

GOVERNOR'S TURTLE BAY ADVISORY WORKING GROUP

**July 23, 2008 - 10:00 A.M. - 11:00 A.M.
Governor's Conference Room
State Capitol, Fifth Floor
Honolulu, Hawaii 96813**

MINUTES

Attendance

Present: Chair Bill Paty, Vice-Chair Laura Thielen, Senator Clayton Hee, Mr. Reed Matsuura (Representing Councilmember Donovan Dela Cruz), Mr. Eric Gill, Mr. Junior Primacio, Ms. Cathleen Mattoon, Mr. Mitch Costino, Mr. James Lota (Representing Mr. Ernest Martin), Mr. Blake McElheny, Mr. Steve Metter, Mr. Cy Bridges, and Ms. Lea Hong

Excused: Dr. Steven Wheelwright, Mr. Ted Liu, Ms. Denise Antolini, and Representative Michael Magaoay

Also Present: First Deputy Attorney General Lisa Ginoza, Deputy Attorney General Randall Ishikawa, Chief of Staff Barry Fukunaga, and members of the public

Call to Order Meeting called to order at 10:07 a.m.

I. Opening Comments – Bill Paty, Chair

Chair Paty called the meeting to order and invited members of the public to introduce themselves.

a. Approval of Minutes from June 25th meeting

The minutes were approved as submitted.

II. Subcommittee Reports

a. Acquisition Options – Steve Metter

Mr. Metter reported that the overall acquisition process would take more time.

Mr. Metter indicated that Eastdil is still actively marketing the asset but suggested they really will not be able to get a better idea of the value of the asset until late August. He pointed out that capital markets are still very restrictive, making it difficult for buyers to get significant leverage, resulting in a purchase price much closer to the working group's expectations as opposed to the expectations of the aggregate lenders.

Mr. Metter commented that there is still a major disconnect in the capital markets and the equity markets, which puts stress on the capacity to sell the asset at its highest value.

Chair Paty noted that Bob Nakata would be making a presentation to the working group at a later time.

In response to Mr. Mitch Costino's question, Mr. Metter confirmed that the appraiser has provided the acquisition subcommittee with a range of values based on: 1) what the cost to fulfill the Unilateral Agreement and time associated would be; 2) current occupancy rates as compared to historical occupancy rates; 3) value of the golf courses based upon their current and historical economics; and 4) value on a discounted basis of what Kuilima East and West would pay if they were evaluating the purchase based on a discounted revenue stream to a fee owner for Kuilima East and West versus the historical values a leaseholder would pay.

Vice-Chair Thielen asked if the reason it is currently difficult for the lenders to sell at a lower price is their fiduciary responsibility to their investors.

Chair Paty commented that the working group would have a better sense of direction in August irrespective of a write-down.

Mr. Metter pointed out that despite the uncertainty; the State is ready to work with the potential buyer.

In closing, Mr. Metter reiterated that the State of Hawaii is not interested in negatively impacting any of the potential buyers. He emphasized the State and working group's desire to support the sale of the asset to a conscientious buyer that has the community at heart.

In response to a question from Mr. Gill, Chair Paty indicated that the City is not prepared to comment on the issuance of subdivision permits

to Oaktree. Chair Paty said he had the opportunity to speak to Mayor Hannemann about the Turtle Bay Acquisition initiative and the potential role the City and County of Honolulu could play. The Mayor indicated that he would like to take up this issue after the primary election.

There was a general consensus amongst the working group that the City and County of Honolulu should comment on the process and status of the subdivision permits.

b. Community Communications – Mitch Costino

Mr. Costino reported that Chair of the Community Communications Subcommittee, Ms. Denise Antolini, will be stepping down and he has been selected to carry on in her absence.

Mr. Costino also reported that Ms. Antolini posted several important documents to the working group's googlegroups account. He said all documents were integral to understanding the current status of the foreclosure action, as well as permits issued for Kawela Bay.

Mr. Costino reported that the subcommittee hopes to complete the E-update by the weekend and that they have drafted a response letter to the Ko'olauloa Neighborhood Board's letter of concerns. He also reported to the working group the effort of his subcommittee to finish the latest set of frequently asked questions.

Mr. Costino talked about the 500-word editorial by the Governor printed in the North Shore News, Senator Hee's photo of the Turtle Bay bill signing, and the 'Olelo replay schedule for the Governor's speech at the North Shore Chamber of Commerce Installation Dinner. He closed his report by confirming the subcommittee's effort to review and disseminate e-mails sent to the working group's email address.

Ms. Lea Hong handed out flyers and announced the private showing of Mr. Bill Braden's works to benefit the Campaign to Save Turtle Bay on Friday, August 22, from 4:00 p.m. until 6:00 p.m. at the Hawaii Prince Hotel, Main Lobby. Light pupus will be served.

Ms. Cathy Mattoon shared that the Punalu'u Community Association has pledged \$500 to the Save Turtle Bay Campaign and Lea has committed to visiting the association to speak in greater detail about this initiative.

c. Long-Term Resort Viability – Eric Gill

Mr. Gill shared the subcommittee has not met since the last working group meeting. He noted that the subcommittee is awaiting any new information to review and lend support in analyzing. Mr. Gill offered support to Ms. Hong and Mr. McElheny in sending invitations out for the Bill Braden gallery viewing.

Mr. McElheny added that it would be helpful if members could invite five members of their respective organizations and he thinks it would be great if a member of the State and City and County of Honolulu would attend the event, as press will be invited to the event.

In response to a request from Ms. Mattoon, Mr. Gill pointed out that the overall visitor industry for the State varies on each island. He indicated that Kauai is not expecting visitor declines because it is largely a timeshare island. Whereas, Mr. Gill shared, Maui and Big Island are affected because its clientele and marketing efforts are focused on the west coast of the mainland. Waikiki seems unfazed largely due to its broader marketing to countries across the world.

In response to a comment by Chair Paty, Mr. Gill agreed that the industry seems unwilling to cut prices.

d. Technical Concerns – Laura Thielen

Vice-Chair Thielen reported that the subcommittee is still working on the frequently asked questions about the unilateral agreement. She pointed out that this particular effort has taken some time due to the complex nature of the agreement.

Vice-Chair Thielen said the subcommittee has been spending a significant amount of time discerning what action triggers what requirement, what requirements have been fulfilled, and what requirements have yet to be met. She shared that some of the requirements included a water system that has been handed over to the State, a waste water system that is still privately operated, child-care facilities, and a training center. Vice-Chair Thielen reported that the affordable housing component is based on a formula for non-hotel units, meaning that if hotels were built on resort parcels, there would be no corresponding affordable housing unit built. She said there ought to be a concentrated effort on getting better information about this component out to the public.

Vice-Chair Thielen reported that in relation to the building permits the subcommittee is making an effort to discern: 1) if the building permits triggered a requirement and 2) if revocation is a release from fulfilling requirements. Moreover, she pointed out that these amenities might

need to be reviewed as they may no longer be relevant or something the community may want.

Lastly, Vice-Chair Thielen reported that there is a clause in the unilateral agreement requiring the developers to work with the Department of Land and Natural Resources (DLNR) to create a Marine Life Conservation District. She said the subcommittee researched and found records that discussions occurred but they need to finish the research. DLNR is working in conjunction with the Nature Conservancy to assess the marine area. Vice-Chair Thielen said Kawela Bay is complete but research on Turtle Bay still needs to be completed but she noted this information might lead to federal monies for the area.

Vice-Chair Thielen closed by thanking members of the working group and the public for their patience and understanding as the subcommittee attempts to work its way through the unilateral agreement.

In response to a question posed by Mr. Gill, Mr. Primacio gave a brief history on how the job-training component has been met. He said Buddy Ako, Representative Michael Magaoay were the three people responsible for overseeing this particular component. Mr. Primacio agreed to give Vice-Chair Thielen any information he had related to the unilateral agreement.

Mr. Costino shared his observation that the unilateral agreement is an exhibit to Ordinance 86-99, which gives the City and County of Honolulu the ability to enforce or revoke the unilateral agreement. He suggested that if the City and County of Honolulu chose to revoke or repeal the ordinance, the unilateral would no longer be an issue.

Vice-Chair Thielen added that one of the reasons there is an attempt to address the unilateral agreement is because there are several things in the unilateral agreement that are important to the community, such as the affordable housing component.

Mr. Reed Matsuura commented that the City and County of Honolulu Council agrees. He said, however, stopping or withdrawing the unilateral agreement would result in litigation, which will result in a bill that the City and County of Honolulu cannot afford.

III. Public Comments

Reverend Bob Nakata commented on the Land Use Commission hearing and the Defend Oahu Coalition's motion to show cause. He clarified that this motion only relates to 236 of the 858-acre parcel. Mr. Nakata explained that in 1986 the land was reclassified from Agriculture to Urban to sustain a variety of different activities. He said the motion is to ask the Land Use Commission to show cause as to why the change in land classification should not be rescinded.

Reverend Nakata said the basis for the request is that no improvements have been made to that specific parcel since 1990-1991. He asserted that the Land Use Commission's rules negate re-classification if nothing is done over a period of five years. Mr. Nakata says that Turtle Bay is arguing that there was no required imposed timeline. He said the Land Use Commission is requiring a status update from Turtle Bay, due in August, and a new hearing will be scheduled for September.

Reverend Nakata referenced the material passed to members of the working group by Mr. Mark Cunningham pertaining to unknown 'iwi burials on the property.

Mr. McElheny pointed out that the letter should be addressed to Eastdil, not the working group, as they are the entity that should be notified.

Ms. Mattoon presented a letter which documents the concern of the Ko'olauloa Hawaiian Civic Club regarding the 'iwi burials.

IV. Schedule of Future Meetings – Bill Paty, Chair

The next meeting of the Working Group will be held on Wednesday, September 10th, at 10:00 a.m. in the Lieutenant Governor's Conference Room.

V. Adjournment

The meeting adjourned at 11:21 a.m.