

**Shall the Authority Authorize the Executive Director or his  
Designee to Negotiate a Development Agreement with a Developer  
to Develop an Affordable Low- to Moderate-Income “Micro Unit”  
Housing at 630 Cooke Street?**

***Staff Report***

June 3, 2015

**Background:** On October 1, 2014, the Hawaii Community Development Authority (“HCDA”) authorized the HCDA Executive Director to issue a Request for Proposals (“RFP”) to develop an affordable housing project on vacant land owned by the HCDA at 630 Cooke Street, in the Pauahi Neighborhood of the Mauka Area of Kakaako (Exhibit A previously provided at the May 6, 2015 Authority meeting). An Evaluation Committee to evaluate the RFP was formed on November 19, 2014 (Exhibit B previously provided at the May 6, 2015 Authority meeting), and a RFP was issued on November 24, 2014 (Exhibit C previously provided at the May 6, 2015 Authority meeting).

The RFP was made available on the HCDA website at <http://dbedt.hawaii.gov/hcda/micro-units-rfp/> and access to view and download the RFP required one-step registration. There was much interest in the RFP, and over 100 unique users registered to access the RFP through the website. All registered contacts were notified when any additional information was made available related to the RFP, including two subsequent addenda.

As described in the RFP, a Pre-Proposal meeting was held on December 8, 2014 and was attended by 17 people. The HCDA did not receive any written inquiries prior to the Pre-Proposal meeting. The RFP requested a Notice of Intent to offer a proposal to be provided by interested respondents, but did not make it mandatory in order to submit a proposal. The HCDA received a Notice of Intent to offer a proposal by 8 different entities prior to December 15, 2014.

A first addendum to the RFP was issued by the HCDA on December 17, 2014 that included summarized discussion of questions and answers during the Pre-Proposal meeting (Exhibit D previously provided at the May 6, 2015 Authority meeting). A second addendum to the RFP was issued by the HCDA on January 20, 2015 that included responses to written questions received prior to the deadline of January 15, 2015 as described in the RFP (Exhibit E previously provided at the May 6, 2015 Authority meeting).

The HCDA received 7 proposals prior to the deadline to submit on February 2, 2015 as described in the RFP. The Evaluation Committee reviewed all proposals submitted in accordance with the evaluation criteria described in the RFP. The composite scoring of the Evaluation Committee narrowed selection to a shortlist of the top three-ranked proposals,

which included proposals submitted by Bronx Pro Group, Stanford Carr, and Mutual Housing. On February 19, 2015, the Evaluation Committee met with each of the respondents with shortlisted proposals and discussed specific issues that required further clarification. A Request for Information (Exhibit F previously provided at the May 6, 2015 Authority meeting) was shared with each shortlisted respondent for clarification in their submitted Best and Final Offer (“BAFO”). Additionally, next steps in the selection and permitting process were discussed with each shortlisted respondent. A deadline of March 16, 2015 was established for clarifying proposal details and submitting a BAFO to the HCDA.

The HCDA received a BAFO from each of the shortlisted respondents prior to the deadline (Table 1) (Exhibit G previously provided at the May 6, 2015 Authority meeting). Information to the Authority on the BAFOs was provided during an Executive Session on May 6, 2015.

### **Summary of BAFOs:**

- (1) **Bronx Pro Group:** The Bronx Pro Group proposes a 17 floor, 184-foot high-rise mixed-use development with 104 “micro” units of 300 square feet each, with 95% of units (99 units) being priced at 60% area median income (“AMI”) and 5% of units (5 units) being priced at 30% AMI for a period of 65 years. The Bronx Pro Group proposes a project that demonstrates innovative strategies such as prefabricated construction techniques and micro unit housing layout.

The Bronx Pro Group proposal for prefabricated modular construction is clearly a proven concept by the development team, and nearly identical project has been completed in Seattle and another under construction in San Francisco. It is reasonable to expect that the proposed project would transfer innovative and replicable design and construction method as a new building typology for Honolulu.

The Bronx Pro Group project proposes a high level of quality architecture that exceeds traditional affordable housing design. The proposed project and that in Seattle and San Francisco represent a highly attractive and desirable residence that would appeal to a wide-range of socio-economic groups. The project cleverly proposes two separated unit stacks, which are located and oriented in a way that activates all sides of the site, and fully provides capability for passive design strategies such as natural daylighting and ventilation. The interior layout of the proposed micro unit is well-conceived, efficient, features a window wall on all units, and has resolved functional issues for basic living necessities and fixtures in a compact space. The design also integrates several sustainable building strategies.

The Bronx Pro Group project proposes to the highest number of units among the three proposals, while simultaneously not exceeding allowable maximum floor area ratio (“FAR”). This is attributable to astute design, and developing a largely open floorplate

with common area lanai spaces on every floor. The Bronx Pro Group proposal appear to offers more units at greater affordability and demonstrates superior design.

- (2) **Mutual Housing:** Mutual Housing proposes a 12 floor, 124-foot high-rise mixed-use development with 93 “micro” studio units ranging from 310 to 351 square feet, with 90% of units (83 units) being priced at 60% AMI, 5% of units (5 units) being priced at 50% AMI, and 5% of units being priced at 30% AMI for a period of 65 years. Mutual Housing proposes a project that would have a unique architectural concept which strives to surpass typically undistinguished aesthetics for affordable housing projects by giving special attention to facade aesthetic (fish scaling) and include modern design ideas for proportion, form, color, and materiality.

Mutual Housing proposes a design that is thoughtful of sustainable design strategies, which would contribute to the project’s livability and affordability; however, the project proposes stark, uninterrupted, 12-story windowless exterior walls on both sides of the building abutting adjacent parcels and consequently having impact on both residents and surrounding community. The Mutual Housing proposal seeks to avoid creating a “backside” by using surface treatment, rather than unit layout or tower orientation – which results in the six upper floors facing the rear of the parcel (Lex Brodie’s Tire Company), away from the adjacent Cooke Street. While the adjacent rear parcel remains undeveloped above a single-story existing automobile repair shop, orienting all upper units to face a rear parcel rather than the street is not preferable and does not consider impact of potential future development on adjacent lot.

The Mutual Housing proposal discusses an innovative building typology using prefabricated, modular construction; however, there is no indication in the proposal of anyone on the development, design or construction team that has experience with building the proposed “containerized” modular system. It is reasonable to assume that there would likely be many logistical challenges to work through for design, manufacturing, delivery, staging, assembly, and inspection. The project proposes to also incorporate innovation through a car-sharing program which would maximize the site for developing residential units, but still provide residents with access to vehicles, in addition to other options such as biking, walking and nearby public transit.

- (3) **Stanford Carr:** Stanford Carr proposes a seven floor, 65-foot mid-rise mixed-use development with 87 “micro” studio and one-bedroom units ranging from 232 to 604 square feet, with 94% of units (82 units) being priced at 60% AMI, and 6% of units (5 units) being priced at 30% AMI for a period of 65 years.

The Stanford Carr project does not offer much consideration for creative and innovative strategies, despite receiving feedback from staff as well as a Request for Clarification specifically asking for elaboration on the highlighted goal in the RFP to demonstrate

innovative concepts for constructing affordable and sustainable housing. The evaluation criteria described in the RFP was weighted 30% for Quality of Design and Innovation. The project offers simply to “explore methods of reducing construction costs by providing modular components for kitchens, baths & wardrobe closets”. In general, Stanford Carr’s BAFO is brief and provides limited details.

The Stanford Carr proposal offers a mix of studio and one-bedroom units, with a number of unit layouts, which are arranged along a double-sided corridor that is centrally-located and oriented the length of the parcel and with a full elevation spanning the Cooke Street frontage. Although providing Juliette balconies, the project proposes a greater proportion of windowless blank walls, more like traditional affordable housing design.

The Stanford Carr project proposes to provide a greater number of parking for the “micro” studio and one-bedroom units, designating space both on- and off-site, compared to other proposals received and reviewed.

Table 1. Summary of Best and Final Offers

	<b>Bronx Pro Group</b>	<b>Mutual Housing</b>	<b>Stanford Carr</b>
Number Units	104 units	93 units	87 units
Unit Type	300 square feet “micro” studio	310 - 351 square feet “micro” studio	<ul style="list-style-type: none"> <li>• 232 -330 square feet “micro” studio</li> <li>• 476 - 604 square feet 1-bedroom</li> </ul>
Floor Area	36,425 square feet	59,892 square feet	31,089 square feet
Density (FAR)	3.5 FAR	4.7 FAR	2.9 FAR
Number Floors	17 floors	12 floors	7 floors
Building Height	184 feet	127 feet	65 feet
Parking	8 stalls	8 stalls, car-sharing	18 stalls, 70+ stalls nearby at Halekauwila Place
Affordability	95% (99 units) at 60% AMI 5% (5 units) at 30% AMI	90% (83 units) at 60% AMI 5% (5 units) at 50% AMI 5% (5 units) at 30% AMI	94% (82 units) at 60% AMI 6% (5 units) at 30% AMI
Overall Cost	\$32,908,967	\$27,160,000	\$21,055,877
Building Construction	Prefabricated, modular construction	Prefabricated, modular construction	Metal facade at base, EIFS panels

Community Initiatives	Second floor community-based flex space, ground floor communal space (combined 1,500 square feet)	Resident services, sixth floor community space (670 square feet), ground-floor “pop-up” space	Not specified
Recreation Space	Third floor garden	Second floor resident deck (1,509 square feet), seventh floor community garden	None
Identified Exemption	<ul style="list-style-type: none"> <li>• Parking</li> </ul>	<ul style="list-style-type: none"> <li>• Parking</li> <li>• Exceed maximum allowable floor area</li> </ul>	<ul style="list-style-type: none"> <li>• Eliminate Open Space</li> <li>• Eliminate Recreation Space</li> <li>• View Corridor Encroachment</li> </ul>

As a point of reference, 2014 affordable rent guidelines established by the Hawaii Housing Finance & Development Corporation (“HHFDC”) is provided below in Table 2.

Table 2. HHFDC Affordable Rent Guidelines

	30% AMI	50% AMI	60% AMI
Studio	\$503	\$838	\$1,006
1-Bedroom	\$539	\$898	\$1,078

**Discussion:** The RFP offered general guidelines for preparation of the proposal as well as specific evaluation criteria and scoring. A brief summary of the direction provided in the RFP is provided below and underscores how proposals were reviewed and the basis for recommending selection of the BAFO submitted by the Bronx Pro Group.

Section A of the RFP provided an *Introduction* that explained HCDA’s “interest to be a leader in facilitating better development, to actively promote new strategies for revitalizing neighborhoods, and to establish Kakaako as the most desirable and sustainable urban place in Hawaii in which to work, live, visit, learn and play.”

Section B of the RFP offered *Purpose and Objectives* for considering an affordable housing project on the subject property. The RFP outlined key points for realizing a development “that is in-line with existing plans for the neighborhood, that meets current housing demands, that overcomes typical development challenges, and that proves innovative strategies”. A number of important points were highlighted in areas for a project to consider, such as *Planned Vision, Housing Demands, Development Challenges, and Innovative Strategies*.

Section C-III of the RFP outlined *Design Guidelines* as general best practices for considering quality housing design.

Section D-III of the RFP outlined *Proposal Requirements* for necessary information to be submitted including *Qualifications* and *Development Proposal*.

Section H of the RFP described *Evaluation Criteria* including weighted percentages in the following areas of Affordability and Programming (30%); Quality of Design and Innovation (30%); Financial Feasibility (20%); Development Experience, Management, and Capacity (20%).

The Evaluation Committee’s scoring of the proposals ranked highest the proposal by the Bronx Pro Group, with especially high scores in the areas of *Affordability and Programming* and *Quality of Design and Innovation*. Table 3 below provides the Evaluation Committee’s composite score for all three BAFO.

Table 3. Evaluation Committee’s Composite Score

<b>BAFO</b>	<b>Score</b>	<b>Rank</b>
Bronx Pro Group	78	1
Mutual Housing	72	2
Stanford Carr	62	3

Regarding evaluation criteria for *Affordability and Programming*, the proposal submitted by the Bronx Pro Group offers 104 “micro” studio units with 95% of units (99 units) to be rented at prices of 60% AMI and 5% of units (5 units) to be rented at prices of 30% AMI for a period of 65 years. The Evaluation Committee found the recommended proposal to offer the greatest affordability; also, it was determined that the recommended proposal offered the highest density, with the greatest number of units, while still conforming to the maximum allowable FAR for the relatively limited size 10,409 square foot project site.

The Bronx Pro Group proposal does not provide a mix of unit types, which was mentioned but not emphasized as a criteria described in the RFP. Instead the recommended proposal offers design efficiencies and innovative development strategies by employing prefabrication construction techniques of a single modular unit type. Additionally, the proposal to only develop micro studio units will contribute to longer term preservation of affordability even after the lease term.

With respect to evaluation criteria for *Quality of Design and Innovation*, the Bronx Pro Group proposal presents a project that is highly attractive and would be likely desirable for wide-range of socio-economic groups. The recommended proposal offers a high quality of

architecture and sustainable design. Site design is maximized through an efficient floorplan layout and passively designed configuration where units are oriented to maximize natural ventilation and daylighting. A high density of units is achievable, while conforming to the allowable maximum FAR, due to thoughtful design and a relatively open floorplan with unenclosed corridors, storage, and mechanical rooms. The proposed modular studio unit layout appears well-conceived, efficient, and clearly provides for basic living necessities and fixtures. The proposal provides each 15-foot by 20-foot unit (300 square feet) with a 4-foot by 10-foot lanai, which contributes to an articulated building facade and creates a relationship between building tenants and activity at the street level, as described in the section *Design Guidelines* in the RFP. The Bronx Pro Group proposal provides a design that separates unit stacks into disconnected towers and orients views and building openings on all sides of the site, rather than proposing one large monolithic building form with uninterrupted blank surfaces. The proposed building form and setback, on a challenging narrow infill parcel, is consistent with the Mauka Area Plan and Rules.

The proposal by the Bronx Pro Group provides a program for a mixed-use project, with the lower levels offering space intended to foster community use, such as a shared common entry “living room”, backyard BBQ stations, community kitchen and dining area, recreational play area for children, and spaces for community services for both residents of the project and the public.

Recognizing the potential for the project site as a transit-oriented development, given the proximity to frequent transit service, the RFP described special consideration for proposals with less than minimum required parking. The recommended proposal by the Bronx Pro Group would provide 8 parking stalls. The proposal elaborates on rationale that is consistent with the Mauka Area Plan and Rules for encouraging lower parking ratios and encouraging biking and walking in centrally located neighborhoods close to major shopping centers, trendy retail and restaurants, performance and art event venues. By offering less than typical minimums for parking on-site, the proposal can provide a slimmer structure, accommodating more residential units, and avoiding an imposing large concrete parking structure. The proposal by Bronx Pro Group highlights nearby public parking structures that would be available as an option for residents.

It is the Evaluation Committee’s opinion that the Bronx Pro Group proposal would succeed as a demonstration project of new construction methods and proof of concept for design strategies that are innovative and can be replicable in other parts of the Kakaako Community Development District as well as the primary urban core.

In regards to evaluation criteria for *Financial Feasibility*, the proposed financing by Bronx Pro Group appears feasible with proposed Low-Income Housing Tax Credits and allocation from the Rental Housing Trust Fund. The project by the Bronx Pro Group proposes a total cost of \$32,908,967.

With respect to evaluation criteria for *Development Experience, Management and Capacity*, similar projects have been completed by the Bronx Pro Group in Seattle and San Francisco. The Bronx Pro Group proposes to bring new building technology and expertise to Hawaii. The Bronx Pro Group proposal offers to “make concerted effort to reach out to and hire local residents” for positions including security, labor, and landscaping. The proposal’s management agent has ample local experience with affordable housing projects, and the proposal includes plans for marketing and achieving continued occupancy.

**Process Moving Forward:** Upon the Authority’s approval, and consistent with the representation in the RFP, the HCDA Executive Director or his designee will negotiate and execute a development agreement with the number one ranked developer. If a development agreement with the number one ranked developer cannot be negotiated in a timely manner, the HCDA Executive Director or his designee will attempt to negotiate a development agreement with the number two ranked developer and if that fails with the number three ranked developer. The development agreement will include several pre-development such as preparation of an environmental assessment (“EA”), traffic study, archaeological inventory survey, phase I and II environmental report and other due diligence related to the project. Subsequent to the development agreement a Hawaii Revised Statutes, Section 206E-5.6 public hearing will have to be conducted by the Authority in considering the development permit for the project. Lastly, the EA for the project will have to be accepted by the Authority and a ground lease executed with the selected developer before the project can be constructed. Staff anticipates that the development agreement could be negotiated and executed within the next 6 months.

**Recommendation:** Staff recommends that the Authority authorize the Executive Director or his designee to negotiate and execute a development agreement with the number one ranked developer to develop an affordable low- to moderate-income “micro unit” housing project at 630 Cooke Street. Staff also recommends that in the event that a development agreement with the number one ranked developer cannot be negotiated in a timely manner, the HCDA Executive Director or his designee is authorized to negotiate and execute a development agreement with the number two ranked developer, and in the event that fails with the number three ranked developer.

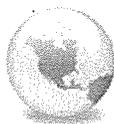
# **Kakaako Agenda**

**June 3, 2015**

## **IV. Kakaako Matters**

**3. Decision Making: Shall the Authority Authorize the Executive Director or his Designee to Negotiate a Development Agreement with a Developer to Develop an Affordable Low- to Moderate-Income “Micro Unit” Housing at 630 Cooke Street?**

**Public Testimony**



Public Testimony Website Submission 630 Cooke Street

Brooke Wilson

to:

contact

06/02/2015 03:45 PM

Hide Details

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**Project Name**

630 Cooke Street

**Do you support or oppose?**

Support

**File Upload**

- [630-Cooke-Street-06022015154051.pdf](#)

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HAWAII COMMUNITY  
DEVELOPMENT  
AUTHORITY

June 3, 2015

John Whalen, Chairperson  
Hawaii Community Development Authority  
461 Cooke Street  
Honolulu, HI 96813

RE: "Micro-Unit" Housing Project at 630 Cooke Street

Dear Chair Whalen and members of the Hawaii Community Development Authority:

PRP is a not-for-profit organization that represents the Hawaii Regional Council of Carpenters, the largest construction union in the state, and more than 240 of Hawaii's top contractors. Through this unique partnership, PRP has become an influential voice for responsible construction and an advocate for creating a stronger, more sustainable Hawaii in a way that promotes a vibrant economy, creates jobs and enhances the quality of life for all residents.

We support the "micro-unit" housing project that would be built at 630 Cooke Street in Kakaako.

According to Hawaii Housing Finance & Development Corp's 2011 Hawaii Housing Planning Study, as many as 50,000 new housing units need to be built between 2012 and 2016 to meet new demand. About 20,000 of those units are needed for households with incomes less than 80 percent of the area median income (AMI), which translates into \$66,080 for a family of four in 2014 (AMI is adjusted annually). We commend the Hawaii Community Development Authority for recognizing the need for assistance in the low-to moderate-income groups, and believe that we need to provide overall support to increase the supply of housing at all price points and income levels, especially in the affordable range.

In April 2015, the median sales price of a single-family home in Honolulu hit \$674,900, according to the Honolulu Board of Realtors. The median sales price for condos reached \$370,475. The average person cannot afford a home at this price. There is a great demand for all types of housing.

We respectfully request your consideration in approving this project. Kakaako's history as a light industrial area between downtown Honolulu and Ala Moana and Waikiki must continue to transform into a vibrant community that provides many housing choices as envisioned by the State when it took bold and visionary action to create the HCDA (1976) and the Kakaako Community development district.



Sincerely,

*Brooke Wilson*

Brooke Wilson  
Government Relations Manager