

STATE OF HAWAII
HAWAII COMMUNITY DEVELOPMENT AUTHORITY
KAKAAKO
Honolulu, Hawaii, 96813

December 5, 2018

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

HCDA Board Members:

SUBJECT: Shall the Authority Authorize the Executive Director to Award and Execute a Three-Year Contract with Two One-Year Options to Extend for Management and Maintenance of the Kauhale Kakaako Parking to the Highest-Ranked, Responsive, and Responsible Respondent?

SUMMARY:

HCDA is soliciting a Request for Proposals (RFP) for the Kauhale Kakaako Parking Garage Management and Maintenance to increase revenue through the modernization of the garage. The solicitation was issued on November 19, 2018 and will be awarded to the respondent with the highest scoring proposal once the solicitation closes on December 10, 2018. The existing contract for parking management services expires on December 31, 2018 and the contract is slated to commence on January 1, 2018.

AUTHORITIES:

At the August 3, 2016, General Meeting, the Board indicated it would like to review and approve all procurement requests over \$25,000.

The RFP is governed by Hawaii Revised Statutes (HRS) §103D-303 Competitive sealed proposals.

BACKGROUND:

In 1991, the Hawaii Finance and Development Corporation nka Hawaii Housing Finance and Development Corporation (HHFDC) and the Hawaii Community Development Authority (HCDA) jointly developed the Kauhale Kakaako affordable housing project located at 860 Halekauwila Street. Kauhale Kakaako consists of 268 affordable apartments and 698 parking stalls. The HHFDC retained ownership and management of the affordable rental component and granted the HCDA a long-term lease for the five-story parking structure.

Under the terms of the parking garage lease, HHFDC currently receives \$10,197 in monthly lease rent, with any excess parking revenue going to HCDA. The Kauhale Kakaako parking garage generally averages about \$20,000 in monthly net income, representing about \$10,000 in monthly income to the HCDA after HHFDC is paid. In December 2028, the lease rent due to HHFDC drops to \$1 and HCDA will collect the rest of the net parking revenue.

Since 1991, several advances have been made to parking lot management and the surrounding area has since evolved. Through this RFP, the HCDA is seeking proposals to:

- Modernize the facility;
- Enhance the efficiencies of operations/management; and
- Update the parking program to better service the tenants of Kauhale Kakaako and the surrounding area.

Together, with these improvements, the HCDA seeks to enhance the value of this asset for the State.

With the limited number of parking management vendors in the State, the competitive sealed proposals method was selected for procurement.

By using the competitive sealed proposals procurement method, the HCDA is able to achieve better competition and effect an evaluation and recommendations for improvement by multiple vendors. Success of a proposal is otherwise managed by the HCDA through the stated objectives of the RFP and the evaluation criteria.

Currently, the RFP indicates the anticipated term of the contract will be a 3-year contract with two additional 1-year options to extend. Staff believes that this would provide the contractor some time to make and recover on investments made to the garage and give the HCDA options to better manage the contract to avoid poor management.

Based on the RFP, proposals are due on December 10, 2018. The current contract for parking management services expires on December 31, 2018. As a result, to avoid a lapse in service, the contract must be awarded prior to the Authority's January 9, 2019 board meeting.

As of November 16, 2018, the HCDA received three notices of "Intent to Submit a Proposal" from interested vendors.

HRS 103D-303 requires HCDA to award any contract to the highest-ranked, responsive and responsible respondent.

ANALYSIS:

Contract award based on a solicitation issued under HRS §103D-303 is limited to explicit objectives and evaluation criteria as stated in the RFP. After the review and evaluation of proposals, the HCDA's options are limited to:

1. Award to the highest ranked respondent; and
2. Cancellation of the RFP and re-solicitation under a revised scope of work if the objectives of the RFP are not met.

To this end, the HCDA has very limited flexibility on its next steps.

Evaluation criteria as stated in the RFP follows:

Experience and Capability

Weight 10%

- Proposals will be evaluated based on the Respondent's experience and capability along with any subcontractor(s) relevant to the contract, which shall include:
 - Demonstrated skills, ability, and knowledge relating to the delivery of the proposed services.
 - Experience providing parking garage management and operations.
- Proposals will be evaluated on the Respondent's capacity and overall staffing approach.

Proposed Improvements

Weight 25%

- Proposals will be evaluated on the added value of any improvements to the overall profitability, marketability and attraction of the Site. When considering value, the committee will consider quantitative and qualitative benefits.
 - Quantitative considerations would include incremental income or avoided costs relative to improvement costs net of any financing charges. The committee will also consider any residual value of the improvements beyond the duration of the Contract to the extent the improvements remain relevant.
 - Beyond quantitative considerations, the committee will also consider qualitative benefits to the extent improvements further activate and beautify the surrounding area and address the need of current users and stakeholders.

Service Delivery

Weight 25%

- Proposals will be evaluated based on how the Respondent intends to maximize parking revenue and overall performance of the Site. Key elements for the committee's consideration include:
 - Proposed parking program and rate structure relative to the needs of current and expected users.
 - Proposed operating plan relative to collection, monitoring and enforcement.
 - Quality assurance plan regarding proposal execution.

Maintenance Plan

Weight 10%

- The Committee will evaluate the Respondent's maintenance plan to ensure that the plan:
 - Covers all attributes of the Site.
 - Appropriately restores, minimizes or safeguards the Site from damage outside of normal wear and tear.
 - Maintains a clean and safe operating environment.

Financial Plan

Weight 25%

- The Committee will consider the Respondent's estimated costs and revenues relative to the improvements and programs presented in its Proposal.
- Rent structure payable to HCDA will also be another key consideration.
- The Committee will also evaluate the Respondent's financial ability to successfully execute its proposal.

Proposal Organization

Weight 5%

- Proposals will be evaluated on its overall readability and to the extent it facilitates an efficient review and evaluation.
- Criteria for this section is primarily based on the manner in which relevant information is organized and presented in the proposal.

The proposed improvements and their benefits to the HCDA and the public will comprise the bulk of the "points." As currently weighted a fair amount of consideration will be given to those proposals that offer site improvements that maximize revenue while minimizing operation costs.

The current costs for the security, management, and operation of the Kauhale Kakaako Parking Garage are about \$214,000 annually. Annual gross receipts for the garage are approximately \$455,000. After operating costs and rent is paid, the HCDA nets on average \$10,000 monthly or \$120,000 annually.

Through this RFP, the HCDA expects to see an increase in the gross receipts stream and a decrease in operating costs when operations stabilize after improvements. To the extent the respondent finances the cost of improvements, we could see a deferral of net revenue to HCDA. Conversely, if the proposal has HCDA fronting improvement costs, we should be able to realize a steady revenue stream sooner from the facility.

HCDA staff will report to the Board with details on the winning proposal after the contract is awarded.

RECOMMENDATION:

HCDA staff recommends that the Board Authorize the Executive Director to Award and Execute a Three-Year Contract with Two One-Year Options to Extend for Management and Maintenance of the Kauhale Kakaako Parking Garage to the Highest Ranked, Responsive, and Responsible Respondent.

Respectfully submitted,



Lindsey Doi, Asset Manager

APPROVED FOR SUBMITTAL:



Aedward Los Banos, Executive Director