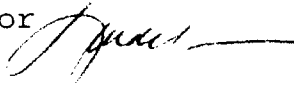


STATE OF HAWAII
DEPARTMENT OF HAWAIIAN HOME LANDS

May 23, 2006

TO: Chairman and Members, Hawaiian Homes Commission

FROM: Linda Chinn, Administrator
Land Management Division 

SUBJECT: Proposed Land Exchange with the City & County of
Honolulu

RECOMMENDED MOTION/ACTION

That the Hawaiian Homes Commission grant the following:

1. Approve and authorize the Chairman to carry out necessary actions to complete a land exchange with the City and County of Honolulu, exchanging two (2) parcels of Hawaiian home lands located at Ewa and Moiliili, Oahu, totaling approximately 57.732 acres for approximately 52.717 acres of county owned lands identified as Varona Village Expansion property, Kapolei, Oahu; and

2. Authorize the Chairman to include additional Hawaiian home lands property, not limited to the 10-acre parcel in Kapolei general leased to The Salvation Army for its KROC Community Center facility, in order to effectuate the land exchange should there be a shortfall in the appraised value.

The proposed land exchange is subject to the Hawaiian Homes Commission Act and the following conditions:

- (a) Approval of all documents by the Attorney General.
- (b) Completion of exchange agreement, draft exchange deed, appraisals and such negotiation as is needed to structure a value-for-value transaction.
- (c) Approval of the U.S. Secretary of the Interior.

DISCUSSION

Exchanges of Hawaiian home lands for other lands are governed by Section 204(a)(3) of the Hawaiian Homes Commission Act of 1920, as amended. The approval of the U.S. Secretary of the Interior is required for all exchanges, and Interior Department (USDO I) procedures are outlined in an October 10, 1985 letter to the Department of Hawaiian Home Lands (DHHL). USDO I has identified types of information that should be submitted for review, including a discussion of any environmental, social, economic or other relevant implications of the proposed uses. Federal decisions on land exchanges require compliance with the National Environmental Policy Act (NEPA).

Exchange Properties

Ewa Drum Site

Pursuant to the Hawaiian Home Lands Recovery Act (HHLRA), the Department selected the Ewa Drum site as one of the Federal surplus properties to be transferred to the Department in payment for Federal possession of Hawaiian home lands. The general location of this parcel is shown in Exhibit "A". The parcel was selected for industrial use as a potential income property.

The Ewa Drum site is located in Waiawa, Oahu. It is identified as Tax Map Key (1) 9-4-03:44 and 9-4-08:10. This 55.842-acre parcel is irregular-shaped with sloping topography along the easterly side of the property. The usable area of the Ewa Drum property is estimated to be about 39.433 acres because about 12.028 acres are encumbered by access and roadway easement and about 4.381 acres are estate to be in steep slope.

The property is adjacent to the Leeward Community College to the east and Waipahu High School to the west. The Waipahu neighborhood to the west and southwest of the property is an older residential neighborhood with small commercial development along Kamehameha Highway in Pearl City. There is a multi-family residential development on the adjacent property southwest of the subject property

Access to the property is from Ala Ike Road, a paved, two-laned access road in good condition that services the adjacent Leeward Community College. Additional access to the property is via Waiawa Road from along the south property line and from a

single access point along Farrington Highway at its northwesterly boundary.

The property is served by overhead electric and telephone services. There is a 12-inch water main on Ala Ike Street, and a 10-inch sewer lateral at its southern boundary.

The vacant site has two underground storage tanks, a drum filling plant, a drum storage area and a tank truck loading rack. The property may be contaminated with hazardous substance. The Federal government is completing the necessary clean up of the site prior to deeding the property to DHHL.

The highest and best use of the site is determined to be multi-family residential development.

Isenberg Street Parcel

The Isenberg property was selected by DHHL as one of the properties to make up the 16,518 acres of state land owed to the Department of Hawaiian Home Lands. The general location of this parcel is shown in Exhibit "B". This parcel was also selected as a potential income property.

The Isenberg Street property is located at 820 Isenberg Street, Honolulu, Island of Oahu. It is identified by TMK No. (1) 2-7-08:18 & 20. The property is situated in that part of metropolitan Honolulu commonly known as the McCully/Moiliili area. The property is irregular in shape and contains a gross land area of 82,493 square feet.

The property is located between Kapiolani Boulevard and King Street, two of metropolitan Honolulu's major thoroughfares. The property has approximately 206 lineal feet of frontage along Isenberg Street, a six-lane two-way secondary roadway. The property is bounded on the north and west by Stadium Park, a city and county operated and maintained county park, and on the south by a residential high-rise condominium. The property is approximately 1 mile from the University of Hawaii, 1.5 miles from Waikiki and 3 miles from downtown Honolulu.

DHHL obtained title to this property on June 1, 1995. The existing improvement was built circa 1955 and was operated as a bowling alley until May 2004. Currently, there is a month-to-month tenant on site using the parking area to store towed vehicles.

Public utilities available include water, sewer, gas, electricity, and telephone services.

Varona Village Expansion Property

The Varona Village Expansion property is owned by the City and County of Honolulu. The general location of this parcel is shown in Exhibit "C".

The property consists of two proposed parcels. One is 19.464 acres, identified as TMK (1) 9-1-17:portion of Parcel 75. The other parcel, identified as TMK (1) 9-1-17 portion of parcel 69, comprises 33.253 acres. The property is classified Agricultural District by the State of Hawaii and zoned Ag-1 Restricted. The parcels are also encumbered by Air Installations Compatible Use Zone (AICUZ) easement affecting other East Kapolei lands. The proposed Kapolei Parkway Extension separates the two parcels. The property is adjacent to DHHL East Kapolei land. The land is fairly level with nearby access to infrastructure.

Preliminary Valuation

Based on most recent county assessment, the following is the estimated value of the properties proposed for this land exchange:

DHHL:	1.89 acres at Isenberg	\$ 9M	
	55.842 acres at Ewa Drum	<u>\$26M</u>	\$35.0M
	(usable 39.433 acres)		
City:	52.717 acres at Varona Village		\$34.5M

These preliminary valuations are for initial discussion purposes only and are subject to confirmation from an independent appraisal report. Should there be any shortfall in the final appraised value, the 10-acre parcel for the KROC center, estimated value of \$2.5M, could be included in the land exchange package.

Justification for Land Exchange

Residential development on Oahu is the Department's highest priority, with 7,410 people on the Oahu residential waiting list as of January 2004. However, less than 4% of all Hawaiian home lands are located on Oahu.

The mission of DHHL is "to manage the Hawaiian Home Lands trust effectively and to develop and deliver land to native Hawaiians." To meet this mission, DHHL will "within five years, provide every qualified native Hawaiian beneficiaries on the waiting list an opportunity to homeownership or land stewardship on homestead lands."

The Varona Village Expansion property is fairly level and close to necessary infrastructure. Also because the land is close to our East Kapolei parcels, the infrastructure costs could be shared in developing the two projects.

The City & County of Honolulu wishes to expand the Old Stadium Park, which is essentially a small, passive park located in a very densely populated area. A larger parcel would allow the city to potentially add areas for more active recreation use. The Ewa Drum site is desirable by the City as a transit facility for the proposed new Honolulu High-Capacity Transit Corridor Project.

Actions to Effect Land Exchange

There will be a number of actions necessary to complete the land exchange after this Commission action. Subsequent actions include, but are not limited to, the following:

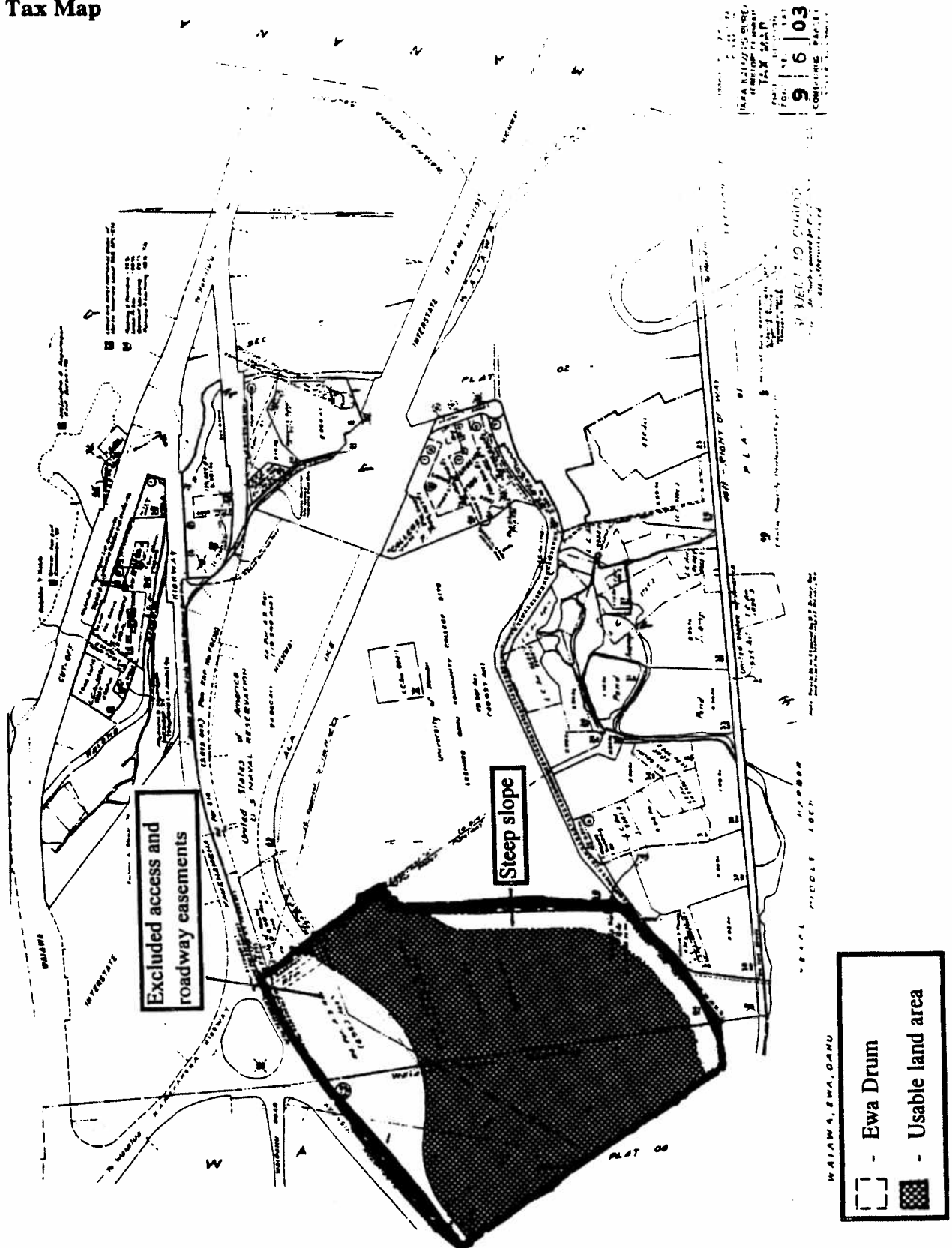
- DHHL and City & County of Honolulu will finalize and execute an exchange agreement identifying the responsibilities of the parties.
- An exchange will be structured following completion of appraisals for the three properties. Additional consideration may be required to ensure a value-for-value transaction.
- A draft exchange deed will be prepared.
- An information package will be submitted to USDO I.
- USDO I will review the information package and prepare a document for Federal environmental review. In addition to impact on the Hawaiian home lands trust and beneficiaries, it is likely that the document will have to address impacts of the exchange on agricultural use in Central Oahu, infrastructure and future planning of the area.

- The Varona Village parcel may require final subdivision approval from the City and County of Honolulu.
- Recordation of the exchange deed would follow approval by the U.S. Secretary of the Interior.

CONCLUSIONS

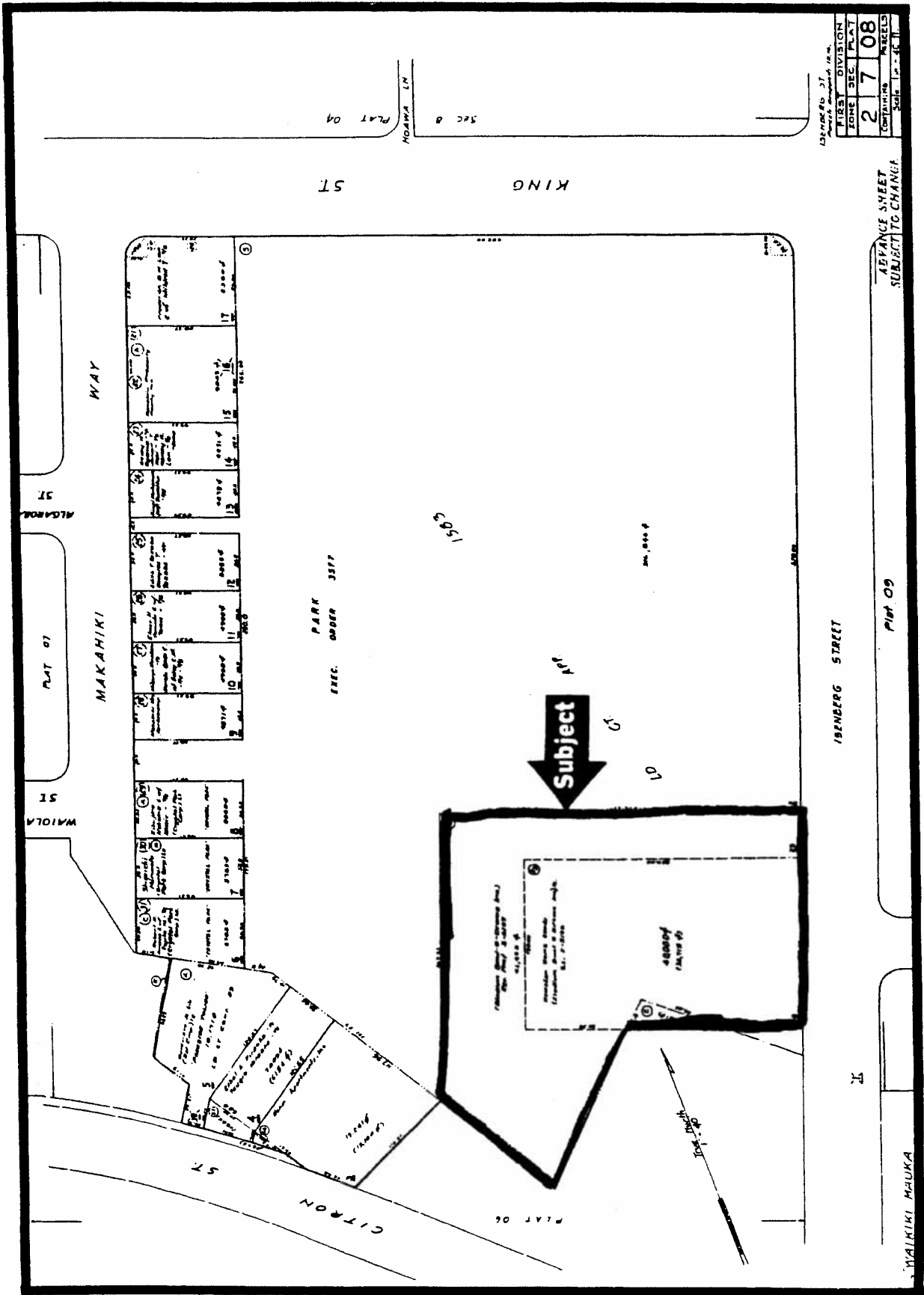
Land Management Division recommends that a land exchange be carried out based on these conclusions:

- (1) The Commission has the authority to exchange Hawaiian home lands for other lands, under subsection 204(3) of the Hawaiian Homes Commission Act, "in order... to better effectuate the purposes of this Act..."
- (2) The lands to be received by the Department are more suitable for the Act's primary focus of homestead development, than the Hawaiian home lands to be exchanged are for their intended (income) use.
- (3) A properly-structured value for value land exchange would better effectuate the purposes of the Hawaiian Homes Commission Act.



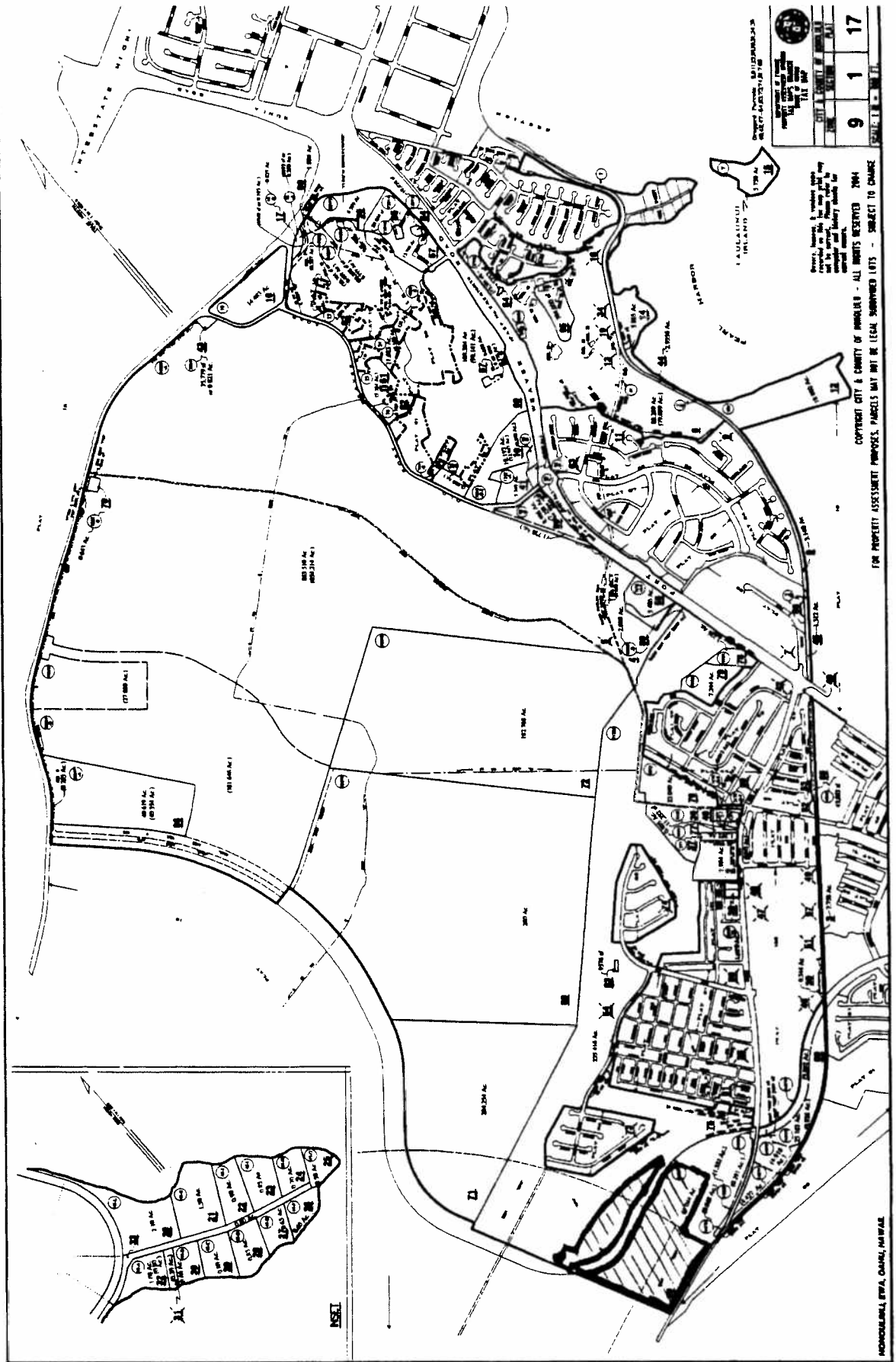
Source: TRW REDI Property Data, Realty Atlas Hawaii, 1996.

PROPERTY IDENTIFICATION MAP

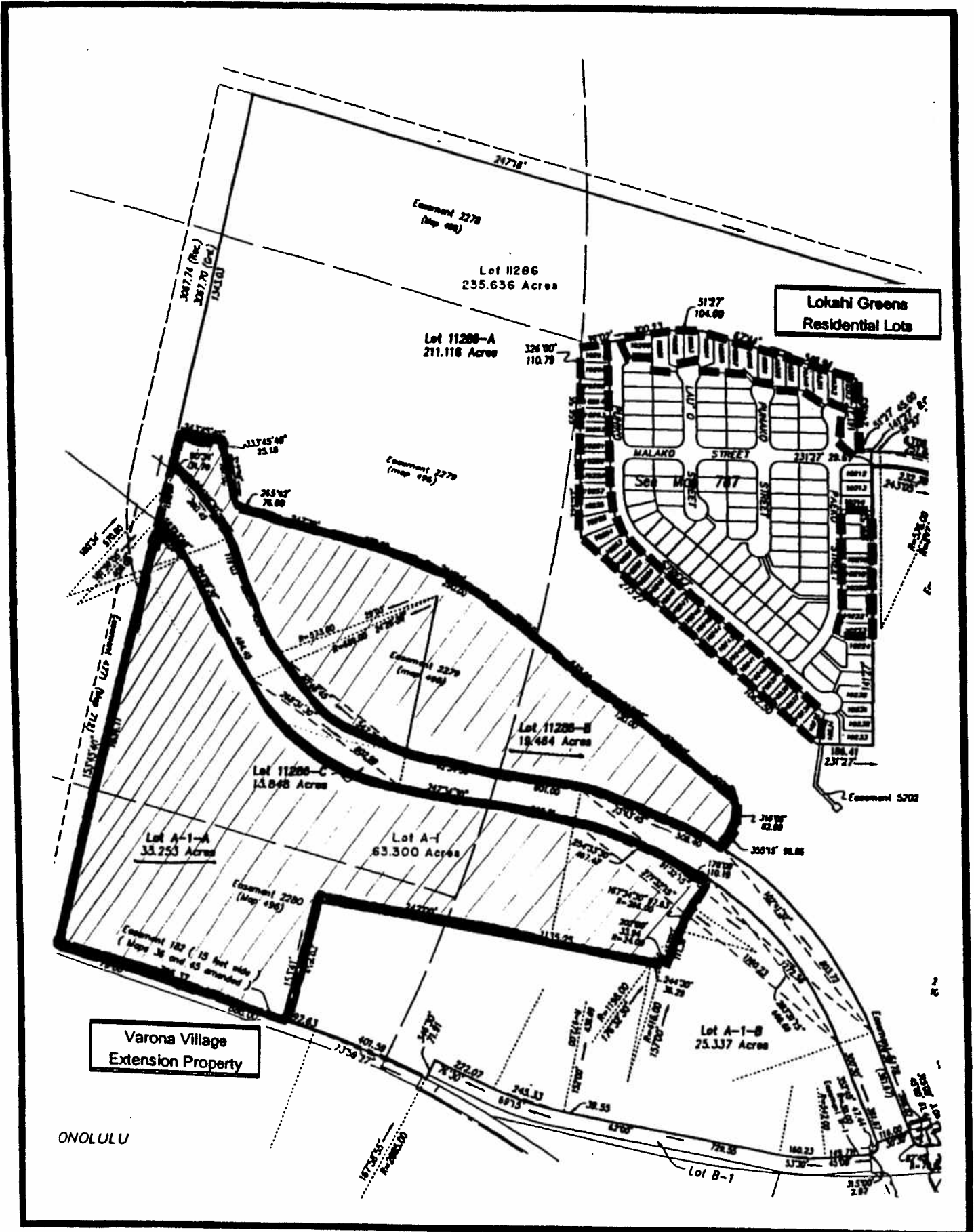


LIBBY DIVISION	2708
ZONE SEC PLAT	2708
CONTAINING PARCELS	1-2-3-4
SCH.	1-2-3-4

ADVANCE SHEET
SUBJECT TO CHANGE



ITEM NO. D-2
EXHIBIT "C"



**Lokahi Greens
Residential Lots**

**Varona Village
Extension Property**

ONOLULU