

HAWAIIAN HOMES COMMISSION

Minutes of March 19 and 20, 2018

Hale Pono'i, 91-5420 Kapolei Parkway, Kapolei, O'ahu, Hawai'i

Pursuant to proper call, the 697th Regular Meeting of the Hawaiian Homes Commission was held at Hale Pono'i, DHHL Main Office, Kapolei, O'ahu, beginning at 9:00 a.m.

PRESENT Jobie M. K. Masagatani, Chairman
Randy K. Awo, Commissioner, Maui
Wallace A. Ishibashi, Commissioner, East Hawaii
Michael P. Kahikina, Commissioner, O'ahu
Wren Wescoatt, Commissioner, O'ahu

EXCUSED David B. Ka'apu, Commissioner, West Hawaii
Molokai Seat, Vacant
Kaua'i Seat, Vacant
O'ahu Seat, Vacant

COUNSEL Craig Iha, Deputy Attorney General

STAFF William Aila Jr., Deputy to the Chairman, Office of the Chair
Paula Aila, ICRO Manager
Kahana Albinio, Acting Land Management Division Administrator
Dean Oshiro, Acting Administrator, Homestead Services Division
Kaleo Manuel, Acting Manager, Planning Office
Norman Sakamoto, Acting Land Development Division Administrator
Rodney Lau, Administrative Services Officer
Leah Burrows-Nuuanu Secretary to the Commission
Nina Fisher, East Hawaii District Office Supervisor
Halealoha Ayau, Water Specialist
Bryan Cheplic, ICRO
Debra Aliviado, Customer Service Manager
Allen Yanos, Property Development Agent
Gigi Cairel, Grant Specialist
Lehua Kinilau-Cano, Legislative Analyst

ORDER OF BUSINESS

CALL TO ORDER

Chair Masagatani called the meeting to order at 9:48 a.m.

Five (5) members were present at roll call. Commissioner Kaapu was excused and the Moloka'i, Kaua'i, and Oahu Commission seats were vacant.

APPROVAL OF AGENDA

Chair Masagatani made some announcements regarding the agenda order and some of the items on the agenda.

MOTION/ACTION

Moved by Commissioner Ishibashi, seconded by Commissioner Kahikina, to approve the agenda. Motion carried unanimously.

PUBLIC TESTIMONY ON AGENDIZED ITEMS

ITEM A-1 Bo Kahui Executive Director La‘i ‘Ōpua 2020.

B. Kahui provided testimony in support of the approvals in Items D-2, D-6, D-7 and D-8. F-3 consent to new market tax credits La‘i ‘Ōpua 2020 received funds to build their medical center and community center. They expect to move into the community center in the next few months.

ITEM A-2 Homelani Schaedel

H. Schaedel presented remarks on Items F-1 and F-4, but noted the submittal was not available to her before the meeting. She stated she understands that the land in Kalaeloa is not suitable for homes but was concerned about moving forward with Item F-4 when Item F-1 has taken years to come to fruition. While the Department wants to develop projects to bring income to the trust, moving forward with Item F-4 without things in place to make sure they can be successful isn't the best practice.

She spoke in support of Items F-2 and F-3, because they are beneficiary based. The members of these community boards and organizations are committed to their communities.

ITEM A-3 DeMont Conner Items F-1 - F-4

D. Conner provided testimony in support of the beneficiary based projects on the Land Management Division agenda. He is especially in support of the Nānākuli project to allow beneficiaries to work closer to home instead of being stuck in traffic.

ITEMS FOR DECISION MAKING

CONSENT AGENDA

HOMESTEAD SERVICES DIVISION

RECOMMENDED MOTION/ACTION

Acting Homestead Services Division Administrator Dean Oshiro presented the following:
To approve the Consent Agenda as listed in the submittal.

DISCUSSION

Chair Masagatani asked Commissioners if there were any Items from the Consent Agenda that they wanted moved to the Regular Agenda. There were none.

- ITEM D-2** Approval of Consent to Mortgage (see exhibit)
- ITEM D-3** Approval of Streamline Refinance of Loans (see exhibit)
- ITEM D-4** Approval of Homestead Application / Cancellations (see exhibit)
- ITEM D-5** Approval of Designation of Successors to Leasehold Interest and Designation of Persons to Receive the Net Proceeds (see exhibit)
- ITEM D-6** Approval of Assignment to leasehold Interest (see exhibit)
- ITEM D-7** Approval of Amendment of Leasehold Interest (see exhibit)
- ITEM D-8** Approval to Issue Non-Exclusive Licenses for Rooftop Photovoltaic Systems for Certain Lessees (see exhibit)

MOTION/ACTION

Moved by Commissioner Kahikina, seconded by Commissioner Ishibashi to approve the motion as stated in the submittal. Motion carried unanimously.

ITEMS FOR INFORMATION/DISCUSSION

WORKSHOPS

PLANNING OFFICE

ITEM G-3 State Water Projects Plan Technical Approach and Water Reservations Under the State Water Code

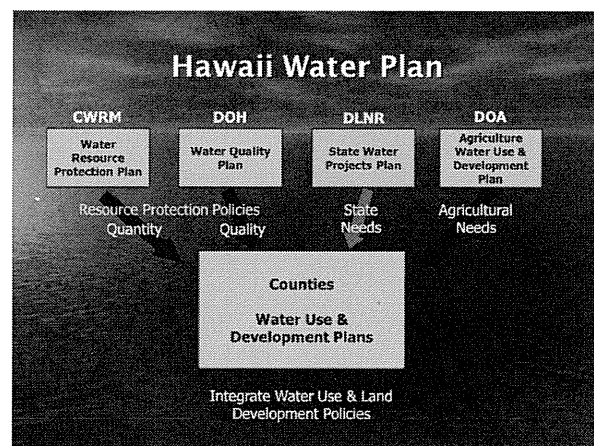
RECOMMENDED MOTION

None. For information only.

Acting Planning Program Manager Kaleo Manuel, Planning Program Manager for the Planning Branch at the CWRM (Commission on Water Resource Management) Lenore Oe, and Fukunaka & Associates, Inc. Consultant Lance Fukumoto.

DISCUSSION

K. Manuel introduced Lance Fukumoto to present the State Water Projects Plan Update.



Outline

- Introduction
- Key Tasks
- Technical Approach
- Projected Water Demands
- Water Development Strategies
- Conclusions & Recommendations

Introduction

Objective of the State Water Projects Plan (SWPP):

“To provide a framework for planning and implementation of water development programs to meet projected water demands for State projects.”

- SWPP last updated in 2003 for all State Agencies
- Due to limited funding, this SWPP update only for Department of Hawaiian Home Lands (DHHL) projects
- DHHL administers the largest land trust of all State agencies
- DHHL water needs have special protection and priority in the water code and is a key part of the State’s Public Trust responsibility
- DHHL establishes its land use priorities to meet the needs of its beneficiaries

What the State Water Projects Plan IS:

- A planning level guide that provides general estimates of DHHL water needs and conceptual water development options that could potentially meet those water needs

What the State Water Projects Plan IS NOT:

- A water management plan that holistically evaluates all water related issues within certain areas
- A water master plan that identifies specific infrastructure planning and programming details

Key Tasks

- Inventory of Existing DHHL Water Systems and Sources (wells & stream diversions)
- Identification of Proposed DHHL Projects/Developments
- Assessment of Future Water Demand Projections
- Low, Medium and High Demand Scenarios
- Water Development Strategies
- Potential Implementation Plan
- Incorporation of new information from Agricultural Water Use & Development Plan (AWUDP) & Water Resource Protection Plan (WRPP) Updates

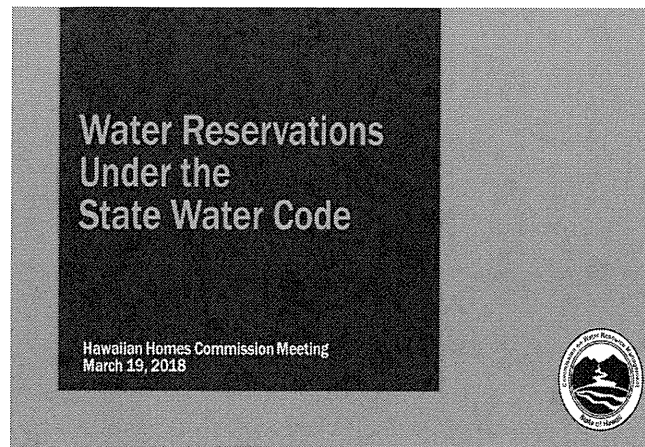
Chair Masagatani stated there are two issues; one issue is source, and the other issue is distribution. L. Fukumoto stated the planning document only looked at demands and whether or not the sources met the demands. The document does not look at distribution. Chair Masagatani stated the document makes two large assumptions: 1) There is cooperation between the state and counties, and 2) there is no additional adjustments to distribution. K. Manuel added that the State Water Plan is supposed to guide county CIP.

Commissioner Ishibashi asked if all the expenses are paid for by DHHL, or the state? K. Manuel stated DHHL paid for the planning document to articulate water demand and potential solutions. Who, when, and how it gets paid for is yet to be determined. The plan is mainly to understand everyone's needs and see where there is synergy among agencies to plan and develop infrastructure. For Kapolei development, for example, if three different agencies need water, all three could go together to the Legislature to lobby for CIP funding for a new well.

Conclusions & Recommendations

- Actions to be pursued – DLNR Engineering to work in cooperation with DHHL:
 - Coordinate development of non-potable resources (DHHL, Department of Agriculture, Agriculture Development Corporation, United States Geological Survey, CWRM)
 - Review and update existing water master plans and prepare new water master plans
 - Integrate water demands and development strategy options with WUDPs and SWPP Statewide Update
 - Collaborate (multi-agency) to determine feasibility of implementing proposed new potable State/DHHL water systems
 - Analyze and update State's water resource databases

K. Manuel introduced Lenore Oe to present the Water Reservations Presentation.



Outline

- Legal Authorities
- Applicability
- Water Reservation Process
- Existing Water Reservations
- Protection and Implementation
- Next Steps

§174C-49(d) HRS Regulation of Water Use

The Commission, by rule, may reserve water in such locations and quantities and for such seasons of the year as in its judgment may be necessary. Such reservations shall be subject to periodic review and revision in the light of changed conditions; provided that all presently existing legal uses of water shall be protected.

§ 174C-101(a) HRS Native Hawaiian Water Rights

Provisions of this chapter shall not be construed to amend or modify rights or entitlements to water as provided for by the Hawaiian Homes Commission Act, 1920, as amended, and by chapters 167 and 168, relating to the Molokai irrigation system. Decisions of the Commission on water resource management relating to the planning for, regulation, management, and conservation of water resources in the State shall, to the extent applicable and consistent with other legal requirements and authority, *incorporate and protect adequate reserves of water for current and foreseeable development and use of Hawaiian home lands* as set forth in section 221 of the Hawaiian Homes Commission Act.

§174C-101(a) HRS Protection & Implementation

- Documented in Water Resource Protection Plan
- Dedicated webpage under development
- Detracted from available sustainable yield (ground water) or incorporated into instream flow standard (surface water)
- Incorporated into the calculation of authorized planned use
- Converted to a rule upon WMA designation

Next Steps

Establish additional reservations based on the SWPP 2017 in coordination with DHHL staff.

RECESS

11:21 AM

RECONVENE

11:34 AM

LAND MANAGEMENT DIVISION

ITEM F-3 Request for Amendment to General Lease No. 281 and Consent to New Market Tax Credit related documents, Nānākuli Hawaiian Homestead Community Association (NHHCA), Nānākuli, O'ahu, TMK (1)8-9-002:001

RECOMMENDED MOTION

None. Chair Masagatani noted that the action will be taken on the Tuesday agenda, but testimony will be allowed for those in attendance.

DISCUSSION

Acting Land Management Division Administrator Peter Albinio introduced Pono Shim of Punawai O Puuhonua, and Kali Watson, and Christopher Flaherty of Pupukahi Development, LLC to provide testimony on the project.

P. Shim introduced the members at the table and provided a brief overview of why the lease amendments are needed.

C. Flaherty stated the project is close to the construction phase with the notice to proceed. The amendments are needed because the process took longer than they anticipated which caused some of the dates in the lease agreements to lapse. They also have a meeting with Kamehameha Schools later in the afternoon to finalize other funding.

Chair Masagatani asked who is responsible for the technical responsibilities associated with the new market tax credit reports and other federal compliance matters. When someone complains to the Commission, who does the Department call? P. Shim stated Punawai O Pu'uhonua, a joint partnership between American Savings Bank and O'ahu Economic Development Board, is responsible for federal compliance. They use the largest accounting firm in the United States specializing in new market tax credits.

Chair Masagatani asked K. Watson what his role is in this project. K. Watson stated that Pupukahi Development is the agent or manager for the Nānākuli Homestead Association and will oversee the construction. Pupukahi Development is committed to oversee the project for the entire seven years. They have instituted a "lock box" scenario managed by American Saving Bank. There is also a requirement to set up reserve accounts for times when a tenant defaults or moves out. Pupukahi Development was also required to personally guarantee completion of construction and stabilization of the cash flow. There are safety mechanisms in place to make sure the buildings are built, and lease rents are paid.

Commissioner Wescoatt asked if there is a property manager. K. Watson answered that Sofos Realty Corporation will be the property manager.

Chair Masagatani stated that the Nānākuli Homestead Association is a non-profit with limited experience managing a shopping center. She asked if seven years is long enough to provide the association with the knowledge and skills to be successful after the guidance is gone. K. Watson stated they were considering a community development corporation to eventually take over the management duties.

Chair Masagatani thanked the group for their testimonies and asked if there is a timeline for completion. K. Watson stated the hope is to start construction in April. There is a time limit for construction once the funding is dispersed.

MOTION/ACTION

Moved by Commissioner Kaapu, seconded by Commissioner Awo to convene in executive session pursuant to Section 92-5(a)(4), HRS, to consult with its attorney on questions and issues pertaining to the Commission's powers, duties, privileges, immunities, and liabilities. Motion carried unanimously.

EXECUTIVE SESSION IN

12:20 PM

The Commission anticipates convening in executive meeting pursuant to Section 92-5(a)(4), HRS, to consult with its attorney on questions and issues pertaining to the Commission's powers, duties, privileges, immunities, and liabilities on these matters.

1. Update on issues related to Sandwich Isles Communications
2. Issues associated with multiple co-lessees holding as joint tenants, tenants-in-common, and tenants-by-the-entirety.
3. Approval of settlement in Department of Hawaiian Home Lands v. Char, DC-Civil No. 1RC 15-1-11007, District Court of the First Circuit.
4. Outstanding issues related to implementation of Act 14, 1995 Special Legislative Session.

EXECUTIVE SESSION OUT

1:55 PM

GENERAL AGENDA

REQUESTS TO ADDRESS THE COMMISSION

ITEM J-4 Naomi Mitchell – Carol H. Mitchell Palakiko Waitlist Application

N. Mitchell asked that her sister Carol Palakiko be awarded a homestead lease because she is homeless and living in Waikiki. She asked for an investigation of her sister's spot on the waitlist. Her sister has been arrested many times for trespassing. She provided testimony on her genealogy, adverse possession, Kalaeloa, and other issues.

ITEM J-1 Bo Kahui – La'i 'Ōpua 2020 and Villages of La'i 'Ōpua

B. Kahui asked for updates from the Commission on various projects and requested status updates on projects pending or requested of the DHHL.

Villages of La'i 'Ōpua

- DCCR Violations/ Contested Case Hearing requests
- Kona Office Initiative – Request to open a Kona DHHL Office
- DHHL Village 4 Housing Plan Status – Status update
- Abandoned Homes – Allow VOLA to use the homes to house homeless
- DCCR Admin Rules
- County Homeless Shelter – VOLA opposed to the project.

La'i 'Ōpua 2020

- Fund Development Priority: Capital Campaign Committee
- L2020 Water Development Plan – Update

B. Kahui was opposed to there being no Hawai'i Island parcels included in the upcoming Hawaiian Electric Company (HECO) RFP for renewable energy projects. La'i 'Ōpua 2020 was prepared to submit a proposal and was dismayed that the list of parcels did not include Hawai'i Island. Deputy Aila stated the reason the list was so short was to meet the deadline set by HECO. The parcels on the list have already been vetted for renewable energy projects.

Commissioner Wescoatt stated he would support an effort to amend the list to add La'i 'Ōpua. Deputy Aila stated the deadline for submittals to DHHL was March 30, 2018.

B. Kahui stated La'i 'Ōpua 2020 could have their proposal done within a week. He thanked the Commission for its consideration. Chair Masagatani thanked B. Kahui for his updates.

ITEM J-2 Hercules Freitas – Removal of Concrete Bollards

Deferred.

ITEM J-3 Princeslehanani Kumaewakainakaleomomona – Homestead Lease Application

P. Kumaewakainakaleomomona a kingdom heir of Maui, was accompanied by her sister who recently celebrated her 60th birthday. There are eleven siblings in her family and none of them has gotten an award. She applied for a lease in 1993 and is still on the waitlist. She asked that the Department work with their family to help get them on the land. She and her siblings can now afford to build on the land, whereas they declined previous offers because they couldn't.

She asked to sit down with someone at the Department to work out a way to get her on the land so she doesn't have to keep coming back month after month. She does not want the next generation to have to go through what she is going through to get on the land.

ITEMS FOR DECISION MAKING

HOMESTEAD SERVICES DIVISION

ITEM D-9 Request to Hold a Contested Case Hearing – YOLANDA N. KALEIOHI, Related to Residential Lease No. 4313, Lot No. 62, Anahola, Kauai, Hawaii

RECOMMENDED MOTION/ACTION

Acting Homestead Services Division Administrator Dean Oshiro recommended the following: To deny the request to schedule a contested case hearing for Yolanda N. Kaleiohi regarding Lease No. 4313, Lot No. 62, situated at Anahola, Kauai, Hawai'i, previously held by Ellsworth Abraham Kaleiohi, Deceased.

MOTION

Moved by Commissioner Wescoatt, seconded by Commissioner Awo to approve the motion as stated in the submittal.

DISCUSSION

Kai Lawrence, attorney for Yolanda N. Kaleiohi, Ellsworth Kaleiohi, Jr., and Marisa Kealeiohi asked that the Commission grant his clients a contested case hearing because there is a lot of information the Commission needs to hear. The Commission has not heard testimony from other witnesses who were present on the day the alleged successor designation document was signed by Ellsworth Kaleiohi Sr. Their testimony will paint a different picture than what has been presented to the Commission today. He added that there are hospice records which will shed light on the

state of mind of the lessee when he signed the successorship change. Nurses and other hospice staff were there on the day of the successorship change and can attest to Mr. Kaleiohi's state of mind and that he hadn't eaten for several days. The Commission needs to hear testimony of the person who witnessed the succession change. His name is Clement Kaneholani and his testimony will be different than the testimony of Erna Kamibayashi. He and his investigator interviewed Mr. Kaneholani who said Ellsworth Sr.'s signature was not on the form when he signed it. He will also testify that Ellsworth Sr. was incapacitated when he signed the document. K. Lawrence asked the Commission to hear Mr. Kaneholani's testimony.

K. Lawrence asked the Commission to give his clients due process. Yolanda Ellsworth has lived on the land for over 40 years. She was married to Ellsworth Sr. when he applied for the lease and helped pay the mortgage. She is being evicted from her home, her rights and those of the other siblings are at stake. K. Lawrence stated if the successor was not Kevin, it could have been one of the other siblings, so their rights are at stake. There are enough interests at stake to have the Commission allow the contested case hearing process to vet the outstanding issues.

DHHL Kaua'i District Supervisor Erna Kamibayashi stated she is the one Yolanda Kaleiohi called to go to the house that day. Present at the home were Mr. Kaleiohi, Mrs. Kaleiohi, herself and Marissa Kaleiohi. She stated that she has a statement from Mr. Clement Kaneholani stating who was there and that he did witness Mr. Kaleiohi make his mark. Kevin Kaleiohi was not present and did not force his father to sign the document.

Chair Masagatani asked E. Kamibayashi how long she has worked for the Department, and in what capacity. E. Kamibayashi stated she started as a clerk, then a homestead assistant, and is now the district supervisor. She has been with the Department for 30 years.

Chair Masagatani asked in her tenure with the Department, how many families has she assisted with successorship documents. E. Kamibayashi replied hundreds.

Chair Masagatani stated the submittal includes a statement from E. Kamibayashi for a civil action case. She asked K. Lawrence whether he represented Yolanda Kaleiohi in the civil action, he confirmed that he did.

Chair Masagatani asked about the events that led to the successorship change. E. Kamibayashi stated Mrs. Kaleiohi called the office and asked her to come to the house. E. Kamibayashi told Mrs. Kaleiohi that if Mr. Kaleiohi was not competent or coherent she could not work with him. Mrs. Kaleiohi assured her that he was, so they scheduled an appointment for 11:00 am. She didn't make it to the house until 1:00 or 1:30 pm. Chair Masagatani asked if the individual designated as the successor was present. E. Kamibayashi stated she never saw him at all.

Chair Masagatani reviewed E. Kamibayashi's declaration and confirmed that Mr. Kaleiohi was sure that he wanted Kevin to succeed to the lease and that Mr. Kaleiohi was coherent and able to decide on his behalf. E. Kamibayashi shared that when she arrived at the house Mr. Kaleiohi was very loving and compassionate. At that point she had worked with him for 28 years, and he wanted to apologize for any insubordinate behavior during their time working together. She asked Mrs. Kaleiohi for permission to honi him. He was weak but he was competent. She asked him why he wanted her there and Mr. Kaleiohi replied that he wanted his son Kevin to be the owner of the house and he needed her to do the paperwork. At one point he thought she was leaving and he started screaming for her not to leave until the paperwork was done. Mrs. Kaleiohi also told him that Erna wasn't leaving and that she was going to the kitchen table to do the paperwork. While doing the paperwork she told Mrs. Kaleiohi that she didn't have the documents to support the transaction. Mrs. Kaleiohi gathered all of the paperwork they needed to finish the document.

After she wrote everything up, she wanted a second witness to view the mark or signature, so Clement Kaneholani came to the house. She has a statement from him stating that he witnessed the mark.

Commissioner Ishibashi stated that E. Kamibayashi knew Mr. Kaleiohi before going to the house. E. Kamibayashi stated she has known him her entire tenure with the Department. She felt she knew them quite well. They had a Department mortgage and came to see her every month. She did not doubt in her mind that he was competent.

Commissioner Wescoatt pointed out and corrected a typographical error in the submittal.

Commissioner Awo asked for clarification that the person asking for the contested case hearing is the same person who called E. Kamibayashi to the home to do the designation. E. Kamibayashi affirmed it was Mrs. Kaleiohi who called her and who said Mr. Kaleiohi was competent and coherent.

Commissioner Wescoatt asked who Mr. Kaneholani is. E. Kamibayashi stated he is someone she calls for help from time to time. He wasn't the first person called, but he was the first to respond. She wanted a witness to go to the home with her. He has never witnessed a designation before, but has helped when things around the office needed to be fixed.

Commissioner Awo asked when was the Department first aware that there was a problem with the designation. E. Kamibayashi stated it was well after Ellsworth Sr. had passed and Kevin Kaleiohi had signed the lease.

Chair Masagatani asked K. Lawrence what the nature of the civil lawsuit is. K. Lawrence replied it is an ejectment complaint. Kevin Kaleiohi sought to eject his mother Yolanda Kaleiohi from the home. They filed the letter to the Commission soon after he was hired for the ejectment case because there was a timing issue with the district court case. The district court cannot hear matters relating to titles. They had to show the district court that they were contesting the designation in an appropriate forum. They were able to file a motion to get that case dismissed. The letter asking for a contested case hearing was done in a rush and more information came out as they continued their investigation. They have an audio recording of an interview with Clement Kaneholani where he told a different story. All of this is hearsay, which is why the Commission should grant a hearing so the Commission can hear from Mr. Kaneholani.

Chair Masagatani stated she has a question for counsel so the Commission will defer decision making until after its executive session.

Commissioners Ishibashi stated he cannot question the credibility of E. Kamibayashi and that her sincerity and aloha for the people, but he is willing to hear the other side. Commissioner Awo agreed and is also inclined to hear the case as a matter of due process. K. Lawrence stated it is all they are asking.

ACTION

Deferred to after executive session.

ITEM D-10 Final Approval of Subdivision, Transfer of a Portion of Lease and Amendment to Lease No. 4004, Lot 95, Pana‘ewa, Hawaii – MAUREEN LEE LOY RAWLINS

RECOMMENDED MOTION/ACTION

Acting Homestead Services Division Administrator Dean Oshiro and East Hawai‘i District Manager Nina Fisher presented the following:

1. To authorize the final approval for the request of Maureen C.N. Lee Loy Rawlins (Maureen) to subdivide Department of Hawaiian Home Lands (DHHL) Agricultural Lease No. 4004, Lot 95, Pana‘ewa, Hawaii. The homestead consists of 10 acres, and further identified as TMK: (3) 2-1-025-096 will be subdivided into two (2) separate lots of five (5) acres each, Exhibit A, the Hawaiian Homes Commission (HHC) granted preliminary approval of this request on August 22, 2016 and was subject to the conditions listed in the submittal.

MOTION

Moved by Commissioner Ishibashi, seconded by Commissioner Kahikina to approve the motion as stated in the submittal.

DISCUSSION

Chair Masagatani asked if the lessees are qualified under the Hawaiian Homes Commission Act. N. Fisher confirmed that they are.

ACTION

Motion carried unanimously.

Moved by Commissioner Kahikina, seconded by Commissioner Awo to convene in executive session pursuant to Section 92-5(a)(4), HRS, to consult with its attorney on questions and issues pertaining to the Commission’s powers, duties, privileges, immunities, and liabilities. Motion carried unanimously.

EXECUTIVE SESSION IN 4:00 PM

The Commission anticipates convening in executive meeting pursuant to Section 92-5(a)(4), HRS, to consult with its attorney on questions and issues pertaining to the Commission’s powers, duties, privileges, immunities, and liabilities on these matters.

EXECUTIVE SESSION OUT 4:26 PM

HOMESTEAD SERVICES DIVISION (continued)

ITEM D-9 Request to Hold a Contested Case Hearing – YOLANDA N. KALEIOHI, Related to Residential Lease No. 4313, Lot No. 62, Anahola, Kauai, Hawaii

DISCUSSION

Chair Masagatani asked E. Kamibayashi if there were previous designations of successors before Kevin Kaleiohi. E. Kamibayashi stated there were several previous designations for this lease.

Chair Masagatani stated since the information about previous designations has bearing on the Commission’s decision, the item will be deferred until the information can be provided.

ACTION

Deferred.

LAND MANAGEMENT DIVISION

ITEM F-2 Request for Amendment to General Lease No. 290, Kapolei Community Development Corp. (KCDC), East Kapolei, O'ahu, TMK (1)9-1-151:002

RECOMMENDED MOTION

Deputy Director William Aila Jr. presented the following:

That the Hawaiian Homes Commission (HHC) grant its approval to amend General Lease No. 290 as listed in the submittal.

DISCUSSION

Deputy Aila summarized that Deputy Attorney General Matthew Dvonch and the lessee, KCDC were able to agree to the terms of General Lease No.290, except for the amendment to Article Four, Section 7 (c).

Mark Zimmerman of KZ Companies, LLC stated his main concern with the language in the section is that it would require approval by the Commission for any improvement has to be approved by the Commission. He added that it is routine for commercial retailers to remodel and reset their spaces periodically. It is impractical for the vendors to have to get approval for every improvement. One option is to set the dollar amount high enough, between \$200-\$250K, that it allows some flexibility for purchasing coolers for instance. The alternative is to set a description of the work so that the integrity and design of the building would be maintained. It would set the criteria so that any modifications to the exterior of the building or any structural modifications have to be brought to the Commission.

Chair Masagatani stated she is concerned about amending a section of a general lease document that is used across the board. While it may seem an innocuous in this application, it could be detrimental in another lease.

MOTION

Moved by Commissioner Wescoatt, seconded by Commissioner Kahikina to approve the motion as stated in the submittal.

M. Zimmerman stated nationwide Longs is changing its signage package which is approximately \$200K for each store. They are renovating the Hilo Longs at a cost of approximately \$1M, but most customers won't notice very much. He's more concerned about simple modifications like shelving or ADA upgrades.

Commissioner Wescoatt asked if it would be better if the Department changed the dollar amount or the language.

M. Zimmerman stated if the language could exclude tenant improvements, he would have no issues. The language is purposefully broad.

AMENDED MOTION/ ACTION

Commissioner Wescoatt moved, seconded by Commissioner Kahikina, to amend No. 5 of the submittal as follows:

5) Delegate to the Chair, the authority to finalize the language associated with amending Article Four, Section 7 (c), titled Construction Improvements. Motion carried unanimously.

ACTION ON MAIN MOTION AS AMENDED

Motion carried unanimously.

PLANNING OFFICE

ITEM G-1 Approval to Request Statewide Reservations of Water for DHHL's Lands

RECOMMENDED MOTION

Acting Planning Program Manager Kaleo Manuel, Grants Specialist Gigi Cairel and Water Specialist Halealoha Ayau presented the following:

That the Hawaiian Homes Commission (HHC) authorizes the Chairman of the Department of Hawaiian Home Lands (Department or DHHL) to:

1. Formally request that the State of Hawai'i Commission on Water Resource Management (CWRM) reserve ground water for current and foreseeable development and use of Hawaiian Home lands statewide based on information in the State Water Projects Plan; and
2. Take other actions as necessary to effectuate the preceding.

MOTION

Moved by Commissioner Kahikina, seconded by Commissioner Awo to approve the motion as stated in the submittal.

ACTION

Motion carried unanimously.

ITEM G-2 Approval to Proceed with Beneficiary Consultation for Pu'ukapu Water System Rate Increase

RECOMMENDED MOTION

Acting Planning Program Manager Kaleo Manuel, Grants Specialist Gigi Cairel and Water Specialist Halealoha Ayau presented the following:

That the Hawaiian Homes Commission (HHC) approve to proceed with beneficiary consultation for the Pu'ukapu Water System Rate Increase.

MOTION

Moved by Commissioner Kahikina, seconded by Commissioner Awo to approve the motion as stated in the submittal.

DISCUSSION

G. Cairel summarized that Pu'ukapu is the only water system with a flat rate at \$122.41 per lot. After operating the system for three-years, studies revealed operating costs to be a lot more than the fees charged.

Five options were considered ranging from "Do Nothing - Continue using current rates" to "Full recovery of operational costs and reserve funding." The recommended rate option that best meets the five criteria is "partial recovery of operational costs." The proposed rate increase is as follows.

- First year, increase flat rate by 22.5% - from \$122.41 to \$149.95. Then, increase by 8% annually after that.
- The projection is that revenues generated from this proposed rate increase will reduce the shortfall from \$161,000 to \$150,000 and remain consistent in future years.

G. Cairel stated staff is looking at the cost of the contract with the third-party operator for cost savings. There are only 40 lots out of 184 lots that actually use water, so the challenge is the small number of users.

Chair Masagatani asked whether the water system could be brought in house to operate since it is so small. G. Cairel stated it is an option because it doesn't require a certified operator.

Commissioner Awo stated if the savings to the Department is \$10,000, he's not sure it is worth the backlash raising rates may cause.

Chair Masagatani asked if the Department should look into the cost savings before approving the rate increase. K. Manuel stated the rates shown were supposed to be for one year, but the Department stretched it out to five years. The community is waiting to see what options are available and wants to participate in a discussion about the options.

Commissioner Kahikina suggested that since it is ag water, the community might want to run the system. K. Manuel stated it could be an option if the homestead association requests it.

H. Ayau added advancements in technology could help conserve water to keep costs down.

Commissioner Ishibashi asked if the water pressure issue for some of the farther lots was resolved. K. Manuel stated one of the issues with the system is that there are no utilities so water cannot be pumped to the elevation of the lots on the slope of Mauna Kea. The system is gravity fed and can only be pumped to the master meter. The highest tank is below the Lindsey lot. It gets to the bottom part of the lot in question. The lessee wants DHHL to pump the water to the back of the lot which is 300 acres in. The Department's responsibility is just to bring the water to the lot. Bringing the water to the back of the lot is the lessee's responsibility. The Department is already managing 15 miles of pipe, for 45 lots, for ag water. On Moloka'i, the Department manages the same amount of pipeline for potable drinking water to 500 lots.

ACTION

Motion carried unanimously.

ADMINISTRATIVE SERVICES DIVISION

ITEM H-1 Transfer of Hawaiian Home Receipts Money at the End of the Third Quarter, FY 2018

RECOMMENDED MOTION

Administrative Services Officer Rodney Lau presented the following:
That the Hawaiian Homes Commission (HHC) approve the transfer of the entire receipts deposited in the Hawaiian Home Receipts Fund as of March 31, 2018 to the Hawaiian Home General Loan Fund.

MOTION /ACTION

Moved by Commissioner Kahikina, seconded by Commissioner Awo to approve the motion as stated in the submittal. Motion carried unanimously.

ITEMS FOR INFORMATION/DISCUSSION

WORKSHOPS

PLANNING OFFICE

ITEM G-5 Legislative Updates

RECOMMENDED MOTION

None. For information only. Acting Planning Program Manager Kaleo Manuel and Legislative Analyst Lehua Kinilau-Cano presented the following:

DISCUSSION

The State Budget

The House Finance Committee voted to amend the State Budget reflected in HB1900, HD 1. The House reduced the Governor's Operating Funds request for DHHL of \$25,120,730 in general funds for fiscal year 2019 to \$23,590,442 which reflects a reduction of 24 positions that were vacant over a year and a half. The House also didn't incorporate the Governor's revised proviso, thus requiring \$6,865,887 in fiscal year 2019 be transferred to B&F for fringe benefit costs. About the Governor's CIP request of \$15 million in fiscal year 2019 for lot development, the House Finance Committee amended the request by appropriating \$9.58 million. The Governor also proposed \$10 million in CIP for R&M for existing infrastructure and the House Finance Committee amended the request by appropriating \$3 million in fiscal year 2019. A chart highlighting the budget request for fiscal year 2019 for Purpose 4 - Operating & Admin expenses and Purposes 1-3 - Lots, Loans & Rehabilitation Projects as well as detail of the CIP funding in HB1900, HD 1, is attached to the submittal.

ITEM G-6 Waimānalo, O'ahu Regional Update to the Hawaiian Homes Commission

RECOMMENDED MOTION

None. For information only. Acting Planning Program Manager Kaleo Manuel presented the following:

DISCUSSION

Oahu Island Plan Implementation Status

Since its recent adoption in July 2014, no suggested land use amendments or updates to the Waimanalo region are being considered at this time in the Oahu Island Plan. The plan also acknowledges that DHHL will need to acquire additional lands to meet the demand of its beneficiaries waiting for a homestead on Oahu.

In Waimanalo, DHHL has been in the process of acquiring a 50-acre parcel commonly known as "Wong Farm" from the Department of Land and Natural Resources. DHHL submitted a subdivision application to the City and County of Honolulu Department of Planning and Permitting for conveyance. Once conveyance occurs, DHHL plans to develop additional homestead opportunities for its Oahu Island waitlist applicants.

The Waikupanaha parcel (also commonly referred to as the "Char" property) (TMK 4-1-008:095) has returned to DHHL's inventory. Per the Oahu Island Plan, the parcel is designated for subsistence agricultural homesteading. The Land Development Division and Planning Office will be working on a homestead lot layout plan and environmental assessment for the property in 2018-2019 with the eventual goal of awarding subsistence agriculture homestead awards.

Waimanalo Regional Plan

The Waimanalo Regional Plan was first adopted by the HHC in August 2008 and subsequently updated in November 2011.

Chair Masagatani asked if there was an update on the kupuna housing project. Deputy Aila stated rental subsidies would be built into the NAHASDA spend down plan. The dilapidated building at the entrance into the subdivision was torn down. K. Manuel added it is the site where the Honolulu Police Department Satellite Office had been proposed when the Island Plan was developed.

Chair Masagatani asked if the license with the County for the beach park is up for renewal. K. Manuel stated a discussion with the community is appropriate about whether management is something the Department wants to take on. It is a huge liability and comes with a huge cost. DHHL needs information about what the County allocates to manage the resource. There is a perception that everyone can use the park except beneficiaries, that the County is making money off the park, but how much of it is coming back to the trust. The discussion about the lease should include details like vending fees and beneficiary preference. Deputy Aila added the Department should be prepared if the County is not enthusiastic about renewing park and beach park licenses because of the costs they are incurring.

Commissioner Awo stated the County pulled out of the Paukūkalo park management license and it has been a tough transition for the community. The fact that Waimānalo Beach Park is bigger and probably has ten times the number of users, is scary to imagine. The costs to maintain the park must be enormous.

Commissioner Awo asked if the County pays for the license. K. Manuel stated park licenses with the County of Honolulu on O'ahu are gratis. The trade off is that they manage the parks.

Commissioner Wescoatt stated he wants the Department to manage less. On one hand, it offers some sovereignty, but on the other hand, it takes specialized staff and a lot of money. The long term strategy is to convince the County to continue to manage the parks, roads, sewers etc.

K. Manuel stated the counties as municipalities have a hard time working with DHHL because it asserts authority in some areas like zoning etc. The tradeoff may be that DHHL has to waive its authority and follow county processes to get them to continue the licenses. Commissioner Wescoatt stated the reality is that sovereignty is expensive.

RECESS

5:47 PM

HAWAIIAN HOMES COMMISSION

Minutes of March 20, 2018

Hale Pono'i, 91-5420 Kapolei Parkway, Kapolei, O'ahu, Hawai'i

PRESENT Jobie M. K. Masagatani, Chairman
Randy K. Awo, Commissioner, Maui
Wallace A. Ishibashi, Commissioner, East Hawaii (Arrived 11:41 am)
David B. Ka'apu, Commissioner, West Hawaii
Michael P. Kahikina, Commissioner, O'ahu
Wren Wescoatt, Commissioner, O'ahu

EXCUSED Molokai Seat, Vacant
Kaua'i Seat, Vacant
O'ahu Seat, Vacant

COUNSEL Matthew Dvonch, Deputy Attorney General

STAFF William Aila Jr., Deputy to the Chairman, Office of the Chair
Paula Aila, ICRO Manager
Dean Oshiro, Acting Administrator, Homestead Services Division
Kaleo Manuel, Acting Manager, Planning Office
Leah Burrows-Nuuanu Secretary to the Commission
Bryan Cheplic, ICRO
Debra Aliviado, Customer Service Manager
Allen Yanos, Property Development Agent
Nancy McPherson, Planner
Darrell Ing, Property Development Manager

ORDER OF BUSINESS

CALL TO ORDER

Chair Masagatani called the meeting to order at 9:15 a.m.

Six (6) members were present at roll call. Moloka'i, Kaua'i, and Oahu Commission seats were vacant.

PUBLIC TESTIMONY ON AGENDIZED ITEMS

None.

ITEMS FOR INFORMATION/DISCUSSION

OFFICE OF THE CHAIRMAN

ITEM C-1 2018-2019 Draft Native Hawaiian Housing Block Grant Annual Housing Plan

RECOMMENDATION

None. For information only. NAHASDA Manager Niniau Simmons offered an update of the Department's compliance with 24 CFR Part 1006, Title VIII of the Native American Housing and Self Determination Act (NAHASDA).

Each year the DHHL must file an approved annual housing plan (AHP) with the U.S. Department of Housing and Urban Development (HUD). As part of that process, the Department releases the draft housing plan for public comment and review.

The proposed draft will come to the Commission in April 2018 for final acceptance before being submitted to HUD for approval.

Notable changes to the AHP:

- Significant reduction in CIP activities due to substantial completion of lot development in Kakaina; Waiohuli; and Lai Opuia;
- Remaining balances are encumbered in existing contracts and projected homeowner financing; and,
- Any new proposed allocation is at zero or \$1 million, drastically lower than in prior years.

N. Simmons summarized that DHHL staff had been to Washington DC twice to advocate and educate the federal government about the needs of Native Hawaiians. President Trump's federal budget zeroed out all Native Hawaiian Housing Block Grant funding. There are a lot of advocates in Washington DC who support the Native Hawaiian housing funding request, including Congresswoman Gwen Moore from Wisconsin who supports native Hawaiian housing.

Chair Masagatani stated if Commissioners had questions or comments, they could be submitted to N. Simmons by April 12th.

ITEMS FOR DECISION MAKING

ITEM F-1 Request for Amendment to Easement License Fee – License No. 785, Kalaeloa Home Lands Solar, LLC; Kalaeloa, Island of Oahu, TMK No. (1)-9-1-013:119

Note: Chair Masagatani noted the recusal of Commissioner Wescoatt for Item F-1.

RECOMMENDED MOTION/ACTION

Property Development Agents Darrell Ing and Allen Yanos presented the following:
That the Hawaiian Homes Commission (HHC) approve the adjustment of the one-time fee for a non-exclusive easement license and right-of-way to Kalaeloa Home Lands Solar, LLC ("KHLS"), as Licensee, from \$42,377.54 to \$17,000.00, subject to the conditions listed in the submittal.

MOTION

Moved by Commissioner Awo, seconded by Commissioner Kahikina to approve the motion as stated in the submittal.

DISCUSSION

A. Yanos stated the HHC approved a license to Licensee on July 22, 2013 for a utility easement from Licensee's solar project to be constructed on premises identified as Tax Map Key (1) 9-1-013:029 ("Parcel 29") through adjacent DHHL land, identified as Tax Map Key (1) 9-1-013:119 (formerly a portion of Parcel 28), to an interconnection point prescribed by HECO. Due to various delays, and changes in ownership since then, Licensee was unable to construct its solar project as scheduled. While a license number was assigned and a draft of the easement license initiated in 2013, it has not been finalized and executed.

Arion Energy, LLC, a Colorado limited liability company, recently completed its purchase of the Licensee's assets from SunEdison Holdings, including its lease on Parcel 29 for the solar project and will continue operating under KHLS' name. Licensee's lease is also currently in the process of

being amended pursuant to the changes and assignment approved by the HHC on September 19, 2017 and described in the "Approval to Assignment of Lease and Amendments and Issuance of Easement License" attached to the submittal.

At the time the easement license was negotiated in 2013 the annual lease rent proposed to DHHL under General Lease No. 294 was \$302,760 for the first ten (10) years; \$378,450 for the 11th through 15th years; and \$425,756 for the 16th year through the end of the 20-year term. The one-time easement license fee of \$42,377.54 approved by the HHC in July, 2013 was based on the net present value of the cash flows over 20 years for the 13,825 sq. Ft. easement area. Since the HHC approved the adjustment of the lease rent to \$120,000 with a 1% increase annually from the original \$302,760 annually, Licensee has requested that the HHC likewise consider approving the adjustment of its one-time license fee to \$17,000.00, rounded up from the actual \$15,807.72 as calculated in Exhibit "C" attached. The original 2013 license fee -of \$42,377.54 was based on 29 acres, rounded-off, as the area for Parcel 29. The calculations in Exhibit "C" are based on the more accurate 29.853 acres in Parcel 29.

Chair Masagatani asked if the license fee was already established when Arion Energy took over. A. Yanos confirmed that it was already established. Chair Masagatani continued that the license fee should have been in their proformas. They don't have a power purchase agreement (PPA) at this point. Commissioner Kaapu suggested giving Arion Energy a right of entry permit until they can get a PPA. Once everyone knows what their return on investment will be, they can finalize the license fee.

Chair Masagatani stated the alternative is to pay the fee on a year to year basis and once the PPA is issued the actual costs will be clearer. Paying the \$43K for the life of the lease is the same as paying \$3K each year until the PPA is issued. If what they are saying is true, the Commission can look at adjusting the license fee at that time.

A Yanos stated there is rate of increase if the PPA is .15c per kilowatt higher than anticipated, there would be an additional rent of .5%. He asked to confer with the Arion representative. Chair Masagatani deferred the item till the afternoon to allow staff time to inform the lessee of the Commission's position.

ITEM F-3 Request for Amendment to General Lease No. 281 and Consent to New Market Tax Credit related documents, Nānākuli Hawaiian Homestead Community Association (NHHCA), Nānākuli, O'ahu, TMK (1)8-9-002:001

Note: Chair Masagatani noted the recusal of Commissioner Kahikina for Item F-3.

DISCUSSION

Deputy Director William Aila Jr. offered the following:

That the Hawaiian Homes Commission (HHC) grant its approval to amend General Lease No. 281, and consent to the New Market Tax Credits and related documents as part of the lease to the, Nānākuli Hawaiian Homestead Community Association (NHHCA), Nānākuli, Island of O'ahu, TMK 189002001; and to delegate to the Chairman the authority to make minor and non-substantive changes including the date that the bond, is due.

Commissioner Kaapu asked to see the Estoppel Certificate. Kali Watson of Pupukahi Development, LLC stated the estoppel language is mainly for the lenders who want to make sure that the NHHCA as borrowers are complying with the lease.

Commissioner Kaapu asked what happened to the funding from American Savings Bank. K. Watson stated the CDE Non-profit of American Savings Bank received an allocation of new market tax credits, so they asked if NHHCA would be interested in a \$14.5M allocation which could generate \$3M in additional funding.

Commissioner Kaapu asked if new market tax credits are in danger of being cancelled. K. Watson stated it is a creation of Congress so that it could go away at any time. Chair Masagatani added if anything, the pricing of the tax credits will not be as strong, so they won't be able to raise as much equity.

Chair Masagatani asked about ownership structure of the shopping center and the liability involved. That is since the lease is with NHHCA, do thee own the shopping center improvements? Does K. Watson plan to assist the Association in the long term. For now they will stick with the Association, but can work toward something better in the future.

MOTION/ACTION

Commissioner Ishibashi moved, seconded by Commissioner Kaapu to approve the motion as stated in the submittal with the following amendments:

- Remove items "e" and "f"
- Add language: and to delegate to the Chairman the authority to make minor and non-substantive changes including the date that the bond is due.

Motion carried. Commissioner Kahikina abstained.

ITEMS FOR INFORMATION/DISCUSSION

WORKSHOPS

ITEM F-4 For Information Only. Solicitation for Developers of Renewable Energy Projects in response to Hawaiian Electric Company's Request for Proposals; Kalaeloa, Island of Oahu, TMK No. (1)9-1-013:038,040,117&118; and Kahikinui, Island of Maui, TMK No. (2)1-9-001:003(portion)

RECOMMENDED MOTION/ACTION

None; for information only. Property Development Agents Darrell Ing and Allen Yanos presented the following update:

HECO issued its final RFP on February 27, 2018. Due to the deadline for prospective developers to respond to HECO's RFP by April 30, 2018, it was imperative for DHHL's solicitation to be issued on an expedited basis. Land Management Division, in consultation with the Planning Office, Attorney General's Office and Chairman's Office, issued the public notice of the solicitation on March 9, 2018 with the deadline of March 30, 2018 to submit all applications to DHHL for consideration.

To expedite the solicitation process, DHHL issued the solicitation for projects on an extremely tight schedule and only offered five parcels to make efficient use of DHHL staff time and resources.

For applicants concerned about meeting HECO's April 30th RFP deadline, DHHL will evaluate applications submitted by March 23, 2018 and immediately notify those applicants, if any, that have been selected .to proceed further in the leasing process. Applications received after March 23rd and up to and including the deadline of March 30, 2018 will also be evaluated and any selected applicants will likewise receive immediate notification of their selection, if applicable.

The only difference will be that the group whose applications are evaluated later will have less time to respond to HECO's April 30th deadline.

DHHL's solicitation provides that once all applications for projects are submitted by the March 30th deadline and evaluated, DHHL will have the right to select one or more qualified Lessees for each site and issue a Letter of Intent to provide evidence satisfying the RFP's project site control requirement. HECO's RFP requirement for site control allows that a Letter of Intent does not need to be exclusive and may be contingent upon selection of the qualified Lessee's proposal to HECO's Final Award Group.

According to the RFP schedule, those developers whose projects have been selected on HECO's "Short List" in May 2018 will undergo more detailed evaluation for consideration of a final award in September 2018. For those developers selected for a final award, DHHL will then resume the statutory leasing process including beneficiary consultations and public hearings when more definitive information is available, such as what projects were selected by HECO, power purchase agreement terms, etc.

Chair Masagatani stated she is cautious about adding language that implies there would be no opportunity for beneficiary input. She clarified that the Department plans to get the power purchase agreement before negotiating a general lease. The Department cannot commit to the lease until the beneficiary consultation is complete. Whatever the Department is communicating to the public has to be clear that beneficiary consultation is still an integral part of the general lease. She asked A. Yanos to lay out the steps so there is no misunderstanding by developers that the Department is making representations that are not intended. A. Yanos stated staff is putting together a task list to make sure they cover all the bases.

Chair Masagatani stated the Commission doesn't need every detail, but a laid out process would be helpful.

Commissioner Kahikina stated he wants to investigate ways to save beneficiaries money on energy costs. He asked staff to look at solar gardens as described by Senator Gabbard in a recent post.

Chair Masagatani noted the Commission will continue discussion on the item in executive session and thanked staff for the workshop.

PLANNING DIVISION

ITEM G-4 For Information Only - Preliminary Transit-Oriented Development (TOD) Conceptual Plans for Moanalua Kai (Shafter Flats) and Kapālama, Kona, Island of O'ahu, Multiple TMK's

RECOMMENDATION

None. For information only. Acting Planning Program Manager Kaleo Manuel introduced Planner Nancy McPherson who presented the following:

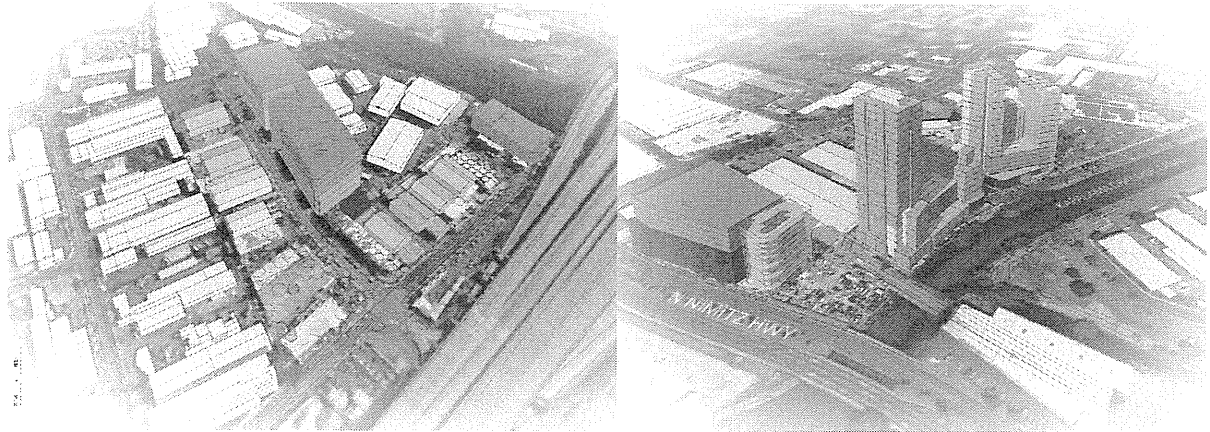
DISCUSSION

N. McPherson provided a progress report on the transit-oriented development (TOD) conceptual planning project nearing completion for the DHHL lands in Shafter Flats which has been tentatively branded as "Moanalua Kai" and in Kapalama, Kona Moku, Island of O'ahu.

The focus of the conceptual plans project was to provide DHHL the information needed to determine the feasibility of potential future use of these properties that will take advantage of TOD plans, zoning, and other related benefits.

The Moanalua Kai lands, shown in the attached Exhibit 'D', consist of 20 parcels comprising approximately 14 acres, primarily in industrial use, that were acquired as part of the Act 14 Settlement with the State of Hawai'i. These parcels have warehouses or buildings dating back from the late 1960 's and early 1970 's when they were still under the control of the Department of Land and Natural Resources. The majority of general leases in this area will terminate in 2022.

The Kapalama lands, also acquired as part of the Act 14 Settlement, consist of three parcels comprising a total of five acres, shown in the attached Exhibit 'E', which are primarily in commercial use. One parcel of 5,590 sq. Ft. is under a license for a radio transmission tower site. Another parcel of 1.57 acres is under a general lease for a fresh produce warehouse and distribution facility. The largest parcel of 2.75 acres includes an office building and two buildings which comprise the makai portion of the City Square Shopping Center. The Kamehameha Schools owns the land under the mauka portion of the City Square Shopping Center, fronting Dillingham Boulevard. Although the lease termination dates range from 2029 to 2070 in this area, DHHL is taking a proactive approach by including the Kapalama lands in the TOD conceptual planning effort. Doing so will provide DHHL with long-range planning options that can be used in development of a high-density mixed-use project that could include a residential rental component.



Property Development Agent Allen Yanos stated there is still a question of whether the property can sustain a development like the one seen in the conceptual design.

K. Manuel stated the first part to the process was a market analysis looking at gaps in the industry. The state is trying to encourage the industrial warehousing market. Because of the Kakaako redevelopment, there is a lack of warehouse space. These are some of the ideas discussed based on the market analysis.

Commissioner Wescoatt asked what the mitigation plan would look like for the sea level rise expected in the future. K. Manuel stated there is a pond on the site for the management of storm water. The Department would manage the storm water and run off for the properties and maybe the entire section Mapunapuna. One thing they are still investigating is whether creating a pond so close to the Honolulu International Airport is problematic because of the birds that may be attracted to the pond.

Commissioner Wescoatt asked about a geo-technical study. A. Yanos stated they conducted a limited geo-technical study because the costs were high. The study indicated tons of piles would be needed to support a two-story structure. The final report is due in April, and they expect the foundation work to be extensive.

Commissioner Kahikina asked if any thought was given to parking for industrial trucks. A. Yanos stated there is a need for parking, in fact there is a current ROE with Uhaul to park their trucks on an empty lot on Kakoi street.

Even if the Department can build on the property, there is still a problem with roads that lead to the property. The county would need to build up the roads. N. McPherson stated the county was looking into building a berm on the Lagoon Drive side to pump water from the area. The other issue is the homeless camp in the area.

N. McPherson moved on to describing the Kapalama parcels. The City and County of Honolulu is redeveloping the canal area and looking to increase pedestrian access across the canal with foot bridges and a promenade. A. Yanos reviewed the leases in the area set to expire within the next 20 years. He also mentioned a suggestion to buy the neighboring DLNR parcel to own the entire parcel and increase possibilities.

K. Manuel stated for the Department to take the current leases out of income production, we need to generate the same, if not more income, with the residential component. Staff pushed consultants to keep the same industrial footprint and add a residential component so that it could justify moving toward cancelling the current leases. Some of those leases run to 2070.

Commissioner Wescoatt asked if the parcels are zoned for residential. N. McPherson stated the County notified the Department that they were doing the TOD zoning and was starting to look at CIP for infrastructure. They needed to know what the Department's needs are to help plan for the future. They have also created a wastewater plan for the anticipated increase in density.

Commissioner Kahikina understood both properties came into the inventory as part of the Act 14 settlement and asked for more information about the parcels. K. Manuel stated staff will provide the Commission with a presentation of parcels in the coming months. The goal is to create a file that beneficiaries and landowners can use. There are some areas where metes and bounds are unclear so before anything goes out to the public, we want to get it to a certain accuracy. The Department wants it to be a source document that folks can cite.

HOMESTEAD SERVICES DIVISION

D-1 HSD Status Reports

A - Homestead Lease and Application Totals and Monthly Activity Reports

B - Delinquency Report

RECOMMENDED MOTION

None; for information only. Acting Homestead Services Division Administrator Dean Oshiro answered questions about Status Reports.

Commissioner Kaapu asked for more information about contested case hearing cases in relation to the follow-up staff does before it comes before the Commission for cancellation. He wants the Department to segregate which loans were brought back to the Department and which originated with the Department.

Chair Masagatani stated the State Auditor has asked for an update of the Department's loan portfolio relative to the risk tolerance and risk policy. She noted she is working with a former colleague who has offered to look at the portfolio and offer insights on how to improve. The Department's portfolio is so unique, by nature it is high-risk. You cannot get a loan from the Department unless you have been turned down by other financial institutions, or it comes back to the Department because you've defaulted.

Commissioner Wescoatt asked for a training session instead of monthly reports to understand the big picture. His main concern is whether the Commission is putting the trust at risk; based on the type of loan portfolio the Department has, what is responsible risk?

Commissioner Kaapu stated it would help to know the procedures that staff takes once a lessee falls into delinquency, instead of waiting until a loan is 180 days delinquent. D. Oshiro stated that staff is working on updating the Loans Manual which at some point will be forwarded to the Commission.

D. Oshiro reviewed the contested case hearing packets for March, highlighting that it now includes the value of the leases, and collection card with all efforts attached. He added that contested case hearings can only be held when a loan is 180 days delinquent, per the Rules.

Moved by Commissioner Kahikina, seconded by Commissioner Awo to convene in executive session pursuant to Section 92-5(a)(4), HRS, to consult with its attorney on questions and issues pertaining to the Commission's powers, duties, privileges, immunities, and liabilities. Motion carried unanimously.

EXECUTIVE SESSION IN

11:30 PM

The Commission anticipates convening in executive meeting pursuant to Section 92-5(a)(4), HRS, to consult with its attorney on questions and issues pertaining to the Commission's powers, duties, privileges, immunities, and liabilities on these matters.

EXECUTIVE SESSION OUT

1:26 PM

ANNOUNCEMENTS AND ADJOURNMENT

NEXT MEETING

The next regular meeting will be held at the main office on Molokai on April 16 & 17, 2018.

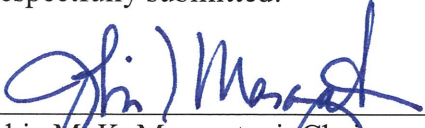
MOTION/ACTION

Moved by Commissioner Kaapu, seconded by Commissioner Ishibashi, to adjourn the meeting. Motion carried unanimously.

ADJOURNMENT

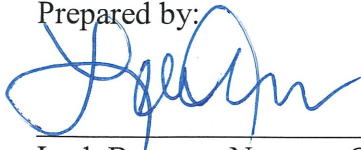
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Respectfully submitted:



Jobie M. K. Masagatani, Chair
Hawaiian Homes Commission

Prepared by:

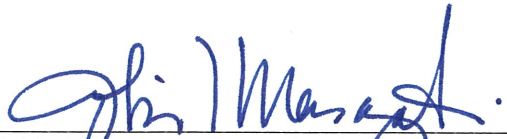


Leah Burrows-Nuuanu, Commission Secretary
Hawaiian Homes Commission

APPROVED BY:

The Hawaiian Homes Commission at its regular monthly meeting on:

November 20, 2018



Jobie M. K. Masagatani, Chairman
Hawaiian Homes Commission