

**Shall the Authority Authorize the Executive Director to Extend Right of Entry No. 9-14, Right of Entry No. 15-14 and Revocable Permit No. 14-02 Issued to Kewalo Harbor Management Company, LLC for an Additional One (1) Year Pertaining to Kewalo Basin Park, the Former NOAA Lot and the Kewalo Basin Harbor Parking Lots, Respectively, in Accordance with the Terms and Conditions Recommended by HCDA Staff?**

***Staff Report***

July 22, 2015

**Background:** At its June 27, 2014 meeting the Authority authorized the Executive Director to enter into a thirty (30) year lease agreement (“Lease”) with Kewalo Harbor, LLC, a subsidiary of The Howard Hughes Corporation (“HHC”), for the development and management of Kewalo Basin Harbor. On September 1, 2014, in conjunction with the Lease execution, the following one (1) year agreements (“Agreements”) were executed with Kewalo Harbor Management Co (“KHMC”), a subsidiary of HHC.

- Right of Entry 15-14 (“ROE”) for the NOAA Lot which included the NOAA warehouse building and the paved lots.
- Revocable Permit 14-02 (“RP”) for the parking stalls in front of the Charter Boat Building and the Diamond Head Parking Lot (former McWayne Building site) and the comfort station inside of the Charter Boat Building and the comfort station next to the Diamond Head Parking Lot. The RP does not include the vacant office spaces inside of the Charter Boat building or the lawn Mauka of the former Mammal Lab gravel lots.

The Agreements premises (“Premises”) are illustrated on Exhibit A and the Agreements are Exhibit B. The Lease premises did not include the Premises because they are planned for future re-development by the HCDA.

Prior to the Lease and Agreements:

- The two (2) comfort stations were maintained by the harbor operator, Almar Management Company (“Almar”) who contracted to Janiking for cleaning and supplies for an average cost of THREE THOUSAND TWO HUNDRED DOLLARS (\$3,200) per month.
- The NOAA lot was split with Almar’s Harbor Master’s Office and NOAA’s operation. NOAA relocated June 1, 2014 to their new facility on Ford Island vacating 70% of the building and the paved lot.
- Harbor parking was managed by Almar who contracted with District Parking. The parking lots used to generate on average TWO THOUSAND SIX HUNDRED DOLLARS (\$2,600) monthly gross revenue (2013-2014) but has since increased to an average of THREE THOUSAND SEVEN HUNDRED DOLLARS (\$3,700) monthly gross revenue since September 1, 2014. Diamond Parking is the current contractor for harbor parking.

The RP requires that the HCDA receive 50% of the net revenue from the parking lots. The RP expenses have exceeded the revenue each month so the HCDA has received no revenues to date. Exhibit C is the quarterly expenses and revenue for the RP premises from September 2014-April 2015.

On June 2, 2015, the HCDA received KHMC's request to extend the Agreements upon the same terms and condition for an additional year. During its February 16, 2011 meeting the Authority formalized the Executive Director's Authority to enter into agreements for use of the HCDA's real property up to a one (1) year term. KHMC's requested extensions of the Agreements would extend them beyond the one (1) year term, thus requiring Authority approval.

**Discussion:** The Agreements are vital to the successful operation of the Kewalo Basin Harbor. The comfort stations are the only available comfort stations for the harbor users. The Diamond Head parking lot is the primary parking lot for harbor guests, and for security and ease of operations, the Harbor Master's office should be located at Kewalo Basin Harbor. KHMC's performance of the Agreements has been to the HCDA's Staff satisfaction and bring synergy to Kewalo Basin Harbor and its surrounding fast lands.

Without the extension, the HCDA staff would be required to contract vendors to operate the parking concession and provide janitorial services for the comfort stations before September 1, 2015. The Harbor Master's office would also have to relocate to an off-site location.

**Recommendation:** Staff recommends that the Authority authorizes the Executive Director to extend Right of Entry 15-14 and Revocable Permit 14-02 to August 31, 2016 with the same terms and conditions.