

Expensive land deal led to raid on airport funds

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□ Officials went along with the trade despite doubts

By Ian Y. Lind
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THE state administration, at a time of large budget surplus and hoping to boost the development of the "second city" of Kapolei, began exploring the purchase of land in Ewa from Campbell Estate soon after Gov. John Waihee was elected in 1986.

In 1988, the Legislature appropriated \$61 million to purchase Campbell Estate lands, and the state then moved to condemn more than 2,000 acres.

State records show that negotiators, led by planning director Harold Masumoto, reached a tentative, confidential agreement with Campbell Estate in March 1991 to settle the condemnation action by taking 1,300 acres for a total price of \$110 million.

Not enough money

The agreement covered 1,100 acres of sugar land known as the "Golden Triangle" that was earmarked for possible housing, along with the 59-acre Hawaii Raceway Park and 124-acre feedlot operated by Hawaii Meat Company.

The \$110 million price tag far exceeded the funds remaining from \$61 million authorized by the Legislature.

"The state did not have the authority to purchase all the land, needing \$65 million of additional authority to complete the purchase," an airport consultant later recalled.

But instead of asking the Legislature for enough funding to complete the purchase, documents show that Masumoto suggested tapping airport funds.

Masumoto yesterday said he was still researching written questions submitted by the Star-Bulletin two weeks ago.

At the time of the initial agreement, according to state records, Masumoto tried unsuccessfully to convince landowners along Ualena Street, who were being displaced by airport expansion, to consider a land exchange.

But there is no indication that an exchange for Kapolei was taken seriously.

The 113 acres paid for with airport funds far exceeded the 23 acres being condemned on Ualena Street, and no mention of Kapolei appears in consultant reports on the relocation of Ualena businesses.

Airport consultant Larry Chun of Edward K. Noda & Associates later observed that Department of Transportation administrators had tried to find some use for the land that would overcome legal restrictions.

"In the end," Noda wrote in a memo, "DOT could not justify the use of Airport Funds at Kapolei."

Strong doubts

Over the summer of 1991, the documents indicate that transportation administrators repeatedly tried to block the raid on airport funds.

Then-Transportation Director Ed Hirata and airports chief Owen Miyamoto both expressed concern about the expenditure from the airport account.

Miyamoto contacted state land officials and planning director Masumoto in July 1991 and told them the state's bond lawyers had advised that "the airport revenue

fund cannot be used for other than airport projects".

"He advised that since the fee owners of the Ualena lands are no longer interested in the Raceway Park/Feedlot parcels . . . airport revenue funds cannot be used to acquire these parcels," according to a memo by a state land agent describing a conversation with Miyamoto.

Taking a new tack

Four months after this exchange fell through, state officials suddenly pointed to a different land swap as their new justification for raiding the airport fund.

A "memorandum of understanding" signed by Hirata, Masumoto and William Paty, then state Land Board chairman, apparently sometime in October 1991, now contemplated a complex four-sided exchange involving the Airports Division, Harbors Division, Department of Land and Natural Resources, and some businesses leasing Ualena Street premises.

This new scenario called for DOT to trade the raceway park and feedlot for lands that the state was in the process of acquiring at the Kapalama Military Reservation.

The airport system would end up owning much of this harbor property, which would then be offered, in turn, to certain businesses relocating from Ualena Street. The remaining area would be leased to other businesses.

After signing the memorandum of understanding, Paty sent a private letter to Masumoto.

"I signed the (memorandum of understanding) with the understanding that this has the governor's approval."

However, Paty said that he continued to have "serious reservations" about the Kapalama proposal and whether this would be "a legitimate acquisition for airport purposes."

More doubts

Paty was not the only one with doubts.

Chun, the airports' own consultant, concluded that an exchange involving Kapalama would not be acceptable.

"The economics . . . are such that there is no way AIR (Airports Division) can expect a reasonable rate of return on the \$72 million expended. Not being able to get a fair return on its investment will represent a dilemma to the DOT and Airports Division in particular," Chun reported earlier this year.

In December 1992, approximately 40 acres at the Kapalama Military Reservation were set aside to DOT for airport and harbor use. Although paid for primarily with airport funds, the uses seem to be primarily harbor related.

For example, a resolution passed by the Legislature earlier this year authorizing a 65-year lease to a private developer to construct and operate a warehouse facility at Kapalama made no mention of any airport-related use or interest in the proposed facility.

It lies squarely in the middle of the state's long-range waterfront development dedicated to maritime uses.

Acting Federal Aviation Administration district director Dan Matsumoto said the agency has not approved the investment of airport funds at Kapalama.

John Thatcher, executive director of the Airline Committee of Hawaii, said his group had not been aware of any specifics regarding this expenditure of airport monies.