

FOR ACTION

I. REQUEST

Approve: (1) Issuance of a Request for Proposals for master planning and residential development; and (2) a Dwelling Unit Revolving Fund (DURF) budget of up to two million dollars (\$2,000,000) for development costs and an interim loan for a proposed mixed-use project at 690 Pohukaina Street located in Kakaako, Oahu, TMK No.: (1) 2-1-051: 041

II. FACTS

Project: 690 Pohukaina Street Mixed-Use Project
Address: 690 Pohukaina Street, Kakaako, Oahu, Hawaii
TMK: (1) 2-1-051: 041
Acreage: 94,423 square feet, or 2.167 acres
Landowner: State of Hawaii Department of Land and Natural Resources
Land Division (DLNR) - Fee Owner
Hawaii Housing Finance and Development Corporation
(HHFDC) - Executive Order
Zoning: Mixed-Use, FAR of 3.5, Height Limit of 400 feet
HHFDC Involvement: Lessor
Type: Mixed-Use Project - Multi-family Affordable Housing,
Commercial Space, and Education Complex
Land Tenure: Leasehold, 75 years
Existing Use: Vacant Land, Commercial Retail
Units: Housing Component:
Multi-family Affordable Housing – pursuant to the
criteria specified in the Request for Proposals (RFP)
and developed by the Successful Offeror.
Educational Component:
Educational Complex- approximately 25,000 gross
square feet of land area. To be developed in the
future by the Department of Education (DOE), or
possibly to be developed as part of an integrated
mixed-use strategy, pursuant to a Memorandum of
Agreement (MOA) to be executed. Details to be as
specified by DOE.
Shared Parking Component:
To be developed by the Successful Offeror.
Commercial Component:
RFP respondents may propose a commercial
component that is accessory to the Housing and
Educational components.
Target Market: 140% and below the U.S. Department of Housing and
Urban Development area median income (AMI).
To be determined by RFP.

- A. The State of Hawaii owns the 93,423 square feet, or 2.167 acre, parcel of land at 690 Pohukaina Street in Kakaako, Oahu, Hawaii, Tax Map Key No. (1) 2-1-051: 041 (Property). The Property is bound by Mother Waldron Park to the east, Pohukaina Street in the makai (south) direction, Keawe Street to the west, and the Halekauwila Place affordable rental project in the Mauka (north) direction. See attached **Exhibit A**, Location Map.
- B. Pursuant to Executive Order 4533, the Property has been set aside to HHFDC for educational and affordable housing purposes.
- C. The Property is NOT ceded land.
- D. Under the Hawaii Community Development Authority's (HCDA) Mauka Area Rules, the Property is zoned Mixed-Use, with a Floor Area Ratio (FAR) of 3.5 and a height limit of 400 feet.
- E. In January 2013, Forest City Hawaii, LLC (Forest City) was selected by HCDA through RFP to develop a mixed-use market and affordable residential apartment project at the Property. To enable a 75-year leasehold development, HCDA and Forest City collaborated with HHFDC for a public-private partnership for the leasehold development of a mixed-use project at the Property which incorporates residential units, a parking garage, and an educational complex to be developed by HHFDC with DOE in a 2nd phase, under a Condominium Property Regime (CPR). Subsequently, HCDA's Board deferred an action to approve Term Sheets between HCDA and Forest City. On October 13, 2016, the HHFDC Board discussed HHFDC's consideration, in the event of a termination of the HCDA RFP, to negotiate a development agreement with Forest City.
- F. In its November 10, 2016 meeting, the HHFDC Board approved a For Action approving Alakai Development LLC as an Eligible Developer for the Project, request for a set aside of the Property to HHFDC, creation of a CPR, execution of a development agreement and ground leases, and purchase of the ground lease at completion of construction.
- G. On February 17, 2017, HCDA cancelled the award for its RFP. On March 10, 2017, the Board of Land and Natural Resources (BLNR) approved the set aside of the Property to HHFDC for educational and affordable housing purposes; authorized HHFDC to create a CPR for the Project; authorized the method of payment for compensation for the use of the Property; and rescinded the prior BLNR action of August 24, 2012, which had approved in concept the conveyance of the Property to HCDA in fee simple for a proposed mixed-use project to be developed under HCDA's RFP.
- H. Negotiations between HHFDC, Alakai Development, and DOE regarding the Development Agreement were in motion since 2016 but were halted due to funding issues from DOE. See attached **Exhibit B**, Conceptual Site Plan.
- I. In the January 2021 monthly status report submitted to the Board, Staff disclosed that DOE's master plan to build the school is currently on hold due to financing issues. The legislature did not approve DOE's request for \$20 million in Capital Improvement Program (CIP) funds to finance the educational component during the legislature's Regular Session of 2020. At that time the order of magnitude cost for the educational component was \$63 million and DOE only had \$23 million in CIP funds available. DOE and Alakai Development had been working on a master plan for the project, but work on the master plan was halted when the requested CIP

funds were not approved. Accordingly, on November 9, 2020, HHFDC sent a letter to DOE, with a copy to Alakai Development, informing DOE that the Memorandum of Agreement between HHFDC and DOE dated September 9, 2019 was cancelled as of January 15, 2021.

III. DISCUSSION

- A. Due to DOE's lack of funding to plan the educational component, HHFDC is proposing to issue an RFP to master plan the Property for housing, parking, and the educational component, and to develop the housing, parking, and possibly some or all of the educational component.
- B. On August 18, 2021, DOE's representative reaffirmed the commitment to develop a public educational facility at the site (with approximately 25,000 square feet of land area or the school to be incorporated within the mixed-use affordable housing) and affirmed that DOE will work with HHFDC in developing its educational component. DOE is also interested in collaborating with the Developer in constructing shared parking and in preparation of the master plan incorporating a school facility. Although there is no concrete plan in place, DOE will continue to explore the first-of-its-kind vertical school facility.
- C. A new Memorandum of Agreement between HHFDC and DOE for the development of the project is being negotiated. DOE's major responsibilities are to participate in the Master planning process of the project, and to be responsible for securing all funds required for the development and construction of the school facility.
- D. HHFDC proposes to issue a request for proposal (RFP) for the leasehold development of a multi-family affordable housing project at 140% or below the U.S. Department of Housing and Urban Development area median income (AMI) for the duration of the 75-year lease term. The project includes the preparation of a master plan for affordable housing, commercial space, parking, amenities, and proposed public school.
- E. To encourage Offeror's interest due to the unusual risks in the development of this project, and to expedite development, HHFDC may provide up to two million dollars (\$2,000,000) of DURF financing to fund project costs. HHFDC may also procure professional services directly to support development of the project.

1. DURF Loan

Loan Amount:	Up to \$2 million
Borrower:	Developer of the Project
Interest rate:	3% compounded annually
Loan fee:	1 point
Loan Term:	To be determined upon HHFDC's approval
Security:	Irrevocable letter of credit or other security and instruments acceptable to HHFDC pursuant to Section 201H-43, HRS; non-recourse Loan

Special Conditions:

- a. The Successful Offeror's overhead, project management, and developer's fee shall not be paid from the DURF loan;

- b. All plans, approvals, and work products shall be assigned to HHFDC upon termination of the loan due to unfeasibility; and
 - c. The DURF loan will be forgiven if the project is determined to be unfeasible due to factors beyond the control of the Successful Offeror as determined by either the developer or HHFDC.
 2. If approved, this for action will be included in the RFP for the project.
 3. As of September 30, 2021, the balance of net available DURF funds is approximately \$7,481,071.
- F. This For Action seeks approval to issue an RFP for the Project. Major terms are as follows:
 1. Objective - To procure a qualified developer for the leasehold development, financing, ownership, and operation of a comprehensive master plan mixed used project including multi-family affordable housing, an educational complex, parking, and optional commercial space. The multi-family affordable housing project will cater to households at 140% or below the U.S. Department of Housing and Urban Development area median income (AMI) for the duration of the lease.
 2. Location - The parcel is in the Kakaako Community Development District Mauka Area, Pauahi Neighborhood Zone, and is under the regulatory jurisdiction of the Hawaii Community Development Authority (See **Exhibit C**, Kakaako Community Development District Mauka Area Map.)
 3. Major Project requirements of the RFP are:
 - a. Plan. The Successful Offeror should propose a master plan for a mixed used project incorporating affordable housing, the school facility, and optional commercial space.
 - b. Cost. The Successful Offeror will be responsible for all onsite and offsite costs necessary to develop and operate the project. Currently, the vacant lot and the existing commercial building are rented to Fisher Hawaii via revocable permit, and One Love Ministries and Hawaiian Dredging Company, Inc also have revocable permits for use of the lot. The existing building at the Property is planned to be demolished and the property will need to be cleaned up of any environmental waste.
 - c. Parking. The Successful Offeror shall construct a parking structure with sufficient parking stalls for residents, commercial customers, and possibly DOE's parking, with onsite bicycle parking, electric vehicle charging stations, and loading spaces. Successful Offeror shall negotiate with DOE to execute a sublease for DOE's required parking stalls, or alternatively, the parking structure may be made a common element of a CPR. The number of parking stalls shall be mutually agreed upon by the Parties and the cost associated with DOE will be borne by DOE.

- d. Amenities. The Successful Offeror will be responsible for the landscaping (e.g., such as shade trees, seating areas, and well-lit walkways) and amenities.
- e. Lease. Conveyance of the project site will be by a 75-year ground lease. The Successful Offeror shall propose a lease rent for the duration of the lease subject to HHFDC's approval.
- f. Future Education Component. The Successful Offeror must consider the DOE's requirements for the educational component, which is estimated at approximately 25,000 square feet of land area. The Successful Offeror will be required to collaborate with the DOE to determine their objectives and requirements. DOE is also open to the idea of incorporating the Educational component within the mixed-used multi-family housing structure(s).
- g. It is anticipated that the Successful Offeror will be seeking exemptions pursuant to HRS Section 201H-38.
- h. The Project shall obtain approvals for a new Environmental Assessment or Environmental Impact Statement, as applicable, pursuant to HRS Chapter 343.
- i. The RFP will be due on February 1, 2022, unless extended by HHFDC.

4. Draft evaluation criteria are as follows:

Criteria	Points
A. Offeror Qualifications	20
B. Project Design Concept and Strategy	20
C. Ability to Meet Time and Budget Requirements	15
D. Number of Affordable Units Proposed & Community Benefits	15
E. Financial Proposal	15
F. Management Proposal	15
TOTAL	100

5. A preliminary timetable for the RFP selection is as follows:

October 2021	RFP Advertised and Issued
December 2021	Deadline for Notice of Intent to Offer
January 2022	Deadline for Receipt of RFP Questions
February 2022	Proposals Due

IV. RECOMMENDATION

That the HHFDC Board of Directors approve the following for a proposed mixed-use development on approximately 2.167 acres of State land at 690 Pohukaina Street, Kakaako, Oahu, Hawaii, on TMK (1) 2-1-051: 041, substantially as described in this For Action:

- A. Issuance of a Request for Proposals;

- B. DURF budget and/or interim loan of up to two million dollars for development expenses;
- C. Negotiation and execution of a Development Agreement with the Successful Offeror for the Project; and
- D. Authorize the Executive Director to take all actions necessary to effectuate the purposes of this For Action.

Subject to the following:

- E. Availability of DURF funds;
- F. Approval of the release of DURF funds by the Governor;
- G. Approval as to form of applicable documents by the Department of the Attorney General and execution by the Executive Director; and
- H. Compliance with all laws and rules, and such other terms and conditions as may be required by the Executive Director.

Attachments: Exhibit A – Location Map
 Exhibit B – Conceptual Site Plan
 Exhibit C – Kakaako Community Development District Mauka Area Map

Prepared by:	Cheryl Kajitani, Development Specialist	<u> </u>
	Albert Palmer, Development Specialist	<u>AP</u>
Reviewed by:	Randy Chu, Development Section Chief	<u>RC</u>
	Dean Minakami, Development Branch Chief	<u> </u>

Approved by The Board of Directors at its meeting
OCTOBER 14, 2021
 on _____
DEVELOPMENT BRANCH

Please take necessary action.



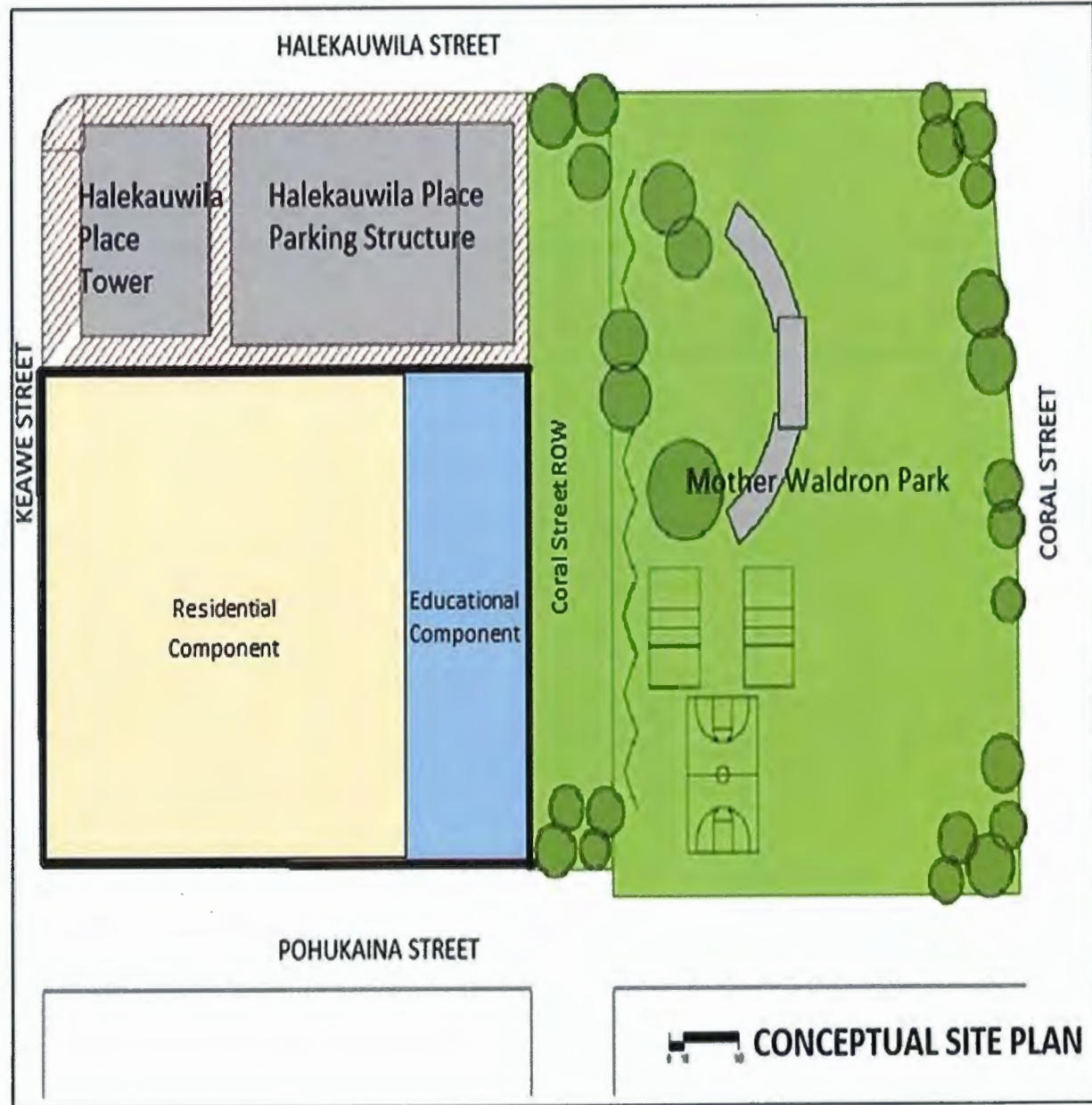
EXECUTIVE DIRECTOR

Location Map



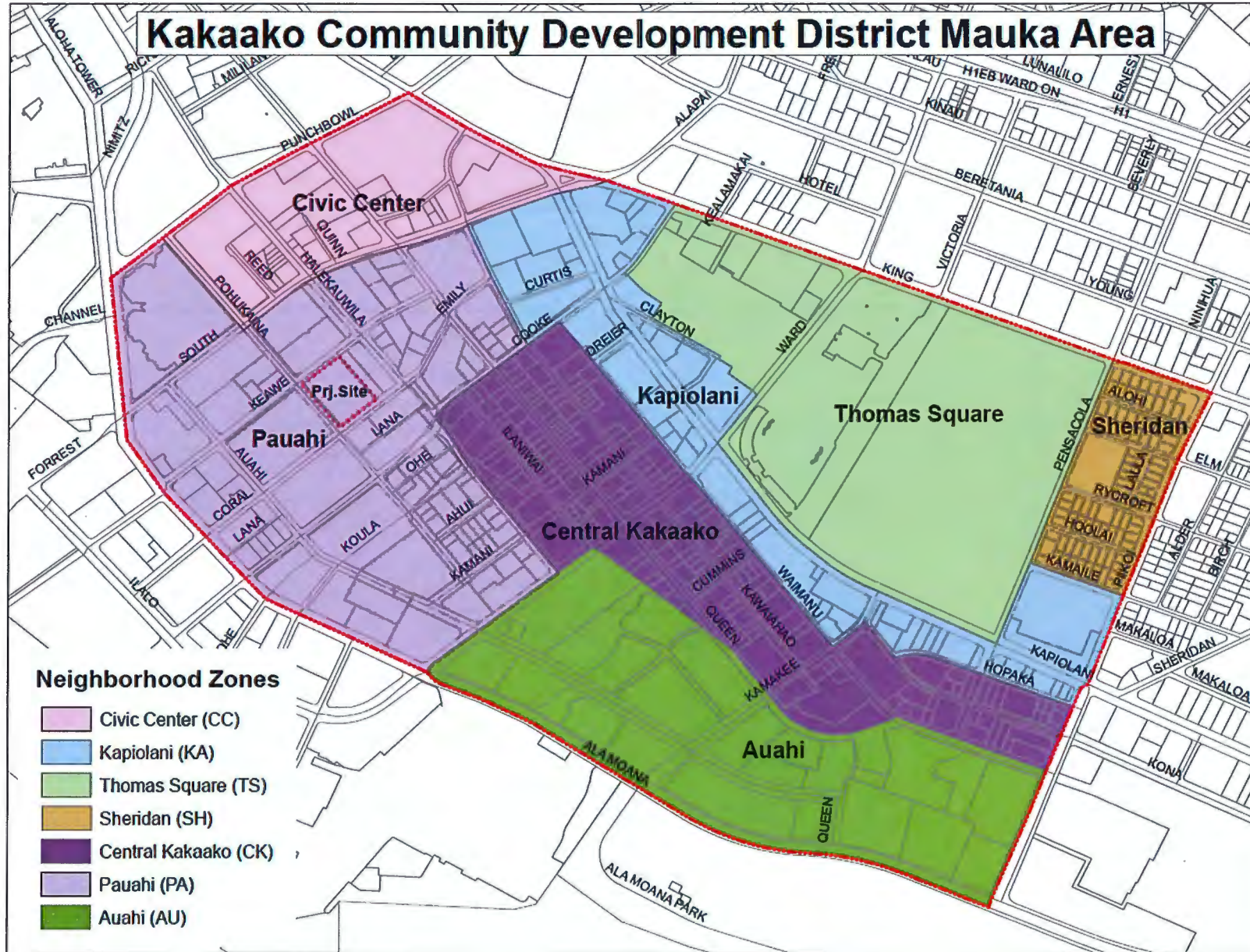
EXHIBIT A

EXHIBIT B



Conceptual Site Plan

Kakaako Community Development District Mauka Area



Kakaako Community Development District Mauka Area

EXHIBIT C