may be even more specific requirements just as internal policies of the organization. In addition, OHA provided to us what is call the Operational Manual Authority Delegation for the five fiscal years that were in effect for the five fiscal years that we tested, and that document identified who is responsible for approving and signing different documents so the purchase requisition and the purchase order and the contracts request for payments, etc based on the type of transaction, the dollar amount etc, so we used that as well when testing the documents to make sure the appropriate signatures were noted on the various documents.

For the section on whether deliverables were met by the contractor and that's discussed at the bottom of page 46, that's specific only to the contracts that we tested for OHA, for each contract that we selected for testing we requested a copy of the contract and then reviewed the contract to identify what deliverables were required of the vendor for the contract or related to that contract so that's specifically: what were they, what was the final product that was supposed to be provided to OHA and then we also requested that OHA provided those deliverables for review and comparison to the contract and we made an assessment on whether the contractor provided a product that appeared to comply with the deliverable requirement specified in the contract in the related amendments and I want to say it appears to comply, cause we do go through the effort to assess that product comply with industry standards, you know, we really looked at this is what the contract says you need to provide, did we see a product that looked like what was laid out in the contract, and then if we were able to interview contract managers we also asked them if the overall results of that contract met their expectations so if we were able to do an inquiry we did inquire about that. For the areas of sufficiency of contract oversight by the assigned contract manger that's discussed on page 47, again that's specific to contracts only and through our discussion with OHA personnel and the review of internal policies and procedures OHA actually does not have a written policy that specifies how the contract manager must provide oversight of a contract, they basically did convey to us there is a contract manager, so if the contract manager was still employed with OHA we attempted an interview with that individual to be able to ask questions to discuss how oversight was provided. Based on the discussion with that contract manager and the available documentation we made an

assessment on whether or not there appeared to be sufficient oversight, so if the deliverables were provided, if the documentation for approvals and such appeared appropriate and based on our interview we made that overall assessment.

Compliance with budget restrictions was related to disbursements only and for each disbursement we required a copy of the purchase requisitions related to those disbursement cause on the purchase requisitions there is a section were the budget analysis does review and sign that the purchase accordance with the Board of Trustees approval of the programs budget, and it does exceed the Board of Trustees approved program budget for the fiscal year so we've verified that process took place by reviewing that documentation and then we also requested that all the cheques pertaining to, I'm sorry, all the purchase regs, uh, all the cheque disbursements related to the cheque requests, related to each disbursements just to make sure that the purchase requisition and the cheques matched, there weren't any disbursements that exceeded what was the approved purchased amount. Now related to fraud, waste and abuse, that section and our methodology is discussed on page 46, Ernie did touch on it, but I want to touch on it again, again our procedures were design to detect and identify possible fraud, waste and abuse, however we have not made conclusions as to the existence of fraud, waste or abuse and based on the totality of information gathered through our testing procedures we identify whether there were red flags or indicators of possible fraud, waste or abuse those contract with red flags indicators are identified throughout the result section of the report which does begin on page 49 and we'll get to that in a second, but there are multitude of transactions characteristics or situations that can be a red flag or indicator of fraud, waste or abuse and there's not one comprehensive list, to say here's the list of anything that could be a red flag or indicator, and red flags can also be specific to a transaction such as how a transaction is processed or could be the attitude or the environment within an organization such as the get it done and now mentality.

So red flags and indicators can also vary by the nature and type of transaction. So, we did include page 48, just a very short list of a sample of some common red flags, indicators, related to contracts and disbursements, and exhibit 4 includes a more comprehensive list that was provided and can be looked at. So, beginning on page 49 and really the rest of the OHA section now focuses on the results of the work performed we're really going to address this from somewhat a high level, but the results are organized, kind of in two major sections, contracts and then disbursements, the contracts starts on page 49 and the disbursements start on page 160, but to focus on the contracts right now on page 49 you'll see underneath the contracts testing we do list out the different types of contracts and the total number tested within each of those categories and so that section is laid out in that way, we first discuss grant contracts, then we discussed competitive sealed proposal contracts and we go through each of those, five sections and go through all the different criteria tested, compliance with HRS, compliance with Internal Policies, sufficient oversight of the contract deliverables were met, evidence of fraud, waste or abuse, or red flags, fraud, waste or abuse. So, each of those kind of testing areas are then discussed within each of those subsections. Ernie already mentioned this too, but the results of our work are reported as observations of this report are basically defined the instance of which the result of testing revealed an occurrence of non-compliance with statutory

requirements and/or internal policies as well as the instances that revealed red flags or indicators of fraud, waste or abuse.

So, as we talk about observations, you're going to see that throughout the report, that is basically what an observation is and how we define it for this report. There are two larger areas that I want to discuss just briefly on the results and then I'm going to talk about the other common themes we saw through our testing for OHA, but the first one, cause this is the highlight for what the purpose of this work was, was that assessment of whether or not there was potential fraud, waste or abuse. So, within those sections we did identify approximately 30 contracts and disbursements for which red flags and indicators where identified, that suggests the possibility of fraud, waste and abuse, we are not going to go through each of those cause it's quite an extensive amount of information and that information, why we identified them that way and what those red flags were are included in the section of report by contract, but what we do want to state again and Ernie mentioned this, but I want to emphasize that the identification of a red flag or indicator does not on its own confirm that fraud, waste or abuse did actually occurred, we are simply identifying those observations that are red flags are indicators of fraud, waste or abuse.

Ultimately, we made 16 recommendations as a result of the observations identified related to the possibilities of fraud, waste and abuse. So, as you go through again those sections in OHA, when you get to the end of the fraud, waste and abuse section within each contracted disbursement section we do list out which recommendations to refer to. Those recommendations include implementing or improving processes and procedures related to identifying, documenting, and clearing potential conflicts of interest, the oversight of contracts and monitoring and evaluation of grants is better documented, and that documentation is retained in the files, documenting decisions pertained to the procurement process used and justification for the contractor that selected, particularly when a less competitive method is used and taking steps to increase competition in the contract procurement process, and documenting the receipt of deliverables from the contractors as well as ensuring that work is not performed and goods are not purchased before having an assigned contract or approved purchase request in place, including a singed amendment if work is going to exceed the original costs identified in the contract and then taking steps to ensure current policies are followed; those are the very high level kind of the type of recommendations are made related to those observations. The second area I want to point out is exempt contracts in disbursement through our testing, we identified contracts and disbursements that were procured through the exempt basically processed under HRS 103D there is a subsection 102B, and also Hawaii Administrative Rules section 3124 Exhibit A, those two areas specifically identify goods and services that are exempt from the procurement requirements of Hawaii Procurement Code.

When we did our sample selection, we did not know at the time which contracts were disbursement were procured through exempt method, but ultimately found that 17 contracts and 30 disbursements were processed in using the exempt procurement method, now that excludes grants, because as I discuss grants, grants are specifically exempted and they have a separate process, so when you look at all the other types of contracts there were 17 contracts processed through the exempt procurement method, of those there were 22 contracts in disbursement for

which the nature of the services purchased not appear to qualify as an exempt based on that list outlined in HRS and in the Hawaii Administrative rule section, and each of those contracts are again discussed within those respective session and I point out this particular observation because the exempt procurement method does not require OHA to obtain competitive quotes or bids unlike other forms; other procurement methods. So, when a contractor disbursement is improperly awarded through the exempt procurement method all forms of competition are essentially removed from the procurement process, so, this removes the ability of OHA to ensure that it's awarding contracts fairly and obtaining the best value for its money. Additionally, it makes it easier to direct work with potentially to specific contractors, which could increase the risk of vendor favoritism or conflicts of interest. So, this is just a risk area that we are pointing out to you, and this area of using these exempt procurement methods is one of the areas that we assessed when identifying whether a contractor disbursement had a red flag or indicator for fraud, waste or abuse.

It wasn't the exempt procurement method solely, but that was one of the factors that we looked at as to whether we identified a contract disbursement within that category. We made three recommendations pertaining to the use of the exempt procurement methods, so, those recommendations are also included in this report, again, that goes back to just taking steps to increase competition on the procurement method, to ensure that OHA is getting the best price possible out there for the services that are needed, and documenting that information, that's another thing as well. So, some of the other observations, so those are just two of the large areas, but other observations that we had overall within the contracts and disbursement testing for OHA, these are kinda just general themes, I think, throughout all of the testing for this area, was that there was some missing documentation related to the procurement process and the grant application and approval process and we detail in each section which ones, you know, which documents were missing or could not be provided. Things such as not documenting or not retaining documentation pertaining to those selection process for contracts, not documenting or retaining documentation pertaining to the qualification of the grant applicant or OHA's verification of requirements; a lot of it comes down to the documentation of certain decisions being made. The effective period of the contractor grant beginning prior to when the contract was executed, so we saw instances where work began and a contract was executed two months later, three months later, varying time period, and contractor deliverables not, couldn't, in some instances be located and provided to as in again those are all identified by contract within the report. We also noticed things such as fiscal procedures manual was outdated and we had to use what was in placed and approved at the time, that the transactions occurred, but we did see where there were certain procedures that were no longer being followed. Certain forms were no longer being used, titles were outdated, so one of our recommendations does talk about getting that fiscal procedures manual updated to current policies occurred practices as well as best practices. The last thing, the operational authority delegation hierarchy, we just noticed that there was some lack of clarity within that document, as, because we were using that document to determine who was supposed to approve or sign certain contracts, for example: non-contract disbursements stated only that the appropriate budgets authority was required to approve, but we had a hard time actually, in working with OHA really being able to define, well who is the appropriate budget authority, so it made it a little difficult on our end to assess; was the right person signing? So, we had, to kind of do a more, hey it looks appropriate based on the type of purchase, the department, and level, but it wasn't very clear, so somethings like that, we have recommendations on clarifying some of those requirements to make it clear to staff as well as from the outside that may come in and do an audit. The last section for OHA, then I will turn it over to Anna is really to the Annual Report to the Board of Trustees. We where to look at processes to see if there were sufficient internal controls and compiling that annual report that goes to the Board of Trustees, that section starts on page 212, so it is near the very end of the OHA section. Just really quickly some of the observations, there important other information related to that report, so, that report is gather and put together by the community engagement department and so we saw that some of the documentation related to that wasn't retained but the Community Engagement Department does obtain the financial information from the various departments from accounting, from grants, that type of thing. Not all of the grants are listed in the Annual Report, that were listed in the Annual Report were included in the grant tracking schedules that were provided to us, but it looked like it was just that the grant tacking schedules may not have been complete, so that maybe speaks more do we have recommendations to about that about grant tacking. Then some clarity on the report about the amounts that are recorded on grant awards, whether surmounts awarded or dispersed and how much is actually dispersed in the fiscal year, because it does take some time to disaperse funds to related to some grants and so therefore, recommendation is pertaining to that. I'm going to turn it back over to Ernie real quick. (lost her voice).

## Chair Ahuna - Good job Jenny

**Ernie Cooper, CLA** - So Chair, unless you have any, if anybody has any burning questions right now, I would recommend to keep the momentum going, focus, and this part is much shorter as it pertains to the LLC's, there's a lot of the overlap with the OHA so, if I can turn it over to Anna, and she can do the discussion of the LLC's.

**Chair Ahuna -** Yes, thank you Ernie, I want to Anna to finish and we're gonna have those burning questions.

**Ernie Cooper, CLA** – Exactly

Chair Ahuna - Ready for you, thank you so much Anna

Anna Rodriquez, CLA – Thank you, so we were also asked to review contracts and disbursement for the LLC's as you know, and we had, we were tasked with selecting 30 contracts for the LLC's and this a combination of the different LLC's that just, you know, certain LLC, so it was all of them, however, not all of the LLC's had contracts at during the period that we were reviewing, so for this reason, there were only 3 LLC's that had contracts tested, and for the disbursements similarly we had 25 disbursements to select and we selected them from all the different LLC's and the summary of work performed relating to the LLC's starts on page 225 so we are two-thirds of the way into the report, it's a similar process as to what we follow with the LLC's and to what we follow with OHA. First, we wanted to get our arms around getting to know the LLC's and how they function in relation to OHA. So, in order to do that, we met with LLC's representatives, Hi'ilei Aloha, Chief Operating Officer and also Hiipaka Executive

Director. Just again to gain that understanding, during that process CLA was provided with access to a file share that contained documents for all of the LLC's, and this included general ledgers, cheque register's, policy documents, quarterly reports to OHA, published annual reports, it also included some contracts, so we used that information to gain a better understanding, then we needed to circle back to the LLC representatives, this time to understand or to gain a deeper understanding of the policies and procedures used by the LLC's for contracts and disbursements, and we talk about that again in page 225, item 2 process interviews of LLC staff. Then we went through the data collection and analysis and selection of sample and contract disbursement, as both Ernie and Jen mentioned, this was a risked based approach. It wasn't a random sample, it wasn't a statistical sample, it was more geared towards, where do we think based on the information that we've reviewed, based on the interviews that we conducted, based on the data analytics that we applied to the general ledgers, to the cheque registers, to those records, what areas look like there could be any potential for, you know, fraud, waste or abuse. So we narrowed our selection to those areas. So, we selected as we mentioned 30 contracts and 25 disbursements, Now, only Hi'ilei Aloha, Hiipaka and Ho'okipaipai had entered into contracts for that period, as I mentioned before. So, we selected contracts for those entities, we have 9 contracts for Hi'ilei Aloha, 18 contracts for Hiipaka they have larger volume of contracts, so of course we selected more from Hiipaka than the rest. Now Ho'okipaipai, a lot smaller, they had a lot fewer contracts, so we only selected 3. Now for our sample, for the disbursements, we have 7 disbursements selected for Hi'ilei Aloha, 9 disbursements for Hiipaka, 3 for Hiipoi, and 6 for Ho'okipaipai. Now Hookelepono contained only the activity for Ho'okipaipai, so they didn't have a separate general ledger so there was no activity for that one LLC to review in terms of contract or disbursement. Now moving on to the testing criteria, and starts on page 230, based on the scope of work that we had included in the contract for the LLC's 30 contract we selected 4 specific areas, one of the areas was the sufficiency of contracts and grant oversight and the next one was the deliverables were met by the contractor, the third one is whether there were indications of a conflict of interest with the LLC Managers or the Directors, COO and the Executive Director of Hiipaka. Ultimately whether there were any indications of fraudulent or wasteful disbursements made. For the LLC's the 25 financial disbursements that were selected, there was a different scope of testing the conflict of interest with LLC managers and Directors, the compliance with internal policy and procedures, and again this was for all contracts and disbursements, whether no fraudulent and or wasteful disbursements were made or any indications of that. Now for the testing methodology, we want to talk a little bit about that, the testing methodology is kind of the strategy or the thought process that we go through when reviewing the supporting documentation, so, we have very specific areas that we need to test, we reviewed their policies and procedures for each one of those to see if they process that was followed for the contracts the execution of the contract, the disbursements and payments of contracts or disbursements that were not related to contracts whether that fell in line with that. So, think of our methodologies with that thought process we follow with every time we review these documents. For the conflict of interest with LLC managers and directors, very similar to the process we use for OHA, however for the LLC we were not testing against HRS 84, we were not testing against HRS 103, what we were testing based on their fiscal policies and procedures in what we know of the organization. The LLC's all have included with the written fiscal policies and procedures a financial conflict of interest

policies, so we reviewed to see that this policy was annually completed as for the policy and whether they forms were kept and retained, provided to us ultimately, we also conducted some public information searches for example for the contracts, we took a look at the names of the contractors, the main individuals executed in the contract, the main individuals who own the company for example and we conducted again public searches to see if we identified any indications of family relationships, friendships or any other type of relationship with again the LLC managers and they LLC's directors, for the deliverables for each contract we again requested that they provide us the deliverables. Now sometimes a deliverable looks like this and they could include it in the contract file, if they were able to locate it, and for that we again refer to the contract, what does the contract say that the deliverable will be. We looked at the deliverable does it look like it met, you know, those requirements, as Jen mentioned, we were not assessing for the quality of the product, that was not part of our scope, but it was more along the line of does it look like they met the expectations and we also asked the CEO of Leialoha and the Executive Director of Hiipaka whether they contractor had met the expectations, now for Hiipaka's specifically, some of those contracts are for capital improvement projects, so there was no document that they could, you know, add to the file, so what Hiipaka Executive Director did is he took us around Waimea Valley to show us the areas of capital improvement, the farthest one we went to was some restrooms built up by the waterfall so he took us out there to see, you know, inside the restrooms, so they look like, you know, they were according to the contract.

Random voice: no work

Anna Rodriquez, CLA – yeah, (laughter) there was a nursery, we went to, there's certain things that I remember, there was an ADA compliance ramp that was built, does it look like it's there, yes, it looks like it's there. So that was the extent, we didn't do measurements, we didn't say, you know, does it look like it's good quality work, so that was not part of our scope. Now for the sufficiency of the contract oversight provided by the contract manager for the LLC's much different from what OHA in the situation where OHA employees have left and were some employees were not available to answer our questions if we had them the LLC managers have had the same directors, so the COO for Hi'ilei Aloha and in charge of the other LLC's has been there from day, uh, beginning of scope period through the end of the scope period, same thing Hiipaka Executive Director has been there the entire time, so it's based on the documents that we were reviewing, we had questions and we had a lot of those, we went to them, and we asked them, you know, about the contracts and they were able to give us additional information, and again, everything that they told us that was relevant to the testing to the ultimate assessment that they were making included in this report, now for the evidence of fraud, waste and abuse, as Jenny and Ernie both mentioned, we took the totality of the observations that we had made for this contracts and disbursements to arrive at that assessment and again. CLA's procedures were not designed to detect and identify possible, uh, to determine, or make a determination of fraud, waste or abuse, that's against our, uhm, professional standards, that's a legal interpretation that we are not able to make but we are able to tell you whether we saw indications or red flags of, you know, fraud, waste or abuse, and that's what we have done in

this report. Now, that's a lot of information to process, so just take a quick second and we are going to move onto the results of work performed. That is going to start on page 225.

Random voice: on 225

Anna Rodriquez, CLA – that's where they, uhm, liable, that's where the LLC's section begins, so the actual page is 261. Let me see, actually let me get, hold on just a second, 239, results of work performed. 239. For the results of work performed, and I apologize for misspeaking on page 225, it's page 239, so contracts begin on page 239 and disbursements begin on page 261, but we'll get to the disbursements in a second. If we can scroll down a little bit, on that one page, I want to show the schedules, so maybe scroll into page 240. Those schedules we have included in the report and this is kind of like a snapshot, a really quick look at our assessment related to the contracts that we tested for each LLC for each OHA, you know, contract, and here you have a very high level overview. You have the criteria as we assessed it and those were kind of like our testing work papers really, so we went through that for each contract, and this is a condensed version so you don't have all the lines for each one of the contracts but you do have those in the attachments, and I don't know if you what to navigate to the attachments really quickly, but the attachments are laid out

Random voice: is there a specific one you want us to look at

**Anna Rodriguez, CLA –** yeah, if we go to attachment 14. There is a navigation pane on the side if you want to pull it up, you can do that really quickly, but you don't have to do that, I can just show you really fast. For those, for the testing, it was very, it's a voluminous report as Jenny mentioned, both Ernie mentioned and basically there's two ways to read our report, you can look at the attachments and this will show you all of the contracts that we tested and the information that's relevant for each of those contracts, some of them expand for a few pages, of you have the criteria and basically you have that schedule but included all of the contracts or all of the disbursements so it's easy to read, and whenever we have an observation, we've indicated that observation there, and it's in red font just to make it stand out and then we do also have the observation so as summary of the observation, so that's a quick way to read the report also, so I wanted to make sure, we are comfortable with that, but going back to the results of work performed, generally we attempted to verify the information pertaining to each contract or disbursement as follows, that supporting documentation was validated by the criteria tested again inquires of the COO for Hi'ilei Aloha and the Executive Director for Hiipaka and again performed those visual observations that we talked about and the publicly available information. As Jenny mentioned, the results of our observations throughout the report we want to say an observation for the purpose of this report as again, as Jenny mentioned is define as the instances in which the results of testing review occurrences of non-compliance with statutory requirements and or internal polices as well as the instances that reveal a red flags are indicators of waste, fraud or abuse. From a high level, just you know, the way Jenny did for OHA I'm gonna do for the LLC's. From a high level we want to give you the results of the indications of fraud, waste or abuse that we observed for the LLC's. For Hi'ilei Aloha there were 2 contracts that we identified with those red flags, or indicators. For Hi'ilei Aloha, again, we identified 3 disbursements that had those indicators, and for Hijpoi we had 1 disbursement that

has those indicators and again you can refer to the report for that specific section to gain a deep understanding of our observation. Recommendations that we made based on those observations are also included in the report, and we want to make sure Ernie has done that, Jenny has done that and we want to stress, whenever we do this type of engagements, it's a great value to not just learn what has happened, but learn from what has happened, and how do we do that by looking at our observations, looking at our recommendations and attempting to implement those recommendations so that this issues are not there in the future, so that's the great value that you bring to the organization by doing this type of engagements. So, the recommendations that we made related to the possibility of waste, fraud and abuse of the LLC's are indicated there, and there were 5, as I mentioned, related to the utilization of product delivered by vendor related to the payment processing, making sure it's in accordance to the contract. That there is an appropriate review process if any loans or grants are to be made by the LLC's. In taking steps to ensure that a complete and appropriate documentation exists for any disbursements made, in both of the LLC's were good about providing most of the documentations that we needed, and again this has to do with the fact that they CEO of Hi'ilei Aloha and Executive Director of Hiipaka have been there the whole time, so they were able to gather that information for us, I don't know if easily or it was more readily available, that's one difference that we identified. Some other observations, this a general observations for the testing that we did, whenever you look at our schedules, our expanded schedules, included in the attachments, you'll notice that sometimes you see the observations, read, like pretty much straight across certain criteria, so what that tells us is that it's a basically an observation that applies to all of those contracts so it's very difficult, I guess for the organization to make sure that they follow the appropriate procedure, or maybe they might not have realized there was an issue until they looked at it like, well, all of the contracts had x observations and we need to address it more globally, so, we noticed that there's a purchase order system in place in contracts or not assigned contacts numbers, and that becomes a difficulty when you have more than one contract with a vendor and your trying to think, oh well, what is this payment made on this contract or that contract, because you don't have any way to separate those. There were procedure manuals were outdated similarly to OHA, the LLCs did not always retain the conflict of interest forms that were completed, or they were not provided to us, they were not able to locate it, excuse me. If the required documentation was not included in the contract files, and we saw this for Hiipaka, where there were certain documents that needed to be reviewed in order for that contract to be awarded or processed, and they did review that information but they did not include in the contract file, so, when we asked for it they said, well we don't have it because we don't keep it, then they went through the process of obtaining that documentation, these are like the certificates of compliance for example that they can go online and identify and provided them to us, and again, all that information is included in the report that these are important documents to retain. From a high level, those were the observations we made for the review of contracts and disbursements for the LLCs, now similarly to OHA, we were asked to review the reports for the Board of Trustees, and we do have some observations made there and it's my last page so I'm very close to the end, thank you for your patience, we assessed the sufficiency of the internal controls in place of the quartely reports that's ultimately submitted to this Board. We assessed the quarterly reports for the year 2016just to gain a good understanding of the process for that, we conducted inquireies which again are LLC staff and did within math checks

and reconciliations so that, you know the information as presented accurately. Some of those observations we noticed that they were finalized quarterly reports were not always reviewed for example Hiipaka, Executive Director, prior to them being submitted to this Board. They were budget compared reports and balance sheets, they did not disclose the fact that they are audited and that's a good foot note or disclosure to have in any type of financial information presenting. Also the quarterly reports did not have a mechanism to communicate the changes that might have taken place after quarterly report was provided, so if there was a transaction that had to be paid for, let's say in July, but it was related to work that was performed in March, then there was no method for them to say well, no the March quarterly report is x amount instead of this amount. We discussed all the recommendations and observations with LLC staff so the CEO for Hi'ilei Aloha, the Director for Hiipaka, so there's no surprises anyone of them for this report. The recommendations for this report which is very important, we made 31 recommendations based on the results of our testing and the recommendations are very similar to what we discuss already, again, updating those written policies to align with current processes, increasing documentation of the decision making process of authorizations monitoring an oversight of contracts and I apologize the recommendations begin on page 290. This employee training and developments, there's recommendations related to that, increase in transparency again that's very important and lastly the oversight in governance organizations. So, with that, and we really appreciate your patience it's been a long presentation, but that concludes my section and it's Ernie's time.

**Ernie Cooper, CLA** – Mr. Chairman, we'll take a pause for discussion, questions, I will have some final closing remarks, but I think this point will be a good time to, our section was a lot of information, thank you for your patience and listening to this, so with that I will

**Chair Ahuna** – Thank you Ernie, Jenny and Anna. Thank you so much. Members this is our time to ask questions, so if there is anyone .. first up, Trustee Hulu Lindsey.

**Trustee Hulu Lindsey** – I have a couple of questions; how did you determine whether there was any conflict of interest between the managers and let's say the people that received contracts?

Jenny Dominguez, CLA - and are you speaking with for the LLCs or

**Trustee Hulu Lindsey** – for the LLCs, yes because our managers had dual authority, yeah.

Anna Rodriquez, CLA - when we looked at contracts and looked at disbursements, we looked at that receipt and that cheque and there was at least one contract that there was an inherent conflict of interest, because the contract was between the LLCs and OHA, so for that one from the time we selected, of course we knew, there was that inherit conflict of interest. There are other contracts that are also mentioned there that we did identify the conflict of interest based on the documents that we reviewed in the contract or disbursement file, based on those public information searches that we did, based on the interviews that we had with the LLC staff and even with OHA too, we were able to make certain connections or identify certain of those conflicts, and those are included in the reports. There were a few contracts in I think I believe

one disbursements, they were for Hi'ilei Aloha and one for Hiipoi that we did make that assessment on. So, that was our procedure, but you can stand on that.

Jenny Dominguez, CLA - yeah, and I think also the LLCs also had a policy related to what a conflict of interest was, so we tried to look at, is there a policy that defines it, especially because with LLCs we weren't looking at what the standards of HRS 84, Standards of Conducts, we looked at what there policy said as well as best practices. So, when we talk about a potential conflict, you can talk about it form an actual and financial and direct conflict of interest versus the appearance, so, you can talk about even relationships that may indicate a possibility of a conflict, because, uhm, even if it's not under statutory requirements of conflict or under a legal definition of conflict, even the appearance can erode the public trust, and give the perception that someone maybe benefiting outside of the organization, so those are fully disclosed, we don't make an absolute determination, this is a conflict, we say this is indicators there might be a conflict here, because of X, Y, Z. We weight out usually those points, so this is true for both OHA section and the LLC section.

**Trustee Hulu Lindsey** – Thank you, my second question, could you please explain to the Board, the purpose of CLA requesting an extension to the contract?

**Jenny Dominguez, CLA -** Of our contract? Do you want to address to them

**Ernie Cooper, CLA** – Go ahead and I'll comment

Jenny Dominguez, CLA - you should probably turn that on too

Ernie Cooper, CLA - turn it on

Jenny Dominguez, CLA - and I, there's a lot of events that occurred, so I'm going to address this as probably a fairly high level, but there, through our status updates we started, you know, we were giving status updates to the Resource Management Committee Chair, and Vice Chair throughout our work, there was a point in time, we think a couple things that occurred that were not, we hadn't yet collected all the documents that we needed to be able to select a sample so, this process did require we do a lot of time and effort into understanding the organizations getting the data, doing our analysis before we select a sample because you don't want to go for something like this you want to go in blind, just randomly selecting a sample, and so, through that process we needed to make sure we're getting all our documents we needed to select a sample and there was a concern brought up by the LLCs about the impact of this engagement on, thier information, and I'm high level summarizing this, based on memory so if I mistake something I do apologize, but and I don't know to what extent that we discussed that in here, maybe discuss from a very high level, but there was a concern raised and so we weren't getting really much documentation from the LLCs for quite a while, and there were some events that had to occur, that we were not involved in, we were kind of a third party in here that we had to wait until the documents, we could get the documents we needed to proceed. Those concerns were resolved which I think happended near the beginning of this year, we saw some progress moving and we were able to meet with the new committee chair and vice chair and get an

update and get a plan or moving forward and get the rest of the documents we needed to be able to select our sample and move forward with our work.

Ernie Cooper, CLA - that's how I remember it, that's pretty much it (slightly soft spoken)

Chair Ahuna - Trustee Akina

Trustee Akina – Well Ernie, Jenny and Anna, thank you so much for CLA's work, it's outstanding and I do want to stress this, I do remiss if I didn't, I'm also grateful to the staff of OHA and to many Trustees who cooperated with you and who worked very, very hard, taking away from their regular duties, this is a great work that you've done and to me it's a treasure trove of raw data and you've been very responsible in the limiting your descriptions and stating your disclaimers that you are not to make any pronouncements with fraud, waste and abuse and very clear about that, that with the scope of your work you had best showed indicators of the potential for this and you're making recommendations on that, so you're fulfilling your role very well. My role on the other hand along with my colleagues, is a fiduciary role, we have to take the data you've given and we have to make judgement calls, we have to protect the organization in the trust based upon this information, so, I just have a couple of broad questions first, I won't ask all my questions now, I'll defer to my colleagues because they may have questions well, when we look at what you've done, you'd look at 185 different transactions, contacts, or disbursements, and of that, 158 were found to have observations, audit observations, that's eighty five percent, that's a very large percentage, and then if we take a look further, 32 were found to be red flags, which is seventeen percent, so that suggest to me it's a fiduciary, that we're not looking at an isolated incidents, but there's something going on systemically, and I just appreciate, from your experience in organizations what your thoughts are as to what the systemic indicator is here, what may be going on systemically as opposed to isolated events, if any, Ernie?

Ernie Cooper, CLA - I could give you the comments

Chair Ahuna - Use your mic please

Ernie Cooper, CLA - Couple of points, one, our scope did not have us take a look at your question, take a look at the systemic issues, like an internal control review process, which is a septic type of engagement, so, in answer, in trying to get you an answer, our scope didn't allow up to do that. The recommendations that we put in there that flow from the observations are extremely important because an observation in our mind, those are the things that will go towards for instance minimizing risk of fraud, strengthen internal controls, because it's hard to give a specific answer to that question, that was in our scope, this is in general, my best answer is there is to say is to take a look at the, the recommendations, there's quite a few of them, and understand where those flow from on the observations and you may be able to get a better idea of the question you're asking, but as far as the specific, do we look at the scope of totality, that was not within the scope and then I wanted to make one other comment on that, I think it's importance of the, in follow up to your question on page 303, section 9, the section called CLA Suggestion for the implementation for the recommendations. This kinda goes to maybe, one of our thoughts of suggestions as next steps for you, the challenge of individuals here, you have

invested, not only monies and costs and 500,000.00 but the time, the efforts, the labor by the folks, the staff, the length of time in the work that we've done, this is kinda like maybe the continuation of the next step, one of the things we talked about we strongly encourage the Trustees to delegate to OHA's Administration the development of a recommendation, implementation plan, that includes the following activities and considerations. Comparisions of the recommendations to the current processes for contracts and disbursements for example, you heard a lot about the observations, the policy, the procedures, the practices, the training, the documentations, etc., and implementation actions including accountability measured of time tables of monitoring and reporting to the Resource Management Committee and the Board of Trustees. I really want to emphasize that. That there is a lot of information that's in the report, that's very, very detailed, that you can drill down on as far as you want on contracts and observations, I mean it's in here. Anna and Jenny, we've covered it, you know at high level, try to walk you through the report, form the report to the charts, schedule to the attachment, we'll give you that specific contract, has our sample number, then it has that particular contract and the observations for that contract, then it drills down, it goes form there. So, that's, we wanted that information in this report, cause this report is almost like a living document. In our mind that's going to go forward so that there can be hopefully the suggestion that we have an implementation plan. I kinda hope that answers part of your question?

Jenny Dominguez, CLA - Can I add to points if that's okay? One I want to point out, that our work only went through the end of fiscal year 2016. So, what was happening through June 30, 2016, which is three and a half years ago, so, we don't know what's happening today. We weren't testing processes with procedures today, so I think that's something when in this recommendation that Ernie just read, one of the pieces of it is comparing the, our recommendations to what's currently happening, because some of our recommendations already, they've already been implemented, that's possible, you know that portion of them. It's important to look at what's happening today and what's the plan moving forward. The second piece is I want to reiterate the fact that our sample selection was specifically designed to look for potential fraud, waste and abuse so, and I menti, I know I said this already, but it's not, it wouldn't be appropriate to try to extrapolate that to the entire population of transactions, cause that might be overstating that potential there. Only, cause, if you wanted to extrapolate you have to use a different sampling methodology which is typically happens in a financial statement audit in other types of audits that happen, so our protocol is a little bit different for this with that specific kind mind, you know goal in mind based on this scope of work, so I just wanted to reiterate with that to make sure, you folks

Trustee Ahu-Isa - Can I say something?

Chair Ahuna - Trustee Akaka

**Trustee Ahu-Isa** – I asked first because I'm going to forget because I'm older and I can't remember, if I don't write it down, I forget

**Chair Ahuna** – Ask me, so I can pick you, you no ask me, I going forget too.

Chair Ahuna – So, Trustee Akaka, go ahead

Trustee Ahu-Isa - I went ask, my hand was up before

Chair Ahuna – Ask, Trustee Akaka, go ahead

Trustee Ahu-Isa – he never lets me talk so I'm not going say nothing already, this is really

Trustee Akaka – I will make this real guick, I just

Trustee Ahu-Isa – I can't remember

**Trustee Akaka** – abuse on your expertise, is it recommended that we staff on hand in the organization specifically for compliance purposes?

**Jenny Dominguez, CLA -** So, that, yeah, I want to say that's addressed, we kinda were probably rushing through a little bit at the end to give you guys opportunity to ask questions, but the section in the report that addresses kinda governance touches on that for sure, I want to look at what that page number is.

Trustee Akaka - Yeah, if you can kind of go into some talking points of information to share

Jenny Dominguez, CLA - Starting on page 294, we speak about the Trustees oversight of OHA and LLCs, we have observations and recommendation related to governance and so that governance need to kind of does speak to kind of, do you need to have staff or what should be doing internally to kind of help monitor ourselves right on an ongoing bases, so I would say that a couple of those that speak directly to your question is going to be on 295, Governance internal audit, you guys do not have an internal audit, you are not required to have an internal audit department, you're not required to have an internal audit department but if there is a desire for an ongoing monitoring to see were implementing recommedations do we want to know how we are doing on an on-going basis, and to continue to look at organization, that's something that can be considered and that would typically be either staff or you can outsource, you don't have to have a staff, you can hire a firm that does internal audit work, so that would be one that speaks to it, as well as on page 298, a hotline, a lot of organizations implement a hotline, there are a few pages in here that talk about that process, I'm not going to go into depth on that, but that allows an organization to one set a precedence of with an organization, we don't allow, we don't want this type, of you know, bad behavior, and there is a mechanism to bringing that to life if needed. So a hotline that's not really staff necessary, but that's something that can be implemented to allow for some of that governance, can take place, and I think that might ... yeah go ahead

**Ernie Cooper, CLA –** We are not recommending any of these recommendations, go out and hire x person to do the following, we are recommending for some of the best practices to consider the possibility of the internal audit, individual or a outline on fraud and training, in my mind your implementation plan group takes a look at that and does an, there is plenty of information out there regarding internal audits, benefits, how to utilize an internal auditor, or instance if you do end up with an internal auditor, whether it's bringing somebody in or you bring somebody from the inside, so many organizations that do have it, do not use the internal auditor properly, an internal auditor is supposed to be independent, kinda reviewing assessing internal

controls in a high risk areas, what happens is that internal auditor that people borrow to do work on an ongoing operation that's a no-no. It's very tempting, but that does happen. So, we are not recommending to go out and hire anybody, we are recommending really take a look at these things cause they are best practices especially for an organization like OHA, we've seen internal auditors not only, in the corporate America, but also in government entities. In speaking an outline

**Trustee Ahu-Isa** – Chair, I have to talk because I'm going to leave.

Ernie Cooper, CLA - Okay

Chair Ahuna – Let him

Trustee Ahu-Isa – I have to go

**Trustee Machado** – Give her the floor please

Chair Ahuna – I know, I should have done that

**Trustee Ahu-Isa** – I had my hand up first and Ernie said wait to we finish, he's my friend, I'm not gonna say nothing bad against Ernie

Chair Ahuna – I don't know why you gotta leave, but go ahead

**Trustee Ahu-Isa** – because it's almost twelve and I work, okay mine is more fast than yours

**Trustee Lee** – You have to work? Weren't you elected to be here Trustee?

**Trustee Ahu-Isa** – I have three jobs

**Trustee Lee** – So your jobs take precedence over your elective?

**Trustee Ahu-Isa** – Are we gonna talk about my jobs now because I raised my hand first and I wish we had a number system so I can pull number one Akina number two, Chair saw me and Ernie saw me.

Random voice: stop fighting

Trustee Ahu-Isa - I'm going to forget, I have a heart condition, that's why I have this watch on, cause it shows my pulse rate right now. I'm going to have a mini stroke if you don't, I'm not kidding you, that's why I gotta say this, and I have to go to my cardiologist, so I raise my hand, and Trustee Lee, please bear with me, I'm going to talk fast, page 56, I'm gonna talk about fraud, waste and abuse, cause I know that wasn't the scope of this audit, I did work at UH, I was in budget finance, disbursement, procurement under President Mastuda so and we do have a CPA as a new CEO so we already, we talked about the internal auditor, we talked about compliance risk management, compliance management, risk based approach, that's what you said, someone said risk based approach, the scope on it, but yet I found on page 56, contract, identify as a possible non-compliant to HRS 84 dash 15 and this contract is a, I consider kinda

like a fraud, but it's going to be, I want to thank you guys cause you did a really good job, I just want to say, it's not our responsibility as Trustees and fiduciary, to go through this document and look at it, cause I kinda did and I'm looking at the detail things that did talked about, it is all in here and it's our job, I thank them and they did a great job, I love all of these detailed referencing back and linking to, I talked about our CEO and how all of these things happen we can read it on page 56, 57, cause I consider that Ed, but you weren't, it wasn't in your scope, that's all I wanted to say. Thank you Chair.

Chair Ahuna – What was your question again?

**Trustee Ahu-Isa** – That is our job as Trustees to go through this and point out that there was more than a possibility of fraud and abuse.

Chair Ahuna – You didn't have a question, okay Trustee Waihe'e go ahead

Trustee Waihe'e - Oh, no no I was

Chair Ahuna – Oh, you were kidding, nah nah – Trustee Akina

**Trustee Akina** - Why, thank you Trustee Ahu-Isa for giving your instincts, what you've done, you've addressed content, and I would just like to say to my fellow Trustees, I think that, the CLA audit firm has done a good job of limiting this, it's role, or identifying it's limitations of it's role that they have served up to it's data, and now we have to discuss that data, we have to take a look, for example there are 32 instances of red flags and as I have read through them I have to say that in many instances, I see things that beneficiaries have brought to our attention over the last several years, I see concerns that have been expressed at this Board, I see some serious concerns and in fact within the 32 red flag, disbursements and contracts, there are things that really require our attention and one of the things we need to be aware of is that now that this document is public it's out there in the media or it will be out there in the media, it will be out there for our beneficiaries and so I hope that we'll have that discussion that goes beyond simply the presentation of the audit, but the concerns that the audit points to because that's our fiduciary duty, I myself am going to bring that tomorrow to the Board, if I may, Madame Chair, my summary of the 32 red flags, so that it can be a guide to helping us better understand and what we have to take a look at, I'll forego that for now because I appreciate the input we've had and I'll be able to use that in putting that together, I just do want to state clearly that we are looking at something very seriously, when we look at the extent to which there are audit observations as well as the extent to which there are red flags, we have a duty to dive in and go deeper and to call for changes as well as to recommendations and so I thank the audit for working on that and putting us aware with all to do that.

#### Chair Ahuna – Trustee Lee

**Trustee Lee** – Ah, Mister Chair, I have a point of clarification, we do not have raw data in front of us, we have a detailed report, by qualified firm that did an audit on OHA and the LLCs. We have supporting data of their report, what was not, we were not provided with data for us to analyze we were provided a detailed report by forensic CPAs even though they did not do a

forensic audit, they are forensic CPAs and we have the supporting data for their audit, Trustee Akina, are you a CPA?

**Trustee Akina** - Thank you for inviting me to speak with your question, I'm absolutely not a CPA.

Trustee Lee - Thank you

Trustee Akina – and my use of the term raw data,

Trustee Lee – I believe, you answered my question and I believe I still have the floor Mr. Chair.

Trustee Akina – My use of the term raw

Trustee Lee – I believe I still have the floor Mr. Chair

Chair Ahuna - Yes, you do

Trustee Lee – Thank you

**Trustee Akina** – Mr. Chair, if I may speak afterwards

Trustee Akina – I thank you Mr. Chair

**Trustee Lee** – So, I find it, what I find concerning, originally the amount of red flags that are pointing, until CLA, pointed out that they did a risk based sample not a random based sample, by doing a risk based sampling, which I believe Jenny did a very good job in explaining they specifically picked disbursements that they believed would produce red flags, so the 85 percent Trustee Akina said occurred is something that I would expect if they were specifically picking contracts and disbursements that they felt were going to be risky ones versus random ones that they don't know anything about, what is concerning to me is someone who is not a CPA, says that they are going to provide their analysis to this Board. When we have a detailed analysis by professionals. Thank you, Mr. Chair.

Chair Ahuna - Thank you, our point of clarification well taken. Trustee Akina

Trustee Akina - Well, thank Mr. Chair for allowing me to respond, Trustee Lee it would have been better to have asked me the question what I meant by raw data by rather than assuming that I was referring to the data points that are used by a CPA firm, which I was not. I'm talking about the fact that, we're not CPA's, we are not the investigators, we are not the accountants, we as a Board are fiduciaries, we are called to use judgement, we're called to do something that goes beyond what has been done by this office, we're to take a look at the instances that they point out potential fraud waste and abuse and examine them and make some judgements on that, and that's what I am speaking of, referring to what they done as a report as raw data in a metaphorical sense, in the most general sense, and this is our data base, that we use, it's now before us and we have to have that discussion as to really what has happened in OHA and what we are going to do about it and deal with it. I thank you.

Chair Ahuna – Thank you Trustee Akina, you may respond Trustee Lee.

**Trustee Lee** – Trustee Akina, thank you for clarifying what you meant by, I appreciate that, I caution this Board about statements such as going beyond as our fiduciary responsibility going beyond what professionals have provided us. No one at this table, that has been elected of the nine Trustees, is qualified to go beyond what qualified professionals have provide a report for, so I caution this Board about using statements like that and trying to go forward thinking that we, non-CPAs can go beyond a very detailed report provided by professionals.

Chair Ahuna – Thank you Trustee Lee. Trustee Akina wants to comment.

**Trustee Akina** – Thank you very much, I'm in complete agreement with Trustee Lee as to the limitations of our roles of being non-accountants, so in no way would I be suggesting that we provide any greater accountancy to this that has been provided well. What I'm talking about in going beyond is that we are dealing with something that we are imminently qualified to do and we are responsible to do which is to use our judgement, which is to be fiduciaries to protect the organization and that something we are on this Board to do and that's what I'm encouraging us to do to take a look at the 20 the 32 instances of the red flags and use our judgement as we discuss them together, thank you.

Chair Ahuna – Thank you. Anybody else? Members? Trustee Hulu Lindsey

**Trustee Hulu Lindsey** - I just want to say thank you to Ernie, Jenny and Anna for the portion of the contract that I worked with you on, you folks have been super cooperative and so, so helpful, I just want to say I'm just amazed at the work that you folks have done, actually in the short time that you took to, mahalo from us and I know that it will be, further discussion on the board on the content of this report. Mahalo.

**Ernie Cooper, CLA** – Mahalo, thank you very much.

**Chair Ahuna** – Trustee Machado first then I'll let Ernie make some final accounts. Trustee Machado

**Trustee Machado** – In your opinion Ernie, you think the funding, or your observations would be considered as server or flagrant?

**Ernie Copper, CLA** – One of the things within our scope is we don't comment on the severity of recommendations and so in answer to your question, what we comment on are the facts that we have the recommendations, and the recommendations as we explained will flow from the observations, for instance, the observations, the recommendations pertaining to like grants, there's those recommendations, everything in the financial world, financial activity, is it critical and important so you look at it terms of the recommendations that we made, what areas they input, but no there is nowhere in here, within our scope, that we are to determine the severity is one more severe than others. It's looking in terms of the recommendations and how are those, what the notes go towards.

**Trustee Machado** – I was intrigue with prior to the open discussion with the Trustees, you've had highlighted, you had a small piece up there that had some, it sounded like this is something that you want the Board to consider in how we move forward.

**Ernie Copper, CLA** – Oh yes, page 303, section 9. It's entitled CLA suggestions implementation of recommendations and again

**Trustee Machado** – Can you pull that up? Can you read that paragraph? Read it for the record. Thank you, can you read it.

**Ernie Copper, CLA** - CLA understand that the task at hand where Board of Trustee, the RMC, OHA and LLCs staff in addressing assessing, considering implementing these recommendations can be daunting. Therefore, CLA strongly encourages the Trustees to delegate to OHA Administration the development of a recommendations implementation plan, that includes the following activities in consideration, comparison of recommendations to the current processes or contracts and disbursements examples, policies, procedures, practices, training, documentation, etc., and implementation actions including accountability measures, time tables, monitoring and reporting to the RMC and the BOT.

Trustee Machado – I so move

(laughter)

Trustee Machado – Thank you for that encouraging words.

Chair Ahuna - Continue Ernie

Ernie Copper, CLA - So just to finalize statement as I mentioned earlier, concludes the work that we've done for you and again, we cannot thank you enough for the opportunity that we have serviced, and one other point, as for as the protocol for us and our firm, we don't, discuss this, we don't make any comments about our work, this report outside of where we are today, so don't think of me or us as being rude, is somebody tries to as me, or ask us any of the CLA individuals any questions pertaining to this, it's our policy and practice, we just don't comment, we don't comment or discuss with media, third parties or anything like that, that's just our protocol our process, again we have experience in other engagements if somebody ever tries to call our office, again we have a policy in place, there's no discussion, if you ever hear that anybody from our group was discussing this, you can absolutely reach out to me and we can tell you that we didn't talk to them, but please don't think of me or anybody else in being rude if we don't talk about this, with that being said I would love to talk to anybody at any point in time outside regarding anything to do with this. So, I just want ot make sure that message was out there.

**Chair Ahuna** – Well to all of you, thank you so much for your work, very thorough report, and I want to thank you for everything you did and working with us, thank you so much. I also want to thank our staff, Kaui and Dini and Kama for doing a great job.

(applause)

**Chair Ahuna** – This work has gone on for months and months and I just want to say to everyone, I know I've thanked my staff but I also want to thank Sylvia's staff, they've worked very hard and all the people who worked with this committee.

(applause)

Chair Ahuna – Also the enormous amount of work, that they did in getting the information that they needed, thank you and we heard that got all the information, thank you so much for that Sylvia. Right now we have a motion on the Board, on the table. I'd like to move to recommend that one of the Board of Trustees receive the final report on OHA and OHA's LLC contract and disbursement review prepared by CliftonLarsonAllen LLP. Commissioned by the Board under contract 3284 as amended and number two direct Administration to review and analyze the recommendations contained in the final report and report back to the Board with it's analysis and plan to implement the recommendations at the first Resource Management Committee Meeting in January 2020.

**Trustee Machado** – moves

Chair Ahuna - Trustee Machado has moved it and Trustee Akina has second it.

Chair Ahuna – We are open for discussion, Trustee Lee

**Trustee Lee** – I move to amend the motion.

Chair Ahuna – There's an amendment on the table.

**Trustee Lee** – So, in the number two where it says report back to the Board, strike Board and report back to the Committee. This body is not the Board, this body is the Committee. If we are so moving, report back to the RM Committee. Thank you Mr. Chair.

**Trustee Machado** – I withdraw my motion, the original motion, so we don't need to go first party, to the second party. Will you be willing to withdraw your

Trustee Akina – I will withdraw my second

**Chair Ahuna** – Trustee Machado is going to withdraw her motion and Trustee Akina is going to withdraw his second, and we are going to go with this motion on the board.

**Trustee Machdo** – So I move to insert replace the Board with the RM Committee.

**Trustee Lee** – No, just read the whole motion.

**Chair Ahuna** – I'll read it, motion moved to recommend that number one: that the Board of Trustees receive the final report on OHA and OHA's LLC contracts and disbursements review prepared by CliftonLarsonAllen, LLP and commissioned by the Board under contract 3284 as amended and number two direct administration to review and analyze the recommendation contained in the final report and report back to the RM Committee with its analysis and plan to

implement the recommendations at first Recourse Management Committee meeting in January 2020.

Trustee Machado - Moves

Chair Ahuna – It has been moved by Trustee Machado and second by

Trustee Akina - Second

Chair Ahuna - Trustee Ahuna second. Is there any discussion. Trustee Lee?

**Trustee Lee** - No it's okay. I have an inquiry for Ka Pouhana. So, we are directing you basically to do this work and report back by January 20, the first meeting of January 2020, which in my estimation is in about four weeks away, so, you're nodding, that's enough time for administration to do this work?

**Sylvia Hussey** – Yes

**Trustee Lee** – Okay, mahalo. I didn't want to, we moved this, and you're like, can I have more than four weeks?

**Sylvia Hussey** – I think at the first meeting, the earliest will be at the first full week of January, so that's like six or so, so yeah.

Trustee Lee – Thank you

**Chair Ahuna** – Just so you guys know the first meeting of the new year will be January 22<sup>nd</sup>. Is there any more discussion? If there is no discussion, call for vote.

Trustee Machado, MOVED, SECOND by Trustee Akina.							
TRUSTE	E	1	2	'AE (YES)	'A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
TRUSTEE LEI	AHU ISA						NOT PRESENT
TRUSTEE KALEI	AKAKA			X			
TRUSTEE KELI'I	AKINA		2	X			
TRUSTEE BRENDON	LEE			X			
TRUSTEE HULU	LINDSEY			X			
TRUSTEE ROBERT	LINDSEY						EXCUSED
TRUSTEE COLETTE I	MACHADO	1		Х			
TRUSTEE JOHN	WAIHE'E			X			
CHAIRPERSON DAN	AHUNA			Х			
TOTAL VOTE COUNT 7							
MOTION: [] UNANIMO	US [ <b>X</b> ] PASSE	D [	][	EFERRE	D[]FAILI	ĒD	

# Motion passes with seven (7) YES votes.

**Chair Ahuna** – We defered our Workshop on Kaka'ako so that will be the end of this meeting for today, I'd like to get a motion to adjourn.

# **IV. ADJOURNMENT**

Chair Ahuna calls for motion to adjourn. It has been motioned by Trustee Akaka.

Trustee Waihe'e - seconded, seconded.

Trustee Machado, MOVED, SECOND by Trustee Kalei Akaka. Motion to adjourn.							
		1	2	'AE (YES)	'A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
TRUSTEE LEI	AHU ISA						
TRUSTEE KALEI	AKAKA	1		X			
TRUSTEE KELI'I	AKINA			Х			
TRUSTEE BRENDON	LEE			Х			
TRUSTEE HULU	LINDSEY			X			
TRUSTEE ROBERT	LINDSEY						Excused
TRUSTEE COLETTE N	MACHADO			X			
TRUSTEE JOHN	WAIHE'E		2	Х			
CHAIRPERSON DAN	AHUNA			Х			
TOTAL VOT	E COUNT			7			

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

Motion passes with seven (7) YES votes.

Chair	Ahuna	adjourned	meeting	at	12:47	pm.
-------	-------	-----------	---------	----	-------	-----

Respectfully Submitted,

Anuhea Patoc, Trustee Secretary
Committee on Resource Management

Dan Ahuna, Chairperson Committee on Resource Management

Approved: RM Committee meeting

Attachment(s):

None

# STATE OF HAWAI'I OFFICE OF HAWAIIAN AFFAIRS 560 N. NIMITZ HIGHWAY, SUITE 200

# COMMITTEE ON RESOURCE MANAGEMENT MINUTES

January 10, 2019 9:07 A.M.

#### **ATTENDANCE:**

RM Chairperson dan Ahuna
Trustee Lei Ahu Isa
Trustee Kalei 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 Kūikawā Daniel Santos Farah Cabrera Jim Patterson Jocelyn Doane Lee Miller Lisa Watkins- Victorino Mehana Hind Miles Nishijima Raina Gushiken Raymond Matsuura Sterling Wong

#### **GUESTS:**

Aedward Los Banos, HCDA Walter Thoemmes, KS Serge Krivatsy, KS

#### **GUESTS**:

Michael Imanaka, KS Aron Dote, KS Mae Nishimura, KS Gary Evora, KS Race Randle, HHC Todd Apo, HHC Makekau Kealii

#### **BOT STAFF:**

Lehua Itokazu
Alyssa-Marie Kau
Dayna Pa
Laurene Kaluau-Kealoha
Hihina Ahsing
Anuhea Patoc
Maria Calderon
Melissa Wennihan
Brandon Mitsuda
Kauikeaolani Wailehua
Lei Ann Durant
Priscilla Nakama
Nathan Takeuchi

#### **EXCUSED:**

RM Vice-Chairperson Robert Lindsey

## I. CALL TO ORDER

RM Chair Ahuna calls the Committee on Resource Management for Friday, January 10, 2020 to order at 9:07 A.M.

## **ROLL CALL:**

	MEMBERS		AT CALL TO ORDER (9:07 A.AM.)	TIME ARRIVED
RM CHAIR	DAN	AHUNA	PRESENT	
RM VICE-CHAIR	ROBERT	LINDSEY	PRESENT	Excused
TRUSTEE	LEINA'ALA	AHU ISA	PRESENT	
TRUSTEE	KALEI	AKAKA		Arrived at 9:09 A.M.
TRUSTEE	KELI'I	AKINA	PRESENT	
TRUSTEE	BRENDON KALEI'ĀINA	LEE	PRESENT	

TRUSTEE	CARMEN "HULU"	LINDSEY	PRESENT	
TRUSTEE	COLETTE	MACHADO		Arrived at 9:33 A.M.
TRUSTEE	JOHN	WAIHE'E, IV	PRESENT	

At the Call to Order, SEVEN (7) Trustees are PRESENT, thereby constituting a quorum.

## II. PUBLIC TESTIMONY\*

None

## III. NEW BUSINESS

Notice: The 72 Hour rule, pursuant to OHA BOT Operations Manual, Section 49, shall be waived for distribution of new committee materials. For Roman numeral A.1 to A.III

# A. PRESENTATION re: KAKA`AKO MAKAI CURRENT AND FUTURE PLANS AND COLLABORATION OPPORTUNITES

- 1. Presentation by Hawai i Community Development Authority
- 2. Presentation by Kamehameha Schools
- 3. Presentation by the Howard Hughes Corp.

Chair Ahuna turns it over to Ka Pouhana Kūikawā Sylvia Hussey to introduce our presenters.

Ka Pouhana Sylvia Hussey Good morning Trustees. This day is pretty special, trying to get three major players in the Kaka`ako Makai district was no easy feat, but, one I appreciate that they answered my email inquiry, we had some emails bounce backs because of our security, but one the time they had taken to put together some of the presentations pieces are highly informative and critical for us to understand the context as we are deciding on what to do with this particular asset that has been in our portfolio, so I hope, that you listen carefully bring all your answers, we've asked them to structure their presentations at thirty minutes each, twenty minutes for presentation, or ideally fifteen/fifteen, so that the most time is given for you to ask questions, they all understand it's a public forum that all this information is publicly available and a part of our procedures proceedings, so with that, I am going to call them up in the order and ask them to introduce the stellar people that they brought with them. First is HDCA, with a familiar face.

Aedward Los Banos Aloha Trustees, apparently its ben six years since I've been in this chair, it's a special meeting that you have two former COO's at the table, so I am the Executive Director of the Hawaii Community Development Authority, yes we did get the email right around the holidays so, trying to put together a presentation when most of staff is on vacation already, was a challenge, but Francine did put together a pretty good presentation, I think and we'll go ahead and get started. So, the HCDA, by way of background established in 1976 where responsibility is to do are charge, by statue is to create a re-development plan for each of the districts that we're engaged in and implement them. Easier said than done. As we developed these plans, we worked with the private sector of the general public communities that were served, in order to develop these plans and so for as an example, we'll talk about Kaka'ako for a little bit, the 1970's plan for the state currently still stands as an industrial plan for the area. When we change out to achieve urban core, district: live, work, play, the housing that we've been able to achieve, we've worked with the community long and hard to create that kind of density, the housing areas, if you recall, back in the early 2000's, I think the folks in the room would probably remember it, because they lived through it, there was a lot of trepidation as far as, what could happen, what does all the density look like. How many towers were too many towers, but now that the towers have come up, the world didn't necessarily end. It's turned into a very vibrant community, walking around the Ward Theaters, or if you are walking around the Salt area, very active area, there is desire to get more of that. Where we have seen

a lot of folks come out to testify on previous projects of Kamehameha Schools and Victoria Ward, we don't see that anymore. So there is definitely a change in tide. That is kind of the nature of our work, it is challenging and as people get comfortable with what we do we see better results, and we'll see changes in our plans. So our powers and authorities vested to us by statue, well generally by statue we are suppose to determine the, identify, determine the redevelopment programs, that can be anything from reserve housing program that we have which, more than one in three homes in Kaka`ako are affordable. We have a reserve housing program that holds 120% AMI or below. Or it can go down to 30 to 60% of AMI, we have two projects coming up in Kaka`ako right now Nahona Hale and our project with Pai Foundation, Ola Kai coming up with about 200 units all under 100% of affordability at below of 100% of vary medium income or AMI. Programs, we can assess landowner fees for recovery, whether we do, like a special assessment for infrastructure improvements, that sort of thing.





We can acquire and condemn properties, which often accounts for doing roadway work, with extensions of roadways and those type of things. We also can develop commercial assets and public facilities. Public facilities, parks, community centers and those kind of things, utilities and commercial stuff like affordable housing project we have coming up, but generally our mission is to identify redevelopment program, trying to implement them. but to identify those programs we often work with the committee to identify what needs to go there. Since our inception of 1976 we've been assigned four districts, the latest district is the Stadium district, Kaka'ako in 1976, talked about it earlier was saved by the City for industrial, but we've turned it into a mixed use residential area. Kalaeloa district is a former Barber's Point air station that was recently, or back in 2000 it was subject to face realignment and closure, our He'eia district which we received in a landstop for Kaka'ako properties with Kamehameha Schools in 2011 as primary agricultural project and in 2019 redevelopment of the stadium and it's surrounding area. You can kind of see, we oversee a wide array of asset classes. In Kaka'ako alone, something like a small boat harbor, we have public parks, we have affordable housing, it's kind of unique in the sense that there are individual state agencies that do one of these projects that let alone HCDA has to cover that broad range of asset classes. It comes with no small challenge either. That's what I've warned Miles as you consider your development, different asset classes that Office of Hawaiian Affairs has from it's Legacy Properties to something like Waimea Valley all the way to whatever Office of Hawaiian Affairs might endeavor in Kaka`ako commercial and otherwise. For the Kaka ako community development district, that's to talk broadly as well as specific kai area you guys were focusing in, it's split into two areas, the mauka area and the makai area, the reason for the two tracks are what ended up being two tracks is we have two different sets of properties, the makai property was primarily State owned, when we started doing our planning work, it was also deficient in a lot of infrastructure and those kind of things that it, it wasn't going to follow the necessary the same cycles as the mauka area were we had two active and interested developers in Victoria Ward and Kamehameha Schools as you can kind of see, if you've driven in the mauka area more development than we see in the makai area, other

than the makai area parks that HCDA did. This is an historic picture: need to get presentation from HCDA More so I want to focus on the picture than anything else here, this kinda gives you an idea, meant to ask Francine what year this picture was but she didn't get back to me in time, so, this kinda gives you an idea what Kaka`ako looked like at the time, you see Kewalo Basin Park isn't necessarily there, you see the industrial life that it had. I think.

Miles will tell you about the used car lots that used to be there and Wailoa warehouse was created, but you see a different kind of blend of what's there now, and like I said it was more so to get that city in the urban core. That was the main focus, cool contextual pictures, you see what, Howard Hughes might be presenting as well as Kamehameha Schools as far as their master plans and what the juxtaposition is like. Most recently in Kaka'ako, like I said so you start the juxtaposition here, the most recent permit that we've done really implementing what our powers are is the Victoria Place and Park, with Victoria Ward as I mentioned we have some affordable housing projects, this building looks sufficient, or way more beyond what it looks like, I think it's a picture of last month even, the second picture over here, that's our Nohona Hale, 110 units and 15000 square feet of property. These are micro units, most recently is our transfer of parks in the city, Kewalo Basin park built in 1990, Waterfront Park in 1992 and Gateway Park in 98. When we built the Waterfront Park over the landfill, it was something really unique at that time for the entire United States, so we were one of the first folks to do that repurpose the landfill into a park. That's the nature of our redevelopment programs and the innovation that we try to bring into our development districts, but the land grants of the city is enough to transition, not to hold on the to the assets for a long period of time, put it where the funding sources are, for example he real property taxes that the city is able to generate from the redevelopment of Kaka'ako, they received that we don't receive that, still trying to match the funding source to the asset, which was suppose to serve the urban density. In terms of future plans Kaka'ako, we are looking at implementing in the mauka area TOD rules, with rail coming, or plan to appear in our district, the TOD plan, Transit Or Development, what we plan to do there is to increase density and some of the use to get more activities along the rail line, rather than, and what that does, it then helps takes cars off the road, right? Have a destination for the rail, have jobs, have houses on there, so we can get those cars off the road and people using the rail line, and for more sustainable future for the State.



While we have a plan, we haven't gone to rule making yet, in the rule making process, our rubber is going to meet the road, as I mentioned earlier, density was a big issue, how many towers, are too many towers, how many people are, how dense of a land. How dense of a tower can you put, that's still subject to input and finalization are far as what that density is going to look like. Give you an idea, the towers, coming up behind Ala Moana Shopping Center right now, those big ones coming up behind Kapi`olani Blvd, those are probably closer to about 10, ten times multipliers, so we use a floor area ratio, if your property is about an acre, and HCDA floor area ratio are max based on our last floor round, about 3.5, you can vertically do about 3.5 work of vertical space

# DRAFT For Approval on 2/19/2020

above that, hopefully in a center tower so you don't block new things and that kind of things. The things coming up behind Ala Moana Shopping Center those are closer to 10. The Kapi'olani Blvd behind Ala Moana Shopping Center, that's coming up under the city TOD interim plan. What is it, is it comfortable at 10, is it comfortable at 3.5, is it 5, 6, that remains to be seen, but that's going to be an interesting negotiation, we also looked to see, additional uses, one of the big uses that there's been demand for are hotels, but this is the public dialog that happens, when we did our 2011 and even our 2005 rules, the Waikiki Hotels are saying nothing outside of Waikiki, no hotels outside of Waikiki, and now the are hitting me over the head saying Aeward, how come I can not have a hotel in Waikiki, we'll cause we listened to you guys, same thing when we get to 3.5, 3.5 is pushing the envelope, but now, like I said we are behind Kapi olani Blvd, on Ala Moana, the City is approving projects as big as ten times the floor area. That would be our goal as to try help TOD be successful as a state by adding those density items, and things to do along the rail line. Somebody told me that once that, eh, I think what you're trying to do is to hide the ugly elevated rail track, (laughter), I have no comment on that. Two projects that I did want to focus on during my time here, because it's budding on your parcels here. This first project is HDCA Lot C not to confuse it with your Lot C, I know it happens often and I want to say since we were here first, I'm the correct guy. (laughter) I'm also familiar with OHA so I'm kinda conflicted on who's correct, because I was here when we did the A, B, C's on the lots. An interesting fact is I actually signed conveyance documents on two sides of the transaction. I got to sign off on some conveyances HCDA Director as well as OHA COO.

To familiarize yourself with this lot, if you go up that's actually Ewa. If you go down, that's Diamond Head, this way is Makai, this way is Mauka. So, this way, Makai, would be your, that's your Lot CSF-3 Building, I think that's your Lot L. Where the Next Step Shelter is. Currently what we have been able to complete is the entrepreneur sandbox, and we do have a development agreement in place with, for, Innovation Hale Stanford Carr Development, he just requested another twelve months to try and finalize this transaction there to fulfill the office tower in that area. With the Innovation Hale what will probably have to happen as well is the parking structure, in order to service that area, and what we are trying to do, is try to secure funding on that parking structure to service JABSOM as well. This lot was suppose to be the site of the UH Caner Center, there was a reversion clause, the City had to control the property it came back to the HCDA, otherwise UH had always planned to put parking on there, so when the reverted, we took away the University of Hawaii's parking. To give you an idea of the scale, I think the Innovation, the entrepreneur sandbox is about three stories tall, Innovation plans to be about fifteen stories tall and the parking structure while there is some more room, right now in the plan we are possibly looking at seven stories of parking or about, five hundred vehicles, five hundred stalls in that area. We have been having discussions with staff as far as how do you access your lot at the rear, we are trying to work towards that. Ideally when we look at our project here along Keawe Street, because it's kinda UH, some of that clause with advent of lift and uber, if it is become a medical space could be a port cochere, a drop off area as well, we did want to keep that as a low volume street, on Keawe Street, my discussion with staff, how do we get OHA staff, OHA circulation up with 1st Avenue or are we going with Keawe Street, we like to deal with more so definitive rather than possibilities, right now there is no development, but ideally we are trying to keep the space between JABSOM knowing that several of the students will be crossing Keawe Street to get to school, to the med school, Caner Center patients or whatever it is and services for their, make it across there, make it an pedestrian friendly street rather than how you get five hundred more cars down to Lot L, that's our desire at least, but we are working with staff and since the buildings are not up yet, there is still some time to work through out that one.

# Trustee Hulu Lindsey Aeward can you point out Lot L before you move on?



Aedward Los Banos the other plan that we have here is currently, the newer plan that we have here is the Park Master Plan. The Parks is out of our control now that it has been transferred over to the City & County of Honolulu. They are taking a look, it hasn't necessarily digested our plan yet, the jab that I have with the city is that, we completed our EIS Master Plan for our park, there are still in the works of Ala Moana. This is what our plan is, what we had planned for the park, the key thing I want to identify in here was a park expansion, if you look over here, at some point, OHA was interested in in the wastewater lots and the Obama Library. The main thing, it is play for park expansion, City would like to proceed with park expansion, it's just that they they've taken over, still trying to figure out what they have so far.

Trustee Machado Is it too much to ask if we can be pono about the Luke Land (?), it's ideal for us.

**Aedward Los Banos** That would have to be worked out with the City & County cause we no longer have title to that property.

Trustee Hulu Lindsey So that park land was transferred along with the Luke Land to the City & County?

#### Aedward Los Banos Yes

Trustee Hulu Lindsey My I ask why the Luke Land was included, because it's a different lot.

Aedward Los Banos All of it was going to be park property, at the time the City was also combating annual park expenses for maintenance of all of these parks, about one point a million dollars a year with vagrant actions that are happening in the area, we seen that number spike to well over one and a quarter million, and when we lost a significant amount of revenues with the land transfers to the Office of Hawaiian Affairs, so if you actually take a look at our audit financial statements, you'll see our revolving funds shrinking, so that wasn't sustainable thing to hold on too. We've been trying to get funding for the park expansion. Some of the, our plan, is the active use plan, so we were trying to activate the park through some commercial uses and things like that but I think what works out best for the public in general is if they can have activated park and recs style, they got the great relationship with AYSO, HYSA, Pop Warner and those kind of guys and get those kind of activities, other than HCDA quasi privatizing areas of the park, to get it, one, maintained and possibly generate some like revenue to take on the projects in our parks, but one of the big areas for us was that it wasn't a sustainable for HCDA to maintain that, when the HCDA had OHA properties, I think generates, well in asses of the one and a quarter million dollars, we've could have held on to that parcel. I think, in the budget build last year, there was a proviso for HCDA to extricate itself from Kaka`ako, so things like this transferring assets completed assets to the city is partial of that transition. Right now, I'll guess I'll akamai comment on that

since I brought the topic up, the board is following the intent of that proviso in the budget and they are taking a look at to sunset the HCDA's presence in Kaka'ako. There's a lot, which we look at our legislation we are not suppose to incriminate any district we are suppose to see if redevelopment and then move on, there's a lot of other areas in the state that would benefit from HCDA. I know for a long time it was always a push and pull, does HCDA get Banyan Drive, does OHA get Banyan Drive, or who's going to get Banyan Drive for an example and you know my testimony has always been, well, I need more resources, if you want me to do Banyan Drive, I need office in Hilo and I need some resources to do all that, so, then they said OHA, you take it and it's always a back and forth, push and pull. I remember when Sterling's testimony would be about that on to, so. (laughter). So I mean it was kinda of unfortunate that we did do that, a lot of people, had mixed emotions about it, but then I get a lot of compliments that the parks, eh, HCDA the parks looked better then you guys had it than the City. It's a work in process, I'd say give the City some time. I just want to highlight that, it is an active plan, the City whether it falls there or not, they have a different plan, a different operation, like I said I, you know, personally as a parks and recs guy, I'd like to see Pop Warner and those kinds of guys use the field rather than isolating areas of the park and privatizing smaller areas. I remember one of Bob Lindsev's comments when he took the Kaka`ako properties he was trying to make a (inaudible) within the urban core and having that open space there for people to remember that they are in Hawaii, but that's it. So, I'll take any questions, you guys, you folks would have. I can't stick around to much longer, or I can stick around for another hour or so, but I do have to get to a budget hearing.



Chair Ahuna Thank you Aedward. Trustees if you have any questions please speak into your mic.

**Trustee Machado** So when is your last day, tell us about your transfer to the, tell us about your move to the higher grounds if you call it to Aloha Stadium.

**Aedward Los Banos** My last day with HCDA will be on January 31<sup>st</sup>. The Interim Executive Director was named on Wednesday is Garett Kanemoto, so another familiar face for the Office of Hawaiian Affairs.

**Trustee Machado** We were betting on that, I lost, I lost. (laughter). The staff said Garett, going get em, I said, no way.

**Aedward Los Banos** Yeah, I'd thought he'd be smart enough too .. just kidding, Garett's a great guy.

Trustee Machado Yeah, he is.

**Aedward Los Banos** Then my transition, then I'll start at the University of Hawaii on Feb 3<sup>rd</sup> as the Assistant Vice President of Administration.

Chair Ahuna Thank you, Trustee Hulu Lindsey, followed buy Trustee Akina

**Trustee Hulu Lindsey** Aedward, on the affordable housing that you showed us, could you tell us what size it is and who is the developer?

**Aedward Los Banos** When you say size, unit size?

**Trustee Hulu Lindsey** Yes, unit size, yes, because you said micro, it sounds like a mini unit to me and I wonder if, how big is this micro.

**Aedward Los Banos** The mirco unit, I want to say is ranges from 350 square feet to, 350 to 400 square feet, when you look at micro units, they are, it's more of the use of space, flexibility of furniture, that helps makes that thing livable. Porosity of lighting makes the design elements, to make the space feel larger. Our partner with that was the BronxPro Group, out of New York. The BronxPro Group, they, they consult with the Hawaii Housing Finance Development Corporation, but they were able to get their financing together faster than any other entity, that the HHFDC has ever worked with, primarily because as a Bronx program, this kind of project is typical for them, so they just ... oh yeah, that's a no brainer, we finance this project and they are up running. It is one hundred ten units on fifteen thousand, just over fifteen thousand square feet of land.

**Trustee Hulu Lindsey** So is that fee simple rentals?

Aedward Los Banos Rentals: so the two projects that I mentioned today, with the Pai Foundation, Ola Kai Lima Art space lofts, those are both rental projects, because we are dealing with State land here, we can't sell those things fee simple, whenever are projects are, will always be rental projects, and a part of that is part of State policy too. Trying to keep those projects in affordability, other than that we have a reserve housing program last year Victoria Word put out three hundred seventy-five units in it's Ke Kilohana with Long's on the bottom, along Ward. Because of project like that or other projects Kauhale Kaka`ako Kamake, other projects with HHFDC, I can say that, more than one in three units in Kaka`ako are affordable.

Trustee Hulu Lindsey So how are the rents determined, when you say affordable?

**Aedward Los Banos** Because they are working with HHFDC, financing, it's based on variant medium income as determined by the Housing of Urban Development. Annually based on the data, census data in certain tracks they identify what the area median income is and then it's a percentage of that.

Trustee Ahu-Isa I have a question

Chair Ahuna wait Trustee Akina first

**Trustee Akina** Thank you. Aeward, thanks so much for coming down here today, got a couple of questions, first, in terms of OHA's Kaka`ako Makai properties, what do you envision to be the biggest challenges we face that need to be overcome to get HCDA's cooperation and sign off. That's kind of a general question.

Aedward Los Banos Well we, as guiding principles, we do have a plan as to the makai area, if a project is within those boundaries it is kinda OHA's by right, to the extent that you deviate from what those rules have provided, I think that it's going to, then you're looking for a modification, it's whether or not we can grant the modification and then, what, if you're asking for modification, usually there is a public benefit or something like that for the Board to request to grant the modification. If it's something that we can grant, but right now having not seen a Master Plan, I'm not quite certain what the challenges this could be, other than that, I think you know we are looking at a pretty hyperactive market right now, I guess if you guys looking under your term, generally speaking now, that I think if on the lines of challenges, what kind of space are you going to try to carve out? You know, office space, you see a big migration out of Downtown Honolulu, a lot of vacancies, you

see complete buildings being converted over to housing well okay, what is the office market like, then you look at retail struggling, you see big boxes pulling out of Hawai`i. You see more eCommerce, what are the potential development prospects, I think you got to take a look at, one thing I did like as a Property Officer of the Office of Hawaiian Affairs is taking a look at other Native Americans that, what kind of other entitlements that you can have, you know, when I was here, we were looking at housing as being one of em, housing is definitely something you can create a return, but are there other things, were there is a tax free zone or other kine of entitlements that other Native American similar OHA type entitles have negotiated for and received, that could either kind of create a benefit if you were to create an office building or to create a retail space that could actually generate some kind of revenue or something.

**Trustee Akina** That's helpful, my follow up question is along the same lines but a little more specific, in dealing with Hughes and Kamehameha Schools what were some of the challenges that were overcome in terms of getting HCDA to sign off?

Aedward Los Banos I think everyone will tell you it's a learning curve on how to get the permits through, and it is something unique if you have something that you're entitled by rights anywhere else in the State. You just go to the City Council and or you can go to DPP if you following all the rules you can go to the building and get your permit done, which is a challenge, getting a permit approved with State is still a challenge, but it's an additional area that we require, making sure that we have a public hearing, that the project is vetted, people can comment on it. But it's really a learning curve, how to do that, how to work with the community to get your project so they are supportive of it, it's not the first time they hear about it, you know when you are trying to bring it to the HCDA Board at that point, I think you can probably ask them, they have a lot of helpful hints your you, how they negotiated being on this side of the ta, being on the HCDA side of the table not having lived through it, granted we've taken a lot of arrows initially as far as, if projects undesirable, but like I said that momentum shifted significantly as experience has played out.

Trustee Akina Thank you Aeward.

Chair Ahuna Trustee Lei Ahu Isa

**Trustee Ahu Isa** The Micro units, cause I live in that area, it's cause, no need parking, that's why they get approval to build, you know right next to the senior, cause I walk by every day; it's almost pau. My question was, Sears, Burt Kobayashi built above, parking and did I read right about Brookfield asking permission to build above Ala Moana mall?

**Aedward Los Banos** That's outside of our district, no our district ends at Piikoi street, so it's just outside our district.

**Trustee Ahu Isa** Cause you mentioned behind Ala Moana, so if it's Ala Moana behind Avalon, that's your district too

**Aedward Los Banos** No, no we're just tracking that, those projects because, we're just trying to gage what the market is like. Part of the demand that we are getting, you know, for increased density and we're considering increased density as how much is too much, what's the reaction, we are monitoring that situation closely, cause it's an artificial boundary on the other side of Piikoi Street, right?

**Trustee Ahu Isa** What about, I heard, that's why I'm asking, can we request, can OHA request the Legislature to modify our mend, like they say we cannot go out, we cannot build on Makai? If we request, can they approve, if they approve, it's okay to build?

Aedward Los Banos and that's a, well if the legislature creates zoning like that, no it's under the HCDA, cause the State, HCDA entity was trumped to City's jurisdiction just like we are now. Like I said if you file, if you look at the City's plan right now, industrial plan, should be warehouses, nothing really much higher than three stories or so, but now we're four hundred-foot towers, right? Uh, so It wouldn't be the City, it wouldn't be the State, good example of this is, the law that passed after HCDA failed modified development plan, that prohibits residential below Ala Moana Blvd. So if the State were to create that carve up, yes you would get it, but if you, I think we, haven't seen a Master Plan yet, certainly we have our Master Plan based on the Ednis updated a Master Plan, as Miles points out to me but it was based on State ownership of the property at the time and the climate at the time. As far as what people's views of Kaka`ako development was.

**Trustee Ahu Isa** cause it's hard, it's really hard to get revenue, look at what we can do with that land, oh we're stuck either way it's been sitting there since I got elected.

**Aedward Los Banos** but I'll also say this, for example if you we're to make an office building out of it and the office demand is a suite, you can create a bigger building but doesn't mean you are going to fill it.

**Trustee Ahu Isa** I'm looking at, I just got back on Vegas and the Native Indians, cause that kind of triggered a thought when you were just brought it up. Was like new market place, owned by the Native Plains Tribe two blocks from California Hotel. They make eight hundred million a year. It's a medical marijuana building, now they went rec, but boy if OHA do something like that not go up but some, like you said

**Aedward Los Banos** Alternative to entitlements

Chair Ahuna Trustee Waihe`e do you have a question.

**Trustee Waihe'e** Yes, thank you Aedward that was an excellent presentation by the way. That photo you showed, it was taken in 1947.

Chair Ahuna Trustee Hulu Lindsey

**Trustee Hulu Lindsey** One final question, Aedward, on the discussion of possibly moving HDCA land to the County, what status is that at?

**Aedward Los Banos** Sorry

**Trustee Hulu Lindsey** The possibility of moving Kaka`ako Makai HCDA jurisdiction to the County, I'm just wondering where you are at with that.

Aedward Los Banos It's going to be a process in order to do that, one is City capacity, having, taking on this responsibility and the layers that we got into it. It's going to be a challenge to the city. Staffing of, learning it, doing those kind of things, there is also legal requirements, both Howard Hughes have an HCDA issued Master Plan permit and entitlements to honor those kind of things, is another area, we are hopeful, when you look at the interim TOD plans that have been approved and they are looking at lwilei, Kapālama, Waipahu and the other areas and the fact that they've created an interim permitting plan. Where you can get interim TOD permits, and but you look at the plan itself, they look awfully like HCDA plans. You like at the HCDA, you look at the City's inclusionary zoning, affordable housing requirements that they put on developers now, that they've adopted statewide, it looks a lot like the HCDA reserve housing program, so they've done a great job in, and we have a relationship with the City, hey good job HCDA, now it makes it easier to reapply this on an island wide basis, because again the world didn't end after several towers have gone up and developers have come along provided those housing units, so there are certain things where, like in the City is making progress adopting stuff the kind of stuff that we do. Which will make some of the transition easier, but there is going to be a lot of work down the

# DRAFT For Approval on 2/19/2020

road, knowing that's not going to happen this year, uh, you do have new mayor next year and five new council members, so there is a tremendous amount of uncertainty, so later this year, so I wouldn't be able to forecast that for you the City's acceptance.

**Trustee Hulu Lindsey** so, I'm sorry, my final question, the mirco affordable housing, what is the average rent, that is considered affordable, I know you mentioned the medium income, but medium income

## Percentages

Trustee Hulu Lindsey but what are we talking about, rent

**Aedward Los Banos** can I get back to you on that, I got to take a look at that, I know they are going to market right now, I think the sign says 900 a month or so, for a studio, which is pretty good, my wife's cousin rents a unit she's paying like 2100 a month for 801 South, for a studio at 801 South.

**Chair Ahuna** well Aeward thank you so much, that was a great presentation, thank you. Executor Officer Sylvia Hussey to introduce our next presenters.

**Ka Pouhana Sylvia Hussey** sure, we are going to invite Kamehameha Schools, so Walter Thoemmes is here and he'll introduce his team.

Walter Thoemmes Aloha Mai Kākou

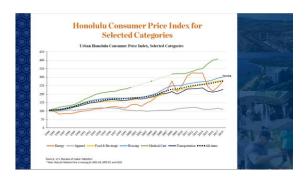
(Aloha)

Walter Thoemmes Chair Ahuna, Trustees, my fellow colleagues, my former colleague, Sylvia, so with me today you can judge if this is really a cheering section or actually here to make sure I don't stray, but we have Michael Imanaka from Accounting Development team, Gary Evora, our Senior Asset Manager in charge of Kaka'ako, Mae Nishimura and Aron Dote are both Communications and Serge Krivatsy is our Development Director for Kaka`ako, I think it's more they are here to make sure I don't stray, they are happy to be here, uhm, if you don't mind, I do want to start a little broader, before we get down to Kaka ako just to kind of give you a sense of where we are at, Kamehameha. So I don't think I need to kind of belabor the background of where we come from, but in 2015, we did establish a new vision for the organization, our vision 2040, and the key aspects of this vision which I'm sure you are familiar with is that in twenty five years we see a thriving learners achieve post-secondary success, that they be grounded in Christian Hawaiian values and that they contribute locally and globally. What interesting about this, it wasn't meant to be just for the kids that are fortunate enough to get into our schools. It is really meant to be the opportunity all of Hawaiians should have here in Hawaii. So that's a profound shift. So just some statistics of where we are as of last year, through our programs, twenty thousand served on our campuses and extension programs sixty-one thousand total, the difference really being the other forty thousand is through partnerships with the DOE, college scholarships, scholarships to other private schools, so it's really more outside of KS, partnerships that we have at different levels, and that's actually the forty-six thousand in community investing and partner organizations. Market position, I don't know where we are as far as January is concerned, we ended the year around eleven point nine billion and at three hundred sixty-three thousand acres, we are the State's largest private land owner, this is an interesting slide, it shows the interplay between what we spend and how we fund it, so large circle on the right, last year we spent four hundred and eighty three million dollars on programs so you can see what we spend on campuses and stewardship and our scholarships, and on the left the smaller bubble represents our endowment, so virtually nominal philanthropic in tuition sources, ninety-eight percent of the revenue comes from the endowment, we have an established model of doing this essentially we don't spend from the corpus of twelve billion, we target roughly a seven percent return and spend about four percent of it.





That enables us to ensure intergenerational equity because we can account for inflation and a little bit of growth hopefully in good years. From a land perspective, we three hundred sixty-five thousand acers of land, the center bubble shows most of that is agriculture and conservation lands, fifteen thousand of that total is commercial, so it's under my prevue, and of that only about a thousand is actually what you would consider active commercial, Windward Mall or hotel lease, a lot of the balance are the golf courses and vacant held for development, like Waiawa, is you saw the paper this morning, I was actually, I'm still recovering from four hours at the LUC. So, really, what's driving the revenue in the private bubble is that one percent, that one percent is thirty one percent of the endowment. Interestingly the lower left bubble is how we are carrying our value in lease tenure, eighty percent of it is ground lease, so understanding ground leases says, we have basically leased out for very long term from our lands to our others to develop and to operate facilities, we don't have control of the asset necessarily, we get passive ground lease rent, the other twenty percent is space, where we actually own the asset, Windward Mall is a good example, we actually own and operate, so that's been the historic model for KS, very passive, long life returns, we don't take a lot of risks but we don't capture any upside either, so that will have meaning in a few slides, on the right, you see, by property type, what's interesting here, you know when I think of us as a, this is just commercial now, most commercial real estate are organizations focus on one thing, it might be an industrial read, or apartment, shopping center, you can see we have retail hospitality, industrial, all of it, it makes our job very interesting, and it is a byproduct of the history of ground leasing, because as ground leases expire, we get assets back and they were really what somebody else developed, so it's a very diverse portfolio, makes very interesting. So, why do we manage real estate? There's an obvious answer for economic reasons, but what we have also been saying and you may have heard, that we have a, we have a lot of community issues in our community, this is a consumer price in the selective categories, for the last thirty-five years, and you can see that medical costs have really sky-rocketed, that should be of no surprise to anyone. You see the orange is energy and that bounces up and down, but you see housing is the blue line and maybe, medical costs about pace that, but if you consider the share the large share that housing consumes that family purchasing power on an annual basis that is a big concern, so if we dig a little deeper into housing, this is a housing market versus family median income versus new building permits since Statehood. It's a busy slide, but the key message here is that Statehood, if you look to the lower left, an average home, for single family median sales price, was twentyone thousand, the median income of a family of four was sixty-four hundred, and that's at 3x, three times, roughly. If you look at where we are now on the right boxes, at seven seventy-two for sales price and one hundred thousand for a family of four, that same family of four, that's 7x.





So, something has happened here that's resulting in how increases that we have. Now, we didn't plot population, we could have done that, population growth has occurred at a steady pace, what you see in the lavender is actually new building permits, I've listed out of the City and County, permitting department, as you can see for the first roughly eighteen years of Statehood, we were robustly developing houses including twenty-two thousand new permits in a year and it crashed, it crashed in the mid to late seventies, right, why is that, I'm sure there's a lot of reasons, I'm not even going to tell you what it is but it crashed, I know land use regulations really started ramping up at that time and it's really not kept up with population growth, so you looked at what we as a community approved last year, twenty five hundred building permits, there is a correlation between housing affordability and the production of homes which is the supply and then the population demand that has been created, this is a complex matter, I mean there is the transit, the Airbnb, the off-shore buying, there's a lot of things. This is kind of staggering for us to see.

**Trustee Lee** Before you go off this slide, but is that also because from Statehood to the mid to late seventies the available lands to build on were significantly, like from Statehood, never have Pearl City, never have Mililani, most of Waipahu was not there, also Waikele and Kapolei, was still sugar cane, so, is that taken into consideration going forward with the, because yes, there were a lot of permits, but there was a lot of vacant lands to build, and as more land became more available in the late seventies, a lot of it started becoming, restricted, building to much, got to reserve ag lands, we got to reserve open space.

Walter Thoemmes So, where, where were all of those vacant lands, they were ag land, they were conservation land, what happened in those years was there wasn't the regulations that constrained it. So we not judging, we just saying, this is the facts, right, the facts is land use regulations have really constrained the availability of lands, such that, Koa Ridge, according to Castle & Cook, they actually entitle Mililani in the late fifties and early sixties in like two years. Koa Ridge took them eighteen years to get land use permissions. Right? Hoopili took eleven, right, so these are, I'm not saying good or bad, but these are the result of, Henry Kaiser, could no way do Hawaii Kai today, I mean the way he did Hawaii Kai, because he able to because of the regulations, so, it's just, it's pointing out that, we're not saying get rid of all the regulations, we are just pointing what we see the problem is and the correlation between production of housing and our community and the cost of housing, because it's a supply and demand

## Trustee Lee Right, that was kind of my point

Walter Thoemmes We didn't plot a population, we might do that, figure out a way without making this slide to busy but it's all related right, and so, the point in this, what are we doing about it. So when we think about are strategies, since 2015, you know there's two rule challenges for commercial real estate, one is, I shared the vision, it's an outsized vision, they want to do more, we have a very passive portfolio, how do we generate returns, so we have a bit of an economic challenge. Maybe we got to change what we do, maybe we have to be more active, we got to get involved in the deals, take a little more risks but maybe benefit from our upside. The other challenge is more of a community challenge it what I call the mission success challenge, I showed a slide a few slides ago that we spent four hundred plus million dollars a year in education, we believe in our teachers and our educators to be educating these kids to be the next leaders of Hawaii, if what awaits them at their

conclusion of there schooling is a community that can't afford to live in then, we'll be successful in one thing and educating the future leaders of Nevada, and of Portland, and everywhere these kids are moving. So for us, from a real estate perspective, we've got to overcome the economic challenges and provide more resources, but we also got to find out ways and opportunities to create communities is what we are talking about to help put a dent in the housing and in a way that is different than it was done before with large green filled development way out there that contributes to more cars on the road, how do we do it in the urban core and one way we've kinda reconciled it, we have assets in many places and opportunities in many places and we really need to think about our plans regionally.

In 2015 KS kinda of reorganized around a regional approach and we worked with and actually set up regional teams, so we worked with them to identify these six drivers of a healthy community, and it's actually a framework that we applied, we not trying to solve everyone, everyplace, but we use it to guide our thinking in the decisions we make around the real estate choices and the plans that we come up with, so we create master plans and we think about education and access to education, housing and affordable housing, homelessness, is there something we can do there, transportation equity, you know as well as I do that we have beneficiaries that live out on the West side and to come into town for their jobs and they are spending an hour and a half each way, so what kind of quality of life is that? Jobs, jobs are huge. One of the challenges is the kind of jobs we need to support the housing costs we have, kind of don't exist. So how do we look at it holistically, health and aina. So, these are things that we try to, see what we can check the box on with every opportunity that we have, so then this is kinda of our urban core strategy, we can open this in late 2018, and it acknowledges that everything in green you see, is Kamehameha ownership, the orange line is the rail project.



I think we can all agree we want rail to be managed well, and on time and on budget and all those things, right? The reality is it's going to get done sooner or later and Kamehameha has significant ownership along this rail line, and so our strategy is to master plan areas in Waipahu, Waiawa, that's what the subject of yesterday's LUC presentation was, Kaonohi, Kapalama and Kaka'ako, five key areas along the presently approved transit line. That we believe that we can continue what we started in Kaka'ako, recognizing that each community is different, right, our regional plan tell us that each community is different, each communities needs are different, thing we have to do there, I don't expect Waipahu, development project in Waipahu to look like Kaka'ako. It's gonna be full Waipahu, right? So, Waipahu people can afford to live there. Along this line we actually include Mō'ili'ili in this just because we are optimistic that once day rail will get to the University of Hawaii. We already have a project we are working on, and across this urban core strategy we hope to see in the next fifteen years eight to ten thousand homes built in these various places in partnership with the development community and the city's TOD strategies. Super important for us obviously it's in Kaka'ako we have HCDA that we are currently working with and we'll get to that.

Kaka`ako, our vision was starting off 2009 when we got our plan approved, recognizing and banking at some point that rail was going to come, the idea that it's nestled between Waikiki and Downtown is an ideal place for mixed use, where people can potentially walk to work, to play and maybe that family gives up their second car they might not need. That was before Uber and driverless car, but we are starting to weave some of that in as

well. Our design concept was to create a new community standard. There is a nine block plan in Kaka`ako Mauka, so far twenty seven hundred fifty roughly are expected to be built, we've built thirteen hundred and thirty-six, we're required to do twenty percent affordable, we are at four-fifty six right now, which is thirty-four percent. Our goal was not to build an exclusive community.





Trustee Ahu-Isa Are those rentals the lofts at Pu'unui?

Walter Thoemmes Yes, the lofts at Pu'uni are actually purpose filled rentals, the diversity in housing both in price point as well as in product offering, so we have rentals as well as condos, we wanted it to be very pedestrian oriented, we want the community to know one another, have the social connections, so you have your private space that might be your unit, but you have semi-private spaces in your project and public spaces where street intersects with the commercial. Our strategy is to as much as possible retain the commercial because that provides long term cash flow for us and frankly, we do retail pretty well. If you think of Hawai'i Kai, that's the suburban view of it, right? Kaiser built all the homes, they sold all the homes to residents but we still own all the shopping centers as ground leases or space places. Kaka'ako is just an urban implementation of that, so we own all the retail at the street, we sell off the condo interest or you keep the rentals, we like rental housing, it's just really hard to pencil.

Trustee Ahu-Isa The Hawaiians were asking me how they can apply for that lofts?

Chair Ahuna Trustee Ahu-Isa can you speak into the mic please?

**Trustee Ahu-Isa** It's Kamehameha rentals but people always ask me, beneficiaries asking how they can apply for lofts, cause, I don't know how you manage?

**Walter Thoemmes** We have a contracted manager, and they have a management office there. They have a website as well. Locations manages the lofts.



What's in blue are the twenty-nine acres that represent our master plan. You can actually see Ward Village next door, as well as what's in orange these are four blocks that are on the Makai side that are not part of the master plan, but still owned by KS. Then you see Other Mauka Lands (purple/pink), we also own, that are covered by other leases. What's interesting the opportunity here, if you think about it, we are halfway through our Mauka development, I can share with you, we are actually talking with other parties and Block C, G and D right now as well as working closely with Howard Hughes Corp. we both agree that we should have developments that compliment one another that connected to one another that welcome each other as residents and customers and so there is a desire to make sure we open up a pedestrian oriented connection and that our projects are not turning their backs on one another because that's not good for anybody, so it's been great working with Todd and Race, and they need to say yes, more to my questions ... well get there, so give em some pressure. What's interesting about the nine blocks, that's under the plan the Aedward referenced, we go from twenty to twentyfour with that plan, so it's an open question to us, what happens after that, if HCDA will even be there or not. The Makai Blocks, we call blocks J, K L and M. They are not part of the plan, these are blocks that were part of the legislative move in 2040 to take away residential entitlements, which we were not in favor of, obviously. We've decided to put that on the side for now, and focus on Mauka and get that executed, but we do intend to come back to that. We have ground Leases on those lots that go out to 2030 or so. It's not to early to start thinking about planning those blocks, and I think the opportunity we see here with OHA as well as with Howard Hughes and the State is how to think through Makai thoughtfully.

Here is the housing that I talked about, we did 680 Ala Moana ourselves, these are affordable rentals.





The Collection was done by A&B, that was a straight sale. So we sold it to A&B and they did the condos.





400 Keawe, the Keawe Retail and the Flats were actually an interesting joint development with Castle & Cook, they built 400 Keawe, they built the Retail for us so we own the Retail. We built the Flats at Pu 'uni ourselves, we have a new retailer Hmart coming in, which is an Asian grocer that have a really good reputation. Keauhou Place and Keauhou Lane, this is another interesting implementation we sold, we split the block, we sold a piece to Stanford Carr, to do Keauhou Place which is a condominium for sale, we don't do that, we entered into a joint venture with Gerding Edlen, we're the majority owner of that joint venture and that's two hundred and nine rental apartments and forty thousand square feet of retail that is under ground lease to KS so at a point in time, unless we buy them out earlier, so it's just different ways we participate in development of course, what was the first move that convinced all the others to come was KS leading with this urban adaptive use, and it's doing quite well, and here's some visual on it, and our retailers are doing well and looking at what's next.





So these are the future blocks that I mentioned, and this is also worth mentioning as well, we see the Cooke, Auahi corridor as a (kind of) the heart of the community as we are thinking through our plans for the surrounding blocks, this area is, will be the piko in many ways and we've spent a lot of time thinking through retail concept that will tie that all together. So this is an overview that shows the Kamehameha assets, the Master Plan assets









in blue, the Makai Parcels outlined in blue it shows Ward Village as well as OHA's holdings. If we think about Makai, we welcome the opportunity to engage with OHA and the future of what that is and we have not really put a lot of our time honestly in to thinking, cause we've had time and we want to get Mauka done first before we move to Makai, and that's it.

# Chair Ahuna Any questions?

**Trustee Akina** Walter, thank you very much, excellent presentation. That's very exciting to hear what Kamehameha has done and is continuing to do. Now I had a question about your paradigm of ground lease in terms of ownership and development, you said that eight percent of your commercial properties are ground lease, how about for the Kaka ako twenty nine acres you have down there, what percentage under that paradigm of ground lease?

Walter Thoemmes Zero. Well the Mauka Parcels, zero. So, that's actually why Kaka ako went first. Cause most of our ground leases, if you think about ground leases, they tend to be fifty or sixty year terms and the Kaka ako piece is a lot of them were done back in the Fifties/Sixties. We were looking at in the mid 2000's that these parcels the control coming back, right, and so we said, typically what we have done in the past is we would have said, okay let's extend the ground leases or lets reground lease it to somebody new and they do something different, then we lose control over it again for another fifty, sixty years so with Kaka ako the paradigm shift was well no, let's take back control, so it took years because not everything is coterminous, it took years to kind of wait for a control to come back, so the twenty-nine acres of our plan is all actually space, so we actually own all the verticals of what's not been redeveloped. That's what we are doing elsewhere, you know in Kapālama is our next big area, Kapālama we have a hundred acres in Kapālama, we have a master plan, Board approved, fifty of those acres will be redeveloped, we still have some of them ground lease and we're waiting and we try to look at blocks and make leases as coterminous as possible so we can take back blocks at a time that opens it up to logical development, so Kaka ako we've benefited by not having none of it ground leased.

**Trustee Akina** Now that sounds very interesting to us because we are looking to Kamehameha Schools as a model of successful development so one of the paradigms we've looked at is Kamehameha Schools use of ground leases, I was unaware until today that none of your Kaka ako properties are ground lease but let me shift gear then,

**Walter Thoemmes** Well, excuse me Trustee, I think some are ground lease, the Makai Parcels, are ground lease out to 2030. Waterfront Plaza Restaurant Row is actually a long-term ground lease, so we still have ground lease properties but the areas within our nine-block plan, none of those are ground lease.

**Trustee Akina** So just switching gear then, as we look at our acreage in Kaka ako Makai, what is the benefit to OHA of using the ground lease paradigm, what would you think in terms of where we are at, and of course naturally, the size of our assets, the experience and developments and so forth in comparison to Kamehameha is much smaller here.

Trustee Lee Walter to tag on to that versus what you guys are doing now with the vertical lease.

**Walter Thoemmes** I would say you look at structure and ten year second to strategy and what is your plan envision for the lands and what are you hoping to get out of it economically, socially, because that will tell you what the implementation should be, if you're looking to activate it through development and cause development to happen you may not want to do long-term ground leases, you may want to take control and the risk of having to manage in a short term for the opportunity to develop in the long term. If your goals are to keep it stable, and stay passive, and generate long life returns, then yes, get control, find a developer, have them come in and negotiate appropriate ground lease consideration, and you stay hands-off. That was the Kamehameha model

for a hundred years, in our commercial team we didn't do any development and we just negotiated with developers and stayed very passive, which worked for us, but I think the calling now is to do more and participate, we actually are looking at being in the capital stats on some of these developments, if we see that risks are manageable and we have a strong partner that we trust and party that we trust we may even invest in equity or debt in somebody's property just to generate returns, it means you take more risks but given the size of our portfolio we can play at the fringes in that way right? So I think it goes back to that, what is it, you're hoping to accomplish and because a ground lease structure really does give out control right? Where as a space lease structure in our definition of it like the Flats at Puunui, we could have ground lease that to another entity and they could have built it and we just sit back and collect rent, we chose to develop that and we developed it ourselves, we own it and we are right now just managing it, but like what I had told our Board, is you know one point in time you guys decide, that's your pleasure we can sell it and turn it into a ground lease, who knows maybe one day you want, rails up and running and you want to do student housing there, it's an asset that you can convert to student housing, so when you own it, you can do a lot of things, and we don't need to decide now because we developed it, we kind of want to make back some of that investment and we can decide later. It depends on what you want to do and transactions you enter and the tenure you put it in.

**Trustee Akina** It sounds like in the long run Kamehameha has built it's generational, intergenerational wealth through the ground lease strategy and now it's in the position with it's assets to do something to earn alpha-level profits on top of that.

Walter Thoemmes That's part of it and I would agree with that and also point out, we also have a eight billion dollar financial assets trust, that we can count on to compensate for the lumpiness of real estate investments, so real estate investments very long paid developments happens in big chunks, the way we operate our real estate, I don't take money out of the financial assets portfolio, we are self-contained, so we borrow to fund our development and we monetize, which is, we'll reground these properties like the Flats at Puunui. Sell verticals then stick it into a ground lease and we monetize to pay off the debts, we run it just like any real estate company would, our financial assets guy wouldn't like me very much if I kept knocking on their door asking for a billion dollars' worth of revenue. That is a factor that helps us, because we are a long term investor, we have a very defined portfolio plan that lays out ten years of cash flows both stable revenue from ground leases as well as outflows for development, anticipates sales and monetization and it's that program that gives us the confidence to make this decision or that decision. Every year I go to my Board with update to that plan and a reprojection, because it changes, things change, it's hard to make a ten-year plan gospel. What we are working on is easier for us to rationalize based upon this plan and the capital needs of the plan.

## Chair Ahuna and Trustee Akina Thank you Walter

Chair Ahuna Trustee Hulu Lindsey followed by Trustee Lee

**Trustee Hulu Lindsey** As you well know OHA got our lands from the State without entitlements, so we have been like sitting ducks for eight years so far and not really confident in developing it because we cannot get the full use of the lands and having Kamehameha with four lots there and hearing you say that you folks would be willing to have talks with us, that's very, very encouraging, now although you have many projects ahead of it, I wondered if you folks would be open to those talks like immediately so OHA could move on because I think there might be some receptive legislator that might consider changing and lifting the restrictions they put on the OHA lots.

**Walter Thoemmes** the simple answer is absolutely. I'm a believer that if you don't have a plan, then it is hard to make decisions, it's never really to early to plan, and you can change plans as facts and circumstances in timing changes. It's not to early for us, honestly things take so long sometimes in Hawai i, ten years is right about the right time to start thinking about it. We welcome the opportunity, we are long term owners in Kaka ako and expect

to be, even with the condominium sales that will happen we're maintaining as much interest in Kaka ako as we can.

Trustee Lee Thanks Walter, so Hulu stole my first question, but that's good to know, so that if we do go to the legislature asking for this we would have KS support, even though you're not moving forward with that right now. Just having that gorilla in the room is extremely useful. (laughter) In a good way. Like Trustee Akina, learning what you guys are doing now vertically versus the ground lease is new to us. Which is why we've been having so much discussions at this table about ground lease because as we understood it that was KS model. So, my question to that is, like you said KS has been doing this for a hundred years, now you guys are going vertical. Just to do ground leases that's not a competency that we have, and we are trying to get up to speed just to do that how long did it take you guys to get to the point to get that competency, so if we decide we want to go with that model, which like you said comes with more risks, but with more risks comes more reward, we are no where near having, like if we, if tomorrow the legislators said you guys can go forty stories and full entitlements, we couldn't do it, we don't have the capacity, we don't have the man power, we don't have a department, we wouldn't know where to begin. So how long did it take KS who has been doing this a hundred years to get to this capacity. Thirty years ago when we were in school there, they didn't have this competency, they couldn't do this, so how long did it take you guys to get up to speed to be able to get Kaka ako Mauka where you guys are today. Not just the legislature, we have beneficiaries breathing down our necks, do something at Kaka ako Makai and if we decide we what to go this route and you tell us oaky it's going to take you guys another twenty years to learn how to do this

Trustee Hulu Lindsey No, we'll learn from them

## Walter Thoemmes Yes

**Trustee Lee** No learning how to do it and having the, we don't have an eleven billion dollar trust to go hire one whole entire new department who already know how to do this to go and do it. KS has that luxury, we don't.

Walter Thoemmes Yeah, so

Trustee Hulu Lindsey we got Sylvia now

Walter Thoemmes Yes, you have Sylvia, she's a one man everything.

#### **Trustee Machado One woman**

Walter Thoemmes I would say that the ground leasing practice is very well established, it's codified, it's never something you're not learning something new all the time, so I've been in real estate, commercial side for five year only and I learned a lot in the five years, we have a long history, we have things that happen, leases go bad and you learn and you update and so we have a ground leasing doctrine that is pretty robust, but just as what you are talking about as we started Kaka ako, we started to get into more complex transactions of selfdevelopment, joint venture development, it was all new ground for us, and we went out and sot consulting help, kind of humbled ourselves and said we don't really know this but let's try to find some small lower risks options to try to work on, our Keauhou Lane project 2015, my first year, we cut that deal, first joint venture that KS did that actually got built in the history of KS that I'm aware of. We are an equity partner in a development deal that was all new learning for us. The next one we do is going to be better because we did the first one, and we learned things and it didn't go perfect and I can tell you that. You just got to get into it and got to get access to consultants that know this, we had use of consultants on the mainland who were really complex like hotel lease, like the Four Seasons Hoalalai, that is, these are professional real estate sharks, we cannot compete with that. It may seem that five hundred buck an hour is super expensive, but you know the dollars that you get out of it actually pay for it. To the extent we can help share, kind of talk story with you folks on how we do it and how we approach it which is fine, but everyone is different, because I'll tell you a lot of our leases, whenever we have an issue, they

# DRAFT For Approval on 2/19/2020

always ask when was the lease evaluated. The way they did leases back in the sixties and seventies don't have any of the protections they do it now. Like our standard ground lease templates probably a hundred and forty pages, just to start and the negotiation is about how much that should stay in there or not, because different parties can't except everything but at lease we start with something that is all about KS interest and then we give from there. Ground Leasing is something we have a lot of history with, our staff and legal team are experts.

Chair Ahuna Trustees do you have any more questions? Do you have more to present?

**Walter Thoemmes** No this was is, I'll guess I'll close with a mahalo and I'm excited to have been asked. I'm happy to be here so happy to come back, even just to kūkākūā. So, let us know.

Chair Ahuna Thank you Walter and thanks to your team too, thank you for your presentation.

**Ka Pouhana Sylvia Hussey** We are going to invite Todd Apo with Howard Hughes, again so grateful of these giants here.

Todd Apo Aloha, thank you for this opportunity to meet together. I'd like to introduce Race Randle who is our Senior Vice President of Development, Race grew up in the North Shore, graduated from Kahuku so you got the Kahuku side and the Kamehameha side here before you. Walter and Trustee Ahuna and I get the joke so, I think between the three of us you have self-proclaimed three greatest athletes of the mid-eighties. (laughter) I'm excited to be here on three levels, I just want to share, personally, to be with all of you, having myself sat in an elected office, I know what it's like to be on that side of the seat but how I know many of you feel from your families to high school to some have met when I was in elective office to the person who gave me my first job in law school, it's Justice Klein. It's an honor for me to be in front of all of you. Professionally very excited, I've obviously been with Howard Hughes for four years with the Ward Village Development, I'm excited, one reason I've moved from being with Ko Olina Development team into the urban core and here it's excited and the potential is here is great, I'll talk a little bit about and how we've been able to be talking between the schools and now with OHA and finally just as a Hawaiian, my kids are now out of high school getting out to college and to see what Kamehameha has done from an educational standpoint with Hawaiians, I tell the stories, a lot of that corporate team, what it mean to be Hawaiian back when we where in school in the eighties is very different than what it is today. I can see that evolution of what is happening, it's exciting I think all of you obviously with OHA not only as trustees but the entire staff playing a huge part in that.

I want to start with the big picture as we talk about Kaka 'ako is, one thing I've talked about people is change is good, change has to happen appropriately, so one of the responsibilities, the kuleana that we've taken on as we look at our village is that the changes that are happening in Ward Village can be good, it's all of our jobs to make sure that they are good.

I want to share with you the story of how we look at Ward Village and the development that we have within Kaka 'ako. From an opportunity stand point we all recognize challenges, housing, traffic, sustainability, economic diversity amongst our island. Through the sixties – 2000 the chart that Walter had of how development changed within our entire island and this more recent recognition coming back to the urban core with TOD, with the rail opportunity, this is really where we need to drive our community to be sustainable island community. Traffic as we all know, we all see it, urban core places a lot of opportunity. We start with looking at the entire region it's not just about our 60 acres of Ward Village but it's how do we fit in with HCDA has done. The legislature got into putting Aloha Stadium into HCDA, I think it brought about that recognition that HCDA had been a very successful entity for redevelopment at this point very few people think back to the infrastructure that the State and HCDA put into Kaka 'ako. They've actually done a good job on their website on putting up some of those old pictures of when the roads were pulled up, sewer lines all the infrastructure has allowed the success that we are seeing today.

# DRAFT For Approval on 2/19/2020





The legacy of Victoria Ward to carry her name, we carry the lands that she and her family had, that history really guides us through a lot and she set out a very great foundation for today, she had her home which is not about where the Blaisdell Concert Hall sits now, where there was a natural spring that created the water ways where she built her home, she really started creating this area from that stage down to Kewalo Basin as a community, but the time that she and her husband CP bought the property built the house there was really nothing there, it wasn't Honolulu, it was the outskirts of town. They were really set up almost in the suburban location, which we would never think about in todays world. She started by creating this gathering place, planting thousands of coconut trees, by bringing equestrian, harbor life into this area, started this as a gathering place. We've been able to take those stories and make sure that we are recognizing that history in what we do in the changes that we bring to modern day urban core.

2009 was our master plan that was approved, it was not done by us, it was done by General Growth, at the time they owned the Victoria Ward Properties, Howard Hughes came in a couple of years after that based on GTP's bankruptcy and the company of the corporate level spitting out the developable properties from GTP, not just here locally but across the nation. Our Howard Hughes corporation master plan development in Summerland, in Vegas, in Houston and Colmubia, Maryland were all part of that change that happened. We are the team that are running the local development. The master plan laid out that foundation of what this area is supposed to be and we hear a lot of the similar things that Walter said because they were two master plans that we are trying to change a Kaka ako neighborhood from an area of industrial and retail into a true livable community. How does that ground level, what's going on in the streets, how are the open spaces working to be the amenities to be the place that people want to live. In our master plan there are four main designs strategies that connected open spaces, Auahi street promenade, that Auahi Street connects from Queen's lane which is right around were (inaudible) and that edge of our development is, all the way through to South Street. We think about that connectivity as a true pedestrian way. The Mauka/Makai corridor, the (inaudiable) corridor, so our building as Aedward sort of mentioned, keep them facing Mauka/Makai so you've maintained larger view corridors since you go through. That importance of creating the community at the ground level. Just a few slides to show how we are trying to do some of those.





From an open space standpoint, the main part, Victoria Ward part we opened up phase one of that little over a year ago. We see that value of bringing our community events that we used to do in a small very hard scape courtyard in the back of our sales building, out into the park so every Thursday we have yoga. Tuesday and Saturday we have fitness classes, we camp out in the park. Outdoor cinema once a month, (inaudible) nights where we bring in Hawaiian entertainment and halau once a month. Those activities are in this new park and is really helping create that community vibe that is stretching ... again what we talked about some hard development through the Salt and what Kamehameha does. That focus on Auahi Street, again this is on the side that is our new wave Friday event, you see that similarity for some of the things that Walter shared.



This is how the urban core communities are becoming successful. Then View Corridor as I mentioned, one thing I'll point out here the bottom right corner is Victoria Park, next to Victoria Place, our new building that Aedward mentioned we were able to take, if you see in the middle where the two yellow lines point out, in the middle of



	Typical Development	Ward Neighborhood	
Deneity Households and Jobs Per Acre)	0.0	*****	Ward Neighborhood provides a higher deneity, allowing for a wider mix of uses within a close preximity. This provides more housing and jobs compared to a traditional development.
Land Required (Acres Per Capita)	1	*	As a mixed-use, higher density community, Ward Neighborhood will require dramatically less land per person than traditional development.
Energy Consumption (KwH Per Capita)	F	F	Ward Neighborhood will reduce per capits energy requirements by first decreasing demand through efficiency measures, and then seeking energy supply from clean and renewable sources.
Automobile Dependence (Vohicle Miles Traveled Per Capita)		4	Easy access to transit, amenities and jobs will allow people who live, work or play in Ward Neighborhood to travel fower miles by automobile.
Health Imports (Distance Walked Per Day Per Person)		dikts	With amendism and transit located close to their humen, residents of Ward Neighborhood will be sole to travel by foot to most destinations —encouraging a hostituder (Settyle than one bound to unto travel which can contribute to chronic health problems such as obesity.
Carbon Footprint (the CO <sub>2</sub> Per Capita)	:	-	Reduced per capita auto travel and energy consumption among residents will lead to a reduction in CO2 emissions or smaller carbon footprint in Warn Neighborhood when compared to traditional development.
Water Consumption (Gallons Per Capita)	•		Integration of efficiency measures into building and landscape design as well as recycling of gray water will allow Ward Neighborhood to make better use of proclous water resources in comparison to traditional development.
Public Infrastructure Cost (5 Per Capita)	\$ \$ \$ \$	\$ \$	Ward Neighborhood's mix of uses allows for more self sufficient, more compact and more economical systems for transport of energy, water and waste into and our of the Neighborhood, reducing the cost of public infrastructure.

that space used to be another tower, as we redesign this area, we consolidated that tower into that one Victoria Place and we were able to open up that open space, not just from an actual space standpoint but form a view stand point for the community. Those are the kinds of things as was mentioned that you have a master plan but you continue to adjust it, continue to listen, continue to find the right ways to do things, continue to adjust at the market, that we've been able to do successfully over these last eight to nine years. Let's see what was approved in 2009 and continue to do what's right as we move through development. Within our master plan we won't go through a lot of this as it's probably hard to see up there, the typical development versus an urban core master plan development, the benefits you get from density, the amount of land use, that's actually used, the amount of cars around, the ability of the health benefits of walking and biking through the community all are important parts of what we are all working on within the urban core.

Just so you have some numbers again we are 60 acres, we under 30 acres harbor under a lease form HCDA, done under an RFP back in 2014. We are approved for about 7.6 million square feet of residential and 1.7 square feet of commercial and industrial space, so our development is not limited by specific numbers of unit counts, those types of things it's a matter of having this much square footage for resident development, commercial development, again, why that is great is that allows the developer to watch the market, make those adjustments and be able to do that. In example when we developed our first building Waiea, very large homes. We've learned through the market you look at our A ali i project much smaller square footage homes because that's where the market was and we've been able to provide more housing supply by being able to make those adjustments in the market because the master plan was approved.





Victoria Place, so this is our newer project, we are actually started today, came out in the paper, we will be starting owner occupant sales, so one of the requirement that we offer is 50% in any building up for owner occupants first, not able to pre-announce it just comes out in the newspaper publication so people can start coming in to sign up for that, but to be able to buy within this period you have to sign an affidavit that you will be an owner occupant within the building, that started today. So this is where we stand, form what has been completed and what's under construction. Started with Waiea, Anaha, Ae o lastly named is Ke kilohana: 424 total units with 375 of those were reserved housing so income qualified between 80 and 100 and 20 AMI. We have two projects under construction A ali i and Kō ula. A ali i add up an additional 150 reserve homes into that project as I mentioned Victoria Place.



This is where we are today as you look at it, we really started our development mostly from the diamond head side of our property and our moving ewa, if you look at Kamehameha, they started on their ewa end and are moving up diamond direction, as so we are going to come together and this has got to be a great community and we are all working together to make sure that bridge it's here but is here together. That's where we've always talked about to be in conversation with you to make sure that third piece of a major landowner is, we are all together.

We started talking more and more as we started adjusting and rethinking through our overall development but obviously the natural beauty of Hawai'i is the key, along with the cultural and history. The natural beauty part also gets lost in the urban core development, you don't always think urban core, you think cement and vertical that those things, so making sure that we stay focused on the natural beauty that inspiring us to be apart of what we continue to look at. Just as an example of that this was again the original pictures, let me point out a few things:





That open lot, parking lot was Pier 1 was here, these were industrial buildings. Really as you look at that, there wasn't any green space. This was all because of how Kaka 'ako became about industrial asphalt and cemented warehouse buildings and so as much as we recognized we were going to create vertical on top of that, that importance of the ground became important. We took these warehouses and that's where the parking now sits so we gone from a space of warehouses, asphalt to grass. This is Victoria Park 1.0, one thing that our team is working on right now is as the developments come up around this we want to add a lot more amenities to those parts, right now because construction is going to happen around there, we couldn't put everything we wanted, so water features, a play ground maybe a hula mound, all those different things that are going to make this park an even greater place, as a gathering place. The rail station will actually sit just Mauka of the park. We've talked about an elevated walkway over Ala Moana Blvd. We look at what Ala Moana Blvd is, as great as it is for cars,

from a pedestrian stand point, it's a wall, seven lanes of cars going at pretty good speed and people trying to cross. Working with DOT, they do not want to put another intersection in their from a car capacity stand point. We were able to get 20 Million dollars of federal funding to do celebrated walkways, we started with them in December into the planning effort, that walkway will connect form our park over to the harbor, is at least the plan we'll start talking to public discussions. Think again, that connectivity as how someone can come off the rail station, be into a park and have this great pedestrian, out of the cars, connect down to Kewalo. That gets you, again the OHA lands on the Ewa side to Ala Moana Beach park on the Diamond Head side. If w can find that to be a successful model, where are the other places that make sense as Kamehameha's development lands connect into Kaka ako Makai. Hopefully we can find this to be a good model in our future.





Community space (ground floor level) in that building connect straight into the park, cause that's the type of community people want to live in, want to be a part of, wider sidewalks, as you come and walk through our master plan area with this idea of, this is the type of experience you get and then if you walk past so of our areas that haven't been redeveloped yet in front of Ward Center it's your old basic sidewalk bus stop, it's tight, you can see the true differences that can come along with that future development. The type of pedestrian elevated walkway experience we think about to get over Ala Moana Blvd. It's not just your DOT pedestrian bridge over H-1. This is truly an experience, the theme of this came off in the high lime of New York when they took an elevated old rail rise and turned it into a pedestrian experience. We think it's a great amenity for this area going forward. Again, just that focus of ground level, entertainment, community events, culture being a part of that community is really what's helping us, Kamehameha, the whole area being recognized as a future urban core community.

From a master plan standpoint, this is sort of the current concept of where we end up. Shows about 14 towers overall. A lot more green, within these spaces. A lot more of that pedestrian connectivity, all these concepts of what we talked about being able to be integrated, implemented within this development, is really that feature. The next step, we'll start thing about working on will be the area what we call West of Ward, which is the area that connects to Kamehameha Schools. The conversations that we've started with Kamehameha Schools is probably about three to four years ago, it's reaching that importance of how long some of these things take.

Trustee Lee before you go, where on that corner is your vision of the current plan for the elevated walkway?

**Todd Apo** It will probably connect out of one of these corners of the park and shoot around, and probably land right in here. It's actually DOT idea, was to close of this car intersection, because it just adds another distraction to Ala Moana Blvd. There's a signal light section here, so that's sort of the area we are looking at. You think about the fact you have to get elevated, but you also have to drop back down on this side so, the opportunity to do those drops both this direction and that direction are options that we are looking at.

Chair Ahuna Trustee Ahu-Isa has a guick guestion too.

# DRAFT For Approval on 2/19/2020

**Trustee Ahu Isa** First I want to say thanks for making all your buildings unique. Ohana Hale, the old Sports Authority, they have a ten-year lease, that's what the guy, he's from Waianae, he told me. So you're not going to build there?

**Todd Apo** We will build there, I think, almost all of our leases have a clause in there that we can cancel the lease for redevelopment, but we worked that out obviously with the ground lessee for those that we have

**Trustee Ahu Isa** Cause when they are concerned, "Oh trustee can you find out, are we going to be here longer, or are they going kick us out like they did farmer's market" for those whose concerned.

**Todd Apo** I'll say that we work hard to make sure that we keep that communication with the lessees and their tenants that maybe in there to make sure that they have an understanding up front so they can create expectations, but we need to follow the market, we need to follow with development. As we closed Ward Warehouse, obviously a big concern it was a place that all of us grew up running around, loved it. Being able to relocate a number of those tenants into our new retail spaces, was very important. One of the reasons we finished that South Shore Market area was so that we could move more Nordstrom's Rack and Pier 1 into places that needed to get redeveloped. We take those considerations into account cause we work through development.

**Trustee Ahu Isa** and the Bank of Hawaii building, what's going, what's there. Ward, Ward Bankoh

**Todd Apo** Where Bankoh used to be, that building had to come down because it has a lot of capital improvement needs given the relative short term of time before we redevelop that didn't make sense for us to put in ton of money into that. What will actually go there, can't say for sure.

#### Trustee Ahu Isa That's across from OHA's

**Todd Apo** Right, and so that, you know, again, that's part that's west of Ward right? On the other side of Ward Avenue? So it's something that we want to be talking with OHA with, Kamehameha Schools

Trustee Ahu Isa Yeah that's why the suggestion came up that we should take it from you guys.

**Todd Apo** We are all looking at this greater area to make sure we are seeing, as we look this Kaka 'ako Makai area just again, a bit of an outsider cause we don't have any landowner in it unlike Kamehameha Schools, but obviously a very connected, very vested interest in how this area happened, this actually came from talking to the Friends of Kewalos group.

**Trustee Machado** the Redshirts, we call them the Redshirts

**Todd Apo** the Redshirts, what do you want to see in, you know we talked about the problems in the park and that whole public area, what do you want to see in that area, and they said they would love to see public community civic spaces, so what's really interesting, as the City has taken over those areas to try to talk about, if that's really a direction that the community groups what to see, how do we play on that. Obviously, all of you in OHA have a much stronger vested interest in the importance of those discussions so that's just, as that outsider right across the street, was an interesting thing for us to hear, to think about as we started moving into that.



We are on a long term lease to operate the harbor, we just finishing up the 22 million dollar renovation of the in water harbor areas to me again, having been with other development companies, have been at the City, to me one of the most successful public/private partnerships that we've seen on this island, a State owned harbor that needed repair to be able to have HCDA take it over from DLNR and then partner with a private developer who put in 22 million dollars and collect that payback over time based on the slip rates, the slip rents is a way that harbor got redeveloped were you couldn't get the State money to do it before. Under the RFP that was put on in 2015, we are working on the redevelopment of the area down next to where the harbor master is right now. How do you help those commercials, those small businesses owners along the front of Kewalo Harbor and providing them the amenity for them and their patron, if you walk through there, there is always people standing walking for their boat time. Looking for sunscreen or a bottle of water, whatever it might be, how do we connect them, then you think about that elevated walkway landing in that area and those people now can be able to there via the Rail or make that connection into other areas becomes really interesting. As much as we don't have physical land makai of Ala Moana Blvd., having control of this harbor and obviously to see the connectivity to your lands is why we continue to look at this area as well.

As we were breaking ground on that mauka area form the park, I just wanted to share because I think, yes we are the Howard Hughes Corporation so a lot of people have this thought that this mainland company, we are really working hard to be well good company, the leadership, our team is very local, we have one individual, she's been working with Ward for 50 years, she was part of the original group that was there, has seen changes in ownership, has lived through them all, but that's the type of longevity that we've had. We've gone through a very strong effort to make sure that we have the local minds, with people understand what we are doing to continue development.

The last thing I'll say the other thing I think that we've been able to bring over the past few years, we're listening, a lot of times people get the conception developers don't listen, they go and build. We are out there listening to the community, one of the questions engaged to Aedward was what are those (inaudible) you've seen over time, for us it's been talking to the community, listening to them, giving them the opportunity, because when I first came in our first project had a lot of opposition in our hearing and we went and met with those groups that opposed us after that, and just having that dialogue, listening, being able to talk to them about, hey, we hear you, here's what we are able to adjust, here's what we can't adjust, it's helped us all in the process. So, thank you.

**Chair Ahuna** Wow, Todd Apo, thank you for your presentation. We have several questions, so we are going to start with Trustee Akaka then Trustee Hulu Lindsey, then Trustee Akina.

**Trustee Akaka** Mahalo for coming today, with a strong shared interest in collaborating to connect possibly the elevated walkway, I'm interested to see us being able to talk story on how we can actually connect the walkway and seeing where you're looking to build it and when you are looking to start it.

**Todd Apo** So, yes, engaging with you as OHA and Kamehameha Schools and HCDA is coming, we are just so early in that process, it's actually a new federal grant program so began meeting with the State DOT and federal highways group, the local federal highways group, we are all sort of getting our gears going, so that time will come it's definitely on our agendas and checklists, it's early but it's coming.

**Trustee Hulu Lindsey** Along that line I did see it in the newspaper by the way, about the monies from the federal for that walkway and that's great. Couple questions, who approved your master plan, HDCA?

#### Todd Apo Yes HCDA

**Trustee Hulu Linsdey** In 2009: **Todd Apo** responded with a yes. **Tr. Lindsey**: what are the prices of the owner occupancy 50% of the building that you described, are they the market prices, that's in the millions or

**Todd Apo** So those owner occupants for each building goes along with the market housing.

Trustee Hulu Lindsey were talking a million dollars

**Todd Apo** That just came out today so I don't have those numbers off the top of my head, I think to your question, our reserved housing are 375 homes that we've built in Ke Kilohana and 150 in A ali I those are also owner occupants required, under HCDA's reserved housing program and so those were studios, one bedroom, two bedroom and three bedrooms, they ranged, the studios started around 280 thousand, the three bedrooms I believe where in the mid 800's. So that sort of gives you a range of bedroom type as well as prices. All of ours are for sale, you may recall this is before I joined the company, the company went back to HCDA to talk about potentially making Ke Kilohana a rental instead of for sale and the decision was with HCDA to keep it up for sale, so all of our reserve housing are for sale products.

**Trustee Hulu Lindsey** My final question, on your management and lease of Kewalo Basin, what are your future plans for the area right next to our project Lot A? That particular area concerns us a lot only because it fronts our property and one of the key lots of our property, so I wonder what your future plans were.

Trustee Lee Fisherman's Wharf

**Todd Apo** The actual harbor property allowing there is actually very narrow stretch of land, so really nothing that could happen from a development standpoint.

Trustee Hulu Lindsey Not development but the parking of the big ships

**Todd Apo** And so that is something that we are in discussion with HCDA, under the lease, when it was originally made HCDA was actually required to improve that area because as you may know while the concrete falling away really can't do much there. Where that is going to end up, I don't know, that's something we are in discussion with HCDA right now. That's in HCDA control, what happens along there, cause it needs to be HCDA approved before anything else could happen to it.

**Trustee Hulu Lindsey** Well I see the big yacht, that would definitely hurt the views of what ever we build which we are only allowed three stories right now on Fisherman's Wharf lots so that would be very detrimental to us, and I just wondered we've been watching that very closely, actually really advocating for no piers in front of that area.

**Todd Apo** It would be a good thing to have on our lists to all be talking about, how that moves forward.

**Chair Ahuna** Trustee Akina has a question.

Trustee Akina Well thank you Todd for coming down here I really appreciate the values that you've expressed in terms of combining natural beauty with globally inspired experiences, we were having the same kind of discussions amongst ourselves as we talk about preserving the Hawaiian sense of place, honoring the 'āina, honoring the people. So I appreciate your openness to dialogue over the issue Trustee Hulu Lindsey brought up that's important. From your advantage point at Howard Hughes, as you look at what we could possibly develop on our 30 acers, you've brought in along with Kamehameha, you brought in population, you're bringing in investors, you're bringing in not only that but an entire community as well as market as well, what would you envision us developing in our land that would really take advantage of that, that could be profitable because of that, that could synergize with it and give back to the other developments.

Todd Apo Good question, I'll start there and I start a little bit where Walter started, I think, it's been sort of that question I've had, I think we've had in our mind as we've thought about these lands, you know, what's your why, what's the goal, we all need to understand that in order to think about how we do things and so same thing for your land with Kaka ako Makai, would love to hear as we start talking to you, the articulations from Trustees with OHA, what do you want to get out of these lands, we all know the history of why the lands ended up with OHA, and again things change, maybe these aren't the right lands, maybe there is something bigger, but I think we need to get to that dialogue first, then we can get into, based on that, let's take our expertise as developers not just what our company does with Ward Village, but the commute that's been created with some at some of those opportunities that we're able to add to that discussion to help us all get to what's the right place to be. So I realize that's a little bit of run around of your specific question, you know for me, these lands that are, truly ocean front I was really taken by that story I told from the Redshirts, of this is being civic area, and global experiences, Race and I got to go down as we were looking at things to Sydney and so the first time in life, you're going to laugh about it I got to walk the Sydney Opera House to see what that meant to that area having this public facility of entertainment in culture, in arts right on the water, as I look at this picture I think that's an amazing opportunity, they got the OHA land in main City park land, but the floor working together to create those types of things for Honolulu, we as a city, start getting recognized globally for that value, we have collectively, you, us, Kamehameha, HCDA, I think having that opportunity and so those are the kinds of changes I'd like to see, are the things that are going to be truly impactful and right for our community, so as a discussion based I had, we went to look at Sydney and Singapore, they have great models for different reasons, let's find the right models but make sure we bring it back appropriately and that whatever we decide is the right things that is being done locally and that's a process I think we are all going to have to work on to get to that answer.

**Trustee Akina** Well, thank you. Looking forward to the further dialogue time, thanks for coming down today.

Chair Ahuna Trustees any more questions.

Trustee Hulu Lindsey I just want to add something.

Chair Ahuna Trustee Hulu Lindsey, go ahead

**Trustee Hulu Lindsey** I think we all need to realize these lands were given to the Office of Hawaiian Affairs in exchange of monies that was owed us by the State of Hawaii so for us, the Trustees we need to earn monies just like Howard Hughes and Kamehameha Schools so that our beneficiaries can benefit from those lands, we cannot just be giving it to, as parks, and what have you which doesn't make revenue, you know we need to be able to earn revenue off these lands and we certainly need you folks help.

**Todd Apo** I would say I wouldn't expect that question to come to you, in the same way I don't expect people to ask that question of us. We all have our purposes, that goes back to the why, right, it's ultimately we have share holders as a publicly traded company, you have your beneficiaries, Kamehameha Schools have beneficiaries, we're all working for that purpose, which makes it a little tricky. So, the upside is while there may be different

group behind us, we are all working towards that same goal. To do the best for them and in the right way. I think we all have a good mental starting point into getting into these discussions and looking at these futures.

#### Trustee Hulu Lindsey Thank you

Chair Ahuna Trustees, any more questions for Todd

**Trustee Machado** I'm trying to be polite here, over your residential projects, isn't it true that a majority of your people that purchase is from out of state, that come from Asia and foreign countries?

Todd Apo No.

**Trustee Machado** Because the first four project you had, that's completed, it's 99 percent or more occupied already or purchased.

**Todd Apo** Let me excel it

**Trustee Machado** You see over here, your luxury upper market, market workforce project from your slide, it says 99 percent pre-sold for Kilohana 99.8 for Ae o Anaha, so most it is all sold already. So is it coming from investment people from China that are buying these places, this the kine image I get that Kaka ako is changing to accommodate this 5 million purchase price for the, that's not what we talking about, it's not local anymore? You can put in all the green space you want, but if you don't have the heart of the local people this is still foreign investment.

**Todd Apo** and I agree, so to your original question the answer is no, and it's great to have this opportunity to break down some of those perhaps what I would say, some of those incorrect preconceived notions. I understand the media puts out there the chatter on the street

**Trustee Machado** What we see from the media is people standing in line that are oriental, that cannot speak good English, they standing in line two, three days to be the first through the door so they can purchase, not one, not two but sometimes four units at a crack.

**Todd Apo** Again, I'm not sure if you're referring to something specifically, that hasn't happened with our developments.

**Trustee Machado** I just saying that's the kine sour taste I personally have about your folks projects, along the waterfront.

**Todd Apo** And what I will ask

Trustee Machado And I'm just being honest

**Todd Apo** Yes, absolutely, and that's this discussion, so I'll also ask you, are you willing to look at what I'll provide as the facts of that, and, cause I said I understand, that the media presentation, the chatter on the streets, even some of our elected officials, have been saying things that are not true, relative to the data that we have who our buyers are.

**Trustee Machado** Okay, so, that's ... I got that out of my system so, where we come from, because of the high limitations along the Old Fisherman's Wharf, we can only go up to sixty feet. The AAFES building we can only go up what, two hundred feet. So you folks on the other side,

#### Trustee Hulu Lindsey No residential though

**Trustee Machado** Yeah, no residential, on the other side you folks are going, and Kamehameha Schools making plenty money on that side cause of your condominiums projects, and here on this side got opala lands as a settlement for our people that we lost, that we didn't get compensated fairly, and we keep looking at you folks, and we say, what can we reasonably do to get that kine of money, cause the appraise value was over 200 thousand dollars for those parcels and we get about what 4 million dollars a year, Miles, here, wake-up

#### Trustee Hulu Lindsey Yes, you are right

Trustee Machado That's all we getting as far as generating revenues for OHA. We so like, we get duct tape and tying up like dis, no can do much, and you guys across the street are BLOOMING. You know, blooming. You guys going gang busters! So we still undecided, we don't have the kind of capital all of you have and we looking at what is best to the long range for us, so we've done all of this kind of, we have a page here of what we looking at that possibly we have two questions that was answered, we have these kinds of, what they call em charrette and people make comments so we have that to look at as potential out there. The questions are such as: How would you describe an urban Hawaiian space. What uses would you support both commerce and culture at Kaka ako Makai, but the two of you, and us, cause we like the, I don't know how, the black sheep on that stretch of urban core and you know we look at you folks, you guys the big boys, us guys is trying to figure out how we fit with all these limitations and the lack of entitlements that could have us dream big, so these limitations are on the entitlements making us look back, and we cannot see to far right now.

**Todd Apo** And Trustee I hear you.

Trustee Machado I'm just complaining.

Todd Apo Well, It's the dialogue that we need to have and again, as a Hawaiian, I follow by this happened

Trustee Machado I encourage that we have Hawaiians in good positions

Todd Apo And I was just going to say that I love the fact that Walter is here from Kamehameha, I'm from Ward Village, I think you take how you described, I take how you described what we are doing Mauka of there, and not being it as big boys and understand, we are getting a benefit out of it, but hopefully you guys see us as a resource. We have expertise, that's the reality, I've been in development for most of my professional life since leaving the law area. We do want to help; believe me we want to help. We all have this vested interest in making Kaka ako great. I just told this story to a group the other day were I said, I would love Kaka ako to ultimately be what everyone things of when they say Honolulu. They are not going to think of about Downtown, that's our central business district, Honolulu is this core right here. So know that we are here because we are interested in it, we want to help, we want to see OHA succeed as much as anything else and what's the right way to get there, I don't know yet please know we are here with that

**Trustee Machado** I think the first step is as long as we can face each other, face to face, and get rid of all of any past wrong doings or a sense of being resistance to work with one another for whatever the reasons are, that's the only way we can move forward. I am convinced that Kamehameha Schools want to engage in a partnership with KSBE but they are more inclined with our mission and our purpose to serve, with you folks it's the bottom line that makes a difference and you folks do have your proof of that capacity that you are already building what is it four five six beautiful buildings, that's like 99 percent sold, most of it. So you folks got that money in the pocket already while we are still looking at conceptual framework, a master plan, still kinda dreaming 10/20, where we gonna be, how much money we can generate for our people. Not talking only beneficiaries, I talking about all Hawaiian people, State wide that they can feel a sense that eh, not to bad we got some opala lands but look at this it's going look good.

Todd Apo And again, I will say, I hear you, I understand it, and we want to be a part of that help and

**Trustee Machado** I just want to acknowledge this is our great opportunity for OHA, Kamehameha Schools, and you folks too. Be at the same place and if I've offended you I apologize

Todd Apo Not at all

**Trustee Machado** But you can see were we are coming from too when we look across the street and we see all of this magnificent building that I can see cha ching, cha ching, cha ching, and look at us and what, how far can we dream which is very limited. Our scope is limited.

**Todd Apo** And again, I and we recognize that, your in very different entitlement and two things I'll just real quickly say is one, please know that we want to be a resource and partner in this process and the second it's just cause where we started and I want to just make it clear for the record, our numbers of sales is about 70 percent of our sales is to local buyers. 70 percent. The other 30 percent is generally split up between domestic, so U.S. Mainland and then international, which the bulk of that is Japan. Japan's love of Hawai i is clearly still there. But 70 percent of overall number are local buyers.

Trustee Machado Thank you for clearing that up. I appreciate that.

Trustee Ahu Isa I just wanted to real guickly

Chair Ahuna Do you have a question Trustee Ahu Isa

**Trustee Ahu Isa** I feel what Chair feels cause her compassion, her aloha for our people, and it does look on the outside, but now we got 20/20, we got a new leader, we got Sylvia and believe me we are going to move to get those lands going, you know under the old leadership it was kind of hard, but now we have hope, that's all I was going to add to Chair's remarks.

**Chair Ahuna** Well Todd, thank you so much I think the first start is you being here, and thank you Kamehameha Schools, HCDA, that's the start to all of this, very proud.

Trustee Lee I wanna know why you guys not wearing red. (laughter) Your class color was red.

**Todd Apo** Kamehameha still comes out, I'm very excited to be working with you new CEO. Also have ahistory with her as well. So we are looking forward to that. Mahalo.

B. Discussion re: Kaka ako Makai design elements, parcels, sequence, phases and business models.

**Chair Ahuna** Okay, next up I'd like to call on our Ka Pouhana to introduce the discussion regarding the Kaka 'ako Makai design element, parcels, sequence, phases and business models.

**Ka Pouhana Sylvia Hussey S**o Trustees Item III.B. is the opportunity to let administration know if there's additional information regarding a site visit and then the actual action item, so whatever information, there's been three workshops we've sent you information, brought in presenters to provide additional information so if there is any further information or more detail that you want administration to follow up and provide to you either before, hopefully the site visit or for the actual action item that is coming on the 19<sup>th</sup>, then please let me know now or just email me so that we can make sure that additional information is provided to you.

**Trustee Hulu Lindsey** What is the action item going to consist of?

Ka Pouhana Sylvia Hussey so if we want to go to the next agenda item

Chair Ahuna Okay

Ka Pouhana Sylvia Hussey the next agenda item is, and that will be in your packet, this document here. I'm sorry, at the end of Workshop 3 we brought to you the sample action item, so the action item is going to ask for three things, one is to approve the 14 design element to be part of an RFP, second, is the sequencing of the parcels, the workshop provided the suggested phasing of phase one and the parcels involved there and the two and three, so it's going to ask for the approvals of phasing, so that's the second decision point and the third decision point, is the business model. What business model would be applied to in just phase one at this point, we don't expect a decision on any of the other phases but for that first phase whether it is the ground lease model, which is model C or it's with a developer model A, we take all the risks and all the reward so those are the three critical decisions that will come through the action items and those three decisions have been part of the workshop piece. We talked about the design elements the sequencing and the business models. That's what will count.

**Trustee Akina** On what date are we considering the action item?

Ka Pouhana Sylvia Hussey February 19<sup>th</sup>.

Trustee Akina February 19<sup>th</sup>, my only concern is that as we've shown in some of the discussions today, the question of whether we should adopt with the ground lease as the model with first phase, maybe it's a little more complex than we thought and may require more discussion. I'm hoping we can get some greater input and vetting of that.

Ka Pouhana Sylvia Hussey so what additional specific information

**Trustee Akina** I'm not sure myself right now, but I want to make sure we cover it completely, maybe you could help me by letting me know when we vote on ground lease for another business model, what's the binding nature of that for us? Is that just part of the planning process, is that open to change?

**Ka Pouhana Sylvia Hussey** so that part of the discussion was in our business model discussion, so as Walter pointed out the ground leasing that has been there model for 100 years, they intentionally decided that wouldn't be the model for Kaka ako Mauka, they also have the capacity and keep mobility. So the ground leasing model was done with Royal Hawaiian Center.

**Trustee Akina** I'm sorry to cut you off, what I'm actually asking is what is the status of our vote of the action item, when we say we are going to select one model over another,

**Ka Pouhana Sylvia Hussey** Okay, okay, so when the action item comes, then once the Trustees agree and the design elements, the phasing and the business model so let's say for example, that 14 design elements we are going to phase one, take all the pink, that's going to be lots A/B, C, D and F/G the piano lot and let's say we are going to choose business model C the ground leasing, that's enough information for administration to then move forward with an RFP and that kind of piece, and then come back with more information so it's the Trustees will still need to approve the RFP, what the ask is, what all of the budget, we are also going to have to come back for resourcing on some of the opportunities and encouragement to have developers come so that decision point has to come back to the table as well including what we project, what that model would look like in terms of the RFP, so when we structure the RFP, when we are asking the developers to do this and they come back and then what ground leasing terms look like in coming back, we bring that information back to the Trustees.

**Trustee Akina** In other words, if we select with this action item, certain model for the business model, it's not set in stone. It begins, give you enough direction to begin the planning process. Trustee Hulu Lindsey said it is set in stone.

Trustee Hulu Lindsey Yes, I think so. There is a selection of four up there, and we are going to select one.

**Ka Pouhana Sylvia Hussey** And specifically for that phase one and those parcels.

**Trustee Hulu Lindsey** But those are the key lots in our project.

**Ka Pouhana Sylvia Hussey** right so it's not a selection of what to do with the AAFES building, it's not a selection of you know Lot I or L. It's specifically for A, B, C, D and F/G. So it's a decision about packaging and then the model and then we go out, do our, even coming back to the Trustees before even launching so that you can see how that's selected in the RFP of what our ask is out to the general public.

**Trustee Lee** So I think where Trustee Akina is going, based on today's presentation, especially from KS, although they had a master plan for their Kaka ako Mauka, they took a different business model on each individual lot. So I think that's where Trustee Akina is going, maybe this presentation today would have been better before we decided on A,B,C, D as our core business models, because if I understand where Trustee Akina is going, maybe the project we decide to put on A, we want to do a ground lease, and maybe the AAFES building we want to be the developer and maybe on B we want to be a partnership with HCDA or you know what I mean? What Walter says today, I mean I heard it in Trustee Akina, I heard it in Hulu, I know for sure, I was like, hey, what did you just say? KS did all of this?

Chair Ahuna Strategy changes

Trustee Lee Am I correct Trustee Akina?

Trustee Akina You correctly state my concern. We may be premature if we chose a certain business model

**Trustee Lee** Right, for a phase. For the four key lots, for locking in phase one development for all ground lease, given the new knowledge that we have, maybe that's premature now, maybe we want to look at okay, so what business idea do we think we are going to put on the lot, maybe that's the better sequencing, what are we going to put on, I want to chose an innocuous lot,

#### **Trustee Hulu Lindsey A**

**Trustee Lee** A is not innocuous, let's say Lot I, what are we going to put on Lot I. We all agree we are going to put x on ... we are going to put this building on Lot I, so now let's decide are we going to ground lease it, are we going to build it, are we going to partnership with somebody versus saying we are going to master ground lease so now let's decide what we are gonna put.

**Chair Ahuna** So I believe in your question, I think Walter said you got to have a plan, at first before you make those decisions.

**Ka Pouhana Sylvia Hussey** so both of them said conceptually the same thing, your strategy, you can have your strategy then your objective, what's your why, or that was Todd's, then you back into the function, the form, or the method. So to your point in terms of what's the why, the programmatic elements are the what, the why in terms, make money.

**Trustee Lee** this is pinging for a back reparation, so that's the why.

**Ka Pouhana Sylvia Hussey** The design elements are oriented towards that, right, commerce and culture, that blend. The programmatic elements are saying, these are the things that are important to us, public person, tell us how that would look, cause it doesn't necessarily, it may look like this on Lot A, this or just blow up everything and reconfigure everything, so hopefully if, is it enough to at least, so maybe the decision isn't the business model but the programmatic elements and the phasing for us to send out to see what comes back in terms of what ideally would be optimal, whether it's a joint adventure

**Trustee Lee** I see what you are saying, so the action item asking us to approve the phasing, not necessarily the business model, you guys send it out and people can pitch us.

Trustee Hulu Actually RFPs.

**Trustee Lee** Right, so entity A comes in and says, I want to develop the whole phase one and this is, we'll partner with you guys so you own this, we want to own this, we want to do this, then entity B comes in and says we want to ground lease the whole thing, we have all the say, we do everything you just own the land, we pay you rent every month. Entity C comes in and says, we already partnering with KS and we want to do, is that kind of where you are thinking now.

Ka Pouhana Sylvia Hussey Hussey yeah, because then at least you express in the programmatic element to what is important, and then you also identify the priority, cause there, we are not going to touch the parcels that are still in lease so the focus in the front part, so that gives some, they already know, or so we've learned there is harbor potential, there's this walkway coming over, it's going to land right in our lap in A, so part of that is let them, tell you, what it is that can't be done and part of the, I mean it may seem complex but it also presses them to be as creative as partners, so instead of assuming everything is going to be ground lease, the more creative proposal would come back with a very, and if it is all ground lease, then they would have a really mindful presentation, but at a minimum you get your programmatic elements and we get the return, that's at the bottom, kind of, so if that's the desire the action item can just come back with two pieces of the phasing and then the skill would be instruction the RFP to have the ask be very specific and very open in terms of, come into your pitch and the more creative optimizes the programmatic elements as well as the use of the asset, then rightly put in the scoring metrics that puts in those kinds of pieces.

Trustee Akina Very good

Ka Pouhana Sylvia Hussey So does that

**Trustee Akina** thank you Trustee Lee, I would support that we decide a business model after those other elements are in place.

**Trustee Lee** Cause I think even when Walter answered my question about how long it took for KS to get that core compentency, they are still learning, which is why they did a lot of partnerships so although on paper were the developers for some of those buildings someone else actually developed it KS owns it.

**Ka Pouhana Sylvia Hussey** he said right, Keouhou Lane was there first joint venture and that was only in 2015. Which is relatively in their history, really short. Now that they've done that a little more confidence.

**Trustee Lee** but that were joint venture came in right? They are not developers, they went and partnered with a reputable, somebody who knows who to develop a property.

Chair Ahuna From their they negotiate and what not.

**Ka Pouhana Sylvia Hussey** That would make sure, we'd want to make sure that our ask to the RFP process and the response back are really specific

Trustee Lee And maybe they can help us with the wording on that

**Ka Pouhana Sylvia Hussey** Right and that vetting is really clear, what it is, and then the scoring, how you going to score somebody who says we are going to ground lease everything against someone who has a must more complex cause each of those models then introduces risks in terms of different rights.

Trustee Hulu and profits

**Trustee Lee** All of those things, somebody comes in and says I want to ground lease the whole thing but we'll give you guys the 95 percent of the ground lease up front in cash right now, okay, well that's a whole other (laughter)

**Trustee Akina** and this is valuable because it moves us from deciding in theory on what we ant to do into action getting pragmatic proposals in front of us and selecting. So thank you.

Ka Pouhana Sylvia Hussey Okay, okay so action item, those two,

**Trustee Akina** Mr. Chair I just wanted to say before we end this segment, I'm sure that we all appreciate your colink to these meetings, very much, thank you for doing that and also want to thank our CEO Sylvia Hussey for bringing key stakeholders to the table, this is really a great opportunity.

Chair Ahuna Good meeting today. Trustee Hulu Lindsey has a quick question too.

**Trustee Hulu Lindsey** Just along the lines as part of our discussions, I think it could be beneficial to us to have Kamehameha Schools discussion with you, with our admiration on possibly asking the legislature to lift our restrictions and if we can introduce a bill this year that would be great, at least we can feel the waters and it's also been suggested that that might be a good idea. What do you think Chair?

Trustee Machado I would think that we should try to have a dialogue in the BAE, as soon as possible.

**Trustee Hulu Lindsey** When is the deadline for introducing bills? It could be introduced by the Hawaiian caucus, it don't have to be by us.

Chair Ahuna What do we move next.

Ka Pouhana Sylvia Hussey So Trustees the next item is 3.C in order to have a site visit, it needs to be agenized as a limited meeting, and the document you have in your packet is the rationale for why it's considered a limited meeting. So the stature have two elements one is the sense of danger to health or safety and so while we want to start at the top of AAFES of the fifth floor out on the roof. So while the administration is ruling to take the risk of the Trustees, Aides and Administration, we are not willing to take the general public risks of going out on the roof walking around and not getting to close to the edge to get the panoramic view of our properties, which we feel is important to Trustees to get a sense of that panorama view and then go on the ground and get the ground view. So that's what we feel it's limited because of the health and safety issue again we are willing to keep you guys safe but it a bit much to expect us to keep the general public, the second reason for limited is that it is not practical to have the public on the shuttle bus with us. Well there is no intent to stop at every property there is an intent for the route to go from the AAFES building on property B go to I and L and come back around to the long term properties on the front and then get off on A, B, C and D, where we were just talking and part of it is

right now that there is a tent I don't know if we can get out and we may need to go down to the Ala Moana side and look back at our properties, which ironically is where the elevated walkway he just talked about. It's possible that we would get off across and look back at the properties. Again with two 25 passenger vans, public attendance is not practical to have on the tour, so for those two reasons which made the criteria of a limited meeting but it does require a recommendation by the committee and an actual approval by the Board on the 23<sup>rd</sup> to do that.

#### Chair Ahuna Trustee Waihe 'e

**Trustee Waihe** 'e Mr. Chairman, I'd like to move to approve the Committee on Resource Management holds a Limited Meeting, as defined in HRS §92-3.1, on February 5, 2020 for the purposes of completing a site tour of OHA-owned Kaka`ako Makai parcels as listed below:

<u>Parcel</u>	Street Address	<u>TMK</u>
A	1100 Ala Moana Blvd	1-2-1-058:129
В	113/123 Ahui St	1-2-1-058:130
C	59 Ahui St	1-2-1-058:130
D	45/53 Ahui St	1-2-1-060:027 and; 1-
		2-1-058:048
E	919 Ala Moana Blvd	1-2-1-058-006
F/G	160 Ahui St/160Koula St/155 Ohe St	1-2-1-060:026
Ι	Ala Moana Blvd/Forrest Ave	1-2-1-015:061
K	40 Ahui St	1-2-1-060:028
L	200/220 Keawe	1-2-1-015:051

**Chair Ahuna** We have a motion on the table that had been moved by Trustee Waihe 'e and second by Trustee Akaka before we move on Trustee Akaka has a question.

**Trustee Akaka** Yes, just to answer that question regarding the last day to introduce the bills is January 23, where it has to be introduced and then the House or Senate Clerk will have to assign it with whether it is HB or SB, so we'll have to do the leg work prior to that.

Chair Ahuna Are there any more questions members?

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

TRUSTEE		1	2	'AE (YES)	A'OLE (NO)	(ABSTAIN)	EXCUSED
LEINA'ALA	AHU ISA			X			
KALEIHIKINA	AKAKA		2	Χ			
KELIʻI	AKINA			X			
BRENDON KALEI'ĀINA	LEE			Х			
CARMEN HULU	LINDSEY			Х			
RM VICE-CHAIR ROBERT	LINDSEY						Χ
COLETTE	<b>MACHADO</b>			X			
JOHN	WAIHE'E			X			
RM CHAIR DAN	AHUNA	1		X			
TOTAL VOTE COUNT				8	0	0	1

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

Trustee Hulu Lindsey Trustee Waihe'e didn't you just cancel the BAE meeting for next week?

Trustee Waihe 'e Yes

**Trustee Hulu Lindsey** So there's not going to be an opportunity before the deadline for us to pass anything to do with the restrictions?

Trustee Waihe 'e I think we still can

Trustee Machado He'll probably check with public policy to find out when the deadline is

Trustee Hulu Lindsey She just said January 23rd

Trustee Akaka Yes

**Ka Pouhana Hussey** I guess because of previous, there is a draft of a document that public policy has, so BAE has standing meeting on Monday, so we can circulate that for the Chair, Vice Chair to review

**Trustee Akaka** Part of that too is once it gets assigned to each HB/SB then it has to then be put on the calendar for first reading which ever chamber.

Trustee Lee Chair, this is not on our agenda

Chair Ahuna Okay, thank you, we can talk after.

V. ANNOUNCEMENTS
None
VI. ADJOURNMENT
Trustee Macahdo moves to adjourn the RM meeting.
Trustee Lee seconds the motion.
Chair Ahuna It has been moved By Collette Machado second by Trustee Lee all in favor say 'Ae
Unaminous 'Ae called out.
RM Chair Ahuna adjourns the Meeting of the Committee on Resource Management at 11:46 A.M.
Respectfully submitted,
Bethann Hihina Ahsing Trustee Aide Committee on Resource Management
As approved by the Committee on Resource Management on October 23, 2019.
Trustee Dan Ahuna Chair Committee on Resource Management

ATTACHMENT(s):

NONE



#### OFFICE OF HAWAIIAN AFFAIRS Interoffice Memorandum

Date: February 12, 2020

To: Dan Ahuna, Luna Hoʻomalu o ke Kōmike RM, Chair of the RM Committee

Robert K. Lindsey, Jr., Hope Luna Ho'omalu o ke Kōmike RM, Vice Chair of the RM

Committee

Colette Y. Machado, Ke Kauhuhu o ke Kaupoku, Chairperson of the Board of

Trustees

Brendon Kaleiʻāina Lee, Ke Kua Aupuni, Trustee-at-Large Carmen Hulu Lindsey, Ke Kua ʻo Maui, Trustee of Maui John Waiheʻe IV, Ke Kua Aupuni, Trustee-at-Large Kaleihikina Akaka, Ke Kua ʻo Oʻahu, Trustee of Oʻahu

Keli'i Akina, Ke Kua Aupuni, Trustee-at-Large

Leina'ala Ahu Isa, Ke Kua Aupuni, Trustee-at-Large

From: Sylvia M. Hussey, Ed.D., Ka Pouhana, Chief Executive Officer

CC: BOT Staff

Lisa Watkins-Victorino, Ka Pou Nui Kūikawā, Interim Chief Operating Officer Gloria Li, Ka Poukihi Kanaloa Wai Kūikawā, Interim Chief Financial Officer

Raina P.B. Gushiken, Ka Paepae Puka, Senior Legal Counsel

Miles T. Nishijima, Ka Poukihi Kanaloa 'Āina, Land Assets Division Director Jonathan Ching, Pou Kāko'o 'Āina Ho'oilina, Legacy Land Manager, a me Pou

Kākoʻo Kuleana Hoʻowaiwai Kūikawā, Interim Commercial Property Manager

Lee Miller, 'Aho Pueo Kuleana Ho'owaiwai, Comercial Property Specialist

Subject: KAKA'AKO MAKAI WORKSHOP #5 - CHRONOLOGICAL REVIEW

In preparation for the Resource Management Committee meeting next week Wednesday, February 19, 2020, Administration has set up several items for your advance review:

1. **Lending Library (Hard Copies).** Attachment A details Kaka'ako Makai Reference Deliverables that are available in a lending library with two (2) sets of the documents. The library includes the deliverables under the Rider Levett Bucknall contract (also known as the Framework Plan); and the deliverables under the WCIT Architecture contract. The lending library is located in the cubicle of Hihina Ahsing, Trustee Ahuna's Aide, and we ask that borrowers sign out for each document that is taken from the library to review.

- 2. **MS Teams Site (Soft Copies).** You and your aides should have received an invite for an MS Teams site titled "Kakako Makai BOT". A soft, digitized copy of these documents are available for your review. If you cannot find the invitation in your e-mail, please contact Lee Miller at leem@oha.org.
- 3. **WCIT Architecture Contract Reconciliation.** Attachment B is a listing of the deliverables under the WCIT Architecture contract, which lists the price of each deliverable, the percent completed, and the amount paid to date. Of the total contract price of \$2,925,752.00, only \$1,969,593.95 or 67.32% has been paid; the remainder of the contract lapsed and is no longer available for use. The uncompleted and unpaid deliverables pertain to the Environmental Impact Statement (EIS).

Land Director Miles Nishijima and Commercial Property Specialist Lee Miller are very willing to meet with Trustees individually or two at a time to answer any questions that might arise during your (or your aides') review of the documents any time between today and next Wednesday's RM meeting.

Please feel free to contact them directly to set up a meeting time
--

-\_\_\_\_

#### Attachments:

Attachment A – Kaka`ako Makai Reference Deliverables in the Lending Library and MS Teams Site

Attachment B - Cost Breakdown of deliverables in the WCIT Architecture Contract

Doc File No	Digital File	Hard Copy	Author	Title	Date
01	Land Management Development Design by Group 70	2	Rider Levett Bucknall/Group 70 International/Sanfor d Murata, Inc.	Land Management & Development Design Services; Strategic Action Plan, Cultureal Landscape & Ancestral Connectivity Analysis, Charette Vision & Strategic Priority, Market Assessment & Land Value Analysis, Master Baseline Infrastructure Review, Master Baseline Development Strategy	Nov-13
02	15-0331 OKM	2	Kuhikuhi Pu'uone Collaborative (WCIT)	Q1 - Background Analysis; Long-Range Plans and Vision Documents, Regulartory Plans, Policies and Requirements, Recommended Considerations	Mar-15
03	Community Engagement Plan WCIT	2	Kuhikuhi Pu'uone Collaborative (WCIT)	Community Engagement Plan; Identify Role Players in Community Engagement, Prep for Conceptual Master Plan Input, Coordinate Info Received	Mar-15
04	15-0325 OKM	2	Kuhikuhi Pu'uone Collaborative (WCIT)	Q1 Update; Conceptual Master Planning Schedule and Implementation Strategy	25-Mar-15
05	15-0528 OKM	2	Kuhikuhi Puʻuone Collaborative (WCIT)	Q2 Update; Update Project Schedule, Summary for Market Analysis Findings, Update Preliminary Land Use Scenarios and Preliminary Financial Assessment	28-Jun-15
06	15-0709 OKM	2	Kuhikuhi Puʻuone Collaborative (WCIT)	Q2 Deliverables; Market Analysis - General & Limiting Conditions; Kaka'ako Market, Commercial (Retail/Restaurant), Residential Condominium, Hospitality, Office Market, Industrial, Cultural Uses and Attractions; Pae 'Āina Meeting Summary, Draft Land Use Scenarios, Draft Financial Assessment	Jun-15
07	EKF Cultural Theme	2	Edith Kanakaole Foundation	<u>Cultural Theme Content;</u> Themes for Design Guidelines - Kīpuka, Hālauāola and Kūlia Ānu'u	25-Jun-15
08	15-1205 OKM	2	Kuhikuhi Pu'uone Collaborative (WCIT)	Q3 Deliverables; Land Use Themes, Final Land Use Scenarios and Pae 'Āina Meeting Summary w/Appendices	Nov-15
09	15-1103 OHA	2	Kuhikuhi Pu'uone Collaborative (WCIT)	CONFIDENTIAL Land Use Scenario Update; Land Use Scenarios, Development Road Maps and Cashflow Projections	4-Nov-15
10	15-1205 OKM	2	Kuhikuhi Pu'uone Collaborative (WCIT)	Q3 Deliverables Part 2; Draft 2 Financial Assessment, Final Memo, Development Roadmap, Phasing Strategy and Development Schedule, Public-Private Financing Tools	Dec-15

#### WCIT Architecture Cost Breakdown of Contract Deliverables

Contract Description	<u>Document Name</u>		Contract Amount	Percent Complete	Amount Paid
Quarter 1 Background Analysis Tech Memo 3.E	Q1 - Background Analysis	\$		100%	\$ 104,452.50
Quarter 1 Community Engagement Plan	Community Engagement Plan	\$	50,801.25	100%	\$ 50,801.25
Quarter 1 Additional Studies Technical Memo	Q1 Update	\$	47,737.50	100%	\$ 47,737.50
Quarter 2 Market Analysis Report and Pae 'Āina Community Meetings	Q2 Update	\$	185,782.00	100%	\$ 185,782.00
Quarter 2 Draft Conceptual Land Use Scenarios	Q2 Deliverables	\$	326,990.00	100%	\$ 326,990.00
Quarter 3 Land Use Theme Refinement Report	Cultural Theme Content	\$	152,000.00	100%	\$ 152,000.00
Quarter 3 Draft Financial Assessment; Final Conceptual Land Use Scenarios; Phasing Strategy Report & Schedule	Q3 Deliverables	\$	264,633.90	100%	\$ 264,633.90
Quarter 3 Public-Private Financial Tools Tech Memo	CONFIDENTIAL Land Use Scenario Update	\$	19,000.00	100%	\$ 19,000.00
Quarter 3 Development Roadmap; Agency and Community Group Consultation Memo; Final Financial Assessment; Present Conceptual Master Plan to BOT	Q3 Deliverables Part 2	\$	163,419.00	100%	\$ 163,419.00
Quarter 4 Development Design Guidelines	Not completed	\$	164,730.00	95%	\$ 156,493.50
Quarter 4 Present Conceptual Master Plan to Pae 'Āina	Completed; no report	\$	181,687.50	100%	\$ 181,687.50
Quarter 4 EIS Scoping Meetings	Not completed	\$	68,965.74	15%	\$ 10,344.86
Quarter 5 Draft EIS	Not completed	\$	620,691.70	19%	\$ 117,931.42
Quarter 5 Assist with Public Meetings	Not started	\$	20,320.50	0%	\$ -
Quarter 6 Public Meeting for EIS	Not started	\$	34,482.87	0%	\$ -
Contract Addition - Land Use Scenario (no residential); New Appraisal; Public Involvment Plan	: Not completed	\$	520,057.54	36%	\$ 188,320.52
		Total \$	2,925,752.00	67%	\$1,969,593.95

# Kaka 'ako



## Makai

## Kaka'ako Makai Workshop Timeline Date Workshop #

November 20, 2019	Workshop #1	Kaka'ako Makai Overview
November 27, 2019	Workshop #2	Programmatic Uses
December 4, 2019	Workshop #3	Phasing and Business Models (Spire)
January 20, 2020	Workshop #4	Presentations by HCDA, Kamehameha Schools and Howard Hughes
February 5, 2020	Site Visit	
February 19, 2020	Workshop #5	Chronological Document Review
March 4, 2020	Workshop #6	Commercial Property Development Processes in Private and Public Contexts
April 8, 2020	Workshop #7	Developer Selection Process Components
April 22, 2020	Workshop #8	Presentation of Conceptual Master Plan Components
May 2020	Action Item	Approval of conceptual master plan, including programmatic uses, design guidelines, phasing, and RFP process

Topic

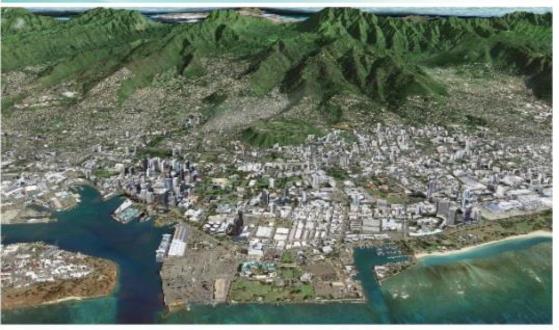
### Kaka'ako Makai Development Timeline Overview

2017 2013 2016 2018 2019 2012 > 2014 2015 April – Oct. **OHA** Decides to Master Plan **February Land Division** April **BACKGROUND ANALYSIS** Land Contract Proceed Created MARCH 2015 **OHA's Strategic** Commercial Transfer w/Existing Expires Commercial Action **Property** COMMUNITY ENGAGEMENT PLAN Conceptual **Entitlements** (Incomplete) **KM Policy** Plan Manager Master Plan Property OHA Denied by Leaves Begins In Quarter 1 Update Adopted • Plans not Manager FFICE OF HAWAIIAN AFFAIRS **HCDA** to be EIS march 25, 2015 December finalized Accepting 2015 Quarter 2 Update Leaves Balance Rev. • Design may 28, 2015 Authority Generation Guidelines OFFICE OF HAWAHAN AFFAIRS w/OHA's Strat. **OUARTER 2 DELIVERABLES** not Pae 'Āina (Report SUPPLEMENTAL CONTRACT NUMBER 3007.01 Goals completed Back) KUHIKUHI PU'UONE Create a Haw. CONTRACT NUMBER 3007 June 2015 • 2020 Place BETWEEN EIS and **OUARTER 3 DELIVERABLES** KUHIKUHI PU'UONE **Embrace** OFFICE OF HAWAIIAN AFFAIRS SMA not Regroup Begin Work on Community completed Design • Set WCIT ARCHITECTURE, INC. LAND USE SCENARIO UPDATE Approx. Guidelines Cultural Legislature Strategic NOVEMBER 04, 2015 \$1mil of September Context for Denies OHA's Course contract **OUARTER 3 DELIVERABLES** New Development Residential Use unspent) Decision PART II - DECEMBER 2015 Baseline Commercial Request Making Development **OHA Stops** Property Strategy **Pursuing** Basis for **Entitlements** Manager Conceptual

Master Plan

**Starts** 





DEVELOPMENT DESIGN SERVICES
No. OHA 13-02







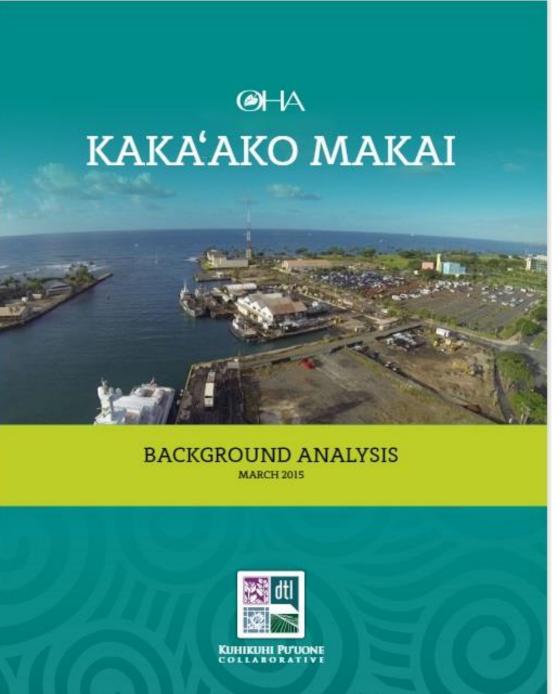
**Author:** Ryder Levett Bucknall, Group 70, and Sanford Murata INC.

**Deliverable dated:** November 2013

**Cost:** \$150,000.00

**Description:** To prepare a management and development framework for OHA's Kaka'ako Makai lands (Basis for Conceptual Master Plan)

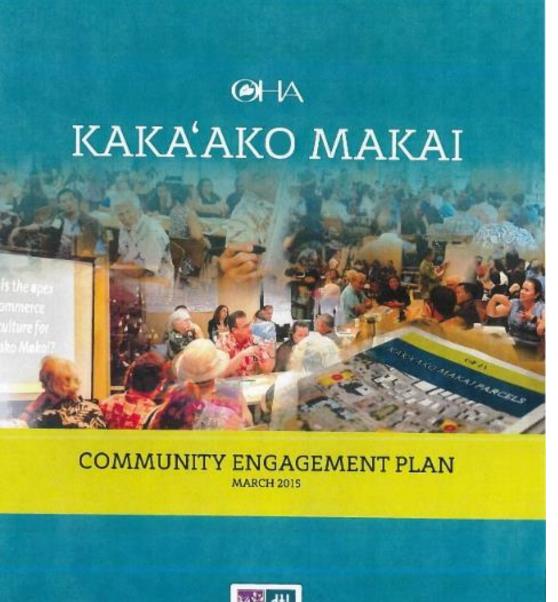
- History/Cultural Landscape/ Ancestral Connectivity
- Create Kipuka
- Create Cultural Marketplace
- Live/Work/Play
- ❖ Suggested Next Steps: ALTA Survey, Utility and Infrastructure Needs, Flood Zone Assessment/Sea Level-Rise Analysis, Topo Survey, Market Analysis & Viability Study, Hight Limits and Max Build-out, Land Value Analysis, etc.



**Deliverable dated:** March 31, 2015

**Cost:** \$104,452.50

**Description:** Overview of relevant information, past studies and previously completed plans for Kaka'ako Makai, including the Kaka'ako Makai Policy and Ryder Levett Bucknall's Strategic Action Plan (aka the Framework Plan).



**Deliverable dated:** March 2015

**Cost:** \$50,801.25

**Description:** Provides the guiding framework for outreach activities, including the collection of input from OHA trustees, beneficiaries and other stakeholders.

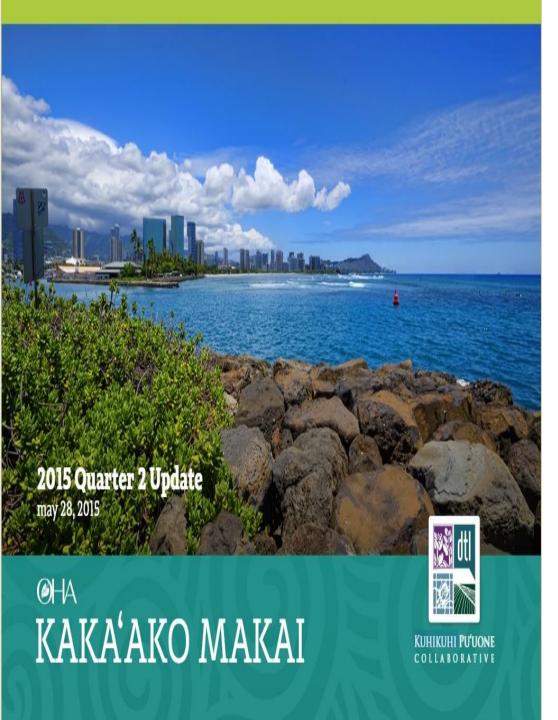


**Deliverable dated:** March 25, 2015

**Cost:** \$47,737.50

**OKM LAP Presentation Quarter 1 Update** 

**Description:** PowerPoint presentation of Quarter 1 progress given to the BOT's Land and Property Committee on March 25, 2015, which included the outcome of the Pae 'Āina meetings held in February and March, together with a summary of their preliminary Market Analysis findings.

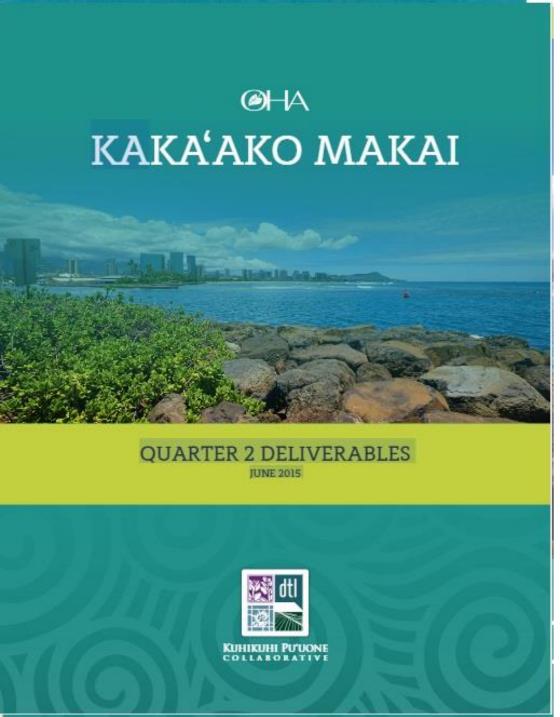


**Deliverable dated:** May 28, 2015

**Cost:** \$185,782.00

**OKM LAP Presentation Quarter 2 Update** 

**Description:** PowerPoint presentation of Quarter 2 progress given to the BOT's Land and Property Committee on May 28, 2015, which included a summary of their final Market Analysis findings, preliminary Land Use Scenarios (6), and preliminary Financial Assessment.



**Deliverable dated:** June 2015

**Cost:** \$326,990.00

**Description:** PowerPoint presentation of Quarter 2 progress given to the BOT's Land and Property Committee on May 28, 2015, which included a summary of their final Market Analysis findings, preliminary Land Use Scenarios (6), and preliminary Financial Assessment.

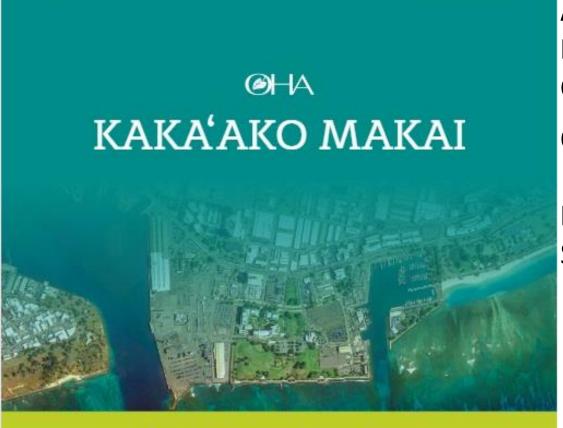
### KUHIKUHI PU'UONE

Author: WCIT, DTL, EKF, and PBR

**Deliverable dated:** June 25, 2015

**Cost:** \$152,000.00

**Description:** Report by the Edith Kanaka'ole Foundation presenting the cultural themes for the design guidelines: Kīpuka, Hālauāola, Kūliaānu'u and Wai.



**Deliverable dated:** November 2015

**Cost:** \$264,633.90

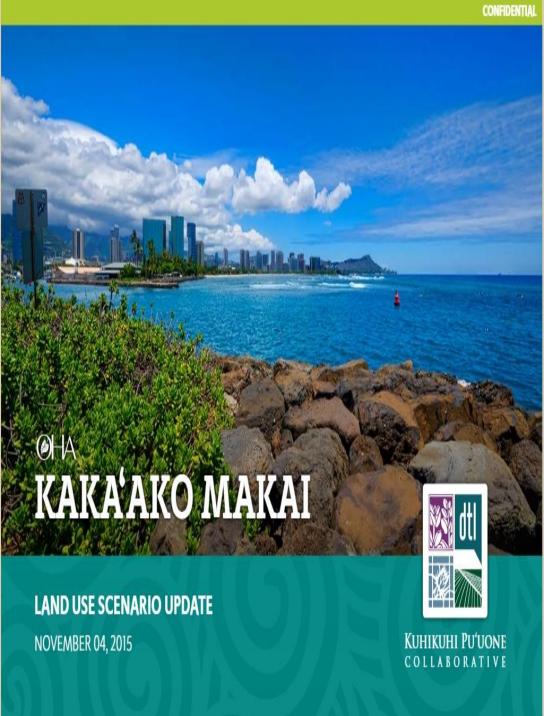
Quarter 3 Deliverable (Part 1)

**Description:** Land use cultural themes; final Land Use Scenarios (2); Pae 'Āina meetings summary.

QUARTER 3 DELIVERABLES

NOVEMBER 2015



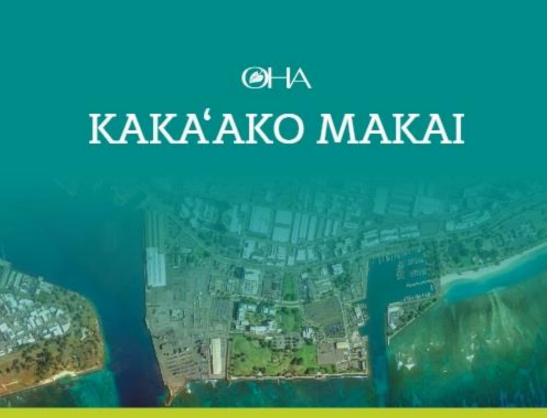


**Deliverable dated:** November 4, 2015

**Cost:** \$19,000.00

**OHA Land Use Scenario Update Presentation** 

**Description:** PowerPoint presentation given to the BOT's Land and Property Committee showing two (2) Land Use Scenarios and the accompanying Financial Assessment



**QUARTER 3 DELIVERABLES** 

PART II – DECEMBER 2015



Author: WCIT, DTL, EKF, and PBR

**Deliverable dated:** December 2015

**Cost:** \$163,419.00

**Quarter 3 Deliverables (Part 2)** 

**Description:** Final Financial Assessment; Development Roadmap; Phasing Strategy and Development Schedule; and Public-Private Financing Tools OFFICE OF HAWAIIAN AFFAIRS

CONTRACT NUMBER 3007

CONTRACT BETWEEN

OFFICE OF HAWAIIAN AFFAIRS

AND

WCIT ARCHITECTURE, INC.

OFFICE OF HAWAIIAN AFFAIRS

SUPPLEMENTAL CONTRACT NUMBER 3007.01

TO

**CONTRACT NUMBER 3007** 

BETWEEN

OFFICE OF HAWAIIAN AFFAIRS

AND

WCIT ARCHITECTURE, INC.

Author: WCIT, DTL, EKF, and PBR

**Outstanding Deliverables** 

1. Design Guidelines

Cost: Paid \$156,493.50 of \$164,730.00

**Reasoning:** OHA has not decided on what they want to do, so useful Design Guidelines cannot be established.

2. EIS

Cost: Paid \$128,276.28 of \$744,460.81

**Reasoning:** No accepting authority identified, and uses not fully defined, needing more input from OHA to be completed.

3. Supplemental Contract No. 1

Cost: Paid \$188,320.52 of \$520,057.54

**Reasoning:** No work on SMA permit.

**Remaining Balance: \$956,158.05** 

OFFICE OF HAWAIIAN AFFAIRS

CONTRACT NUMBER 2845

CONTRACT BETWEEN

OFFICE OF HAWAIIAN AFFAIRS

AND

RIDER LEVETT BUCKNALL, LTD.

Author: Ryder Levett Bucknall, Group 70, and

Sanford Murata INC.

Contract dated: April 11, 2013

**Cost:** \$150,000.00

**Description:** To prepare a management and development framework for OHA's Kaka'ako Makai lands (Basis for Conceptual Master Plan)

History/Cultural Landscape/ Ancestral

Connectivity

Create Kīpuka

Create Cultural Marketplace

Live/Work/Play



OFFICE OF HAWAIIAN AFFAIRS
CONTRACT NUMBER <u>9007</u>
CONTRACT BETWEEN
OFFICE OF HAWAIIAN AFFAIRS
AND
WCIT ARCHITECTURE, INC.

**Author: WCIT** 

Dated: December 11, 2014

**Contract Cost:** \$2,925,752.00

**Description:** To provide conceptual master planning services for Kaka'ako Makai including ancillary service such as conducting financial analysis and market studies, drafting design guidelines, etc.

OFFICE OF HAWAIIAN AFFAIRS

SUPPLEMENTAL CONTRACT NUMBER 3007.01

TO

**CONTRACT NUMBER 3007** 

BETWEEN

OFFICE OF HAWAIIAN AFFAIRS

AND

WCIT ARCHITECTURE, INC.

**Author: OHA** 

**Title:** Supplemental Agreement

**Deliverable dated:** July 19, 2016

**Cost:** \$520,057.54

**Supplemental Contract Agreement** 

**Description:** Supplemental Contract No.1 to prepare a "No Residential" Land Use Scenario; conduct a new appraisal of OHA's Kaka'ako Makai properties; and provide a Public Involvement Plan to generate support of the CMP.

#### WCIT Architecture Cost Breakdown of Contract Deliverables

Contract Description	<u>Document Name</u>	_(	Contract Amount	<u>Percent</u> <u>Complete</u>	Amount Paid
Quarter 1 Background Analysis Tech Memo 3.E	Q1 - Background Analysis	\$	104,452.50	100%	\$ 104,452.50
Quarter 1 Community Engagement Plan	Community Engagement Plan	\$	50,801.25	100%	\$ 50,801.25
Quarter 1 Additional Studies Technical Memo	Q1 Update	\$	47,737.50	100%	\$ 47,737.50
Quarter 2 Market Analysis Report and Pae 'Āina Community					
Meetings	Q2 Update	\$	185,782.00	100%	\$ 185,782.00
Quarter 2 Draft Conceptual Land Use Scenarios	Q2 Deliverables	\$	326,990.00	100%	\$ 326,990.00
Quarter 3 Land Use Theme Refinement Report	Cultural Theme Content	\$	152,000.00	100%	\$ 152,000.00
Quarter 3 Draft Financial Assessment; Final Conceptual Land					
Use Scenarios; Phasing Strategy Report & Schedule	Q3 Deliverables	\$	264,633.90	100%	\$ 264,633.90
	CONFIDENTIAL Land Use Scenario				
Quarter 3 Public-Private Financial Tools Tech Memo	Update	\$	19,000.00	100%	\$ 19,000.00
Quarter 3 Development Roadmap; Agency and Community					
Group Consultation Memo; Final Financial Assessment; Present					
Conceptual Master Plan to BOT	Q3 Deliverables Part 2	\$	163,419.00	100%	\$ 163,419.00
Quarter 4 Development Design Guidelines	Not completed	\$	164,730.00	95%	\$ 156,493.50
Quarter 4 Present Conceptual Master Plan to Pae 'Āina	Completed; no report	\$	181,687.50	100%	\$ 181,687.50
Quarter 4 EIS Scoping Meetings	Not completed	\$	68,965.74	15%	\$ 10,344.86
Quarter 5 Draft EIS	Not completed	\$	620,691.70	19%	\$ 117,931.42
Quarter 5 Assist with Public Meetings	Not started	\$	20,320.50	0%	\$ -
Quarter 6 Public Meeting for EIS	Not started	\$	34,482.87	0%	\$ -
Contract Addition - Land Use Scenario (no residential); New					
Appraisal; Public Involvement Plan	Not completed	\$	520,057.54	36%	\$ 188,320.52
	Total	\$	2,925,752.00	67%	\$ 1,969,593.95

Unpaid Balance: \$956,158.05