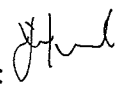


Reviewed and Approved by Executive Director: 

April 7, 2021

FOR ACTION

I. REQUEST

Authorize the Executive Director to Amend the Development Agreement with Stanford Carr KM II LLC, a Wholly Owned Affiliate of Stanford Carr LLC, Dated April 11, 2018, for the Development of the Innovation Hale Project Located at Kakaako Makai Lot C, Honolulu, Hawaii, Tax Map Key No. (1) 2-1-015: 052 (portion), to Extend the Developer Feasibility Period by 365 Calendar Days.

II. BACKGROUND

The Innovation Hale Project (Project) is located on Oahu Tax Map Key (1)-2-1-015: 052 in the Kakaako Community Development District Makai Area, Honolulu, Oahu, on property owned by the Hawaii Community Development Authority (HCDA). This property is also known as Lot C, which has been master planned by the HCDA as a multi-phase build out (see Location Map and Master Plan attached hereto as Exhibit A).

The Project is envisioned to be a 7-story office condominium with a commercial retail component on the ground floor (see Innovation Hale Conceptual Plans attached hereto as Exhibit B).

In December 2015, the HCDA issued a request for proposals (RFP) from developers for the planning, design, construction, financing of a civic/mixed-use commercial project for the initial phase of the Lot C masterplan (specifically the Entrepreneur's Sandbox and the Innovation Hale). SCD KM II LLC, a wholly owned affiliate of Stanford Carr LLC (SCD), was the sole respondent to the RFP.

On July 13, 2016, the Authority adopted the recommendation of the RFP Evaluation committee for the Entrepreneur's Sandbox and Innovation Hale and authorized the Executive Director to negotiate a development agreement with SCD. Because development of the Entrepreneur's Sandbox and the Innovation Hale were on different timelines with different funding sources, the HCDA executed separate Development Agreements with SCD for each project.

Both, Development Agreements for the Entrepreneur's Sandbox and the Innovation Hale, were executed with SCD on April 11, 2018. SCD commenced construction on the Entrepreneur's Sandbox in May 2018 and completed construction in February 2019.

Section 7.1 of the Development Agreement for the Innovation Hale (Agreement) provides for a Developer's Feasibility Period of 730 calendar days during which the developer performs due diligence which includes investigations on archaeological, environmental, infrastructure, financial feasibility relating to the development and construction of the Project. The Agreement is attached hereto as Exhibit C.

If SCD elects to proceed with the Project, it is required to issue the HCDA a written Notice to Proceed prior to expiration of the Feasibility Period. Failure to deliver a Notice to Proceed before the expiration of the Feasibility Period, is deemed disapproval by SCD and an election not to proceed, and the Agreement shall be considered terminated.

In September 2019, SCD indicated it was still conducting planning diligence and required additional time to move the Project forward. On December 4, 2019, the Kakaako Authority granted a 365-day extension of the Developer's Feasibility Period to April 10, 2021. The minutes for this meeting are attached hereto as Exhibit D.

In a letter dated February 26, 2021 and attached hereto as Exhibit E, SCD requested another one-year extension of the Feasibility Period for the Agreement. The letter notes the Innovation Hale is dependent on office space demand and cites adverse impacts to the office market due to the COVID-19 pandemic

III. DISCUSSION

HCDA staff agrees that the COVID-19 pandemic has caused unforeseen and unprecedented challenges in the office market in Honolulu. HCDA staff supports the extension of the Developer's Feasibility Period for an additional 365 calendar days and recommends amending the Development Agreement to provide additional 365 days to complete the necessary due diligence by SCD. Staff also recommends amending Section 9.2 of the Development Agreement to be consistent with the extension of the Feasibility Period.

All other terms and conditions of the Agreement shall remain unchanged.

IV. RECOMMENDATION

Authorize the Executive Director to Amend the Development Agreement with Stanford Carr KM II LLC, a Wholly Owned Affiliate of Stanford Carr LLC, Dated April 11, 2018, for the Development of the Innovation Hale Project Located at Kakaako Makai Lot C, Honolulu, Hawaii, Tax Map Key No. (1) 2-1-015: 052 (portion), to Extend the Developer Feasibility Period by 365 Calendar Days.

Attachments:

- Exhibit A – Location Map and Lot C Master Plan
- Exhibit B – Innovation Hale Conceptual Plans
- Exhibit C – Innovation Hale Development Agreement Dated April 11, 2018
- Exhibit D – Minutes of December 4, 2019 Kakaako Meeting
- Exhibit E – SCD Request Letter Dated February 26, 2021

Prepared By: Lindsey Doi, Asset Manager _____

Reviewed By: Deepak Neupane, P.E., AIA, Executive Director _____ DN