

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

December 4, 2019

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

HCDA Board Members:

SUBJECT: Shall the Authority Authorize the Executive Director to Amend General Lease No. 17-04 for the Entrepreneur's Sandbox with the Hawaii Technology Development Corporation for the Purposes of Adding Parking and Landscape Maintenance Responsibilities?

SUMMARY:

The Hawaii Technology Development Corporation (HTDC) requests amending their Entrepreneur's Sandbox lease to add 25 parking stalls and landscape maintenance. The amendment would result in greater revenue to the HCDA and ensure that HCDA is not responsible for maintaining the landscape that was installed for the purpose of constructing the Entrepreneur's Sandbox.

AUTHORITIES:

The Board must approve any amendments to leases over one year in duration.

BACKGROUND:

The Hawaii Community Development Authority (HCDA) partnered with the HTDC in 2014 to develop the Entrepreneur's Sandbox on HCDA property at Lot C in Kakaako Makai. In April 2018, the HCDA executed a 65-year lease with HTDC to operate the Entrepreneur's Sandbox. The lease did not include rent paid to HCDA, as all revenues generated by HTDC was expected to offset operational expenses.

Construction of the Entrepreneur's Sandbox was substantially completed in March 2019, and the facility is now fully open and operating with a diverse mix of tech, creative, and entrepreneurial businesses.

The current lease with HTDC only includes the footprint of the Entrepreneur's Sandbox building, despite HTDC committing to maintain the landscaping installed surrounding the building during construction. After operating the facility for several months, HTDC also learned that dedicated parking stalls in the adjacent Lot C is necessary to its operations. HTDC explains that HCDA's current parking vendor is unable to accommodate the Sandbox's parking needs, as

many tenants desire to share parking passes or reserve day passes for small groups. HTDC desires a more flexible arrangement that would be afforded by managing their own parking area.

HTDC approached HCDA with a proposal to amend their lease to include about 25 parking stalls currently located within Lot C, as well as maintain all landscaping and improvements installed during construction. HTDC's proposal is attached as Exhibit A.

In its proposal, HTDC agrees to manage and maintain the leased parking area as well as the landscaping and concrete surrounding the building. HTDC also offers to pay HCDA 100% of all parking revenue collected or a minimum of \$20,000 a year, whichever is greater. HTDC anticipates being able to lease the parking stalls for \$3,060 per month, representing a potential revenue of \$36,720 annually to the HCDA.

ANALYSIS:

The proposed 25 stalls were previously blocked off to the public during the construction of the Entrepreneur's Sandbox and represent about 5% of the available stalls in Lot C. Providing dedicated parking for the Entrepreneur's Sandbox would provide much needed stability for anchor tenants, as well as daily users. Allowing HTDC to manage these stalls as part of its lease would also result in improved tenant relations and greater revenue to the HCDA.

Adding the landscaped areas surrounding the Entrepreneur's Sandbox into HTDC's lease would be prudent to ensure the HCDA does not need to procure landscaping services for the property. HTDC is willing to maintain the landscaping and surrounding area, which would otherwise burden HCDA's already limited resources.

HCDA staff drafted the first amendment to General Lease No. 17-04 to include the above provisions and make other housekeeping edits. The draft amendment is attached as Exhibit B. The increased premises are shown in Exhibit C. This map highlights the existing lease for the building footprint in blue with the proposed amended premises marked in red.

The Entrepreneur's Sandbox was constructed using State Capital Improvement Project funds private funding, as well as grant funds from the Federal Economic Development Administration. As a joint development between two state agencies, the Entrepreneur Sandbox's success is important to the HCDA, the HTDC, as well as the Governor.

RECOMMENDATION:

HCDA staff recommends that the Board:

Authorize the Executive Director to Amend General Lease No. 17-04 for the Entrepreneur's Sandbox with the Hawaii Technology Development Corporation for the Purpose of Adding Additional Parking Area and Landscape Maintenance Responsibilities.

Respectfully submitted,



Lindsey Doi
Asset Manager

APPROVED FOR SUBMITTAL:



Aedward Los Banos, Executive Director

Attachments

- Exhibit A - HTDC Amendment Proposal Packet
- Exhibit B - DRAFT Amendment Proposal Packet
- Exhibit C - Proposed Revised Premises Map



Hawaii Technology Development Corporation
2800 Woodlawn Dr, Ste 120 | 808-539-3806
Honolulu, Hawaii 96822 | www.htdc.org

Date: July 22, 2019

Ms. Lindsey Doi
Asset Manager
Hawaii Community Development Authority

Re: HCDA Lot C proposal

Aloha Lindsey,

Thank you for the continued discussion on the parking situation at Lot C adjacent to the Entrepreneurs Sandbox. Please find the attached proposal for your consideration. HTDC appreciates our current partnership with HCDA and knows that parking revenue is one way that HCDA intends to generate revenue for the agency. Thus, we have prepared a proposal that offers HTDC some flexibility to accommodate the tenants of the Entrepreneurs Sandbox and provides all the revenue to HCDA. We hope you will consider favorably on this proposal.

Mahalo,

Len Higashi
Acting Executive Director
len@htdc.org
808-539-3814

Background

In 2014, HTDC and HCDA entered into a partnership agreement to develop the Entrepreneurs Sandbox in Kakaako. The project fulfilled HTDC's desire to construct a modern innovation space on Oahu, outside of the Manoa Innovation Center. The project fit HCDA's desire to develop live, work, play opportunities in Kakaako and brought needed funding to HCDA for the development of its land.

The project started with HTDC delegating \$2.75 million of state CIP funds to HCDA for master planning of Lot C and design of the facilities. Subsequently, HTDC and HCDA secured a \$3 million grant from the federal Economic Development Administration, \$3 million CIP from the State, and a commitment from Stanford Carr Development to build the project and fund the \$1.4 million shortfall. Stanford Carr Development was provided development rights to the adjacent parcel in consideration for their contributions to the project.

In 2018 HCDA provided HTDC with a 65-year lease for the Entrepreneurs Sandbox at no cost. HCDA anticipated the Sandbox would help fulfill HCDA's purpose of supporting the function of Kakaako as a major economic center and build momentum to construct a parking structure at the site.

The Entrepreneurs Sandbox construction was substantially completed in March of 2019. The facility immediately opened for events and started accepting office tenants in June. The facility will be fully open once the furniture arrives, currently estimated at early September. The Sandbox has been received well by the community. A diverse mix of tech, creative, business, and entrepreneurial events are happening almost daily.

<https://members.sandboxhawaii.org/calendar>

The facility has also been featured by the media.

<https://www.youtube.com/watch?v=ujn-zp0ODso>

<https://www.youtube.com/watch?v=-ongJQRbj4A>

<https://www.bizjournals.com/pacific/news/2019/05/24/the-entrepreneurs-sandbox-provides-co-working-hub.html>

Last month, a Biki station was installed in front of the Sandbox. An announcement related to that will be coming soon. Servco Labs has signed a lease in the Sandbox. They would like to place a Hui car share at the facility.

Footnote: During discussion, we learned that the current HTDC lease only includes the footprint of the building. HTDC currently has landscaping, sidewalk cleaning, and night time roving patrol security contracts in place to maintain the surrounding perimeter to the edge of the newly developed area.

Current Parking Situation

The Sandbox has been allocated 12 monthly stalls by Propark. The fee per stall is \$120 per month and is paid directly by tenant to the vendor. There are also a limited number of \$6 daily stalls available in the lot and metered street parking. Recently, our allocation of monthly stalls available was increased to 20.

During the past 3 months, while completing the equipping of the facility, HTDC has frequently hosted vendors, members of the legislature, congressional delegation, CEOs of the business community, and potential partners at the site. Finding parking accommodations for our visitors has been difficult. The current system does not allow different vendors to share a daily or monthly parking pass or for a day pass to be issued for a small group of visiting VIPs. HTDC has offered to purchase passes for all of these activities, but the system does not allow monthly passes to be shared, and daily passes require a minimum quantity of 20 and advanced notice. Because of the community focused nature of the facility, this will be an ongoing issue. In addition, the availability of daily stalls is very limited when UH is in session and the demand for parking from Sandbox tenants is higher than expected.

Increased Parking Revenue Opportunity

From the online report: <https://dlnr.hawaii.gov/wp-content/uploads/2018/12/LD19-Act178-Ceded-Lands-Receipts-Report-FY18.pdf>

the Gross Receipts for TMK 2-1-15: 09 por from July 1, 2017 to June 30, 2018 from Propark was \$87,735.61. The lot is divided into 484 stalls which means each stall is generating approximately \$181.27 per year. This is only an approximation as there are different arrangements for portions of the lot. It does clearly demonstrate the increased revenue opportunity a land lease to HTDC offers.

Proposal

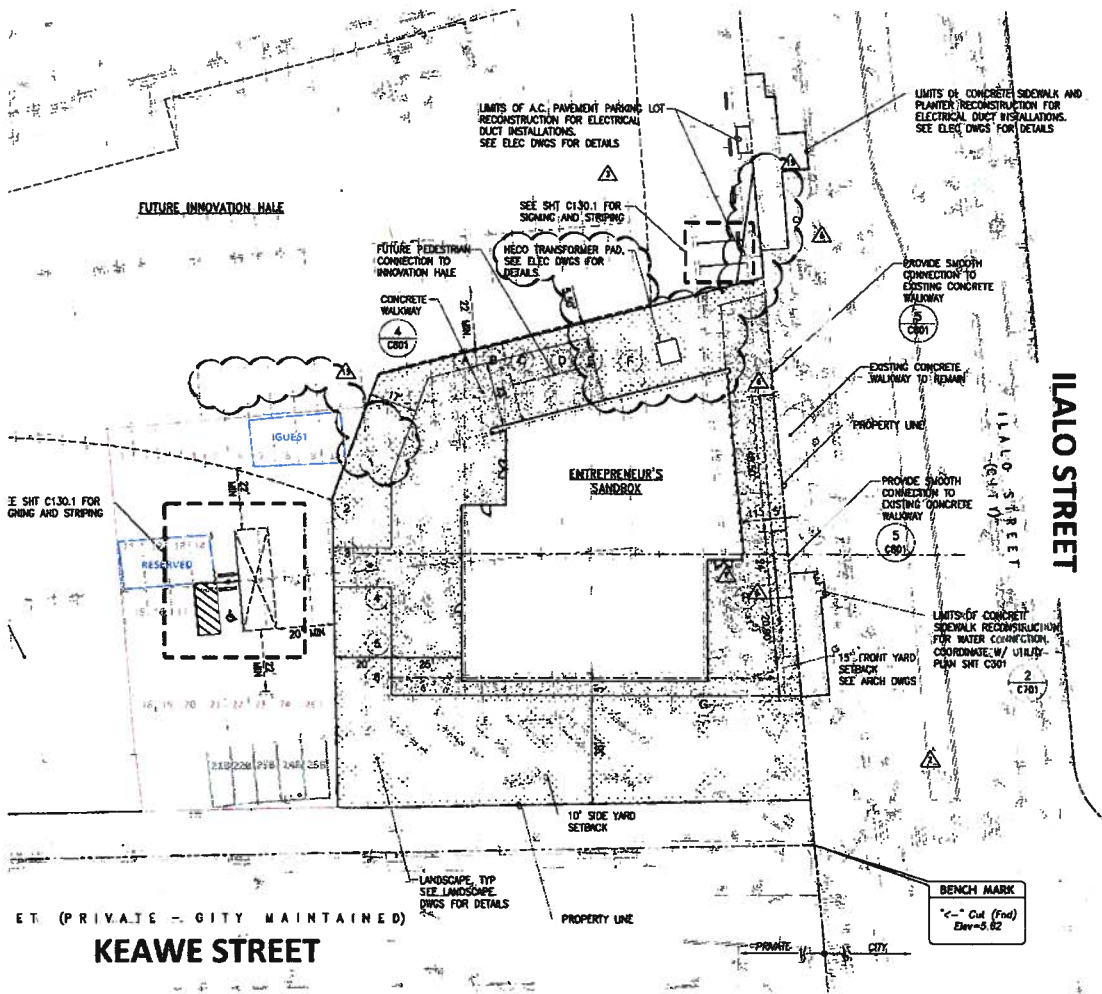
HTDC proposes to lease a portion of the lot, currently occupying 25 stalls (approximately the same number of stalls that was fenced off during the construction phase of the project). HTDC will sublease the parking stalls exclusively to the users of the Entrepreneurs Sandbox. HTDC will manage, collect payment, and cover maintenance and improvement costs for the leased area and make payment to HCDA.

HTDC offers to pay HCDA a minimum of \$20,000 per year or 100% of the revenue collected, whichever is greater.

HTDC will be responsible for demarcating the proposed area to separate it from other stalls in the lot. HTDC will be responsible for pavement improvements, striping, and signage for the designated area. HTDC will require access from the current lot C entrance and access ways. HTDC will maintain the pricing levels currently offered by Propark to avoid any potential competition.

HTDC intends to designate the stalls:

- 12 unassigned stalls for monthly parking at \$120 per month = \$1440
- 4 reserved assigned stalls for monthly parking at \$180 per month = \$720
- 5 tandem stalls for monthly parking at \$180 per month = \$900
- 4 guest stalls for guests of the facility tenants





At capacity, the parking can generate \$3,060 per month or \$36,720 per year.

HTDC's proposal requests 5% (25/484) of the available stalls and guarantees a minimum return equivalent to 22.8% and a maximum potential of 41.8% of the current revenue generated at the site.

HTDC's minimum payment of \$20,000 is equivalent to a 54% usage rate, which we are confident we can outperform.

If easier, we can take this proposal to your parking vendor ProPark. Please let us know.



FIRST AMENDMENT TO GENERAL LEASE NO. 17-04

THIS FIRST AMENDMENT TO GENERAL LEASE NO. 17-04 (this "First Amendment") is made this ___ day of _____, 2019 by and between THE HAWAII COMMUNITY DEVELOPMENT AUTHORITY ("LESSOR" or "HCDA"), a body corporate and a public instrumentality of the State of Hawaii, whose principal place of business is 547 Queen Street, Honolulu, Hawaii 96813 and the HAWAII TECHNOLOGY DEVELOPMENT CORPORATION, ("LESSEE or HTDC"), a body corporate and a public instrumentality of the State of Hawaii, whose principal place of business and mailing address is 2800 Woodlawn Drive, Suite 100, Honolulu, Hawaii 96822 (each, a "Party", and collectively, the "Parties").

RECITALS

A. WHEREAS, LESSOR and LESSEE entered into General Lease No. 17-04 on April 4, 2018 (the "Lease"), pursuant to which LESSOR leases to LESSEE a portion of "Lot C" to operate the "Entrepreneur's Sandbox" (the "Project") located on the parcel of land located at 643 Ilalo Street, Honolulu, Hawaii, identified as Tax Map Key Number: (1) 2-1-015:052 (the "Premises").

B. WHEREAS, pursuant to Section 1.4 of the Lease, LESSEE is entitled to use a portion of the existing surface parking;

C. WHEREAS, pursuant to Section 5.8 of the Lease, LESSEE is required to keep, repair, and maintain all improvements at its own expense;

D. WHEREAS, LESSOR and LESSEE desire to amend the Lease on the terms and conditions set forth in this First Amendment to redefine the Premises and to clarify certain other terms.

NOW THEREFORE, in consideration of the foregoing recitals and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows.

1. Defined Terms. Except as explicitly set forth in this First Amendment, each initially capitalized term when used herein shall have the same respective meaning as is set forth in the Lease.

2. Parking. Section 1.4 of the Lease is deleted in its entirety and replaced with the following paragraph:

"The Premises includes a portion of existing surface parking to be managed by LESSEE for LESSEE's and its tenants' use. This surface parking area of the Premises shall be managed, maintained, and improved as needed by LESSEE at LESSEE's sole cost and expense."

3. Section 2.3 is added to the Lease as follows:

"Parking Rent. LESSEE shall collect all payments related to operating the parking portion of the Premises and remit to HCDA 100% of parking revenue collected or \$20,000 per year, whichever is greater.

4. **Repairs to Improvements.** Section 5.8 of the Lease is deleted in its entirety and replaced with the following paragraph:

"During the Term of this Lease, LESSEE shall, at its own expense, keep, repair, and maintain all landscaping, buildings and improvements constructed or installed on the Premises in good order, condition, and repair, reasonable wear and tear excepted."

5. Exhibit "A-1" is replaced with the metes and bounds of the Premises attached hereto as Exhibit A-1.

6. Exhibit "A-2" is replaced with a map of the Premises attached hereto as Exhibit A-2.

7. **No Other Modifications.** Except as otherwise provided herein, all other terms and provisions of the Lease shall remain in full force and effect, unmodified by this First Amendment.

8. **Conflict.** In the event of any conflict between the Lease and this First Amendment, this First Amendment shall prevail.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands the day and year first above written.

[The remainder of this page is blank. The signature page follows.]

LESSOR:

HAWAII COMMUNITY DEVELOPMENT
AUTHORITY, a body corporate and public
instrumentality of the State of Hawaii

APPROVED AS TO FORM:

Deputy Attorney General
State of Hawaii

By: _____
Aedward Los Banos
Its: Executive Director and CEO

LESSEE:

HAWAII TECHNOLOGY DEVELOPMENT
CORPORATION, a body corporate and
public instrumentality of the State of Hawaii

APPROVED AS TO FORM:

Deputy Attorney General
State of Hawaii

By: _____
Len Higashi
Its: Interim Executive Director

STATE OF HAWAII)
) SS.
CITY AND COUNTY OF HONOLULU)

On this __ day of _____, 201__ before me appeared Len Higashi, to me personally known, who, being by me duly sworn, did say that he is the Interim Executive Director of HAWAII TECHNOLOGY DEVELOPMENT CORPORATION, a body corporate and a public instrumentality of the State of Hawaii; that the seal affixed to the foregoing instrument is the seal of said corporation; that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors; and said Len Higashi acknowledged the instrument to be the free act and deed of said corporation.

Notary Public, State of Hawaii
Print Name: _____

My commission expires: _____

Date: _____	# Pages: _____
Name: _____	_____ Circuit
Doc. Description: _____	
_____ (Stamp or Seal)	
Notary Signature	Date
NOTARY CERTIFICATION	

STATE OF HAWAII)
) SS.
CITY AND COUNTY OF HONOLULU)

On this __ day of _____, 201__ before me appeared Aedward Los Banos, to me personally known, who, being by me duly sworn, did say that he is the Executive Director of HAWAII COMMUNITY DEVELOPMENT AUTHORITY, a public body and a body corporate of the State of Hawaii; that the seal affixed to the foregoing instrument is the seal of said corporation; that said instrument was signed and sealed in behalf of said corporation by authority of its Members; and said Aedward Los Banos acknowledged the instrument to be the free act and deed of said corporation.

Notary Public, State of Hawaii
Print Name: _____

My commission expires: _____

Date: _____	# Pages: _____
Name: _____	Circuit _____
Doc. Description: _____	
_____ (Stamp or Seal)	
Notary Signature	Date
NOTARY CERTIFICATION	

