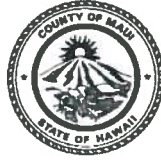


County Auditor  
Lance T. Taguchi



**OFFICE OF THE COUNTY AUDITOR**

COUNTY OF MAUI  
2145 WELLS STREET, SUITE 106  
WAILUKU, MAUI, HAWAII 96793  
<http://www.mauicounty.gov/auditor>

April 18, 2017

RECEIVED  
2017 APR 18 AM 11:28  
OFFICE OF THE  
COUNTY CLERK

Honorable Mike White, Chair  
and Members of the Council  
200 South High Street  
Wailuku, Hawaii 96793

Dear Chair White and Members:

**SUBJECT: AUDIT REPORT NO. 14-02, AUDIT OF EXPENDITURES  
FROM THE FISCAL YEAR 2012 BUDGET  
APPROPRIATION FOR THE OLD WAILUKU POST  
OFFICE REHABILITATION PROJECT**

Pursuant to Section 3-9.2(2) of the Revised Charter of the County of Maui (1983), as amended, transmitted are 19 bound copies and 1 unbound copy of Audit Report No. 14-02, relating to the Audit of Expenditures from the Fiscal Year 2012 Budget Appropriation for the Old Wailuku Post Office Rehabilitation Project.

Sincerely,

LANCE T. TAGUCHI  
County Auditor

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Enclosure

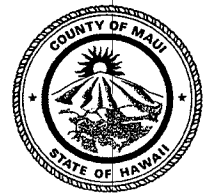
cc w/o enc: Mayor Alan M. Arakawa  
Managing Director

cc w/enc: Council Vice-Chair Robert Carroll  
Councilmember Stacy Crivello  
Councilmember Alike Atay  
Councilmember Elle Cochran  
Councilmember Don S. Guzman  
Councilmember Kelly T. King  
Councilmember Riki Hokama  
Councilmember Yuki Lei Sugimura

COUNTY COMMUNICATION NO. 17-201

**Audit of Expenditures  
from the Fiscal Year 2012  
Budget Appropriation  
for the Old Wailuku Post  
Office Rehabilitation  
Project**

Report No. 14-02  
April 2017



Office of the County Auditor  
County of Maui

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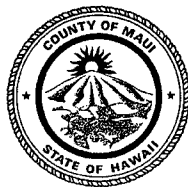
## Office of the County Auditor

The mission of the Office of the County Auditor is to:

- Serve as a catalyst for positive change in County government through focused independent audits and examination.
- Advocate for the efficient and appropriate use of public resources.
- Increase government transparency for the purpose of bringing a higher quality of life to the citizens of Maui County.

The Office of the County Auditor consists of a County Auditor and necessary staff, and is responsible for promoting economy, efficiency, and improved service in the transaction of the public business in both the legislative and executive branches.

To ensure the objectivity of the Office of the County Auditor, the Revised Charter of the County of Maui (1983), as amended, requires that the County Auditor be independent of the Mayor and the County Council. As such, the County Auditor is appointed to a six-year term.



**Office of the County Auditor**  
**County of Maui**  
2145 Wells Street, Suite 106  
Wailuku, Hawaii 96793



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## **Preface**

This audit was initiated by the Office of the County Auditor pursuant to Section 3-9.1 of the Revised Charter of the County of Maui (1983), as amended, and the Plan of Audits for Fiscal Year 2014 issued by the Office of the County Auditor. This audit was selected because of the public's interest in understanding the facts and circumstances surrounding the Old Wailuku Post Office.

We wish to express our appreciation for the cooperation and assistance extended by the Mayor and his Administration, the County Council, and others who assisted us throughout the course of the audit.

Lance T. Taguchi, CPA  
County Auditor

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# EXECUTIVE SUMMARY

## *Audit of Expenditures from the Fiscal Year 2012 Budget Appropriation for the Old Wailuku Post Office Rehabilitation Project*

Report No. 14-02, April 2017

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*Key ideas found in full report:*

*Placeholder approved..... pg. 5*

*Rehabilitation ≠ Demolition..... pg. 5*

*Accountability diminished..... pg. 15*

*Auditor’s guidance implemented..... pg. 16*

*Asbestos, mold, & lead paint ..... pg. 19*

*No Environmental Assessment ..... pg. 23*

*How to demolish a historic building..... pg. 26*

*The County did not listen..... pg. 27*

Poor communication of what the project entailed led to the approval of what essentially was a \$1.5 million placeholder. That placeholder, coupled with assumptions and pressure to move quickly, allowed for the demolition of the historic Old Wailuku Post Office (“OWPO”).

Somewhere within a two-year period, the County decided to demolish the OWPO instead of reusing it as originally proposed. And, while it is the County’s prerogative to do so, making such a contradictory decision in the dark -- without meaningful public participation -- is bad government.

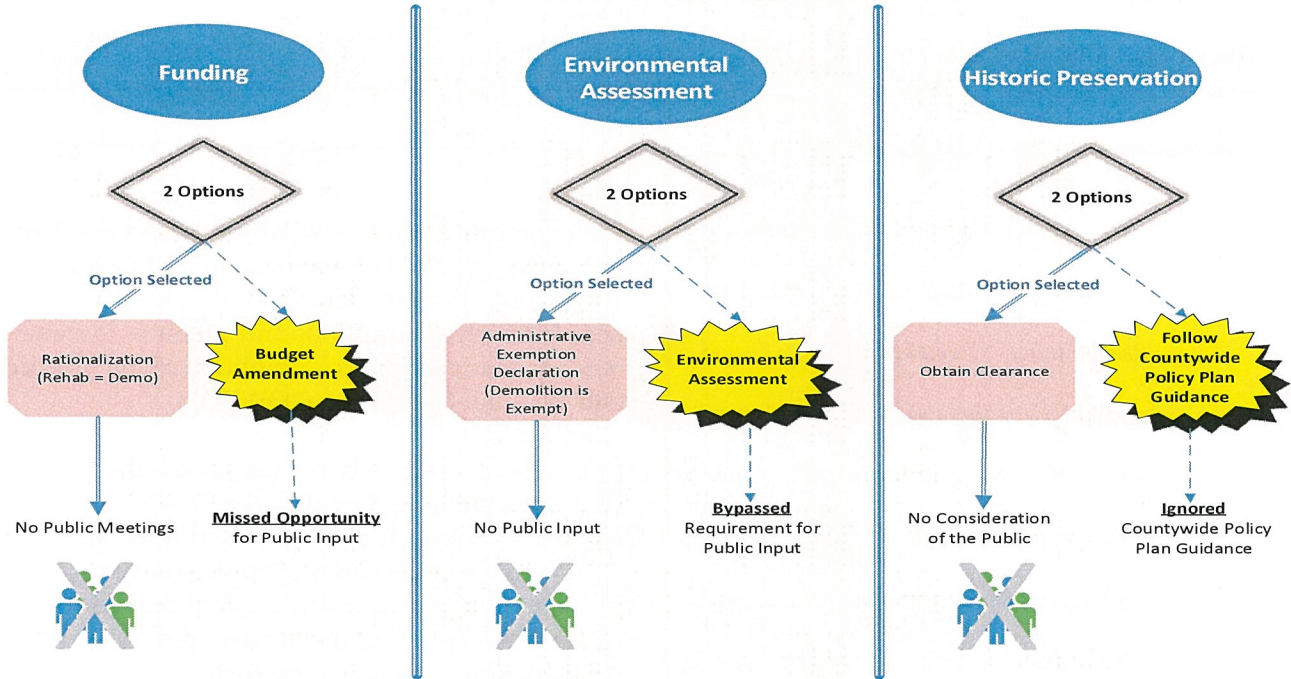
Audit work revealed a loophole in the County’s Budget Ordinance which severely diminished

the accountability and transparency of taxpayer funds. In an effort to close that loophole, the Auditor communicated guidance to the Maui County Council’s Budget and Finance Committee on April 7, 2016.

Also, while the demolition itself was performed only after obtaining clearance certificates for asbestos, mold, and lead paint, the County failed to conduct an Environmental Assessment or properly claim an Administrative Exemption Declaration. Further, the Auditor questioned how the demolition of a historic building complies with the County’s Countywide Policy Plan which calls for the preservation, restoration, and adaptive reuse of historic buildings and structures.

Most importantly, as the audit of the OWPO progressed, one pattern became quite clear: **The County always chose the path that resulted in the least amount of public involvement.** This unfortunate pattern is shown on the next page:

### Every Choice Made by the County Resulted in the Path With the Least Amount of Public Involvement



At all three major junctions relating to the demolition of the OWPO, the public’s voice was not heard.

- **Funding** – by rationalizing that “rehabilitation” included demolition, the County missed an opportunity to receive public testimony required through the Budget amendment process.
- **Environmental Assessment** – by choosing an Administrative Exemption Declaration, the County bypassed having to seek input from the public.
- **Historic Preservation** – by obtaining a clearance from the State Historic Preservation Division, the County ignored the public’s guidance in the Countywide Policy Plan.

The County’s pattern of actions is unfortunate because the public is left under-informed and in the dark. If this pattern continues, the County will be rushing to destinations that the public does not want to go.

In this report, the Auditor includes “Lessons Learned”. These sections offer guidance which, if followed, could improve communication and increase accountability of taxpayer funds.

# Chapter 1

## The Demolition of the Old Wailuku Post Office

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This audit was initiated by the Office of the County Auditor pursuant to Section 3-9.1 of the Revised Charter of the County of Maui (1983), as amended, and the Plan of Audits for Fiscal Year 2014 issued by the Office of the County Auditor on January 8, 2014. This audit was selected because of the public's interest in understanding the facts and circumstances surrounding the Old Wailuku Post Office.

---

### BACKGROUND

On February 1, 2013, the Maui County Council's Budget and Finance Committee was informed that dollars earmarked for the "Old Wailuku Post Office Rehabilitation project" (hereinafter referred to as "OWPO Rehabilitation") were used to demolish the building and prepare a campus study of County facilities.

The County Council and the Mayor became embroiled in a heated dispute over whether the demolition of the "Old Wailuku Post Office" (hereinafter referred to as "OWPO") was appropriate or legal. Some argued the demolition was a violation of the Budget Ordinance, while others said sometimes rehabilitation requires demolition.

In the months that followed, the actions of the Mayor and his Administration, as well as Councilmembers created a firestorm that drove a wedge between the two.

While it was unclear who was right and who was wrong, for the public one question became crystal clear: How could both sides be so far apart on the issue? After all, both sides had been dealing with the OWPO either through its early planning or indirectly through approving funding. Clearly something went wrong.

---

### WHAT WENT WRONG?

To understand what the OWPO Rehabilitation initially entailed, the Auditor reviewed the Mayor's Fiscal Year ("FY") 2012 Budget Proposal, specifically the Description and Justification of the project found on page 26-8 of the Capital Program (hereinafter referred to as "Description and Justification").

The Description and Justification for the OWPO states:

“Rehabilitation of Old Wailuku Post Office acquired by the County of Maui in 2009 to allow for occupancy for offices, meeting rooms and storage. Improvements anticipated include rehabilitation of roof to prevent water intrusion and to extend life span, upgrade 50-year old electrical, removal of asbestos on the first and second floors, removal of lead where necessary throughout building, removal of mold in the basement, fire sprinkler improvements, exterior concrete repairs, and necessary structural repairs.”

The cost of the OWPO Rehabilitation was estimated at \$1.5 million for design of the specific improvements and repairs of the building in FY 2012 and \$4.25 million for construction of those improvements in FY 2013.

The Description and Justification submitted by the Mayor as part of his FY 2012 Budget Proposal is shown in Exhibit 1-1.

**Exhibit 1-1  
Description and Justification**

**SIX YEAR CAPITAL PROGRAM**

**Wailuku-Kahului**

**Old Wailuku Post Office Rehabilitation**

**District** Wailuku-Kahului

**Department** Management

**Project Type** Government Facilities

**Description and Justification** Rehabilitation of Old Wailuku Post Office acquired by the County of Maui in 2009 to allow for occupancy for offices, meeting rooms, and storage. Improvements anticipated include rehabilitation of roof to prevent water intrusion and to extend life span, upgrade 50-year old electrical, removal of asbestos on the first and second floors, removal of lead where necessary throughout building, removal of mold in the basement, fire sprinkler improvements, exterior concrete repairs, and necessary structural repairs.

**Operating Impact** No impact on staffing or operating budget anticipated.

**Anticipated Life** 20 Years

*\$ in 1,000's*

Project Phase	Fund	Prior Yrs Ench	Fiscal Year							6-Yr Total
			2011 Appr	2012	2013	2014	2015	2016	2017	
Construction	GB				4,250					4,250
Design	LB			1,500						1,500
<b>TOTAL</b>		<b>0</b>	<b>0</b>	<b>1,500</b>	<b>4,250</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,750</b>



Old Wailuku Post Office (right) with County Building and Old Wailuku Courthouse

Fund Source: BW = Bikeway Fund GB = G.O. Bond GF = General Fund FD = Federal Grant HF = Highway Fund LBF = Lapse Bond Fund OT = Other PA = Park Assessment Fund SRF = State Revolving Loan ST = State Grant SW = Solid Waste Fund WF = Wastewater Fund WR = Water Restricted Fund WU = Water Unrestricted Fund

The specific improvements and repairs for the building identified in the Description and Justification was based on the third option in the report entitled “Old Wailuku Post Office Property Inspection Summary” dated September 3, 2010 and prepared by Mayor Charmaine Tavares’ Administration (hereinafter referred to as “Inspection Summary”).

The Inspection Summary describes the condition of the building and presents four options for the OWPO:

1. leave as is,
2. fix but use as warehouse,
3. fix and use as warehouse and offices, and
4. demolish and rebuild.

The Inspection Summary is attached as Appendix A.

The Auditor reviewed the Council’s FY 2012 Budget session minutes of April 5, 2011. The Budget and Finance Committee Chair started the Committee’s discussion of the OWPO Rehabilitation by directing Councilmembers to the Description and Justification.

---

***Both the Council and the Mayor and his Administration did not have a clear understanding of what the money in the Budget was to be used for.***

---

Although the Description and Justification supported \$1.5 million for the design of specific improvements and repairs to the OWPO, the Budget Director said that the Mayor’s Administration would work with the Council to determine the most efficient use of the funding for the OWPO.

However, the brief conversation that followed centered on having more alternatives, including constructing a larger building on the property. There was very little discussion on the design of specific improvements and repairs for the OWPO. There was no specific discussion of demolishing the OWPO.

The Budget and Finance Committee Chair requested the Mayor’s Administration transmit the Inspection Summary to the Budget and Finance Committee. The Budget Director transmitted the Inspection Summary to the Budget and Finance Committee on April 13, 2011.

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***The Council essentially approved a \$1.5 million “placeholder” for the OWPO project in the FY 2012 Budget Ordinance.***

---

The Auditor did not find any other meaningful discussion of the OWPO Rehabilitation in the FY 2012 Budget session minutes. The Auditor notes that the entire discussion on April 5, 2011 regarding the OWPO Rehabilitation lasted less than 10 minutes. Based on the brief and disjointed discussion during the FY 2012 Budget session, it appears the funding for the OWPO Rehabilitation was nothing more than a placeholder.

On June 17, 2011, the FY 2012 Budget Ordinance was certified and included a \$1.5 million appropriation for “Old Wailuku Post Office Rehabilitation”.

---

**AUDITOR’S  
PERSPECTIVE**

When the FY 2012 Budget Ordinance was approved by the Council and certified by the Mayor, both the Council and the Mayor did not have a clear understanding of what the money was to be used for.

It is the Auditor’s opinion that there are only two documents relating to the OWPO that were officially entered into public record prior to the passage of the FY 2012 Budget Ordinance. Those two documents are the Description and Justification and the Inspection Summary.

---

***A reasonable person would conclude that “rehabilitation” would not result in the demolition of the entire building.***

---

When those two documents are reviewed together with the brief and disjointed Budget session discussions, a reasonable person would conclude that “rehabilitation” of the OWPO would involve re-use of the existing building, not demolition of the entire building.

When monies were appropriated in the FY 2012 Budget Ordinance, “rehabilitation” did not mean demolition of the entire OWPO.

---

***Was the FY 2012 Budget Ordinance violated?***

While it is the Auditor's opinion that a reasonable person would conclude that rehabilitation of the OWPO would involve re-use of the existing building and not the demolition of the entire building, the Auditor relies on guidance issued by the Comptroller General of the United States. Government Auditing Standard 7.21 states:

“...Whether a particular act is, in fact, fraud or noncompliance with provisions of laws, regulations, contracts or grant agreements may have to await final determination by a court of law or other adjudicative body.”

Therefore, the Auditor issues no opinion as to whether a violation of the FY 2012 Budget Ordinance occurred when the OWPO Rehabilitation appropriation was used for a campus study and demolition of the entire building. That determination can only be made through litigation, not the issuance of an audit report.

---

**LESSONS  
LEARNED**

Million dollar “placeholders” do not belong in Budget Ordinances. While convenient, placeholders cause confusion for the Mayor and his Administration, the Council, and the public.

If the Mayor is unsure of what his proposed project entails, then he should not include it in his Budget Proposal.

If the Council is unsure of a project presented in the Mayor's Budget Proposal, they should not include it in the Budget Ordinance. Instead, Councilmembers should ask the Mayor to propose a Budget amendment when the project is better defined.



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## **MAYOR AND HIS ADMINISTRATION'S PERSPECTIVE**

To understand why the Mayor and his Administration proceeded with preparation of a campus study of County facilities and the demolition of the OWPO, the Auditor:

- reviewed the applicable minutes of and documents submitted at Council committee meetings (before and after the demolition);
- listened to the Mayor's June 28, 2013 press conference;
- interviewed key employees involved with the OWPO Rehabilitation;
- reviewed emails of key employees; and
- reviewed applicable contracts.

Interviews with key employees were difficult because of the concern that a possible violation of the FY 2012 Budget Ordinance occurred. Such a violation could result in a fine of up to \$1,000 and/or imprisonment for up to 30 days. One key employee hired a private attorney and the Mayor requested a Deputy Corporation Counsel be present during his interview with the Auditor.

---

### ***Concerns were raised.***

In a written response to the Auditor's February 24, 2015 letter, the Countywide CIP Coordinator explained that she raised questions about using the OWPO Rehabilitation monies for a campus study and the demolition of the building. She recalled a meeting with the Mayor, Managing Director, Budget Director, and the Mayor's Chief of Staff. At the meeting, they discussed the "language of the Budget Appropriation." When asked for the rationale for using the OWPO Rehabilitation monies, the Countywide CIP Coordinator responded that some of those present at the meeting believed that a campus study and the demolition fell "within the language of the Budget Appropriation."

In separate interviews, neither the Managing Director nor the Budget Director could recall the rationale for using the OWPO Rehabilitation monies for demolition of the building.

---

### ***The Mayor rationalized that rehabilitation could include demolition.***

---

When interviewed by the Auditor, the Mayor recalled a brief meeting in his office where he and some of his staff discussed the appropriateness of using the OWPO Rehabilitation monies for a campus study and demolition. The Mayor recalled a very short

discussion where those in attendance concluded that the term “rehabilitation” could include demolition. The Mayor offered the example that rehabilitation of a road involves taking out the pavement and road base. Basically, the road is demolished and a new road replaces it. To the Mayor, rehabilitation means “fix what’s broken.”

---

***If concerns were raised, why were contracts allowed?***

There were two contracts related to the OWPO:

1. for master planning of a larger complex that spans well beyond the boundaries of the OWPO property (hereinafter referred to as “Campus Study”); and
2. for the demolition of the OWPO.

Section 9-18.2 of the Revised Charter of the County of Maui (1983) states:

“Before execution, contracts involving financial obligations of the county shall also be certified by the director of finance as to the availability of funds in the amounts and for the purposes set forth herein”. (emphasis added)

By certifying funds, the Director of Finance confirmed that there were monies available in the County’s Budget for the Campus Study and demolition of the OWPO.

**Campus Study contract to Group 70 International**

When asked why he certified the \$781,000 Campus Study contract, the Director of Finance told the Auditor that he reviewed the contract carefully, noting the post office site was mentioned within the contract documents. Based on that review, the Director signed the certification and contract.

When asked if he reviewed the Description and Justification, the Director of Finance said he did not.

The Director of Finance stated he later revised the contract certification process to require a project’s six-year Capital Program sheet from the Mayor’s Budget Proposal be submitted with the unsigned contract and certification form for his review. See Exhibit 1-1 for an example of a project’s six-year Capital Program sheet.

### **Demolition contract to Betsill Brothers LLC**

The Demolition contract was certified by the Budget Director who was serving as the Acting Director of Finance at the time.

---

***Rushing to get the contract approved on the last day before funding expired reduced the scrutiny it required.***

---

When asked by the Auditor about certifying the \$664,000 Demolition contract, the Budget Director said he was not able to perform a detailed review because of the large number of contracts that needed to be processed by December 31, 2012.

The Budget Director told the Auditor that he relied on the review and approval of the accounting staff within the Department of Finance.

The Auditor notes that December 31 is the end of the 18-month window when contracts for capital improvement projects (“CIP”) need to be certified. The Demolition contract was certified and executed on December 31, 2012, the last day before the FY 2012 Budget CIP monies would expire.

---

### ***Emails shed little light on the matter.***

Because some employees said they could not recall if or what discussions occurred due to the passage of time, the Auditor determined that a review of emails may help to corroborate comments made in interviews. The review may also discover possible “off record” comments made by employees involved with the OWPO Rehabilitation.

Therefore, the Auditor requested the emails of the Managing Director, Countywide CIP Coordinator, Director of Finance, Budget Director, and a Deputy Corporation Counsel. The emails were dated between July 1, 2012 through February 28, 2013.

Originally, the Auditor intended to request emails from an earlier date. However, after a discussion with the County’s Chief Technology Officer, the Auditor was informed that some of those emails may no longer be available.

Emails that contained the following key words or phrases were requested:

- Kalana O Maui Campus
- Campus study

- Campus expansion
- Group 70
- Old Wailuku Post Office
- OWPO
- post office
- demolition
- rehabilitation

The Auditor received and reviewed 3,319 emails.

The review of the 3,319 emails revealed no discussion regarding the appropriateness of using the OWPO Rehabilitation monies for the Campus Study and Demolition contracts. Unfortunately, the review of emails was inconclusive.

---

***Council initiates an investigation, the Mayor and his Administration offers apologies.***

At a meeting on June 17, 2013, the Council's Policy and Intergovernmental Affairs Committee recommended adoption of a resolution that would authorize the committee to conduct a formal investigation of the Mayor and his Administration's actions relating to the demolition of the OWPO. At the meeting, the Managing Director apologized for any misunderstanding that may have occurred. The Managing Director provided a timeline to support the position that the Mayor and his Administration conducted a transparent and open process. According to the Managing Director, there were numerous discussions with each Councilmember about the Administration's progress at the OWPO property. The Managing Director stated:

"There was no question in any of our minds that not only did the Council as a whole know that funds were being expended to demolish that toxic building, but that the Council as a whole was in agreement that this was the proper and prudent course of action."

At his press conference on June 28, 2013, the Mayor said:

"When our discussions with the Council changed the intent of the project, we should have followed up with the paperwork to reflect those changes."

"...As the Mayor, I take full responsibility for this situation. We were so intent on meeting with the councilmembers personally and get their individual approvals, that we forgot some of the more formal aspects of the process."

When interviewed by the Auditor, the Mayor explained that the “paperwork” referenced at his press conference would have documented his Administration’s discussion with Councilmembers. The “paperwork” would clarify that the term “rehabilitation” included a Campus Study to determine what to do with the OWPO and the demolition of the building. According to the Mayor, the OWPO had major problems such as asbestos in the concrete and mold from the constant leaks. The Mayor concluded that because there were so many problems, it made sense to demolish the OWPO and construct a new building.

---

## **AUDITOR’S PERSPECTIVE**

The Auditor notes that the Mayor’s conclusion -- that it made sense to demolish the OWPO -- contradicts what was described in the Description and Justification within his Budget Proposal. Again, the Mayor’s Description and Justification in his FY 2012 Budget Proposal states:

“Rehabilitation of Old Wailuku Post Office acquired by the County of Maui in 2009 to allow for occupancy for offices, meeting rooms and storage. Improvements anticipated include rehabilitation of roof to prevent water intrusion and to extend life span, upgrade 50-year old electrical, removal of asbestos on the first and second floors, removal of lead where necessary throughout the building, removal of mold in the basement, fire sprinkler improvements, exterior concrete repairs, and necessary structural repairs.”

---

### ***The Mayor’s after-the-fact comments contradict his own Budget Proposal.***

---

The Auditor further notes that the Mayor’s and Managing Director’s characterizations of the condition of the OWPO (i.e., the building “had major problems” and was “toxic”) conflicts with the condition of the OWPO as stated in the Inspection Summary. Again, the Inspection Summary states:

“OWPO is an excellent candidate for structural renovation and re-use as office space. Though portions of the building require structural remediation, the building possesses inherent strengths and qualities that make a building renovation a practical and feasible undertaking.”

“...The rehabilitation of the Old Wailuku Post Office building allows for utilization of existing space adjacent to the Maui Campus in a shorter period of time and at a much lower cost than new building design and construction. There is also added value to this approach with the preservation of a Wailuku Town landmark that dates back to the beginning of Statehood.”

The Mayor and his Administration believed that Councilmembers were aware and approved of their decision to use the OWPO Rehabilitation appropriation for a Campus Study and demolition of the entire building. In their rush to proceed, the Mayor and his Administration rationalized that a FY 2012 Budget amendment was not required.

---

## **LESSONS LEARNED**

When the Mayor decided to demolish the entire OWPO building rather than re-use it, he should have proposed a Budget amendment. A Budget amendment would have informed the public that \$1.5 million would be used in a different way. In addition, it would have protected the Mayor against accusations from the Council that he may have violated the FY 2012 Budget Ordinance.

The Budget amendment process should:

- eliminate vague million dollar placeholders in the Budget Ordinance;
- ensure taxpayers receive specific details on how their money will be spent;
- allow for public input;
- give the Council an opportunity to perform a more thorough review of the Mayor’s proposed projects; and
- provide clear written guidance to the Mayor and his Administration.

---

## **COUNCIL'S PERSPECTIVE**

To understand why the Council wanted a full investigation into this matter, the Auditor reviewed Council and Budget and Finance Committee meeting minutes from June 2011 to February 2013 relating to the OWPO. These public meetings occurred between the period when the FY 2012 Budget Ordinance was certified and when the Mayor's Administration formally informed the Council.

---

### ***Passing comments made.***

The Auditor's review revealed that the OWPO was mentioned in two public meetings prior to its demolition.

#### **Budget Session: April 19, 2012, Budget and Finance Committee**

While reviewing improvements to the Kalana O Maui building, the Budget Director informed Councilmembers that the Mayor's Administration was:

“...doing a kind of preliminary study to see what we could do at the Old Wailuku Post Office `cause that was what was funded this year...”

At that same meeting, the Managing Director mentioned:

“...We have the demolition of the Old Wailuku Post Office that's coming up.”

#### **October 30, 2012, Budget and Finance Committee**

While reviewing the Cost of Government Commission's findings and recommendations for the OWPO, the Budget Director said:

“...within another couple of weeks, there will be an RFP issued for the demolition of the Old Wailuku Post Office...And so we are going forward with demolition of that and we hope to have that demolished hopefully by the end of the year or beginning part of next year.”

There was no mention or inquiry into the source of funding for the demolition of the OWPO.

---

### ***Council formally informed.***

#### **February 1, 2013, Budget and Finance Committee**

After demolition began, the Budget and Finance Committee was formally told that the source of funding for the demolition was the OWPO Rehabilitation appropriation in the FY 2012 Budget Ordinance.

Group 70 International presented an overview of the Campus Study to the Committee. The presentation included “Phase 1A”, the construction of a new 61,000 square-foot building on the OWPO site.

After the presentation, the Budget and Finance Committee Chair asked the Mayor’s Administration for the source of funding for the Campus Study and the demolition of the OWPO. The Countywide CIP Coordinator responded that the money “was taken out of the Old Wailuku Post Office appropriation, Fiscal Year 2012.”

In response, the Budget and Finance Committee Chair stated:

“...We like the plans that you’ve come up with. But you need to understand that we have a job to do, and that our job is to appropriate funds for specific purposes, and I believe that in reading this specific capital appropriation that what you’ve undertaken thus far is not even close to be within the definition.”

---

## **AUDITOR’S PERSPECTIVE**

After the FY 2012 Budget Ordinance was certified and before demolition began (June 2011 to January 2013), the OWPO Rehabilitation was only mentioned twice in Budget and Finance Committee meetings open to the public. Therefore, the Auditor carefully avoids using the word “discussion” to characterize the passing comments made on April 19, 2012 and October 30, 2012. The Auditor notes the OWPO Rehabilitation was not the specific subject matter on the agenda for those two meetings.

It is the Auditor’s opinion that although statements of the impending OWPO demolition were made at meetings open to the public, Councilmembers may not have been aware of the funding source for that work.

Once Councilmembers became aware that demolition of the OWPO was in conflict with the Description and Justification, it was reasonable for the Council to inquire if the FY 2012 Budget Ordinance was violated. It was reasonable because of the Council’s understanding that the Description and Justification was incorporated into the FY 2012 Budget Ordinance, not because they disagreed with the decision to demolish the OWPO. To reiterate, it is the Council’s job “to appropriate funds for specific purposes”.

For years, the Council’s general understanding was that the Description and Justification in the Mayor’s Budget Proposal



was incorporated in the Budget Ordinance -- specifically, within Section 10 of the General Budget Provisions (hereinafter referred to as "Section 10").

---

***Corporation Counsel's legal guidance.***

To confirm the Council's general understanding, the Auditor requested legal guidance from the Corporation Counsel as to whether the Description and Justification -- which had been reviewed by the Council and the public -- was part of the FY 2012 Budget Ordinance. From a legal standpoint, was the word "Rehabilitation" defined as the specific improvements and repairs for the building outlined in the Description and Justification.

By letter dated July 31, 2015, the Department of the Corporation Counsel responded "no", the Descriptions and Justifications were not part of the FY 2012 Budget Ordinance. The legal guidance states:

"If the Council intended such inclusion, it could easily revise Section 10 to include the term 'description and justification.'"

---

***Accountability for spending taxpayer dollars was severely diminished.***

---

Corporation Counsel's legal guidance is unfortunate because it leaves the public with a mere five words in the FY 2012 Budget Ordinance -- Old Wailuku Post Office Rehabilitation -- as guidance on how taxpayer money will be spent. The lack of clear written guidance severely diminishes accountability for spending taxpayer dollars.

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***History of Section 10.***

The Auditor performed a review of the legislative history of Section 10. This review revealed the Council inserted language in the FY 1998 Budget Ordinance to bind the program goals and measures presented in the Mayor's Budget Proposal.

In 1997, the Council's Budget and Finance Committee Report 97-101 stated:

"This year your committee expressed the need to bind the Administration to its program goals and measures. As such, a section was added under the General Budget Provisions in the Budget Ordinance, indicating that

all program objectives and performance measures as described in the Budget Proposal Fiscal Year 1998 are incorporated and made a part of the Budget Ordinance.”

In the minutes of the May 20, 1997 Special Council Meeting, a Councilmember stated:

“Not only are we going to add a document that has been circulated throughout the County as the ideas and goals and measures that the Administration wants, but we would also like to make that a part of the ordinance that this is what we expect ourselves to achieve as an Administration ...”.

As a result of that discussion, the Council created Section 10. The language in Section 10 was a literal reference to specific parts of the Mayor’s FY 1998 Budget Proposal.

Unfortunately, as the years went by, the language throughout the Mayor’s Budget Proposal (e.g., the Description and Justification shown in Exhibit 1-1 herein) and the language in Section 10 began to deviate.

Section 10 no longer referenced the specific terminology used throughout the Mayor’s Budget Proposal.

Meanwhile, the Council and the public continued to assume that the Mayor’s Budget Proposal was made a part of the Budget Ordinance and provided clear written guidance on how taxpayer dollars were to be spent.

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***Auditor recommendation implemented.***

Due to the importance of this issue and in an effort to close that loophole in the FY 2017 Budget Ordinance, the Auditor forwarded the Corporation Counsel’s legal guidance to the Council’s Budget and Finance Committee on April 7, 2016.

The Auditor’s letter expressed caution that the legal guidance could have broader implications.

In response, the Council incorporated the details of CIP from the Mayor’s FY 2017 Budget Proposal into the FY 2017 Budget Ordinance.

This was Council’s attempt to legally bind a CIP’s description and justification to its corresponding appropriation.

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**LESSONS  
LEARNED**

Confusion over what is or is not included in Budget Ordinances will happen again. It is important that clear written guidance be incorporated into Budget Ordinances to improve transparency and accountability for the Mayor, the Council, and the public.

While the changes made by the Council to the FY 2017 Budget Ordinance are steps in the right direction, the Council must continue to explore the limitations of the General Budget Provisions. This holds true not only for the CIP section, but also for the operating funds within each department.

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# Chapter 2

## Additional Concerns for the Community

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### BACKGROUND

While not in the original scope of the audit, the Auditor determined that there was public interest in addressing additional areas of concern related to the demolition of the OWPO. As such, the Auditor expanded the audit objectives and performed additional procedures in order to answer the following questions:

1. Were asbestos, mold, and lead paint clearance certificates obtained before heavy machinery began tearing down the OWPO?
2. Did the County comply with the Hawai'i Environmental Policy Act as it relates to conducting an Environmental Assessment?
3. How did the County mitigate the adverse action of demolishing a historic building and was the demolition consistent with the General Plan (Countywide Policy Plan) of the County of Maui?

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### Public Health

The OWPO was surrounded by preschools, an elementary school, an intermediate school, churches, private residences, restaurants, and government and private office buildings. If not handled properly, countless men, women, and children could have been exposed to hazardous materials during the demolition of the OWPO.

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### *Was there asbestos, mold, and lead paint?*

Yes. According to hazardous material survey reports, the OWPO contained asbestos, mold, and lead paint.

In addition, one report indicates that some asbestos abatement was previously performed in 2006 or earlier.

The Auditor reviewed applicable reports to determine the extent of any potential issues that may have existed with the OWPO. Those reports and a summary of their findings are listed below:

- Vuich Environmental report, dated May 15, 2006, noted that their asbestos survey concluded residual asbestos within ceiling materials in areas where previous asbestos abatement had been done.
- Inalab, Inc. report, dated October 18, 2006, noted that their indoor surface and air sampling revealed residual asbestos

in various areas, as well as other issues such as lead-based paint and minor mold.

- Hawaii Inspection Group report, dated August 4, 2010, noted that their Property Condition Assessment revealed there were moldy records in the basement.
- Enpro Environmental report, dated June 15, 2012, noted that their Fungal Investigation found mold on cardboard boxes, paper files, and basement walls. They recommended mold remediation be performed by an experienced remediation contractor using industry standard techniques.
- Enpro Environmental report, dated July 12, 2012 noted that their Asbestos Investigation and Assessment identified areas that contained regulated asbestos-containing material. The report recommended that these materials be removed by a specialty licensed contractor before any demolition or renovation activities.

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***Did the County obtain clearances for asbestos, mold, and lead paint before heavy machinery began tearing down the OWPO?***

Yes. Clearance certificates or other documents were obtained before heavy machinery began tearing down the OWPO.

In order to determine if asbestos, mold, and lead paint were mitigated, the Auditor reviewed all applicable certificates and other documents in the custody of the Countywide CIP Coordinator. Those documents and a summary of their findings are listed in Exhibit 2-1.

**Exhibit 2-1  
Hazardous Materials Mitigation**

<b>Type</b>	<b>Company</b>	<b>Summary of Results</b>	<b>Results Issue Date</b>
Asbestos	Globteck Group, Inc.	Clearance Certificate issued for 1st floor, 2nd floor, and roof	1/17/2013
Asbestos	Globteck Group, Inc.	Clearance Certificate issued for 1st floor exterior	1/18/2013
Mold	Enpro Environment	Email notifying County CIP Coordinator that they did not find "amplified concentrations of airborne mold spores. Cardboard boxes containing mold may be disposed during the general demolition without additional controls	8/14/2012
Lead paint	EnvironMETeo Services, Inc.	Leachable lead content paint chip debris was below regulatory limit, so waste is not considered hazardous by the U.S. Environmental Protection Agency and the State of Hawaii	1/23/2013

Source: Office of the County Auditor data from CIP Coordinator's files

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## Environmental Assessment

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### ***Did the demolition of the OWPO require an Environmental Assessment?***

The use of public funds to demolish the OWPO triggered the requirement for the County to comply with the Hawai'i Environmental Policy Act (hereinafter referred to as "HEPA"), Chapter 343 of the Hawaii Revised Statutes.

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### ***HEPA was designed to improve decision making and increase public participation.***

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The review structure within HEPA is meant to ensure that the environmental consequences of proposed actions are appropriately considered. Once triggered, the County was required to do one of the following:

1. Conduct an Environmental Assessment (hereinafter referred to as "EA") to inform decision makers of the potentially broader impacts a project may have on the community and the surrounding area, as well as gather public input; or
2. Claim an Administrative Exemption Declaration (hereinafter referred to as "AED") from conducting an EA and maintain the records of such exemption for public inspection.

Based on the Auditor's review, the County did neither. The inaction of the County goes directly against the intent of HEPA, which was designed to improve decision making and increase public participation.

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### ***What is an EA?***

An EA is a document used to evaluate the potential environmental impacts of a project and determine if a more in-depth Environmental Impact Statement is required. Applicants are required to prepare a draft EA, obtain feedback from government agencies, allow for public comments, respond to those comments, and determine if there are any significant impacts.

The Auditor notes the EA process would have provided multiple opportunities for the public to express any concerns with demolishing the OWPO.



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**Was an EA prepared?**

No. The Auditor could not locate an EA for the demolition of the OWPO in the Countywide CIP Coordinator's files or in the online library of EAs filed with the State Office of Environmental Quality Control (hereinafter referred to as "OEQC").

When asked by the Auditor in an interview, the Countywide CIP Coordinator said that she did not know whether an EA was performed; she relied on the Department of Planning for compliance to HEPA.

During a separate interview with the Auditor, the Planning Director said that his Department was primarily concerned about State historic preservation requirements and compliance with zoning. He said that the Department of Planning was not part of the OWPO project team; in any case, demolition does not require an EA because it would be difficult to determine the impacts without construction documents to review.

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**What is an AED?**

As an alternative to preparing an EA, an applicant can declare a project exempt from the EA requirement if it found, after consulting with relevant agencies/experts, that the project would not have significant environmental effects. Once the exemption from EA requirements is claimed, the applicant would be required to maintain records for public inspection.

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**Was an AED prepared and available for public inspection?**

When asked if an AED was on file for demolition of the OWPO, the Planning Director said he was not aware if an exemption was filed. The Planning Director explained that the AED could have been filed in either the Department of Public Works or the Department of Management.

Neither the Supervising Land Use Building Plans Examiner in the Department of Public Works nor the Countywide CIP Coordinator in the Department of Management were aware that such an exemption was prepared and available for public inspection.

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**Was an administrative exemption from preparing an EA even allowed?**

Maybe, if the demolition was considered unrelated or segmented.

According to HEPA, the County would not be allowed an administrative exemption from the requirement of conducting an EA if the cumulative impact of planned successive actions, in the same place, over time, is significant.

Further, HEPA requires that a group of proposed actions shall be treated as a whole or single action when:

1. the component actions are phases of a larger total undertaking;
2. an individual project is a necessary precedent for a larger project;
3. an individual project represents a commitment to a larger project; or
4. the actions in question are essentially identical and a single statement will adequately address the impacts of each individual action and those of the group of actions as a whole.

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***What did the State determine?***

By letter dated July 7, 2015, the Auditor requested the State Director of OEQC provide an opinion as to whether the demolition of the OWPO building can be segmented out from the construction of a new building.

By letter dated July 15, 2015, the State Director of OEQC responded:

*“Because of the funding nature of State and County projects, agencies are often limited in planning out the complete scope of projects. For example, in this case, the \$1.5 million allocation in FY 2012 was for OWPO rehabilitation, but those funds were used for the Group 70 study and demolition. A subsequent request for an additional \$1.5 million was used for design, which identified the need for approximately \$24 million to construct the office building. This process in itself is segmented and the plan to demolish the old building and construct a new one was not apparent at the outset of the original funds allocated in FY 2012.” (emphasis added)*

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**AUDITOR’S PERSPECTIVE**

The Auditor respectfully disagrees with the OEQC’s conclusion. The demolition of the OWPO was a component to the larger action of the new six-story building that was to replace it.

The Auditor notes the following:

- The Guide to the Implementation and Practice of the HEPA states: “if a project includes a later phase that cannot be fully described in the current EA because it is only likely to be implemented in the distant future (as

opposed to the ‘reasonably foreseeable future’), the EA should disclose as much detail as possible about the future phase.”;

- Demolition of the OWPO was a component of a larger project, not an isolated incident. Plans were made and funds were used for a broader scope of work which was beyond the allowed exemption for a stand-alone demolition;
- Replacing a 22,000 square-foot, three-story building with a 54,000 square-foot, six-story building is not a like-for-like replacement; and
- Funds were used for a Campus Study to plan and design areas beyond the OWPO footprint, illustrating the demolition was not an isolated event that had separate funding sources.

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## LESSONS LEARNED

In the Auditor’s opinion, an EA should have been conducted to comprehensively examine potential impacts of the OWPO demolition and the construction of a six-story building in Wailuku town.

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### *The public was denied an opportunity to participate.*

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HEPA is meant to ensure that the environmental consequences of proposed actions are appropriately considered.

By not complying with HEPA, the public was denied an opportunity to participate in the planning and decision-making process for the OWPO.

The County should lead by example and abide by the laws that it expects private citizens and developers to comply with.

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## Historic Preservation

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***How could the Mayor and his Administration demolish a historic building that stood for over half a century?***

### **History of the building.**

According to the Historic American Building Survey for the Wailuku Post Office/Federal Building, prepared by the County's Department of Planning, the OWPO:

"...was the first major Federal construction project in Maui County after World War II and provided a prominent government presence in the outer islands after statehood."

"...was unique in its design and served dual functions -- providing a main post office on the first floor as well as offices for Federal agencies on the second."

"...[received a]...citation of merit for 'Civil Beautification' in 1961..."

During its tenure, the basement of the OWPO served as a civil defense shelter for Wailuku town.

The OWPO was closed in 1990 when the U.S. Postal Service relocated to its current location in the Wailuku Mill Yard.

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***Considering its history, was the OWPO protected by State Law?***

Yes. The State of Hawaii's historic preservation law was intended to promote the use and conservation of historic properties for education, inspiration, pleasure, and enrichment of its citizens.

Section 6E-8, Hawaii Revised Statutes, requires that permits on publicly owned properties over 50 years of age be reviewed by the State Historic Preservation Division (hereinafter referred to as "SHPD").

Although the OWPO was not listed on the National Register of Historic Places in Hawaii, the over 50-year-old building is classified as a "Historic property" by Hawaii Historic Preservation Law. Being a publicly owned historic property, the County was required to notify SHPD of the proposed demolition and how the County would avoid or mitigate potential negative effects.

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***Did the County comply with State of Hawaii Historic Preservation Law?***

Yes. The County notified SHPD of the plans to demolish the OWPO and provided a Historic American Building Survey, Level II (HABS II) documentation as mitigation for any adverse impact. This documentation helps to preserve an accurate record of the OWPO by incorporating drawings and photographs in a written history of the building. The HABS II documentation can be used in future research and other preservation activities.

In a letter dated November 18, 2012, SHPD determined that:

*“The demolition of the historic Wailuku Post Office is an adverse impact on a historic place. The County of Maui has offered HABS II mitigation of the exterior of the structure along with informal photographic documentation of the building’s interior as mitigation for this adverse impact. SHPD accepts this documentation as mitigation and finds this project to be an *adverse impact with agreed upon mitigation.*”*

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***Was the demolition of the OWPO consistent with the County’s General Plan?***

No. It is the Auditor’s opinion that the demolition of the OWPO is in direct conflict with the spirit of the Countywide Policy Plan -- a component of the County’s General Plan. The Auditor notes that the Countywide Policy Plan was established after years of public input through public testimony, focus groups, and outreach efforts by County agencies. The Plan establishes the public’s desired direction of the County’s future.

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***The public gave the guidance on what to do with historic buildings. The Administration did not listen.***

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An objective of the Countywide Policy Plan is to:

*“Preserve and restore significant historic architecture, structures, cultural sites, cultural districts, and cultural landscapes.” (emphasis added)*

A policy of the Countywide Policy Plan is to:

*“Promote the rehabilitation and adaptive reuse of historic sites, buildings, and structures to perpetuate a traditional sense of place.” (emphasis added)*

The Auditor notes that while the Countywide Policy Plan is an overarching policy, Section 2.80B.030B, Maui County Code, makes its applicability and scope clear:

“All agencies shall comply with the general plan, and administrative actions shall conform to the general plan, except for ministerial permits or approvals including, but not limited to, building permits, grading permits, plumbing permits, and electrical permits. All community plans, zoning ordinances, and subdivision ordinances shall conform to the general plan. Preparation of County budgets and capital improvement programs shall implement the general plan to the extent practicable. The countywide policy plan, Maui island plan, and community plans authorized in this chapter are and shall be the general plan of the County...” (emphasis added)

The intent of the Countywide Policy Plan was stated in the Council’s Planning Committee Report 09-157, dated December 18, 2009:

“...the Countywide Policy Plan, enacted by ordinance, will have legal effect and is intended as a binding policy statement to guide the actions of County agencies and officials.” (emphasis added)

To the Auditor, it is quite clear: the public gave the guidance on what to do with historic buildings; the Administration did not listen.

The County should lead by example and abide by the laws that it expects private citizens and developers to comply with.

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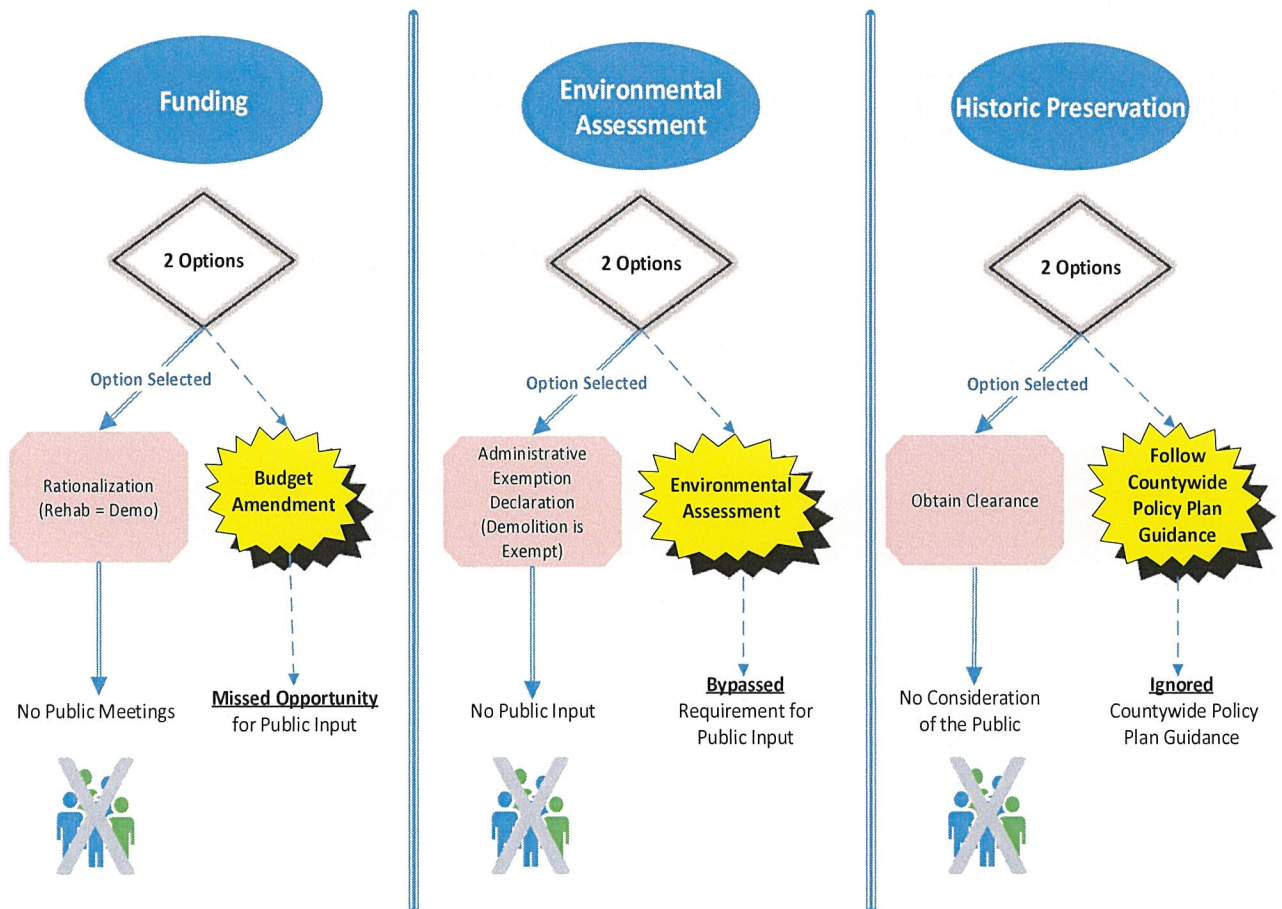
# Final Thoughts

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The OWPO was demolished after a series of missteps in communication and assumptions, coupled with the desire to get the project out quickly. These missteps can easily be remedied.

Unfortunately, as the audit progressed a very serious pattern became quite clear:

## Every Choice Made by the County Resulted in the Path With the Least Amount of Public Involvement



The County's pattern of actions is unfortunate because the public is left under informed and in the dark. **If this pattern continues, the County will be rushing to destinations that the public does not want to go.**

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# Appendix A

## Old Wailuku Post Office Property Inspection Summary

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DEPARTMENT OF MANAGEMENT

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### OLD WAILUKU POST OFFICE PROPERTY INSPECTION SUMMARY

Version 1.0    September 3, 2010  
Prepared by:    Stan Zitnik  
                    First Assistant

OLD WAILUKU POST OFFICE  
PROPERTY INSPECTION SUMMARY

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**Executive Summary**

Even though the Old Wailuku Post Office building has not received any of the normal and customary building maintenance required for a building of its age and construction since the County occupied the property over fourteen years ago, the building is structurally sound and building rehabilitation for County use is a viable option. A preliminary estimate of \$3,000,000 to \$8,000,000 would be required to rehabilitate the building to a condition suitable for the identified uses. Depending upon the desired use and the level of rehabilitation the building could be used for document, equipment and supply storage; offices and meeting spaces or a combination of these uses.



Building inspection statements and information by an environmental health expert, a structural engineer, an electrical engineer, and a general contractor that identify and explain the ten major renovation categories begins on page 2.



A cost benefit analysis that compares four different options ranging from leaving the building unoccupied at \$1,843,000 for a five year period to a complete building demolition and new building construction at \$27,450,000, begins on page 6.



A sampling of pictures provides a visual understanding of the building's condition and the required work begins on page 10.



The complete 2010 Hawaii Inspection Group, Property Condition Assessment and the complete 2006 Inalab, Indoor Surface and Air Sampling Report are available upon request in hard copy or electronic format.

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OLD WAILUKU POST OFFICE  
PROPERTY INSPECTION SUMMARY

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### Property Condition Assessment

The Old Wailuku Post Office (OWPO) building is a candidate for renovation base on the results of the property condition survey.<sup>1</sup> The fifty year old building leased and eventually purchased by the County of Maui has numerous large deferred maintenance issues that will need to be addressed to allow reuse of the building however initial structural inspection is positive.

<sup>1</sup> Hawaii Inspection Group, Property Condition Assessment: August 4, 2010, page 1

The OWPO is an excellent candidate for a structural renovation and re-use as office space. Though portions of the building require structural remediation, the building possesses inherent strengths and qualities that make a building renovation a practical and feasible undertaking.<sup>2</sup>

<sup>2</sup> Erickson Structural Consulting Engineers Report: August 3, 2010, page 3

Hawaii Inspection Group (HIG) is a commercial property inspection company that is licensed to do property inspections in California and Hawaii. HIG also provides other property management services that include mold sampling and testing and project management. The property condition assessment of the Old Wailuku Post Office (OWPO) property followed an American Society for Testing and Materials (ASTM) check list, an Americans with Disabilities Act Abbreviated Accessibility Survey and included the expertise of a structural engineer, an electrical engineer and a licensed construction contractor.

### July 2010 Hawaii Inspection Group Property Condition Assessment Included

- Structural inspection by Erickson Structural Consulting Engineers.
- Electrical inspection by ECM Inc.
- Air condition equipment inspection by Altemp, Inc.
- Limited identification and discussion of industrial health issues.
- ADA requirements identified through use of a compliance checklist.

OLD WAILUKU POST OFFICE  
PROPERTY INSPECTION SUMMARY

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**Property Inspection Details**

1. **ELECTRICAL** - The building's electrical delivery system is outdated, dangerous and requires major updates to the transformers, switch gear and replacement of most of the wiring and fixtures.
  - The electrical inspection revealed that immediate actions are required to remove high voltage electrical hazards connected to the fifty year old transformers and wiring. This cost item is factored in to each of the four action plans.
2. **INDUSTRIAL HEALTH** - The building contains asbestos, lead and mold issues which will require special attention if the building is to be rehabilitated or demolished. *Asbestos* containing building products and asbestos material on the first and second floors left behind from previous asbestos abatement work requires removal. *Mold* is present in some areas of the building's basement which will require removal and disposal of all mold contaminated items and cleaning of the entire basement level following mold remediation protocol. Previous testing determined paints and coatings in the building contain varying percentages of *lead* and any work on these surfaces should follow applicable safety precautions and laws. *(The PCA identifies and briefly discusses the mold, asbestos and lead concerns in the additional remarks section of the report. The PCA scope of work did not include these items. The above information was taken from the 2006 Malab, Inc. Indoor Surface and Air Sampling report.)*
3. **ROOF** - The building's two roofs are at the end of their life span and will need to be replaced or sealed in the near future to prevent water intrusion.
4. **EXTERIOR** - The building's exterior composite aggregate façade requires repairs to cracking and spalling sections.
  - The possibility of concrete sections of the building dislodging exists and may warrant risk management actions to ensure safety and prevent liability claims.

OLD WAILUKU POST OFFICE  
PROPERTY INSPECTION SUMMARY

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**Property Inspection Details - Continued**

5. **FIRE PROTECTION** - Life safety and fire protection issues need to be evaluated by a professional consultant to ensure that the existing fire sprinkler system, fire alarm system and related life safety issues meet current building codes.
6. **PLUMBING** - Water pressure was determined to be adequate however the system was not completely tested and additional inspection and upgrades are anticipated.
7. **AIR CONDITIONING** - The building's air conditioning system is basically fifty years old and with a few exceptions the entire system needs complete replacement.
8. **STRUCTURAL** - Additional structural engineering consultation regarding seismic resistance issues may be justified.
9. **ADA & ACCESS** - Numerous small and large ADA improvements will be required.
10. **MAINTENANCE** - Numerous minor deferred maintenance items require attention and ordinary building maintenance.

**2006 Inalab Indoor Surface and Air Sampling Report**

The lab testing in the above report identified areas of the building that contain asbestos, mold and lead that will require remediation prior to allowing general access to the building. Asbestos material present on the first and second floors was left behind by previous remediation efforts. Asbestos material is present around electrical fixtures, air conditioning grills and ceiling joints that over time has become airborne. The building may also contain Asbestos Containing Building Materials (ACBM) in the air conditioning insulation and roof material; however this condition does not prevent access or pose the same health risk as the friable asbestos material.

OLD WAILUKU POST OFFICE  
PROPERTY INSPECTION SUMMARY

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**2006 Inalab Indoor Surface and Air Sampling Report - Continued**

Several years ago the Wells Street corner of the building's basement experienced flooding and immediate remediation actions were not taken creating an environment for mold to grow. The cause of the flooding is unknown. Both the PCA and the above report identify the removal of the mold and mold damaged and contaminated documents from the basement as a requirement. Once the basement is cleaned following mold remediation protocol, regular inspections and maintenance should be done to identify the sources of any water intrusion.

The building's interior paints and coatings contain various levels of lead and should be treated as lead based products following all applicable safety protocols and legal requirements.

The costs associated with this work represent a small percentage of the total building rehabilitation costs and once these items have been properly addressed other work in the building can move forward.

**Old Wailuku Post Office Building Facts**

- Built in 1959 as a post office and civil defense shelter and closed in 1990 with the relocation of the Wailuku Post Office to the current Mill Yard location.
- The County held a \$75,000 per year, 30 year lease for the property until August 2009 at which time the County purchased the property for \$1,540,000.
- The building has three floors with approximately 22,570 square feet of space: basement 6,815 sq. ft., first floor 6,940 sq. ft. and second floor 8,815 sq. ft.
- The 2010 Real Property Tax assessed value for the property is \$2,199,100 (TMK 3-4-013:014; Building \$1,120,400; Land \$1,078,700).
- The property is County zoned B-3; Community Plan Designation is Public/Quasi Public; State Land Use District is Urban.

OLD WAILUKU POST OFFICE  
PROPERTY INSPECTION SUMMARY

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### Cost Benefit Analysis

The cost benefit analysis compares the preliminary estimated costs for the following options.

- A. **Building Unoccupied** - This option includes the opportunity cost that is calculated on the cost incurred by the County to rent or lease warehouse and office space over a five year period.
- B. **Warehouse Plan** - This option includes two years of opportunity costs and the required building improvements to allow for limited use of the building for warehouse space while the a replacement building is being designed and to the start of construction at the end of the five year period.
- C. **Warehouse & Office Plan** - This option includes three years of opportunity costs and the required building improvements to allow designed use of the entire building for warehouse, meeting rooms and office use on a long term basis.
- D. **Demolition & New Building Plan** - This plan includes five years of opportunity costs, total costs for design, demolition and construction of a new building.

The July, 2008 Future Space Allocation and Utilization Assessment prepared by Munekiyo & Hiraga, Inc. states that it is more cost-effective in the long run to purchase rather than lease office space.<sup>3</sup> The study also states that the County is in control of under utilized office space and specifically identified the Old Wailuku Post Office as having 16,000 square feet of unoccupied available space.<sup>4</sup>

<sup>3</sup> Munekiyo & Hiraga, Inc., Space Allocation and Utilization Assessment: July, 2008, page II-47

The current and forecasted weak economic conditions for Maui County have a constrictive impact on all proposed capital improvement projects. Especially under these economic conditions, cost benefits can be realized by maximizing the use of existing structures through building renovation or rehabilitation when compared to the cost of demolition and new building construction.

The rehabilitation of the Old Wailuku Post Office building allows for utilization of existing space adjacent to the Maui Campus in a shorter period of time and at a much lower cost than new building design and construction. There is also added value to this approach with the preservation of a Wailuku Town landmark that dates back to the beginning of Statehood.

OLD WAILUKU POST OFFICE  
PROPERTY INSPECTION SUMMARY

Cost Benefit Analysis Table 1

OPTION	COST	BENEFIT	OTHER CONSIDERATIONS
Unoccupied Building	\$1,843,000	Requires the lowest amount of funding	Continued deterioration of building condition becomes an eyesore in the heart of Wailuku Town  The plan contains high opportunity costs
Warehouse Plan	\$1,581,000	Second lowest amount of funding resources and lowest amount of opportunity costs  Warehouse space removes the requirement for container space and rented off site storage currently utilized by "Maui Campus" divisions and departments	Does not utilize all of available space and still requires long term high cost actions  Storage solution will need to be identified prior to new building construction
Warehouse & Office Plan	\$6,567,061	Required funding resources less than 25% of new construction costs and the second lowest amount of opportunity costs  Combination of warehouse, meeting rooms and office space provides functional use of all of the building's available space	Prior to construction storage space for on site containers will need to be identified  Office space determines the number of required parking stalls
Demolition and New Building Construction	\$27,450,000	Provides modern building design for identified use that addresses ADA and parking requirements	High cost of demolition and new construction  Possible controversial issue due to age and position of building in community  Estimated five to ten years for funding, design and construction



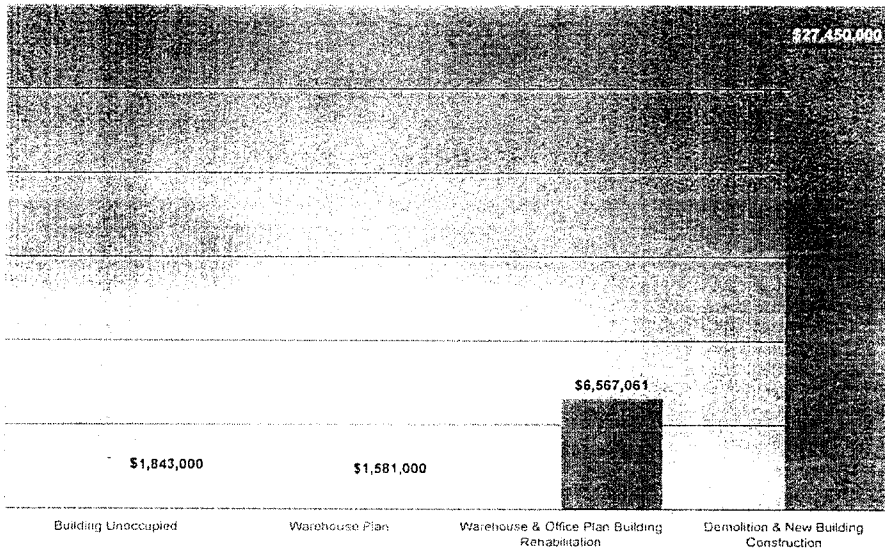
OLD WAILUKU POST OFFICE  
PROPERTY INSPECTION SUMMARY

Cost Benefit Analysis Table 2

	Building Unoccupied	Warehouse Plan	Warehouse & Office Plan	Demolition & New Designed Building
Opportunity Cost	\$1,675,000	\$670,000	\$1,005,000	\$1,675,000
Seismic Evaluation & Engineering Improvements	-0-	-0-	\$1,579,900	Included
Electrical System Upgrades	\$25,000	\$245,000	\$879,500	\$25,000
HVAC	-0-	-0-	\$245,373	Included
Design Work Project Management	-0-\$	-0-\$	\$561,288	\$2,200,000
ADA Requirements	-0-\$	\$50,000	\$350,000	Included
Industrial Health Items	\$93,000	\$93,000	\$93,000	\$1,500,000
Roof Repairs & Improvements	-0-\$	\$48,000	\$78,000	Included
Plumbing	-0-\$	\$25,000	\$100,000	Included
Life Safety -- Fire Sprinklers	-0-	\$50,000	\$250,000	Included
Exterior Concrete Repairs	\$50,000	\$250,000	\$900,000	\$50,000
General Construction	\$	\$100,000	\$500,000	\$22,000,000
Annual Building Maintenance	\$	\$50,000	\$25,000	-0-
Total	\$1,843,000	\$1,581,000	\$6,567,061	\$27,450,000

OLD WAILUKU POST OFFICE  
PROPERTY INSPECTION SUMMARY

Cost Benefit Analysis Chart

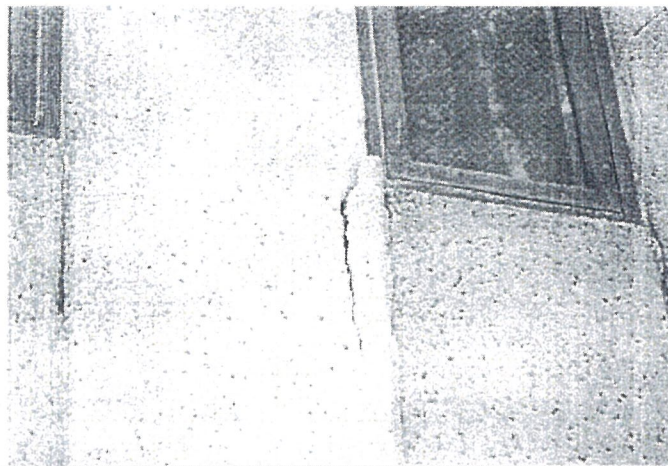


Funding Discussion

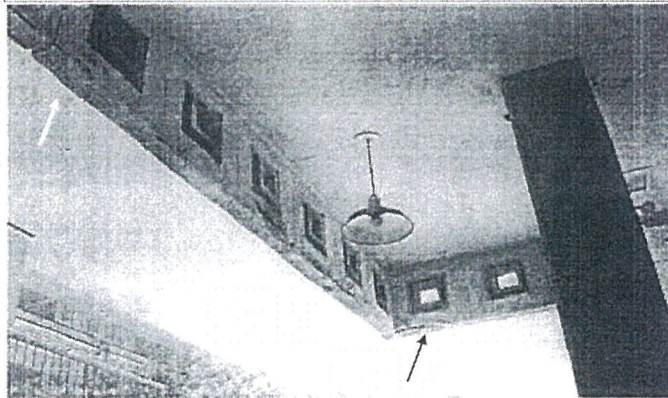
This type of capital improvement project can be funded completely in one budget year or incrementally over several budget years. Opportunity costs are reduced by shortening the amount of time that the building remains vacant, however if funding needs to be phased over multiple budget cycles the building rehabilitation project can match the funding availability.

FY 2011	FY 2012	FY 2013
Address safety items as available funding permits	50% to 60% of project funding to proceed with design work. project planning and initiate construction	Complete project funding and rehabilitation project prior to end of CIP FY 2012

OLD WAILUKU POST OFFICE  
PROPERTY INSPECTION SUMMARY

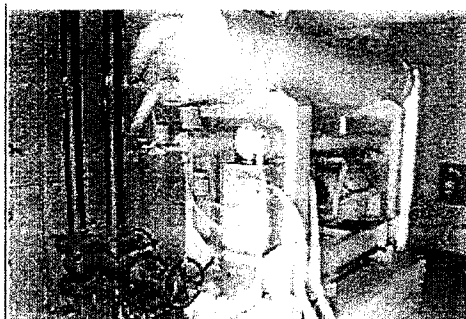


**Pictures above and below**  
Examples of exterior fascia expansion and spalling requiring repair  
and an application of waterproof sealant

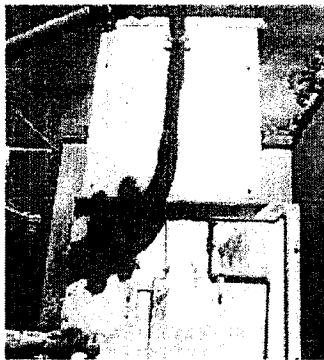


OLD WAILUKU POST OFFICE  
PROPERTY INSPECTION SUMMARY

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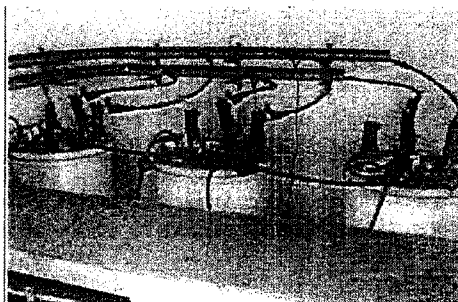


**Picture at left**  
Fifty year old water chiller in air conditioning system – Some of the metal and material can be recycled or salvaged



**Picture at left**  
Fifty year roof mounted cooling tower in air conditioning system - Some of the metal and material can be recycled or salvaged

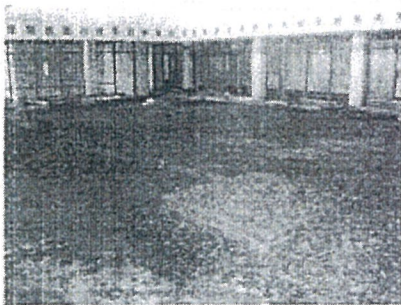
**Picture at right**  
Fifty year old high voltage electric transformers that under any plan require immediate action for safety purposes



OLD WAILUKU POST OFFICE  
PROPERTY INSPECTION SUMMARY



**Picture at left**  
Roof material at the end of life expectancy and opening to atrium on second floor – Roof life can be extended by applying a waterproof roof sealant and new atrium roof designed into renovation



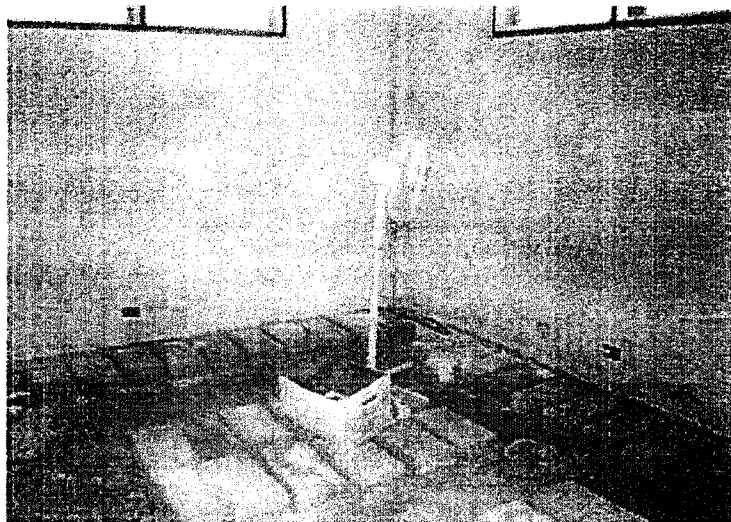
**Picture above**  
Second floor open courtyard and atrium – Leaves and debris in this area enter through the opening between the two roofs



**Picture above**  
Second floor office space that wraps around perimeter of the second floor – available office space can be increased by utilizing the courtyard area

OLD WAILUKU POST OFFICE  
PROPERTY INSPECTION SUMMARY

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Picture above  
Basement level room 201 containing water  
and mold damaged documents

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# Appendix B

## Photos

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Photo courtesy Kit Zulueta



Photo courtesy Matthew Thayer



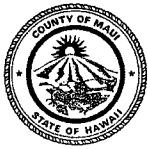
Photo Office of the County Auditor



Photo Office of the County Auditor

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*Audit of Expenditures from the Fiscal Year 2012  
Budget Appropriation for the Old Wailuku Post  
Office Rehabilitation Project*

Report No. 14-02, April 2017

The Office of the County Auditor is tasked with promoting economy, efficiency, and improved service in the transaction of public business in the legislative and executive branches of the County. Copies of this audit report can be obtained by contacting the Office of the County Auditor.