

**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 Land and Property
Thursday May 28, 2015 9:30 a.m.**

ATTENDANCE:

LEI AHU ISA, AT-LARGE TRUSTEE
DAN AHUNA, KAUA'I TRUSTEE
ROWENA AKANA, AT-LARGE TRUSTEE
PETER APO, O'AHU TRUSTEE
HAUNANI APOLIONA, AT-LARGE TRUSTEE
C. HULU LINDSEY, MAUI TRUSTEE
ROBERT LINDSEY, HAWAI'I ISLAND TRUSTEE
JOHN WAIHE'E, IV, AT-LARGE TRUSTEE

ADMINISTRATION STAFF:

KAMANA'OPONO CRABBE, KA POUHANA/CEO
MILES NISHIJIMA
ALLEN KAM
MATTHEW KODAMA
DAVID OKAMOTO
GARRETT KAMEMOTO

GUESTS:

BRANDON ASKEW
PONI ASKEW
ROB IOPA
MARK HIGA
LEHUA KA'UHANE
CORD ANDERSON
FRANK BRANDT
RUSSELL CHUNG
TOM HOLLIDAY
LINDA CHEU
DR. PUALANI KANAKA'OLE KANAHELE
NALANI KANAKA'OLE
KALĀ MOSSMAN
HUIHUI KANAHELE MOSSMAN
SIG ZANE
KUHA'O ZANE

BOT STAFF:

LADY ELIZABETH GARRETT
CLAUDINE CALPITO
DAVIS PRICE
LIANA PANG
REYNOLD FREITAS
LOUISE YEE-HOY
LEHUA ITOKAZU
KATHY OWARA-TAKEO
HAROLD NEDD

I. CALL TO ORDER

Committee Chair Hulu Lindsey – Calls the Committee on Land and Property for Wednesday, May 28, 2015 meeting to order at 9:37 a.m.

Committee Chair Hulu Lindsey – Notes for the record there are no excused absences and six (6) Trustees present constituting a quorum of six (6) Trustees.

		Present	Excused	Comments
TRUSTEE LEI	AHU ISA	X		
TRUSTEE DAN	AHUNA	X		
TRUSTEE ROWENA	AKANA			10:28 a.m. arrival
TRUSTEE PETER	APO			10:00 a.m. arrival
TRUSTEE HAUNANI	APOLIONA	X		
TRUSTEE ROBERT	LINDSEY	X		
TRUSTEE COLETTE	MACHADO	X		
TRUSTEE JOHN	WAIHE'E	X		
CHAIRPERSON HULU	LINDSEY	X		
		7		

II. APPROVAL OF MINUTES

A. April 23, 2015

Committee Chair Hulu Lindsey – Asks for a motion to approve the meeting minutes of April 23, 2015.

Trustee Ahuna – Moves to approve the meeting minutes of April 23, 2015.

Trustee Waihe'e – Seconds the motion.

Committee Chair Hulu Lindsey – Asks if there is any discussion on the minutes. Hearing none she asks if there is a unanimous vote to approve the meeting minutes of April 23, 2015. All are in favor and none oppose. The meeting minutes of April 23, 2015 are approved.

III. COMMUNITY CONCERNS / BENEFICIARY COMMENTS

Committee Chair Hulu Lindsey – Calls Keali'i Makekau to the table for community concerns/comments.

Keali'i Makekau – He and Trustee Apo have been collaborating and has also spoken to Trustee Ahu Isa about some of his concerns on Kaka'ako. He shares his thoughts about Lot L and poses the idea of perhaps purchasing, or making a deal with the State to acquire, the lot adjacent to Lot L. The whole venture from Lot I to L would be more feasible because it would create one extension. At that time, Trustee Apo seemed enticed by that idea and perhaps would have his office look into running some numbers.

Committee Chair Hulu Lindsey – Requests for Miles Nishijima to provide an update on the lot that Mr. Makekau is commenting on. The land belongs to HCDA and they do have plans for it.

Miles Nishijima – States the HCDA has been doing design and engineering for an Innovation Center on that site. They could possibly begin construction before the end of this year.

Trustee Ahu Isa –She has heard that President Obama's sister is still working with the University of Hawai'i. Is Kaka'ako still being considered for any sort of secondary Presidential Center to the main site selected at Chicago?

Miles Nishijima – To his knowledge, they are not. The HCDA had put that lot on hold for the past year or so and is now moving ahead and looking for alternatives.

Committee Chair Hulu Lindsey – Calls Dan Purcell to the table for community concerns/comments.

Dan Purcell – Comments on his opinion on the secrecy and the way UH spent money to submit their proposal for the Presidential Center. He strongly feels that there should be an audit performed on the way it was handled. It sets up other things in the future and reminds him of the "Wonder Blunder" and other things where they spend large amounts of money with no accountability. It was disturbing to him to know that OHA was not kept more in the loop with the process or possible outcome. He also talks about Lot L and is curious to know what the future is for it. It seems there are a lot of homeless people around the OHA properties. He thinks it's great that OHA is working with them and not just kicking them out.

Ka Pouhana Crabbe – States OHA was in touch with the University of Hawai'i team leading the movement for the proposal for the Obama Presidential Library. If the plans went forward, it would have been an archive of some of his documents, but also a policy center. He was not aware of the total investments made from other investors, but OHA contributed a total of \$50,000 towards the proposal process.

IV. NEW BUSINESS

A. Updates on Street Grindz; Poni & Brandon Askew, Street Grindz

Ka Pouhana Crabbe – Introduces Poni & Brandon Askew. They came before the committee a few months ago to present Street Grindz. They are here to provide updates before they launch in a few months.

Poni Askew – Shares the progress on the Fisherman's Wharf parcel and what's going on with their business. A recent tally shows they work with 240 small businesses and mobile street food

vendors; up from the 175 that she first reported. It is something they are very proud of. Back in 2011 when they started, they had 12 street food vendors that they worked with. The street food and small mobile food industry in Hawai‘i has a trajectory, over the next two years, to double again. They’re really excited for this opportunity to have this area to showcase their food vendors.

For the past five years they’ve not only worked with the taste makers, but also the tasters, the eaters; the kama‘aina that want to come out and “grind”. They want to let people know that this is not just a place for the makers to come out, but a place for the tasters to gather.

Poni provides a slide presentation with renderings showing the seating area, food vendor area, bar area, vendor unit, stage/entertainment area, and mobile restroom. There will be areas for the keiki to be active. There is an area where there will be a seating area rebuilt out of old fishing boats; paying homage to the wharf. There will also an area dedicated for a dog park. They will utilize pieces of the old Fisherman’s Wharf signs that OHA saved prior to demolition as decorative pieces and signage.

There will also be retail stalls available in the space. Retail has always been a big hit and, probably for 50% of their business life, has been integrated into their business; they did not want to forget about them.

Trustee Ahu Isa – Asks if they are still accepting new vendors.

Poni Askew – They are meeting with everyone that is interested in working with them. They can contact them.

Trustee Apoliona – Asks when they anticipate launching.

Poni Askew – They intend to do a soft launch in mid-August and a big grand opening at August Eat the Street, or last Friday in August. Before that they want to activate the space. Because it’s plug and play, the island doesn’t have enough inventory of the scaffolding material that they use. They have to be ordered and shipped here. While they wait for that to come in, they decided to do an activation; the food vendors are anxious to sell their food. It will be a very casual experience. They will start sharing with the public though imagery and vision and mission statements what they are trying to accomplish by the time they open in August.

Trustee Ahu Isa – States she had a meeting with Kawika Riley and they discussed how great it would be if there was a Hawaiian style Angie’s List that provides a listing of Native Hawaiian vendors. It would be another tool to help support the beneficiaries.

Poni Askew – Agrees with Trustee Ahu Isa. Twenty percent of their vendors are Hawaiian owned businesses. It’s important to her to get obtain that information and provide these opportunities to a community that is near and dear to her.

Trustee Apo – Asks what the infrastructure needs are for the operation.

Poni Askew – They will be operating off the grid by bringing in generators.

Brandon Askew – They do want to provide power and water to the vendors. That would make service to the small businesses much better, but the resources to achieve that would push them back another year. So, for the needs they would love to stub out water and electrical for a minimum of 20 vendors for a daily activation and upwards to a 100 vendors for a larger event.

Trustee Apo – Asks if this is something that requires installation at every event.

Brandon Askew – Similar to what they have along the pier, next to the lot, it would be more permanent. They would be in their own separate cabinets, locked up and safe, than opened when needed for events and usage and metered.

Trustee Apo – Hawai'i is the only place in the nation that doesn't have fair grounds. With fair grounds, everything is in the ground. The cost for non-profits to put on similar events is astronomical. With OHA properties at Kaka'ako some thought about putting the infrastructure in might be considered so when people like you (Street Grindz) want to come in, it's ready.

Poni Askew – With the Piano Lot designed with HCDA there was certain infrastructure places into that lot. There are some things there. For this project and with this lease term it would be prohibitive; generators will run the whole thing.

Brandon Askew – Power did get turned on for the stringed lights and the parking lot lights. Each vendor will bring their own power as they do for all they do for all events.

Committee Chair Hulu Lindsey – Notes it would be so much easier if there was a power source available similar to that of a construction site; something temporary that can be removed once the lease is over. Maybe this can be discussed with the Commercial Property Management team.

Trustee Machado – Compliments Poni and Brandon on all the work they've done since they first came to the committee to make their presentation. She knows their hearts are in the right place; all they've done in the preparation and design is outstanding to magnify the land itself for OHA as well as in encouraging Native Hawaiians to participate.

Committee Chair Hulu Lindsey – She thanks Poni and Brandon for their work and for coming to make their presentation today.

B. Presentation of Findings of the Kaka'ako Makai Market Analysis and Initial Findings of the Financial Assessment of the Preliminary Land Use Scenarios; Kuhikuhi Pu'uone Collaborative - Rob Iopa, WCIT Architecture, Tom Holliday, CBRE/Hallstrom, Linda Cheu, AECOM

Ka Pouhana Crabbe – Calls Rob Iopa and his team to the table to make his presentation on Kaka'ako Makai Master Planning.

Rob Iopa – Introduces the entire collaborative team that is present. They will provide an update on where they are and continue the dialogue that has been happening for the past year or so. There is a PowerPoint presentation to accompany the update.

PROJECT SCHEDULE

- The 2nd quarter's work for 2015 is complete
- Are two-thirds the way through the study of what they believe to be the land use scenarios
- Are in the process of developing Phasing and Development Schedules and in the process of a Development Roadmap
- Are in the middle of their Land Use Refinement
- Have completed their Market Analysis
- Complete with the initial phases of Community Engagement. Still have one on one discussion with key stakeholders
- Have just begun the Financial Analysis on the land use scenarios that are being proposed

Tom Holliday – Goes over the Market Analysis Findings summary covered at length and in detail in the PowerPoint presentation and hardcopy provided to the Trustees.

MARKET ANALYSIS FINDINGS

Study Objective: Identify the highest and best use of the OHA Kaka'ako Makai lands under existing zoning/use restriction and within potential master plan(s).

- **Study Context:** Analyze the market from end-user, developer and landowner perspective, acknowledging OHA would be initially in the landowner position.
- **Time Frame:** Long-term, but focused on the 2015 through 2025 period in which the majority of the lands would be planned, developed, and absorbed.

• Uses Considered:

- » Commercial (Retail/Restaurant)
- » Residential (Multifamily, all price points)
- » Hospitality (Hotel and Timeshare)
- » Office (General/Standard and Medical)
- » Industrial
- » Cultural

• Aspects Analyzed:

- » Demand (Macro and Specific)
- » Supply (Existing and Proposed)
- » Pricing and Absorption
- » Investor/Development Interest
- » Appropriateness of the Subject Site(s) for Each Use Type
- » Recent Honolulu Land Transactions of Each Use Type

• **Overview:** While showing signs of stabilization following major post-recession recovery, the Honolulu economy and virtually every real estate sector continues in an up-cycle period with strong demand, activity, prices and interest from end-user, developer and landowner perspectives.

- Kaka‘ako is a focal point of the current surge and development activity, with the resident population expected to double during the next decade and the district to undergo major transformation.

Tom shows a map of Kaka‘ako that shows all the development happening in the area. It has to be updated often as it is constantly evolving. He continues to provide updates on each slide detailing the summaries on Uses Considered.

ANALYSIS SUMMARIES ON USES CONSIDERED

COMMERCIAL (retail/restaurant)

• Demand:

- » Based on resident and visitor population growth and spending there will be a demand for more than 4 million additional square feet of commercial (retail/ restaurant) space on Oahu over the next ten years with 48 percent, or 1.96 million square feet, oriented towards central Honolulu and primarily the Kaka‘ako-Waikiki corridor encompassing the subject.
- » Vacancy rates are currently less than 3 percent in the corridor, with prime Waikiki areas at 0.6 percent, Ala Moana Center at less than 2 percent; and, Ward Village centers nearing 100 percent.
- » The demand for oceanfront and makai-oriented restaurant spaces in Honolulu is virtually unlimited. Of the 56 such spaces from Diamond Head to Downtown, only one is currently vacant, with most being long-time successful operations with high annual sales per square foot.

• Supply:

- » There is 3.1 million square feet of commercial space proposed on Oahu about equally divided between the Kaka‘ako-Waikiki corridor and locations outside Honolulu. 70 percent will come on-line between 2015 and 2020, with the remainder in the 2012 through 2025 period.
- » Major corridor additions include the Ala Moana Center expansion, International Marketplace, Ward Villages and KS Kaka‘ako projects. Some of the new supply will be offset by the closure of Ward Warehouse and the net loss of space at King’s Village, with the large majority also being built from 2015 to 2020.
- » The only oceanfront project proposed in the corridor is on the HCDA lands located across Kewalo Basin from the OHA holdings. HCDA is currently reviewing development bids for three sites fronting the basin which could support some 70,000 to 100,000 +/- square feet of interior floor space.

• Conclusion:

- » Every available indicator points to there being significant demand for additional makai-oriented retail and restaurant space in the study corridor during the development, absorption and ramp-up period for the OHA Kaka‘ako Makai lands. The proposed supply is insufficient to meet demand, quality sites scarce, and alternative oceanfront locations unavailable outside of Kewalo/ Kaka‘ako.
- » End-user and developer interest is high, vacancies are low, rents are climbing, and sales are generally strong.
- » The OHA Kaka‘ako Makai lands are a highly appropriate location for moderate to high-end retail and restaurant development serving Kaka‘ako, O‘ahu residents and visitors.

RESIDENTIAL

• Demand:

» The demand for new residential units on Oahu is forecast at some 24,000 over the next decade, with nearly that many more needed from 2026 through 2035. The large majority of demand would be focused towards Honolulu, much in Kaka‘ako but there are insufficient reasonably-priced sites available and development cannot keep pace.

» From 2015 through 2025 it is expected about 5,700 multifamily units will be absorbed in Kaka‘ako, and another 5,000-plus during 2026-2035, across the pricing spectrum from low-income affordable to ultra-luxury.

» Every affordably-priced unit offered to date in Kaka‘ako (prices generally ranging from \$500 to \$700 per square foot) has been absorbed with most developments having long waiting lists. All completed low to moderate-market priced units (\$700 to \$1,000 per square foot) have been absorbed along with nearly 90 percent of those in pre-sale. Under-construction upscale/luxury projects (\$1,500 to \$2,500 per square foot) are achieving pre-sale rates above 70 percent.

» The condominium resale market in Kaka‘ako is perhaps the strongest in Honolulu with some of the highest and fastest appreciating prices for standing inventory.

• **Supply:**

» Currently in Kaka‘ako there are 17 projects containing nearly 4,500 total units which are permitted (1,585 units), under-construction (1,666 units) or have recently been completed (1,238 units).

» An additional 14-plus towers housing 5,500 units are in the planning stages, with others being announced on a regular basis. Another 4,000 plus units are under construction or proposed for the Ala Moana neighborhood.

» To date much of the development focus has been on luxury and mid to upper market-priced inventory in the prime makai-oriented, Ala Moana and Kapi‘olani-fronting areas of Kaka‘ako, with mid to lower market-priced and affordable product anticipated to follow on interior sites.

• **Conclusion:**

» Despite the surge in number of units being developed and the stabilizing economy, the demand for residential units in Kaka‘ako is outpacing supply across every pricing segment. Even the top-end sector which is achieving the highest pre-sale prices for condominium units in the history of Hawai‘i, and was thought to be reaching saturation, continues to show strength.

» End-user (purchaser) demand is strong, developer interest is the highest in a generation, unit prices are climbing, and absorption appears to be gaining momentum. However, a meaningful hike in interest rates could stymie activity.

» The OHA Kaka‘ako Makai lands would be a superior location for condominium development of all prices and types, and has the ability to support upscale/luxury-class product. The panoramas are unmatched and cannot be blocked by future projects, and the sites are centrally situated in urban Honolulu close to parks, shopping, entertainment, and employment centers.

HOSPITALITY

• **Demand:**

» The O‘ahu/Waikiki visitor industry enjoyed a strong post-recession recovery and has reached record-levels in regards to visitor arrivals, total visitor days and visitor expenditures. It is now in a stabilized up-cycle although there has been some short-term volatility in Japanese and Australian spending due to currency issues.

» Hotel Average Daily Rates and occupancy are also at peak levels as are overall operating profits, and investor interest, with sales prices for Waikiki hotels reaching record per room prices.

- » There is an estimated demand for some 5,300 additional transient lodging units on Oahu by 2025, much of which would be directed to greater Waikiki.
- » The demand for timeshare on Oahu has averaged nearly 270 units annually since 2004, staying strong through the recession and steadily increasing in velocity in recent years. Demand is thought to be somewhat stabilized and should average 250 to 275 annually over the coming decade.
- » Asking weekly interval equivalent prices in Waikiki for fresh inventory now range from \$24,000 to \$82,000 for a one-bedroom and \$35,000 to \$109,000 for a two-bedroom unit.

• **Supply:**

- » There are a maximum of 3,200 total new lodging units proposed for Oahu over the coming decade. This total includes new timeshare and condo units. The large majority of new hotel rooms would be located outside of Waikiki/Honolulu in smaller limited service hotels.
- » There are approximately 2,300 potential new timeshare units proposed for Oahu by 2025, most of which would be located in Ewa/Kapolei well-outside of Waikiki.
- » Potential hotel and timeshare development sites in Waikiki are very scarce, particularly those with a makai-orientation, and very expensive. There is an insufficient supply of available land in the urban resort district.

• **Conclusion:**

- » There is both strong demand and a market need for new additions to the hotel supply in the greater Waikiki area, with the emerging Asian and booming youth segments clamoring for modern, new, high-quality product and showing a reluctance to pay increasingly high rates at older Waikiki hotels.
- » The maximum potential supply will fail to meet demand even if the visitor industry slows. Should the City & County go through with its proposed crackdown on the estimated 3,583 “illegal/uncertified” units on the island, the shortfall would be even greater.
- » The proposed supply of timeshare units, though continuing to be developed at a steady pace, would fail to meet demand by some 200 to 400 units by 2025.
- » End-user demand is at all-time levels, developer interest is exceptionally high, and room rates and interval prices are steadily climbing with no near-term signs of abatement.
- » Once again, the OHA Kaka’ako Makai lands would be a superior location for hospitality development in the middle-upper to top end of the price/quality range. Much of the product could be oceanfront with excellent views, nearby Ala Moana Beach Park and shopping, dining and entertainment, and centrally located in the Diamond Head to Chinatown primary visitor corridor.

OFFICE

• **Demand:**

- » The general/standard office sector remains stagnant. Demand remains low (with negative absorption in 2014), vacancies high (about 15%), and rents have remained fundamentally unchanged for many years. Development of new inventory of this type is non-economic and would provide nominal returns to the underlying land.
- » The demand for medical office space is increasing as Hawai‘i’s generally well insured population ages, particularly in close proximity to a hospital or clinic which can provide support and services for the practice and patients. Rents of \$4.00 to \$4.50 per square foot monthly are achievable in the prime, proximate locations, nearly twice that for standard office space.
- » Medical practitioners seek out central urban locations with access to major thoroughfares and

plentiful parking (preferably free). New projects with such characteristics have been quickly absorbed.

• **Supply:**

» There have been several major additions to the medical office inventory in greater Honolulu in recent years, all being well-received; notably in projects near Pali Momi Hospital and the Hale Pawa'a building.

» The Ala Moana building, reversing course yet again, is not extending doctor's leases which will reduce available, competitive supply, especially among established practices which will be looking for a prominent location in central Honolulu.

• **Conclusion:**

» End-user (doctor) interest in medical office space is moderate to favorable, although younger practitioners may have financial difficulty setting up an office in new space. Developer interest is also moderate to favorable but somewhat specialized and limited in a market of the size of Honolulu. Rents are steadily increasing, but the space can be more costly to construct than other office or commercial uses.

» The OHA Kaka'ako Makai lands would be a reasonable site for medical office space development given its central location and ease of access onto Ala Moana Boulevard. Its desirability would increase significantly if either the Burns/UH School of Medicine or the Cancer Center would open a clinic, operating rooms, and/or emergency room.

INDUSTRIAL

• **Demand:**

» Although a somewhat lower order urban use, the Honolulu industrial market is very strong, with shrinking vacancies, escalating rents, and rapidly increasing land prices.

» Nearly 215,000 square feet of industrial floor space was absorbed on Oahu last year, pushing the island-wide vacancy rate down to 2.6 percent; the lowest for any real estate sector.

» Kaka'ako has an industrial vacancy rate of about one percent, and achieves the highest rents on the island outside of the acutely under-supplied Windward side.

» Industrial land prices in Honolulu are typically near or above the \$100 per square foot mark, with recent HART rail right-of-way purchases in Kaka'ako at from \$150 to \$170 per square foot for the underlying land.

• **Supply:**

» There are approximately 34 million square feet of floor space on Oahu, of which 1.7 million are in Kaka'ako.

» Significant new development is occurring in Ewa/Kapolei where there are available zoned lands but little in central Honolulu which is nearing effective build-out.

» The supply of industrial space and lands in Kaka'ako are rapidly diminishing as they are converted into higher order uses such as condominium or commercial, or are being disrupted or taken for the rail right-of-way.

• **Conclusion:**

» End-user demand is exceptionally high for industrial uses in the Kaka'ako area, development interest in the sector is strong throughout the island (although there are no real opportunities in Kaka'ako), rental rates and land prices are moving strongly upward, and the amount of available supply is shrinking.

» Industrial use for selected OHA Kaka'ako Makai sites, particularly on an interim basis, would

be reasonable in their “As Is” condition before becoming part of a larger master plan; specifically Site G/F and Site I, which is currently put to industrial use.

Linda Cheu – Provides information on how they approached the market studies for cultural attractions; covered at length and in detail in the PowerPoint, presentation and hardcopy provided to the Trustees.

How and why do we conduct market analysis for cultural attractions?

- Concept-Goals for the cultural attraction
- Site-From a market perspective
- Available Markets-Resident and Tourist
- Competitive Environment
- Industry Benchmarks & Metrics-How things typically perform
- Judgement

All that feeds into what the Market Potential is for different cultural uses. The reason to do this is to think about long-term economic sustainability.

MARKET BASED SITE ANALYSIS

Strengths and Opportunities

- Kaka‘ako is emerging site for arts and culture with existing cultural and community assets
- Multiple planning efforts → greater critical mass of activity and onsite market
- Enough land area to create a destination
- Major development interest already – opportunity to cross subsidize for long term financial support
- Water frontage and views
- Authenticity

Challenges

- Kaka‘ako Park & HCDA properties – do not control what happens around the site
- Other cultural attractions being developed may be competitive
- Parking and access- not a lot of parking and getting congested
- Located away from large tourist base
- Need to create enough critical mass to draw visitors

Review of Available Markets: Summary & Implications

Resident Market - 995,000 in 2020

- Modest sized, expected to grow slowly
- Education levels are strong compared to state and national averages
- Strong income levels, but due to high cost of living, less discretionary income
- Captive audience and limited competition

Tourist Market - 4.7 million in 2020

- Mature and large tourist market, with very high ratio of tourists to residents
- Challenging and distracted market primarily based in Waikiki
- Major focus on water-based activities and the outdoors
- Japanese tourism still highest and growing, Chinese & Korean visitors increasing; group travel may increase
- Long length of stay, with sufficient time to do a variety of activities
- Most tourists stay in hotels, which is a marketing opportunity
- Flat seasonality reduces potential capacity problems
- Tourists are a mix of ages and life stages, with mix of seniors, adults, and families

Linda states that they reviewed over 40 different attractions on O‘ahu from commercial, zoo, aquarium, garden, cultural, and historical. They have included various charts and metrics on their research. Generally speaking, many of the attractions do very well on an attendance perspective. They achieve very high penetration rates, which is their ability to capture certain percentage of residents or tourists. Compared to national benchmarks, Hawai‘i does very well. The challenges are found on the financial side where the revenue per square foot or per capita and contributed revenue is lower; they struggle more financially.

Honolulu is a very active attractions market; it has a very significant supply. It’s important that whatever cultural attraction is put here is unique and is somewhat of a different offering than what is already here. A Gap Analysis of Honolulu shows there are a lot of botanical garden and garden attractions. That could mean two things; 1) there is a great supply; and 2) they do well because that’s one of the things people look for when they come here.

Linda goes over the Evaluation of Attraction and Entertainment Alternatives Initial Screening Process.

• **Key Questions / Criteria:**

- What uses are consistent with OHA’s mission and vision for Kaka‘ako Makai?
- What uses will require operating subsidy and which will generate positive net revenues?
- Will future uses create a sense of place and destination experience?
- Will the future use attract both residents and visitors?
- What uses have strong market demand?
- What uses are appropriate for the site, scale, and neighboring uses in the neighborhood?

They rank them from one to five then weight them with certain factors. Based upon that everything gets a total number of points. The highest possible score was 120 points. The two clear front-runners: Observation Deck/Tower and licensed multimedia new cultural concept (e.g. Satellite sites: National Geographic, Smithsonian).

Rob Iopa – The Market Study provides us with some notifications of what we should be looking for in the land use scenarios moving forward. He continues with the presentation of slides depicting land use scenarios for Kaka‘ako Makai.

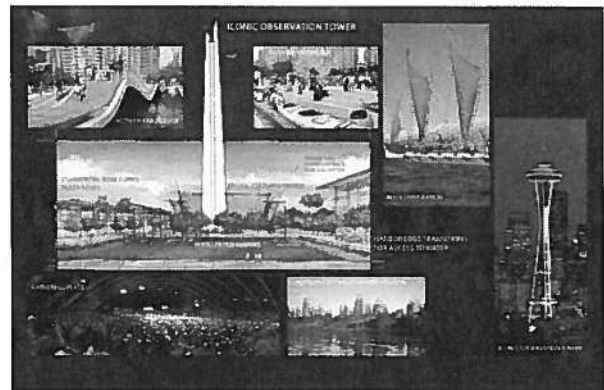


Land Use Scenario 1: Takes existing conditions as independent parcels and proposes what they believe, based on the Market Analysis, to be the highest and best use given its current entitlements.



Land Use Scenario 1A: Exactly as LUS 1, with the exception of E & I and the inclusion of Residential. Residential proposed at 400 feet, which is not an allowable height nor is residential. This scenario would take proper entitlement and legislation to occur. Residential on the mauka section made the most sense.

Land Use Scenario 2: Like LUS 2A, may be the most aggressive of the proposals, but may have substantial benefits. Like all the properties, commercial use on and along the waterfront is the best use. The real difference in this proposal looks at F & G and creating a water space; extending and dredging a marina that came back into the site. It could create waterfront commercial activities that are significant. Current zoning does allow 200 feet height at F and G. For the purpose of this, they established two cultural elements: the Tower and a Cultural Place. They'll start to talk about Kipuka and Halau Ola and go into more detail.



Land Use Scenario 2A: LUS 2 applies for 2A, but includes residential in Lots I and a hotel in Lots F & G.

The imagery shown does not reflect what they are proposing, but just something to get the juices flowing. The sketch shows some observation tower elements: overlook a marina; have a Hawaiian place; a Kipuka; could have a wa'a that sat in the marina; and bound by the commercial uses.



Land Use Scenario 3: An alternate to LUS 2; instead of the marina have a plaza. The plaza would have wonderful water features with traditional expressions of loko i'a and lo'i and elements that one could engage in within the plaza.

Land Use Scenario 3A: Similar to LUS 3A; inclusion of residential and hotel.

To conclude, in a design perspective, they wanted to share images with and without a tower. They have to fully explore environmentally, entitlements, space, and FAA restrictions; there's a whole bunch of things that come into effect. They believe that the inclusion of a marina and a kipuka could be wonderful. They also believe a tower element creates a signifying beacon; an attraction anywhere from Honolulu. Also because of the economics, not just the identification, they do believe the tower is an interesting inclusion.



Tom Holliday – Goes over the Preliminary Financial Assessment.
PRELIMINARY FINANCIAL ANALYSIS

- In light of recent market activity, there have been sufficient timely transactions to support the Sales Comparison Approach to value, considered the most desirable appraisal methodology.
- The primary strengths of the subject sites include their central Honolulu makai-oriented location, with some having ocean frontage and some having Ala Moana Blvd. frontage.
- The primary weaknesses of the subject sites are the limited development in Kaka‘ako Makai, mixed transitional status of the larger neighborhood, limited exposure, and access traits. Further, there are potential soil mitigation and associated costs which are unknown at this time.
- There have not been any oceanfront land sales or new ground leases in central Honolulu in more than two decades. Shoreline property typically demands a premium in Hawaii. We have been cautious regarding the premium for the subject sites in our initial, preliminary analysis.
- “As Is” with their in-place zoning/use limitations, size and access, as free-standing, individually-sold parcels outside of a master planning concept, the aggregate sales value of the sites is likely between \$203 million and \$214 million; above the \$200 million aggregate value at the time of their exchange to OHA.
- If the only change to the “As Is” status of the Kaka‘ako Makai sites is the ability to place residential development in towers up to 400 feet high on Sites E and I, is allowable across Ala Moana Blvd., the aggregate sales value of the OHA holdings increases by up to \$19 million, reaching as high as \$233 million total, or up by percent.
- Aggregate sales values will increase by as much as 40 percent above “As Is” with the implementation of the envisioned master plan in accordance with the entitlements achieved and the level/type of amenities and features developed. Scenario 3A offers the greatest upward sales value potential.
- It preliminarily appears the increase in aggregate sales value should be sufficient to fund the additional entitlement and site development costs associated with the respective plans, specifically the plaza/marina, while still providing OHA a return above the \$200 million baseline.
- However, it is not known at this time whether or how much there will be in excess of \$200 million to support development of cultural facilities and their on-going operation.

Trustee Akana – States some of the land has impurities and needs cleaning up. Nothing has been done thus far. Is the land value still worth what is being reflected here?

Tom Holliday – They took that into account for some of the waterfront pieces and for Lots G & F that are industrial. If there's expensive remediation costs it will impact some of the values, but fully remediated lots on the water will probably go for prices higher than listed here. Relative to when it was transferred over the values still remain high and in the market place. He goes over charts outlining Aggregate Preliminary Values.

Parcel ID	Area in Sq. Ft.	Use	Mid-Range		High End of Range	
			Current Estimated Value per SF	Total Value	Current Estimated Value per SF	Total Value
A	164,000	Commercial	\$250	\$41,000,000	\$240	\$42,640,000
B	103,597	Commercial	\$200	\$20,700,000	\$210	\$21,755,370
C (1)	73,996	Commercial	\$200	\$14,800,000	\$210	\$15,539,160
D	40,855	Commercial Leased	\$7,700,000	\$7,700,000	Leased	\$8,100,000
E	95,919	Commercial	\$200	\$19,200,000	\$210	\$20,142,990
G/F	328,000	Industrial	\$120	\$39,400,000	\$130	\$42,640,000
I	130,000	Commercial	\$200	\$26,000,000	\$210	\$27,300,000
K	59,154	Commercial Leased	\$5,400,000	\$5,400,000	Leased	\$5,700,000
L	229,561	Indust./Med.	\$125	\$28,700,000	\$130	\$29,842,956
Total	1,225,082					
Aggregate Preliminary Values				\$202,900,000		\$213,648,476
Rounded:				\$203,000,000		\$214,000,000

(1) Encumbered by 1 KFC lease agreement. Net square footage shown.
Source: The Holston Group/CBRE

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			Current Estimated Value per SF	Total Value	Current Estimated Value per SF	Total Value
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C (1)	73,996	Commercial	\$200	\$14,800,000	\$210	\$15,539,160
D	40,855	Commercial Leased	\$7,700,000	\$7,700,000	Leased	\$8,100,000
E (2)	95,919	Residential	\$290	\$27,800,000	\$300	\$28,775,700
G/F	328,000	Industrial	\$120	\$39,400,000	\$130	\$42,640,000
I (2)	130,000	Residential	\$275	\$35,892,000	\$290	\$37,700,000
K	59,154	Commercial Leased	\$5,400,000	\$5,400,000	Leased	\$5,700,000
L	229,561	Indust./Med.	\$125	\$28,700,000	\$130	\$29,842,956
Total	1,225,082					
Aggregate Preliminary Values				\$221,300,000		\$232,493,184
Rounded:				\$221,000,000		\$233,000,000

(1) Encumbered by 1 KFC lease agreement. Net square footage shown.
(2) Assuming site CI range to residential and 400 foot height limit.
Source: The Holston Group/CBRE

Trustee Apo – Expresses that the biggest challenge, in looking at the numbers, is how to create some of the numbers on some of the parcels at highest and best use in order to allow some breathing space for some flexibility to provide opportunities that may not be considered highest and best use. For example, have a local business (Side Street Inn) occupy a retail/commercial space, rather than national chain (Cheesecake Factory). He's pleased with the evaluation of the

tower. The two front-runners should be strong revenue anchors. A high revenue project like a timeshare would give some freedom to have some open space and allow OHA to do some give back things for the community.

Tom Holliday – That’s one of the tough things that Rob is trying to do. There would be transient lodging tower by the marina basin surrounded by the nice commercial area, the cultural facilities, and the view of the tower.

Trustee Robert Lindsey – States he appreciates what Mr. Holliday has shared. He believes there is a way to have a balance between commerce and culture, which has been the guiding principle.

Trustee Ahuna – Thanks them for their presentation and states he likes Scenario 2A. He states that kipuka was mentioned many times in their concepts and how it provides life outward out of nothing. Today it seems that there is more talk about attracting tourists and visitors. He would like to hear more about how to attract Hawai‘i’s people here. The visitors will come anyway and as a result, the opportunities are unlimited. To him, the process and culture is about how Hawai‘i’s people will fit in. How do we attract the people from the other islands? He wants the Hawaiian people to be in the process of all of this.

Rob Iopa – States part of the struggle to address Trustee Ahuna’s concerns in today’s presentation is limited time and the subjects: Market and Finance. When talking on both subjects and trying to reach a revenue goal, it’s important to talk about the visitor industry and the people that are going to drive that aspect. If we were to flip the purpose of this presentation and do it from a cultural attitude, he thinks it would be equally inspiring and significantly different than today’s presentation.

Trustee Ahuna – States that the Trustees represent OHA serve the beneficiaries through and he would like to provide opportunities for them to grow without having to go through a grant process or by receiving a grant. Maybe through malama ‘aina on a piece of property in the corner would be something to offer; little pockets of opportunity to provide the people.

Committee Chair Hulu Lindsey – Asks Mr. Holliday on the valuation of the \$203 million in based on three leased lots. Assumptions were made with residential in mind when that wasn’t the case, as well as with the height.

Tom Holliday – States Lots D & K are in relatively long-term leases. They have a capitalized value of the lease fee interest. Lot B is in a short-term lease that will expire in 2018 so it is considered to be included in the planning horizon. If you really wanted to compare how it was, the assumption was that residential was going to be allowed on Lots E and I and that was what provided to the appraisers by the Attorney General, to look at it that way. He would have to go back and look at how the scenarios played out without that residential assumption.

Rob Iopa – States Mr. Holliday could take a look at it in that way if that would be of interest to the Trustees.

Trustee Akana – States that's what she meant; the valuation was based on OHA being able to build (residential) and they are not. Those numbers are wrong and to base the numbers on those values are wrong.

Ka Pouhana – States Senator Chun Oakland recognizes the dilemma the state put OHA in. Some proposals were made, but there is no commitment on the table, not only for the valuation, but also the future consideration of going above 200 feet and residential. Some of the discussion OHA's Public Policy team has had with the Legislature is once the Master Planning is done, OHA has much more to share on what the possible plans are. Even if this is just preliminary discussion, there is still room for working it out in the future.

Trustee Machado – States regardless if OHA has a gripe with the State, the key is the potential value of the properties in possession now. She's excited to see the different scenarios. In relations to what Trustee Ahuna mentioned, she's concerned that there is no mention of any stewardship program for the community or for Native Hawaiians to integrate their story. That's how people will know how important this place is and what it means to us; we have to trace and show its history and use that to educate. She asks if OHA is looking to move into one of the properties in the future and make it the main headquarters.

Ka Pouhana – Responds that it would be considerations to take and then see what the ultimate recommendation is. Ka Pouhana shifts the discussion to the cultural piece and asks Dr. Pualani Kanaka'ole Kanahale to share some thoughts in the concept. There's not enough time for an entire presentation, but there can be workshop planned in the future.

Dr. Pualani Kanaka'ole Kanahale – She asks Kuha'o Zane from EKF to share some of his thoughts.

Kuha'o Zane – States it is interesting to hear people speak about culture and commerce because, literally, for all his life that's all he's known. He's never seen a difference between the two. As far as EKF is concerned, they are trying to bring the knowledge base and the cultural grounding that has been here for generations and make everything else integrated alongside them. He loves the idea of the tower concept because it gives the perspectives on where the sun is rising at the time and how that can play into certain cultural protocol. Alongside that, they also have the kipuka. Having the place open for practitioners to come and gather will definitely bring in the next generation and being able to do that alongside tourist or anyone supporting our economy and cultural practices will set up the view not as commerce and culture, but a view of Hawai'i.

Dr. Pualani Kanaka'ole Kanahale – States her hope is that when all of the planning and building is done for Kaka'ako Makai it will be known as Kipuka Kaka'ako and it will be the most outstanding commercial and cultural center on the island. Going back to Halau a ola, the idea came from the Pele and Hi'iaka story because it had to wellness and bringing back someone's health and what is involved with it. What is involved in the bringing back of the health is all of the elemental forms; the sun, rain, pure water, pure vegetation, and all of the things they call natural resources. All of the natural resources they talk about today is Hawaiian. They cannot separate Hawaiian cultural from natural resources. This is how the particular idea halau a ola started. You heal people with the natural resources that we have here and you heal

them mentally, physically, and spiritually. In the long run it forces to people to realize where they come from. One of the things OHA can do is become the center of Hawaiian information.

Committee Chair Hulu Lindsey – States there will be monthly updates on Kaka‘ako. It’s important to hear the concerns from the Trustees. She shares her concerns on the inlet of the marina as there will be restrictions on the ocean. Maybe in the future OHA would like to bring in the Hōkūle‘a, or the KIRC boat or even their own wa‘a one day. Trustee Ahuna would like to see the Sea Flight bring neighbor island people here.

Rob Iopa – States he would like to come back and present more on the culture concept and look forward to the other opportunities to present updates.

Committee Chair Hulu Lindsey – Thanks all the presenters and guests that came from out of town.

V. ANNOUNCEMENTS

Committee Chair Hulu Lindsey – Asks if there are any announcements. The next meeting for the Committee on Land and Property is on June 25, 2015.

VI. ADJOURNMENT

Committee Chair Hulu Lindsey – Asks for a motion to adjourn.

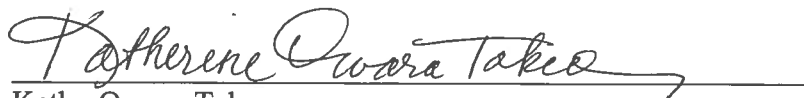
Trustee Akana – Moves to adjourn the meeting.

Trustee Machado – Seconds the motion.

Committee Chair Hulu Lindsey – Notes a unanimous consensus and the motion is carried.

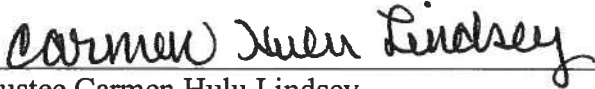
The meeting is adjourned at 11:47 a.m.

Respectfully Submitted,



Kathy Owara-Takeo
Trustee Aide
Committee on Land and Property

As approved by the Committee on Land and Property on June 25, 2015



Trustee Carmen Hulu Lindsey
Committee Chair
Committee on Land and Property

ATTACHMENTS:

- Community Sign-In Sheet
- Beneficiary Comment and Community Concern Form (2)