

STATE OF HAWAII
HAWAII COMMUNITY DEVELOPMENT AUTHORITY
Kalaeloa Community Development District
Honolulu, Hawaii, 96813

September 6, 2017

Chairperson and Members
Hawaii Community Development Authority
State of Hawaii
Honolulu, Hawaii

HCDA Board Members:

SUBJECT: Shall the Authority Authorize the Executive Director to Enter Into Lease Negotiations with SunStrong II LLC to Develop a 5 Megawatt Photovoltaic Solar Farm (Project) on Parcel 13073-C, Tax Map Key (TMK) (1) 9-1-013: 068, 19.361 acres at Kalaeloa, Oahu, Hawaii?

SUMMARY:

SunStrong II LLC ("SunStrong II") is proposing to develop a Project on Parcel 13073-C, TMK (1) 9-1-013: 068, 19.361 acres at Kalaeloa, Oahu, Hawaii. The subject parcel is attached as Exhibit A.

The former executive director was in discussions with SunStrong II on various permutations of this proposal.

SunStrong II secured \$50 million in special purpose revenue bonds from the Hawaii State Legislature in 2016, to develop renewable energy projects in the state.

The attorney general's office has provided an analysis and related documentation for your review that is attorney-client privileged and will be provided separately as Exhibit B.

AUTHORITIES:

Hawaii Revised Statutes (HRS) § 206E-194, Kalaeloa Community Development District; development guidance policies.

- (3) Development shall seek to promote economic development and employment opportunities by fostering diverse land uses and encouraging private sector investments that utilize the opportunities presented by the receipt of property from the base closure consistent with the needs of the public;

- (4) The authority may engage in planning, design, and construction activities within and outside of the district; provided that activities outside of the district shall relate to infrastructure development, area-wide drainage improvements, roadways realignments and improvements, business and industrial relocation, and other activities the authority deems necessary to carry out redevelopment of the district and implement this chapter. Studies or coordinating activities may be undertaken by the authority in conjunction with the county and appropriate state agencies and may address facility systems, industrial relocation, and other activities;
- (5) Planning, replanning, rehabilitation, development, redevelopment, and other preparation for reuse of Barbers Point Naval Air Station under this chapter are public uses and purposes for which public money may be spent and private property acquired;
- (6) Hawaiian archaeological, historic, and cultural sites shall be preserved and protected. Endangered species of flora and fauna and significant military facilities shall be preserved to the extent feasible;
- (7) Land use and redevelopment activities within the district shall be coordinated with and to the extent possible complement existing county and state policies, plans, and programs affecting the district; and
- (8) Public facilities within the district shall be planned, located, and developed to support the redevelopment policies established by this chapter for the district, the reuse plan approved by the governor, and rules adopted pursuant to this chapter.

BACKGROUND:

In 2010, through federal special legislation titled *National Defense Authorization Act for Fiscal Year 2010*, the United States Navy (Navy) conveyed six parcels to the HCDA including the parcel at issue, Parcel 13073-C.

SunStrong proposed to do a 5 megawatt project on Parcel 13073-C, TMK: (1) 9-1-013: 068, 19.361 acres located north of the Kalaheo Heritage Park. Based on information received from SunStrong II:

- SunStrong II is a joint venture between one of Korea's leading solar power systems companies, LSIS Co., Ltd. ("LS") and SunStrong, a Hawaii-based utility-scale developer of solar projects,
- LS has a sustainability growth culture with strong market positions in the global economy with solar photovoltaic systems in Asia and Europe. SunStrong has projects in Hawaii and the U. S. mainland,
- SunStrong II is currently in discussions with Hawaiian Electric Company, Inc. ("HECO") for the Project; negotiations will be finalized when SunStrong II secures its land entitlement with the HCDA,
- SunStrong II secured \$50 million in special purpose revenue bonds to develop renewable energy projects in the state from the 2016 legislature,

Parcel 13073-C is zoned for Transect 2, Rural/Open Space Zoning. The Project is a permitted use for Parcel 13073-C. The Project also includes a HECO-standard 12 kilovolt ("KV") interconnection line extension along Coral Sea Road from HECO's Kapolei Parkway substation to the intersection of Coral Sea and Tripoli Roads.

ANALYSIS:

The following considerations weigh in favor of allowing the project to proceed in the interest of fostering further development of the community plan for the district:

- The 12-KV line extension may provide opportunities for the City and County of Honolulu Department of Parks and Recreation ("DPR"), State of Hawaii Department of Hawaiian Home Lands ("DHHL"), HCDA's current and future tenants, United States Coast Guards ("USCG") and the Navy to request electrical service directly from HECO and allow for the transition of the current Navy-owned electrical grid.
- Since the existing electrical system is substandard, DPR currently uses portable toilet facilities at the Kalaeloa campgrounds, the DHHL and the HCDA do not have any electrical power to their parcels along Coral Sea Road, and the USCG and the Navy experience power outages on their parcels.
- The lease would generate revenue for the Kalaeloa Revolving Fund and the revenue would be used on future infrastructure and preservation efforts in the district.
- The execution of the Project would move Kalaeloa closer to achieving its goal for developing reliable electrical power for its stakeholders in the district.
- The realization of the Project would also move the State of Hawaii closer to its goal of achieving the use of 100% renewable energy by year 2045.
- The Final Environmental Impact Statement for the Disposal and Reuse of Naval Air Station Barbers Point, Hawaii 1999 refers to the parcel as being previously disturbed and no significant archaeological sites were identified. No endangered species were found.
- HCDA does not have an appraisal for this subject parcel, therefore staff has compiled the following estimated information as it relates to tenant rental and leasing activities within a half mile radius:
 - HCDA for the subject parcel, issued a right-of-entry to the Honolulu Fire Department for month-to-month low impact training and is currently paying \$1,500.00 per month,
 - The Department of Hawaiian Homes Land tenant(s) across the street from subject parcel conducting interim agricultural use is paying between \$.06 to \$.12 per square foot,
 - Hunt tenant(s) north of the parcel along Franklin Delano Roosevelt Avenue and Coral Sea Road conducting light industrial uses is paying between \$.16 to \$.18 per square foot; and
 - Kalaeloa Rental tenants are paying rents between \$1,850.00 to \$2,200.00 per month.

Although the above considerations weigh in favor of allowing the project to proceed, the Board has requested that new leases are subject to open public competition through a request for information and a subsequent request for proposal if there is interest. The current rates discussed between the previous executive director and SunStrong II may have changed given the current market and the passage of time.

Whichever direction the Board takes, it should consider the advice and counsel of the attorney general based on past discussion the previous executive director and the Board had regarding this proposed project.

Respectfully submitted,



Tesha H. Malama,
Kalaelo Director of Planning and Development

APPROVED FOR SUBMITTAL:



Jesse K. Souki, Executive Director
Hawaii Community Development Authority

Attachment:

Exhibit A: KAL Landowners 19 acre Parcel Map
Exhibit B: Attorney-Client Privileged Communication