Minutes of the Office of Hawaiian Affairs Committee on Resource Management
April 18, 2018
1:00 PM

ATTENDANCE:
Trustee Leina’ala Ahu Isa
Trustee Dan Ahuna
Trustee Rowena Akana
Trustee Keli’i Akina
Trustee Carmen Hulu Lindsey
Trustee John Waihe‘e, IV

STAFF PRESENT:
Kamana‘opono Crabbe, CEO
Claudine Calpito
Davis Price
Farah Cabrera
Jim McMahon
Kawika Riley
Keith Gutierrez
Lehua Itokazu
Lady Elizabeth Garrett
Laurene Kalua‘u-Kealoha
Lianna Pang
Lisa Victor, COO
Max Mukai
Melissa Wennihan
Mehana Hind
Merlyn Akuna
Miles Nishijima
Momilani Lazo
Paul Harleman
Raymond Matsuura
Scott Hayashi

GUESTS:
Sam Chung
Shelley Morisaki
DeMont Conner
Rachel Kailianu
Karen Birkett
I. CALL TO ORDER

Committee Chair Hulu Lindsey calls the Committee on Resource Management to order at 10:04 a.m., noting for the record that the following Trustees are present:

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At the Call to Order, there are five (5) Trustees PRESENT and three (3) EXCUSED.

II. PUBLIC TESTIMONY

DeMont Conner testifies in support of OHA moving forward with a project for Nā Lama Kukui (NLK).

III. NEW BUSINESS

A. Nā Lama Kukui (NLK) Analysis Presentation – Sam Chung

Chair H. Lindsey calls on Sam Chung to present on NLK development possibilities.

Sam Chung presents on his memo provided to the Board of Trustees. A copy of this memo can be obtained by a request from OHA’s Records Management Specialist. He starts off by stating that redevelopment of NLK should be something to consider with the rail coming to the property. His overview will be the initial steps to take and evaluate. He gives a brief background of his company and the Holomua project, an affordable work-house project that was built. He compares the Holomua project to the NLK property with the thought of accessibility of Nimitz highway and the convenient location. He states the approach taken
is practical, cost effective, and must make economic sense for OHA. OHA must think about where they would move to if NLK gets redeveloped. The move could be temporary, permanent, or an option to move back to the property if there were office spaces available. Another consideration is would the decision fit OHA’s mission. Could this project allow Hawaiians to participate such as being a retailer or a resident? Rentals are difficult unless they are high-end luxury.

Trustee Lei Ahu Isa shares that the Honolulu Mayor wants to speak to the Korean developers to offer affordable rentals. She wants to know if OHA can offer affordable rentals to only Hawaiians and is this legal.

Sam Chung is unclear on the answer and shares that when using certain State funds like the dwelling unit State fund, the interest rate is very low, non-recourse, and mandated to have 50% affordable. He states a lottery system was done with the affordable buyers.

Trustee Dan Ahuna mentions Hawaiian Homes.

Trustee Lei Ahu Isa states that OHA could maybe partner with them. She thanks Sam for his example.

Sam Chung speaks on another component; retail. He mentions the different retail space around the property and states the bottom floor could be open to retail. The area is turning into a nice retail corridor.

Trustee Lei Ahu Isa shares that restaurants across the street are waiting for OHA to build and put something up.

Sam Chung also shares the idea of senior housing where there is a need, and it is a lucrative asset. Senior housing in Hawai’i would do very well. He recommends MW Group as a positive model to look at and reiterates that a critical component is what does OHA want. A preliminary plan could be done. Hire an architect and create a sketch on what could be built on the site. This would be cost effective.

Trustee Lei Ahu Isa asks Administration if plans were looked at to explore what could be done.

Kamana‘ opono Crabbe replies that they have been exploring ideas, but nothing concrete.
Sam Chung states that having an architect will give a broader overview; what could be built on a specific square footage, what type of setbacks to expect, where office space could be placed or not, retail space, or residential per square footage. He mentions having a conceptual plan will estimate the cost to build. Other things to think of are: the types of rent that can be collected, the amount it can be sold for, and what type of leasing. He suggests creating an economic model by knowing the revenues, the cost, and does the project make sense economically.

Another detail he talks about is the financial structure; equity, what type loans are available, and how to optimize the return are topics he specializes in. He states that due to OHA owning the building along with the loan taken out on it, the equity built-in can be utilized to procure financing for the project. All these components will then allow you to look at the financial analysis. He looks at a month-by-month basis, a rough draft schedule from the general contractor to see the money spent every month. This can be used for the architect, the engineers, insurance, and any hard or soft cost. This completes the model and gives you an idea if re-development makes sense. Changes can always be made if needed.

Trustee Lei Ahu Isa states Housing and Urban Development (HUD) in audible.

Sam Chung states he has used HUD for many projects for initial construction. HUD has certain requirements and is attractive, offering low-interest rates and thirty-year fixed financing.

Trustee Keli'i Akina asks Sam to give a description of a zoning profile in terms of existing height restrictions and allowable usages of the property.

Sam Chung replies that he has not researched the information for this property. He relies on architects to supply the information. Architects research on and take into consideration transit augmentation of any restrictions.

Trustee Keli'i Akina asks if Sam knows off-hand if high rises are permissible in the area.

Sam Chung replies that he believes so. There are no high rises in the immediate area, but with the rail coming you should get more height.
Miles Nishijima states the zoning presently allows industrial mixed-use, the existing height allowance is a 150 feet, so it would allow for a high-rise to an extent. The location is about a ¼ mile away from the Iwilei station and ¼ mile away from the proposed Chinatown station. This allows eligibility for zoning upgrades such as business mixed-use (BMX3); allowing residential and retail. The city is looking to expand the sidewalks and improving the walkways and bike paths. This seems like an excellent time to work with the city. He also mentions the city is wanting more retail closer to the sidewalks instead of rows of parking separating the street to retail. The city prefers parks and bikeways. If these things are incorporated into plans, it is a possibility to get bonuses with the city.

Sam Chung shares the Holomua plan called 201H, allowing you to build fifty-percent affordable housing, which then allows the ask for exemptions on height.

Miles Nishijima states that density is a critical unit, currently 2.5 is the allowable number. The number represents for every square foot of land 2 1/2 square feet of building area can be built. The city community plan is looking to upgrade to a 3.5 FAR. This is where the height allowance will come in; there is more flexibility for height. OHA’s vision is two towers possibly three. It is possible for an affordable tower, a mix tower, and a market tower. The Trustees will have many important decisions with pursuant to housing Hawaiians or maximizing income.

Another thought is ownership. Does OHA create an LLC or a partnership? How does OHA prevent risk? This is a key decision. He states the property has a great opportunity in the future.

Trustee Hulu Lindsey shares with the board that Sam Chung is present at the meeting because of the ideas of our Administration. Administration believes the property can bring more value.

Lisa Victor shares the Community Plan - Transit Development with the committee that encourages more residential development around the lines of transit. The area they are speaking of today is looking to encourage more foot-traffic. This could be an opportunity to help develop the urban Honolulu area.

Miles Nishijima adds to the conversations by stating that the Community Plan was done last year and the plan is now taking the zoning in segments. The area of East Kapolei is completed. The rezoning in the Waipahu corridor continues as they are working their way to this area. Permits have been granted in the anticipation of the rezoning and four towers have received the early approvals. One is across the street near the convention center, and two are on the mauka side of Kapiʻolani.
Trustee Hulu Lindsey states she was referring to getting the rezoning done now because it takes time.

Lisa Victor agrees and states it is a good idea.

Trustee Dan Ahuna states that these are good ideas, but gathering information on what’s happening around us is important information, that is needed. He wants to know if this will eventually carry over to Lot I.

Kamanaʻopono Crabbé states that these are separate acquisitions and he doesn’t believe so. Today’s meeting is to start the conversation for the board and what steps administration should anticipate in working with the City and County of Honolulu.

Trustee Hulu Lindsey states there may be an opportunity with Lot I, the lot is getting some attention from the City and County of Honolulu.

Trustee Dan Ahuna says it’s called leveraging.

Trustee Keliʻi Akina agrees with Trustee Dan Ahuna. Lot I at Kakaʻako and Nā Lama Kukui (NLK) makes OHA the bookends for urban rejuvenation in Honolulu. This means OHA can be both partners with the City and leaders. An advantage is that we kōkua with the community, display that we are leaders, and leave a footprint of Hawaiians. He recommends that when looking at the plans here for NLK comprehensively, we should include looking at a corridor from NLK through Kakaʻako. He states this is very exciting.

Sam Chung states the Holomua project that he was involved in offered a residential component and a market component, which was called workforce housing. He explains how there was no differentiating between the two and that the housing was spread out among each floor and with the same kind of finishes. It is very easy to combine both and be built in the same tower if OHA so chooses.

Trustee Dan Ahuna states that he heard early on in plans about building a stadium at the pier by sand island at one point. The area was being called the “miracle mile” (a walking path). He shares that there may be other lands available and wants OHA to be aware of this.

Sam Chung states there is vacant land between Lowes and Home Depot, but it’s highly contaminated and going through remediation plans. He is not aware of too many vacant properties in the area.
Trustee Lei Ahu Isa shares an example of Kukui Plaza with the park and parking all located inside the building. *Inaudible*

Trustee Keli‘i Akina states his understanding of the current financial responsibility of NLK payment is currently 1.3 million dollars a year until 2022. Then a balloon payment of 17 million will be due in 2023. He asks if moving into the new development process: *Will it help OHA pay off the balloon payment?*

Sam Chung replies that it would be a requirement and any new lender coming in would pay it off as part of the loan.

Trustee Keli‘i Akina states that this would be looking at a financial strategy and rolling it over.

Sam Chung states that that is correct. He recalls looking at the loan agreement and noting that there are some loan repayment penalties built into the loan. A closer look would be required and needs to be considered when looking at the overall budget.

Trustee Keli‘i Akina states this project could also provide a pathway onto stronger financial footing.

Kamana‘opono Crabbe states the development has subsided. In terms of construction and other requirements by HCDA, relating to looking at affordable housing, currently there is policy for Kaka‘ako Makai. Yet no policy is in place for NLK. *What would you share about the strength of an LLC in terms of a partnership mechanism?* Administration has done some research on the challenges of a State agency.

Sam Chung he states that an LLC can incorporate a development; that OHA does the hiring of internal staff or partnership. It could serve both functions well. Typically he has worked the structure of an LLC owning the asset and sub-LLCs serving under; one for partners and one for OHA investors. The main LLC lays out what each sub LLC’s roles are. He explains that this is one example and that banks like LLCs. An LLC structure is a single purpose entity that banks require. An LLC is a structure that most financial institutions and investors understand and like.

Trustee Dan Ahuna asks if there is anything on EB5, international funding.

Lisa Victor states they are not sure yet.

Kamana‘opono Crabbe asks Trustee Dan Ahuna what is he suggesting.
**Trustee Dan Ahuna** replies that he was just wondering if anyone has heard of this.

**Sam Chung** states that he knows of projects that have used EB5 with international investors. He states before approaching them you usually have a destination. He has been told that it is not the easiest process to go through.

**Lisa Victor** asks if Sam could speak on the development side. Valuing his opinion, she would like him to speak on the LLC structure. The LLC structure would limit any wrongdoings that can happen during construction. Her example is of the faulty bridge and states how things could go wrong with faulty construction. She would like to know if the LLCs would be a better structure which minimizes the risk.

**Sam Chung** states absolutely. He states that you do not want to sign up OHA as an organization, it exposes OHA to all the liabilities and every asset could be up for grabs. An LLC structure is a non-recourse, non-liability structure. It could be pierced, but it is very hard to do usually under fraudulent acts or embezelment. He does not suggest OHA, as an organization, to sign up a project.

**Trustee Hulu Lindsey** asks if there are any other questions.

**Trustee Keli‘i Akina** asks what is the plan to bring in partners for brainstorming; he is thinking of the Department of Hawaiian Homelands (DHHL). There are many ways to assist each other in mutual goals through this project. He is aware of the standing agreement to be in dialogue with DHHL. He would like to know how early can both entities start brainstorming.

**Sam Chung** recommends that staff and Trustees brainstorm what is wanted for the property first and then let that be the road map and dictate where things may go.

**Trustee Rowena Akana** states a development partner is the way to go. She does not want to see OHA adding on any more staff but a development partner would bring the expertise that OHA does not have the depth for, that would be beneficial. She agrees with Sam that OHA should decide first on what they want before bringing others in. She believes DHHL has their own problems and does not think the issue of the 3 million dollar debt service has been resolved. She would like that resolved first. She asks where is OHA on the refinancing of the loan for the NLK building.

**Trustee Dan Ahuna** shares that he understood that we were fine and did not want to refinance.
Lisa Victor states an analysis was done and there is a charge on the contract that would make any refinancing, not feasible. Interest would be added if there is an early departure. The current rate is very good.

Trustee Hulu Lindsey shares that staff searched for other large finance companies around Hawai‘i and there was nothing better than what OHA has right now.

Trustee Rowena Akana asks if OHA is guaranteeing their own loan. She is under the impression that part of the contract amount is in OHA’s portfolio. She does not see this as a good deal.

Trustee Hulu Lindsey explains that part of it is being held as collateral and part of the Hawai‘i Direct Investment is being held, but not for the total loan.

Trustee Rowena Akana wants to know why. The building itself should be the guarantor.

Sam Chung states typically that’s the case in the mainland. Rates are normally good, but get you rates with additional collateral. In this case this is the prepayment penalty. He questions what the loan would earn if it went all the way to the end of term. There is a five-year term and a ten-year term usually a discount based on the time-value of money. When pre-paid early there is a total owed. This type of language is considered prohibited in a loan document. Some lenders are willing to negotiate and others will not.

Lisa Victor states regardless, OHA has a very good rate.

Trustee Hulu Lindsey asks if there are any other questions. Hearing none, she announces the first steps suggested by Sam. Think about options; renovating NLK and moving the offices back to the property or move offices somewhere else completely. These are the thoughts everyone should consider and then come back to the table to revisit.

Trustee Rowena Akana states the AAFES building in Kaka‘ako would be a building that OHA could use. There is parking for staff, a good location, and the building looked fine the last time she was there. She believes that the AAFES building could be renovated or knocked down and a new building built. She would like this to be a consideration and not over looked.

Trustee Hulu Lindsey states that the idea Trustee Akana shared will be talked about also. She asks if there are any other comments or questions. Hearing none, she thanks Sam Chung for his discussion at the board. She then calls up Dumont for community concerns.
IV. COMMUNITY CONCERNS

Dumont Conner greets the committee and states that he enjoyed the discussion that took place at the board table today. He wants to know what is the response to the Molokaʻi Ranch question. He states the ranch is for sale for 260 million dollars on Sothebys. He believes that as a collective of Hawaiians, a comment should be made on this issue. He is not sure where the issue would go or what stance would be made, but OHA should weigh-in.

He acknowledges Trustee Rowena Akana’s idea of using the AAFES building. He states the building is very secure and the rent could be free because OHA owns it. He believes this is a perfect time to engage with the beneficiaries along with DHHl. A united front should be displayed. He would like OHA to engage with the beneficiaries more so that they can see and understand what OHA is doing. This way there is less mistrust and more understanding. The lāhui's voice matters and he would like the board to consider that. He mahalo’s the board for their time.

Trustee Dan Ahuna announces that he will be speaking on behalf of several beneficiaries that have emailed testimonies. He shares that the roadway was taken and it doesn’t look like supplies will be taken in. The first letter shares that the moku of Halaleʻa has been hit hard. Communities are in survival-mode. Many homes have been damaged from the excessive rain, mud, and large debris. People have lost their businesses as well as daily well-being’s regarding: clothing, food, hygiene, etc. Getting to work has become secondary to everyday living.

The second letter Trustee Ahuna shares is from his son Kaekea, President of his Junior class, attending Kapaʻa High School. Many students that attend Kapaʻa High School come from the affected areas and have been absent from school. Kids are at home and have a hard time recovering.

Trustee Ahuna continues to share the hardships on Kauaʻi. Landslides have made it very difficult for families to leave or enter their homes, many must rely on boats or planes. The main ask right now from the community is for diesel fuel for equipment, to assist in clean-ups. He is requesting OHA to give $1,500.00 for fuel. The Napali Coast ‘Ohana, specifically Randy Wichman (resident from the Ha' ena Moku) will be distributing the gas.

The next community concern he shares is from Council Member Mason Chock. Mr. Chock would like the board to consider supporting the loʻi/ kalo agriculture farmers. (Testimony is attached)

The last community concern is from Mehana Vaughn. (Testimony is attached)

Trustee Dan Ahuna ends by stating that the main concern is money. It is not released to just anyone, money should go to a non-profit, and the rebuilding should be done in a pono way.
**Trustee Hulu Lindsey** states that she plans to list this issue on an agenda next week. She tells Trustee Ahuna to come back with a report to present to his colleagues. OHA Administration will assist on what can be done and how much money can be given.

**Kamana' opono Crabbe** asks Trustee Ahuna for clarification regarding the non-profit he spoke of earlier. He inquires if this is a new non-profit or a current non-profit to be a fiscal sponsor.

**Trustee Dan Ahuna** explains no, a fiscal sponsor is what they are looking for. A name he shares with the board is Hawai‘i Community Foundation. He also mentions Darcy Yukimura who has been behind many efforts and taking charge.

**Trustee Rowena Akana** asks if gas is all that’s needed or would food previously collected for the food drive help.

**Trustee Dan Ahuna** states that everyone is very thankful for all the food that is being received, but right now the most important thing is fuel for the machines. He announces that Saturday at Pier 51 a collection of hygiene and cleaning supplies will be gathered and shipped to Kaua‘i.

**Trustee Hulu Lindsey** reiterates Trustee Ahuna’s announcement of the drop off at Pier 51 and thanks Trustee Ahuna. Trustee calls upon Rachel.

**Rachel Kailianu** greets the board and offers to share her connection with a liason from NAVFAC, Naval Facility Engineering Command that could offer assistance with the Navy to run the supplies needed. She explains NAVFAC is the Army and Navy. She is seeking permission from OHA before she puts a request in.

**Trustee Dan Ahuna** says he can not make the decision himself, but is willing to accept any type of assistance and help for his island. He states coordinating efforts is the area where help is needed.

**Rachel Kailianu** states again before she leaves the table that she is offering her contact, but wants permission. She does not want to over-step. She shares that the liason is her brother-in-law. She thanks the board for its time.

**V. ANNOUNCEMENTS**

**Trustee Hulu Lindsey** thanks Rachel and announces the next RM meeting will be on Wednesday, April 25, 2018 at 10:00 a.m.
VI. ADJOURNMENT

Trustee John Waihee IV moves to adjourn the meeting. Trustee Dan Ahuna seconds the motion.

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

Motion passes with six (6) YES votes and three (3) EXCUSED.

Respectfully Submitted,

[Signature]
Lehua Itokazu
Trustee Aide
Committee on Resource Management

As approved by the Committee on Resource Management on July 25, 2018.

[Signature]
Trustee Carmen Hulu Lindsey
Committee Chair
Committee on Resource Management