

STATE OF HAWAII
OFFICE OF HAWAIIAN AFFAIRS
560 No. Nimitz Highway, Suite 200
Honolulu, HI 96817

Minutes of the Office of Hawaiian Affairs Committee on Resource Management
Wednesday, November 18, 2015, 9:30 a.m.

ATTENDANCE:

TRUSTEE COLETTE MACHADO, CHAIR
TRUSTEE HAUNANI APOLIONA, VICE-CHAIR
TRUSTEE LEI AHU ISA
TRUSTEE ROWENA AKANA
TRUSTEE DAN AHUNA
TRUSTEE CARMEN HULU LINDSEY
TRUSTEE ROBERT LINDSEY
TRUSTEE ROBERT LINDSEY
TRUSTEE JOHN WAIHE`E

ADMINISTRATION STAFF:

KAMANA`OPONO CRABBE, CEO
ALBERT TIBERI, CORP. COUNSEL
HAWLEY IONA
MILES NISHIJIMA
MOMILANI LAZO
JOCELYN DOANE
RAY MATSUURA
DYLAN ZHENG
KARLEN ONEHA
KAWIKA RILEY
DEREK KAUANOE

EXCUSED:

TRUSTEE PETER APO

BOT STAFF:

DAYNA PA
CLAUDINE CALPITO
HAROLD NEDD
U`ILANI TANIGAWA
LOUISE YEE HOY
LAURENE KALUAU-KEALOHA
LEHUA ITOKAZU
REYNOLD FREITAS
MELISSA WENNIHAN
DAVIS PRICE
LADY GARRETT
NATHAN TAKEUCHI

GUESTS:

RODNEY LEE, PKF
KIMBERLY LAU, PKF
MARIA SU, PKF

I. CALL TO ORDER

Chair Colette Machado – Called to order the meeting of the Committee on Resource Management, Wednesday, November 18, 2015, at 9:30 a.m. There was one excused absence from Trustee Peter Apo.

Trustee		Present	Excused	Comments
TRUSTEE LEI	AHU ISA	X		
TRUSTEE DAN	AHUNA	X		
TRUSTEE ROWENA	AKANA			10:10 a.m. arrival
TRUSTEE PETER	APO		X	Excused
TRUSTEE HAUNANI	APOLIONA	X		
TRUSTEE HULU	LINDSEY	X		
TRUSTEE ROBERT	LINDSEY	X		

TRUSTEE JOHN	WAIHE'E			9:41 a.m. arrival
CHAIR COLETTE	MACHADO	X		
TOTAL		6	1	
At the Call to Order, there were six (6) Trustees that were present and one (1) excused.				

II. APPROVAL OF MINUTES

A. November 4, 2015

Chair Machado – Sought a motion to approve the RM committee minutes from November 4, 2015 as presented.

Trustee Ahuna – Moved to approve the RM Committee minutes of November 4, 2015 as presented.

Trustee Ahu-Isa – Seconded the motion.

Chair Machado – Asked for discussion on the minutes. Hearing none, called for the vote.

Trustee Ahuna MOVED, SECONDED by Trustee Ahu-Isa						
TRUSTEE	1	2	'AE (YES)	A'OLE (NO)	KANALUA/ ABSTAIN	EXCUSED/ ABSENT
LEI AHU ISA		X	x			
DAN AHUNA	X		x			
ROWENA AKANA			Not present at time of vote			
PETER APO						X
HAUNANI APOLIONA			x			
HULU LINDSEY			x			
ROBERT LINDSEY			x			
JOHN WAIHE'E			Not present at time of vote			
CHAIR COLETTE MACHADO			x			
TOTAL VOTE COUNT			6	0	0	3
MOTION: [] UNANIMOUS [X] PASSED [] DEFERRED [] FAILED						
Motion passed with six (6) YES votes, zero (0) NO votes, zero (0) abstention and three (3) excused.						

III. COMMUNITY CONCERNS/BENEFICIARY COMMENTS

None

IV. NEW BUSINESS**

A. Presentation by Administration on the Office of Hawaiian Affairs' Native Hawaiian Trust Fund, Hawai'i Direct Investments

Hawley Iona – Explained the Native Hawaiian Trust Fund’s Hawai`i Direct Investments (HDI). She explained that the role of the Hawai`i Direct Investments is to seek a total return of 5% in excess of inflation from real property that provides office space to OHA in Hawai`i. This asset class is now managed by State Street Global Advisors in Real Assets Strategy, previously by Russell Investments.

(For details, refer to material distributed: Office of Hawaiian Affairs Hawai`i Direct Investments, November 18, 2015, Hawley Iona, Chief Financial Officer and Ray Matsuura, Investment Manager).

“The Investment Policy, an allocation of up to \$25 million, but not to exceed 10% of the market value of the fund. The combined cost of all investments, any return of capital to the Fund from these direct investments, cannot exceed the \$25 million allocation.

HDI Approvals in August of 2012, OHA purchased Nā Lama Kukui for \$21.37 million. Rather than pay cash, OHA chose to finance the purchase 100% with a mortgage. In April of 2013, OHA modified the existing to reduce the recourse from 100% (\$21.37M) to 53.2% (\$11.37M). In June of 2013, OHA obtained a \$6.6475 million credit facility from Bank of Hawai`i to finance tenant improvements and renovations which has been drawn down. In February of 2015, an appraisal valued the property at \$27,570,000. In May of 2013, OHA made a commitment to Hu’ena Power to fund costs relating to their application of Hawaiian Electric Light Company’s (HELCO) Request for Proposal relating to 50MW of geothermal power to be developed on the Big Island. Commitment was for \$1.25 million and \$600,000 has been dispersed from HDI. In February of 2015, Hue’ena Power lost its bid with HELCO which was essential for continuing operations and financial viability. Remaining \$650,000 will be remaining as an encumbrance against HDI until further board action is taken.”

Raymond Matsuura – “The current target allocation to HDI is 5% of the total market value of the Native Hawaiian Trust Fund up to a maximum of \$25 million, times 5 percent gives us a balance of \$16.75 million for HDI. Subtracting the two recourse debts and the Hu’ena obligation results in a negative \$1.9 million available for other investments. Meaning there are no extra funds available for other Hawai`i-based projects.

Another way to look at the various relationships is shown on the flowchart on page 7. On the left side are the OHA assets-the building itself, the improvements, and Hu’ena Power. Under Bank of Hawai`i, the boxes show the debt obligations, the \$10 million non-recourse loan and the two loans with recourse back to OHA. The loans are collateralized by assets, actually securities, held in the Native Hawaiian Trust Fund, the \$16.75 million from the table.”

Trustee Hulu Lindsey – (inaudible)

Trustee John Waihe’e - Arrived at 9:41 a.m.

Hawley Iona – Asked Chair Machado, if she would want them to pursue the debt down.

Trustee Apoliona – Stepped out at 9:44 a.m.

Ka Pouhana Crabbe – Asked for any discussions (none); he then asked Rodney to opine on the item.

Trustee Apoliona – Returned at 9:51 a.m.

Rodney Lee - Considered the portfolios (inaudible).

Raymond Matsuura – “Page 8, lists the evaluation process under section 6, Hawai`i Direct Investments, subsection 6, Investment Assessment and Due Diligence in the OHA Native Hawaiian Trust Fund Operational Procedures manual. Listed are the seven steps for the evaluation and approval process. Based on the timeline for each step, the whole process would take a minimum of 4 months and more likely 6 to 12 months. Of course, this depends on the complexity of the project, particularly if external consultants are needed for the due diligence process.

Finally, we have copies for anyone who wants the Preliminary Assessment of Real Estate/Investment Proposals, which consists of 6 pages, and due diligence questionnaire which has over 100 questions that need to be addressed.”

Trustee Robert Lindsey - Applauded Ka Pouhana and Administration regarding Hue`ena.

Trustee Ahu Isa – Asked Rodney, “With gold dropping to 200 bps...” (inaudible)

Rodney Lee – (inaudible)

Ka Pouhana Crabbe – “Raymond and Dylan are looking into; regarding the money managers not meeting their benchmarks.

Trustee Apoliona – We want to look at sustainability.

Trustee Robert Lindsey – I agree in looking at if we’re hitting or not hitting our targets.”

Trustee Akana – Arrived at 10:10 a.m.

V. EXECUTIVE SESSION***

Chair Machado – Asked for a motion to recuse into Executive Session.

Trustee Apoliona – Motioned to resolve into executive session to approve executive session minutes of Nov. 4, 2015 and to consult with OHA Assistant Senior Counsel and Risk Management Officer, Albert Tiberi, Esq., on questions and issues pertaining to the Board of Trustees’ powers, duties, privileges, immunities and liabilities regarding PKF Pacific Hawai`i LLP’s analysis of DHHL Revenue Bonds, Series 2009. OHA Memorandum of Agreement with DHHL pursuant to HRS § 92-5 (a) (4).

Trustee Ahuna – Seconded the motion.

Chair Machado - Asked for discussion. Hearing none, called for a roll call vote to move in to Executive Session. All in favor and none opposed.

Trustee Apoliona MOVED, SECONDED by Trustee Ahuna

Motion approved to move into Executive Session at 10:13 a.m.							
TRUSTEE		1	2	'AE (YES)	A'OLE (NO)	KANALUA/ ABSTAIN	EXCUSED/ ABSENT
LEI	AHU ISA			x			
DAN	AHUNA		X	x			
ROWENA	AKANA			x			
PETER	APO						x
HAUNANI	APOLIONA	X		x			
HULU	LINDSEY			x			
ROBERT	LINDSEY			x			
JOHN	WAIHEE			x			
CHAIR COLETTE	MACHADO			x			
TOTAL VOTE COUNT				8	0	0	1
MOTION: [] UNANIMOUS [X] PASSED [] DEFERRED [] FAILED							
Motion passed with eight (8) YES votes, zero (0) NO votes, zero (0) abstentions and one (1) excused.							

Meeting resolved into executive session at 10:13 a.m.

Meeting reconvened in open session at 11:11 a.m.

V. ANNOUNCEMENTS

Chair Machado – “Next Committee on Resource Management meeting is scheduled for December 2, 2015 with a Workshop at 9:30 a.m. immediately followed by an RM meeting.”

VI. ADJOURNMENT

Chair Machado – Moved to adjourn the meeting and asked if everyone in favor, say aye. All in favor. Hearing no objections the meeting adjourned at 11:12 a.m.

Respectfully submitted,



Laurene Kaluau-Kealoha, Aide
Committee on Resource Management



Colette Y. Machado, Chair
Committee on Resource Management

Approved: RM Committee meeting January 13, 2016