

FOR ACTION

I. SUBJECT

Consider Authorizing the Executive Director to 1) Execute the Purchase and Sale Agreement with Victoria Ward Limited (“VWL”) for the property located at 610 Ward Avenue, Honolulu, HI 96813, and 873 Kapiolani Boulevard, Honolulu, HI 96813 (TMK Nos. (1) 2-1-049:063 and (1) 2-1-049:080, respectively) (collectively “Block P-3”) and do all things necessary to complete the purchase transaction; and 2) execute the Amended and Restated Master Plan Development Agreement for the Ward Neighborhood Master Plan to Document Implementation Matters, Rights, Entitlements, and Completion of Public Benefits, Beyond the January 14, 2024 Expiration of the Ward Village Neighborhood Master Plan Permit.

II. BACKGROUND

On June 5, 2024, the Authority authorized the Executive Director to enter into a non-binding letter of intent with VWL regarding: 1) an Amended and Restated Master Plan Development Agreement to document implementation matters, rights, entitlements, and completion of public benefits, beyond the January 14, 2024 expiration of the Ward Village Neighborhood Master Plan Permit, and 2) a proposed purchase and sale transaction of the Block P-3 property located at 610 Ward Avenue and 873 Kapiolani Boulevard (TMK Nos. (1) 2 1 049:063 and (1) 2 1 049:080, respectively).

III. DISCUSSION

Subsequent to Authority approval, a non-binding letter of intent (“LOI”) was executed with VWL on June 17, 2024. The LOI was amended on September 19, 2024, to extend the expiration date of the LOI to December 31, 2024. A copy of the LOI and the amendment is provided as Exhibit A. Authority staff have continued discussions over the terms for the Purchase and Sale Agreement for Block P-3 and the Amended and Restated Master Plan Development Agreement and prepared a final draft of both documents which are provided as Exhibit B and Exhibit C, respectively. The terms of the Amended and Restated Master Plan Development Agreement remains materially the same as what was presented to the Authority at the June 5, 2024, meeting. The anticipated square feet of floor area to be used for the purchase of Block P-3 has increased from what was presented earlier based on the appraised value of the property, as indicated in the appraisal report completed in September 2024. A summary of both documents is provided below.

Amended and Restated Master Plan Development Agreement

- Master Plan Commitments: VWL has committed to completing all required improvements, reserved housing, public facilities, and public open spaces required by the decisions and orders issued during the effective period of the Ward Master Plan Permit.

- District Improvements: The parties have proposed that the terms of the Amended and Restated Master Plan Development Agreement specify improvements, to be completed by VWL, that are not related to specific development permits. These include some improvements that were envisioned in the master plan, such as the the Pohukaina Street extension and Auahi Street realignment (the Auahi Street Pedestrian Promenade), district gateway signage, and the mid-block connection to Halekauwila street that is now planned as a private driveway. The terms of the Amended and Restated Master Plan Development Agreement also reflect VWL’s commitment to reconnecting and improving Auahi Street, including a portion of the city parcel that is currently being used as a baseyard. Additionally, VWL has committed to continuously maintain and manage the community parks within Ward Village, including the Ewa Plaza (Ka La‘i o Kukuluāe‘o Park), the Central Plaza (Victoria Ward Park - Mauka and Makai), and the Diamond Head Plaza Park (Ka Lei Park).
- Industrial Floor Area: The parties have proposed a Minimum Industrial Floor Area within Ward Village and terms for redevelopment of industrial floor area that results in a net reduction of industrial floor area, which would require VWL to pay to HCDA the commensurate value of industrial floor area bonus that VWL received and utilized for industrial uses during the master plan permit period. The minimum amount of industrial floor area required to be maintained by VWL is 100,000 square feet, inclusive of certain industrial area, but exclusive of a previous industrial floor area credit. Any net reduction of industrial floor area below 100,000 square feet must be approved by the Executive Director provided that the Executive Director may consider (a) the current and reasonably foreseeable market conditions and demand for non-industrial uses; and (b) that industrial uses are an integral part of the mixed-use vision for the Kaka‘ako Mauka Area. Any net reduction in industrial floor area will require VWL to pay HCDA the commensurate value of the bonus.
- Reserved Housing: The parties have proposed that the terms of the Amended and Restated Master Plan Development Agreement also specify that VWL may use or transfer any excess reserved housing credits under the terms stated in the Letter of Intent, pending the closing of the Block P-3 sale to the Authority. The number of excess reserved housing credits may be adjusted if projects initially permitted during the effective period of the Ward Master Plan are later amended, withdrawn, expire, or otherwise terminated, to reflect any changes in the associated number of reserved housing units required under the 2005 Mauka Area Rules, resulting from the amendment, withdrawal, expiration, or termination of the project permit.

Purchase and Sale Agreement for Block P-3

Block P-3: A Purchase and Sale Agreement for the purchase of Block P-3 has been finalized (see Exhibit-B). Authority staff and VWL agreed on retaining Medusky & Co., Inc. (“Medusky”) for the appraisal of the property and also

agreed on the scope of the appraisal, which was to prepare an appraisal report estimating the following: (1) market value of the fee simple interest in the subject property, subject to tenant leases, based on highest and best use, and (2) investment value to a typical income-oriented purchaser based only on the income approach. Medusky completed the appraisal report on September 2024. The estimated market value of the property based on highest and best use is \$14,000,000 and based on income approach is \$5,160,000. As indicated in the Agreement, the Authority's intent is to purchase the property by providing supplemental floor area to VWL from its floor area bank instead of a cash transaction. Based on the appraisal, staff and VWL have agreed on 163,000 square feet of floor area for the purchase, which translates to a dollar value of \$12,225,000 (based on a value of \$75 per square foot of floor area). The Amended and Restated Master Plan Development Agreement would allow VWL to use this floor area to amend its Mahana Ward Village Planned Development Permit application.

IV. RECOMMENDATION


Staff recommends that the Authority authorize the Executive Director to 1) Execute the Purchase and Sale Agreement with Victoria Ward Limited ("VWL") for the property located at 610 Ward Avenue, Honolulu, HI 96813, and 873 Kapiolani Boulevard, Honolulu, HI 96813 (TMK Nos. (1) 2-1-049:063 and (1) 2-1-049:080, respectively) (collectively "Block P-3") and do all things necessary to complete the purchase transaction; and 2) execute the Amended and Restated Master Plan Development Agreement for the Ward Neighborhood Master Plan to Document Implementation Matters, Rights, Entitlements, and Completion of Public Benefits, Beyond the January 14, 2024 Expiration of the Ward Village Neighborhood Master Plan Permit.

Attachments:

Exhibit A- Non-Binding Letter of Intent with VWL and subsequent Amendment

Exhibit B-Purchase and Sale Agreement for Block-P3 (without attachments)

Exhibit C-Amended and Restated Master Plan Development Agreement (without attachments)

Prepared By: Deepak Neupane, Program Specialist 

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