

Shall the Authority Authorize the Executive Director or His Designee to Negotiate and Execute a 5-Year Lease with Option to Extend for 25 Years with Pacific Gateway Center for the Historic Pump Station, Tax Map Key No. (1)2-1-015:063 Consistent with the Terms Identified on the Term Sheet?

Staff Report

July 9, 2015

Background: The historic Ala Moana Pump Station (“HPS”) is recognized as a historic resource in the Makai Area Plan. The HPS is listed on the State as well as the National Register of Historic Places. Along with the 1900 Pump Station are two other structures on the site.

In June of 2014, the Hawaii Community Development Authority (“HCDA”) executed Contract No. 63034 with the Pacific Gateway Center (“PGC”) for a total of \$1,000,000.00 for the rehabilitation of the 1900 Pump Station building and land immediately adjacent to the building.

The \$1,000,000.00 was provided to the Pacific Gateway Center was provided through a grant-in-aid made pursuant to Act 164, of the Session Laws of Hawaii (SLH) 2011 as subsequently amended by Act 106, SLH 2012 and Act 134, SLH 2013. This grant award specifies the funds be used for plan, design and construction of a community resource center.

Since October of 2014, the HCDA has provided PGC with a Right of Entry for pre-construction work for which substantive design and planning work has been completed.

In February of 2015, the HCDA accepted the Finding of No Significant Impact for the Final Environmental Assessment (“EA”) prepared for the renovation of the Ala Moana Pump Station. Subsequently in May of 2015, a Special Management Area (“SMA”) Permit was secured. Both the EA and SMA are limited to work on the 1900 Pump Station.

In June of 2015, PGC under Na Kupuna Makamae received an additional \$1,500,000.00 for the plan, land acquisition, design, construction and equipment for the renovation and preservation of two remaining structures of the old pump station and preparation for programs in the structures, under Act 119, SLH 2015.

Discussion: With the execution of Contract No. 63034, PGC has started to utilize funding towards site improvements. With completion of the EA, it is now seeking a lease from the HCDA to realize these improvements. It is further noted that with the site control in the form of a lease, PGC would be better capable to launch and ground fundraising campaigns to fund further improvements to the site and revitalize a site that has long been vacant.

A proposed term sheet is attached to this Staff Report as Attachment 1.

The proposed \$1.00 per year lease structure recognizes:

- The dollar value of improvements PGC seeks to make to the structure
- Social service and community center uses as a public facility to the Kakaako Community Development District
- Limitations placed on site development due to its Historic Designation

The term sheet provides for approval of any commercial activity on-site. While there are no near-term commercial plans for the site, PGC has requested flexibility seeing it possibly on a per event basis. PGC has had great success with commercial kitchens. Ultimately HCDA would retain approval rights on any commercial activity on the site.

The lease term structure is conservative seeking to ensure improvements are made (as part of the basis for the \$1.00/year lease rent) in the first five (5) years. The second milestone is that PGC would need to provide proof that it is able to sustain active services to the community for the following ten (10) years. In total, if extensions are executed, the lease would be for thirty (30) years. Thirty (30) years was selected as an adequate term for PGC fundraising and capital campaigns.

Other conditions included on the term sheet would provide for additional protections and restrictions relative to indemnities and the historic significance of the site.

Recommendation: The term sheet provides a mutually agreed-upon basis for the lease subject to further negotiation. HCDA would look to complete negotiations and execute the lease in the near-term to realize site improvements and revitalize the area.

Staff recommends the Authority authorize the Executive Director or his designee to negotiate and execute a 5-year lease with option to extend for twenty five (25) years with Pacific Gateway Center for the Historic Pump Station, Tax Map Key No. (1)2-1-015:063, consistent with the terms identified on the term sheet.

Attachment – Term Sheet