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

COMMITTEE ON RESOURCE MANAGEMENT
MINUTES

January 10, 2020  9:07 A.M.

ATTENDANCE:
RM Chairperson dan Ahuna
Trustee Lei Ahu Isa
Trustee Kalei Akaka
Trustee Ke'ili Akina
Trustee Brendon Kalei'aina Lee
Trustee Carmen Hulu Lindsey
Trustee Colette Machado
Trustee John Waihe'e, IV

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

LEGAL COUNSEL:
Robert G. Klein, Esq.

ADMINISTRATION STAFF:
Sylvia Hussey, Ka Pouhana Kūkawā
Daniel Santos
Farah Cabrera
Jim Patterson
Jocelyn Doane
Lee Miller
Lisa Watkins-Victorino
Meheana Hind
Miles Nishijima
Raina Gushiken
Raymond Matsura
Sterling Wong

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

BOT STAFF:
Lehua Itokazu
Alyssa-Marie Kau
Dayna Pa
Laurene Kalaua-Kealoha
Hiihina 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:

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<th>AT CALL TO ORDER (9:07 A.M.)</th>
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<td>RM CHAIR</td>
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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.I 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 been 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 statute 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 statute, well generally by statute we are supposed 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 ever, 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 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 supposed 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.
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 cannot 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 supposed 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 Hawai'i'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 supposed to incriminate any district we are supposed 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 Lindsey’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 too 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 31st. The Interim Executive Director was named on Wednesday is Garrett 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 Garrett, going get em, I said, no way.

Aedward Los Banos Yeah, I’d thought he’d be smart enough too .. just kidding, Garrett’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 3rd as the Assistant Vice President of Administration.
Chair Ahuna Thank you, Trustee Hulu Lindsey, followed by 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 micro 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 its 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 kind of entitlements that other Native American similar OHA type entities 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’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 marketplace, 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 Iwilei, 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
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 micro 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, uh, 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 acres 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 twenty-one 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 Millilani, most of Waipahu was not there, also Waikiki 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 Millilani 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 risk 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 ʻāina. 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 Kakaʻako, five key areas along the presently approved transit line. That we believe that we can continue what we started in Kakaʻako, 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 Kakaʻako. It’s gonna be full Waipahu, right? So, Waipahu people can afford to live there. Along this line we actually include Mōʻiliʻili 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 Kakaʻako we have HCDA that we are currently working with and we'll get to that.

Kakaʻako, 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.

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‘unui 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 back 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 twenty-four 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 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 its 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 year 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 Kakaako 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 okay 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 self-development, joint venture development, it was all new ground for us, and we went out and got 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
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 standpoint 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.
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 today's 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 Columbia, 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 (inaudible) 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
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 standpoint 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 preannounce 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 last named is Ke kilohana: 424 total units with 375 of those were reserved housing so income qualified between 80 and 130 and 20 AMI. We have two projects under construction A'ali'i and Kōula. 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 standpoint, 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 we 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 quick question too.
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 Lindsey** 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’l 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 `aina, 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 Hawai‘i 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 shareholders 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 where 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 five four 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 CHA, 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 quickly

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 a history 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 So 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 19th, 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 19th.

Trustee Akina February 19th, 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 competency, 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 23rd 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:

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<td>F/G</td>
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<td>K</td>
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<td>L</td>
<td>200/220 Keawe</td>
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**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.

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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 Ahing
Trustee Aide
Committee on Resource Management

As approved by the Committee on Resource Management on February 19, 2019.

Trustee Dan Ahuna
Chair Committee on Resource Management

ATTACHMENT(s):

• NONE