

FOR ACTION

I. REQUEST

Consider Authorizing the Executive Director to Send a Letter of Intent to the Department of Navy, a Federal Agency, as Represented by and through the Commander, Navy Region Hawaii (“CNRH”) that Indicates an Intent by the Hawaii Community Development Authority (“HCDA”) to Enter in an Intergovernmental Support Agreement Between HCDA and Navy to Allow HCDA to provide Navy with Installation-support Services as Further Agreed to between the Parties Through Project-Specific Task Orders.

II. BACKGROUND

The National Defense Authorization Act For Fiscal Year 2024 (Public Law No. 18-31, 2023) authorized appropriations for fiscal year 2024 for military activities of the Department of Defense and for military construction, among other purposes (the “Act”).

Section 2856 of Subtitle D, Real Property and Facilities Administration, of the Act, authorizes the Secretary of the Navy to resolve the electrical utility operations at the former Naval Air Station, Barbers Point, Hawaii, and enter in an agreement with the State of Hawaii, for such purpose, as follows:

“SEC. 2856. AUTHORIZATION FOR THE SECRETARY OF THE NAVY TO RESOLVE THE ELECTRICAL UTILITY OPERATIONS AT FORMER NAVAL AIR STATION BARBERS POINT, HAWAII.

- (a) **IN GENERAL.**—The Secretary of the Navy (in this section referred to as the “Secretary”) may enter into an agreement with the **State of Hawaii** or a third party for the purpose of resolving the electrical utility operations at Former Naval Air Station Barbers Point, Hawaii, also known as “Kalaeloa”. (bold and underlining added for emphasis)
- (b) **ELEMENTS OF AGREEMENT.**—An agreement entered into under subsection (a) shall include a requirement that the Secretary—
 - (1) assist with—
 - (A) the transfer of customers of the Navy off of the electrical utility system of the Navy at the location specified in such subsection; and
 - (c) the enhancement of the surrounding electrical utility system to accept any additional load from such transfer, with a priority for such systems that **serve downtown Kalaeloa, Hawaii, and the Hawaii Army National Guard**; (bold and underlining added for emphasis)

(2) provide the instantaneous peak demand analysis and design necessary to conduct such transfer;

(3) provide rights of way and easements necessary to support the construction of replacement electrical infrastructure;

(4) be responsible for all environmental assessments and remediation, and costs related to the removal and disposal, of the electrical utility system of the Navy once it is no longer in use.
...”

CNRH, as well as other Navy installations, are encouraged to utilize a tool, called Intergovernmental Support Agreements (“IGSA”) to partner with outside agencies to take advantage of services and competitive costs.

CNRH received an \$18,000,000 Federal appropriation under the Fiscal Year 2024 Consolidated Appropriations Act passed in April 2024 to allow CNRH to carry out the purposes of the Act. There is a possibility that CNRH could receive appropriations in subsequent fiscal years to implement the purposes of the Act (expenditure ceiling per fiscal year is \$48,000,000). The \$18,000,000 expires for purposes of initial obligation on 30 September 2024.

III. DISCUSSION

CNRH desires to partner with the HCDA on Navy Region projects in two possible respects: (i) for services of a recurring or continuing nature, and/or (ii) discrete project-specific work such as the electrical upgrade work contemplated by the Act.

To initiate the IGSA process, the Navy Installation requires that the HCDA send CNRH a non-binding letter of intent indicating HCDA’s desire to partner with the CNRH to support its mission. A draft letter of intent is attached hereto, as Exhibit. “1”.

Possible support services to be provided to the CNRH by HCDA will be memorialized in two ways: (i) within the IGSA for services of a recurring or continuing nature, or (ii) within a task order(s) for discrete, project-specific work.

Intergovernmental Support Agreement. The key considerations of the IGSA are contained in Exhibit “2” attached hereto, which establishes a broad framework for CNRH to obtain support services from HCDA either on a recurring or continuing nature or on a project-by-project basis by agreeing on and executing project-specific task orders containing scope of the services and the fee to be paid by CNRH for the services. The scope for the IGSA could include HCDA providing the following support services, by itself or through contractors:

- Management of the Navy’s divestiture of the Navy’s electrical system in Kalaeloa;
- Planning and/or design;
- Environmental Work;

- Demolition and construction and construction management; and/or
- Easement management.

Services of a recurring or continuing nature include retaining project management services that could augment the HCDA's staffing. These types of services (referred to herein as, "Recurring Services") will be expressly stated in the IGSA.

Project-Specific Task Orders. The first project-specific task order may include two "obvious" projects, connecting the following users to the Enterprise Road electrical corridor: (i) Film Studio parcel located in the HCDA's Kalaeloa community development district, 146 Midway Street, Building 140, Kapolei, Hawaii 96707, and further described by Oahu Tax Map Key Number 9-1-013:110; and (ii) Hawaii Army National Guard located at 91-1227 Enterprise Avenue, Kapolei, HI 96707 and further described by Oahu Tax Map Key Number 9-1-013:045. Working with HECO and CNRH, HCDA will, using Navy funding under the proposed IGSA, do all things necessary to connect the two above-referenced users to the Enterprise Road electrical corridor. Working with CNRH, HCDA will also engage the community to inform them of the projects. Should the two projects prove infeasible other electrical upgrade-related projects could be considered for a task order.

It is contemplated that CNRH will use the recently appropriated \$18,000,000 to fund HCDA for the purpose of carrying out t task orders. Of the \$18,000,000, the amount transferred by CNRH to the HCDA will depend on the estimated cost of work under a task order. In no event will HCDA be responsible for actual project costs that either exceed the estimated cost or the amount transferred by the CNRH under a task order.

The IGSA promotes a partnership between the Navy and HCDA. The arrangement reflects the collaborative relationship established between the Navy and the community through the efforts of the Assistant Secretary of the Navy Meredith Berger (Energy, Installations, and Environment)/Chief Sustainability Officer, and senior Hawaii Navy leadership, to include Rear Admiral Barnett. The Assistant Secretary's efforts to build relationships with the community aligns with the Department of Business Economic Development and Tourism's mission, and more specifically with the department's establishment of a Military and Community Relations Office which will focus on effective collaboration and transparency between the State of Hawaii, county governments, the community, and the U.S. Department of Defense.

The HCDA is willing to support the navy and provide services to CNRH related to the Navy's divestiture of its electrical system in the HCDA's Kalaeloa community development district.

IV. RECOMMENDATION

Authorize the Executive Director to (i) submit a letter of intent to CNRH, substantially in the form attached hereto as Exhibit 1, (ii) enter into an Intergovernmental Support

Agreement with CNRH command on terms and conditions acceptable to the Executive Director, and (iii) enter into such project-specific task orders and/or establish Recurring Services with CNRH for various projects to assist CNRH related to the Navy's divestiture of its electrical system, as the Executive Director deems desirable, taking into consideration staff workload, capacity, and consideration received.

Attachments:

Exhibit 1 – Draft Letter of Intent

Exhibit 2 – Executive Summary of the Key Considerations of a Proposed Intergovernmental Support Agreement

Prepared By: Gareth Sasaki, Chief Financial Officer *Gareth Sasaki*

Reviewed By: Craig Nakamoto, Executive Director *Craig Nakamoto*

EXHIBIT 1



HAWAII COMMUNITY DEVELOPMENT AUTHORITY

547 Queen Street, Honolulu, Hawaii 96813
Telephone: (808) 594-0300 Fax: (808) 587-0299
Web site: <http://dbedt.hawaii.gov/hcda/>

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

CHASON ISHII
CHAIRPERSON

CRAIG K. NAKAMOTO
EXECUTIVE DIRECTOR

[Date]

Rear Admiral Stephen Barnett
Commander, Navy Region Hawaii
850 Ticonderoga Street, Suite 110
Joint Base Pearl Harbor-Hickam 96860-5101

Subject: Non-Binding Letter of Intent: Navy Intergovernmental Support Agreement and Task Orders with the Hawaii Community Development Authority

Dear Admiral Barnett:

The Hawaii Community Development Authority (“HCDA”) has been designated under State law as the local redevelopment authority for the State of Hawaii for the redevelopment of the former Barbers Point Naval Air Station, now known as the HCDA’s “Kalaeloa community development district”.

In the past month, discussions have taken place with your staff about formalizing a partnership and collaborative arrangement with Navy Region Hawaii, specifically, the possibility of HCDA entering into an intergovernmental support agreement (“IGSA”) with the Navy Region Hawaii. The IGSA allows Navy Region Hawaii to obtain the expertise and experience of community and state partners to support the Navy’s mission.

The HCDA is grateful to be given the opportunity to partner and collaborate with the Navy Region Hawaii to support its electrical divestiture work in the Kalaeloa community development district.

There are many more details to work out in an IGSA and project-specific task orders, but this non-binding letter of intent hereby formally expresses HCDA’s interest in supporting the Navy’s mission in the Hawaii region, specifically to support the Navy’s electrical system divestiture in the HCDA’s Kalaeloa community development district.

Rear Admiral Stephen Barnett
Commander, Navy Region Hawaii
Non-Binding Letter of Intent
Date
Page 2

In the upcoming months, we look forward to working with the Navy Region Hawaii to formalize this opportunity, including the form and contents of an IGSA and task orders acceptable to both Navy Region Hawaii and HCDA, including but not limited to, the requirement that all contracts for task order work must be procured by the HCDA under the State's procurement code.

If you have any questions, please do not hesitate to contact me at (808) 594-0300.

Sincerely,

Craig K. Nakamoto
Executive Director

cc: James Kunane Tokioka, Director,
Department of Business Economic Development and Tourism

Laurie Moore, Executive Director, Military and Community Relations Office,
Department of Business Economic Development and Tourism

EXHIBIT “2”

SUMMARY: PROPOSAL FOR PARTNERSHIP

SUBJECT: OVERVIEW OF PROPOSED INTERGOVERNMENTAL SUPPORT AGREEMENT

Purpose. Navy Region Hawaii (CNRH) prepared this executive summary in support of the proposal to enter into an Intergovernmental Support Agreement (IGSA) with the Hawaii Community Development Authority (HCDA). Intent is to effectively and efficiently implement Navy divestiture of its electrical distribution system (EDS) and enable follow-on development of the Kalaeloa District.

1. Navy EDS Status: Navy owns the Electrical Distribution System (EDS) in Kalaeloa, originally installed to support Barbers Point Naval Air Station (BPNAS) which was divested through the Base Realignment and Closure (BRAC) process. The EDS predominantly supports non-Navy entities.
 - a. CNRH funded a study in FY23 by Hawaiian Electric Company (HECO) to develop a plan for a replacement EDS (to be HECO-owned/operated), leveraging authorities granted in the FY23 National Defense Authorization Act (NDAA).
 - b. The FY24 NDAA broadened authorities and enabled Navy to make an agreement with an unspecified third party and expend up to \$48M annually towards EDS divestiture.
 - c. Through the FY24 Consolidated Appropriations Act, Navy was provided \$18M in Apr 2024, to be applied towards divestiture of the Kalaeloa EDS, with funds expiring 30 Sep 2024.
2. IGSA Background: The Navy, under 10 U.S.C 2679, has the authority to enter into a formal partnership with state governments for the provision, receipt, or sharing of installation and community support services. Such agreements enable partner agencies to leverage each other’s strengths and build stronger community relationships. IGSA’s enable partner agencies to “buy” and “sell” a broad range of services. IGSA’s are bi-lateral agreements.
3. IGSA Purpose:
 - a. Leverage HCDA’s expertise in land development.
 - b. Expedite the transition of electrical service from Navy to HECO.
 - c. Enable HCDA to manage the full EDS development in the Kalaeloa District.
 - i. Navy’s statutory responsibility is transferring existing customers
 - ii. HCDA is charged with ensuring that electrical service can support new customers as well; Navy providing funding to HCDA would allow for one manager of the EDS transition, and allow for one party to incorporate funds from multiple sources.
4. Proposed IGSA Function: Navy proposes to procure electrical connection services through HCDA. Such services, for which Navy would provide funding, could include planning, program and project management, design, environmental services, demolition, construction, easement management. Functionally, Navy would provide funding to HCDA, which HCDA would use to execute these functions, loosely analogous to a customer/prime contractor relationship.
 - a. 2024 efforts proposed would use the \$18M available today to make “no regret” investments.
5. Additional Funding Opportunity Outside of IGSA: The Navy and HCDA are in the process of developing a lease agreement for the Kalaeloa Film Studio that is owned by the Navy. Under federal statute, the Navy must receive consideration at fair market value of the land and facilities. Such consideration may take the form of “in kind consideration,” which the Navy contemplates receiving as additional HCDA effort to transition existing customers off of the Navy EDS and onto a HECO EDS.
6. Additional Note: Navy is running approvals in parallel with HCDA discussions – timeline to take advantage of \$18M provided this (Federal) fiscal year is very tight. Approval level for Navy is the Principal Deputy Assistant Secretary of the Navy for Energy, Installations, and Environment.