

**Shall the Authority Authorize the Executive Director to Enter Into a Direct Lease with the Department of Land and Natural Resources for Property Management Purposes for the Subject Parcel Located in Kakaako, Honolulu, Oahu, Tax Map Key: (1) 2-1-051:041 aka 690 Pohukaina?**

*Staff Report*  
December 2, 2015

**Background:** On January 20, 2012, the Hawaii Community Development Authority (“HCDA”) released a Request for Proposals (“RFP”), soliciting proposals from developers for a public-private partnership, mixed-use transit-oriented development project at 690 Pohukaina (“Project”), see Exhibit A. On August 31, 2012, two developers submitted proposals in response to HCDA’s RFP to be considered for developer of the Project: Forest City Hawaii Residential Inc. and Lend Lease US Public Partnerships LLC.

A public hearing was conducted on November 20, 2012 where developers presented their Best and Final Offers (“BAFO”) to the Authority. In addition, the HCDA held two open houses on November 29 and December 1, 2012 to allow the public to view and comment on the BAFO proposals. The proposals were also uploaded to the HCDA’s website and the HCDA public consultation portal. A second public hearing was conducted on December 13, 2012 where the RFP Evaluation Committee presented the results of its evaluation to the Authority and recommended that the Authority select Forest City. On January 9, 2013, the Authority authorized the Executive Director to negotiate a development agreement with Forest City to develop the 690 Pohukaina Mixed-Used Transit-Oriented Development Project.

Since that time, the HCDA made significant progress with Forest City to advance the project. This included compilation of an EIS and other studies to evaluate increased density and Transit Oriented Development (“TOD”) in Kakaako. Per the TOD Overlay Plan, the original plans for 690 Pohukaina incorporated increased density and height.

HCDA staff also finalized a site development plan, lease rent schedule and lease general conditions. However, the 2014 State Legislature passed Act 61, which limited building height in Kakaako to 418 feet. Due to this change in law, plans for 690 Pohukaina require extensive changes and redesigns. The HCDA is still trying to resolve what the 690 Pohukaina project should look like moving forward, in accordance with state law.

**Discussion:** The state Department of Education is currently considering the feasibility of including a public school facility alongside the mixed-income development at 690 Pohukaina. Due to these ongoing discussions, the subject parcel is expected to remain undeveloped for at least two years. The state Department of Land and Natural Resources (“DLNR”) currently owns

the subject parcel, and seeks the HCDA's assistance with property management for this interim time period.

To assist the DLNR with raising revenue and consistent with the prior BLNR approval-in-concept of the 690 Pohukaina development plan this arrangement would stay in place for approximately 30 months and would ensure that DLNR continues to receive revenue from this site until construction were to commence on the 690 Pohukaina project. the HCDA is willing to manage the subject parcel on DLNR's behalf in exchange for twenty (20) percent of the net revenues from subleasing the lot.

Fisher Hawaii and Hawaiian Dredging Construction Company had previously expressed their desire for leasing portions of the subject parcel and currently have such agreements in place with the DLNR. Both tenants would be retained if property management responsibilities were turned over to the HCDA. These tenants are also aware that the development of the 690 Pohukaina Project might preempt their tenure.

**Recommendation:** Staff recommends that the Executive Director is authorized to Enter Into a Direct Lease with the Department of Land and Natural Resources for Property Management Purposes for the Subject Parcel Located in Kakaako, Honolulu, Oahu, Tax Map Key: (1) 2-1-051:041 aka 690 Pohukaina. Such a lease and the associated subleases will generate much needed revenue for the HCDA revolving fund.

Attachments: Exhibit A – BLNR Draft Staff Report