

FOR ACTION

I. REQUEST

Approve: (1) Issuance of a Request For Proposals; and (2) Dwelling Unit Revolving Fund Loan for the Kahului Civic Center Mixed-Use Complex Located at 153 West Kaahumanu Avenue, Kahului, Maui, TMK No.: (2) 3-7-004: 003

II. FACTS

Project: Kahului Civic Center Mixed-Use Complex
Address: 153 West Kaahumanu Avenue
HHFDC Involvement: Lessor
Type: Mixed-Use Project
Land Ownership: State of Hawaii
Land Tenure: Leasehold
No. of Units: Approximately 300 Units
Target Market: For-Sale and/or Rental
More than 50% of the Residential Units at 140% or below the U.S. Department of Housing and Urban Development Area Median Income (AMI)
Acreage: 5.572 Acres
TMK: (2) 3-7-004: 003

- A. The State of Hawaii owns the fee simple property at 153 West Kaahumanu Avenue, Kahului, Maui, Hawaii, TMK No. (2) 3-7-004: 003, totaling approximately 5.572 acres (Property), as shown on the attached **Exhibits A-1 and A-2**.
- B. The Property is NOT ceded land.
- C. On July 29, 2019, the Property was set aside to HHFDC by Executive Order No. 4590 for development of a mixed-use project consisting of multi-family affordable rental housing, office space/civic center, parking, new Maui bus hub and other incidental use purposes (Project). The Project is a collaboration between HHFDC and the Department of Accounting and General Services (DAGS).
- D. The Property is zoned B-2 and is currently being utilized for the Department of Education's (DOE's) adult education and lawnmower operations.
- E. On May 8, 2022, a Final Environmental Assessment (FEA) for the Project was published in the Environmental Review Program's bulletin, The Environmental Notice. The Project as described in the FEA includes 300 units multi-family housing, 66,000 square feet civic center, 5,000 square feet of neighborhood commercial, and 596 parking stalls. The civic center component includes space for DAGS offices, the public library, and DOE's McKinley Community School for Adults (MCSA). The attached **Exhibit B** is a Site Plan and **Exhibit C** is a massing study of the Project from the FEA, for information.
- F. The new Maui Bus hub is under construction on approximately 0.85 acre at the southeast portion of the Property.

III. DISCUSSION

- A. HHFDC proposes to issue a request for proposals (RFP) for the master planning, subdivision or creation of spatial units under a condominium property regime (CPR), and the leasehold development, ownership, operation, and/or sale of for-sale units in the residential component of the Project (Residential Project). DAGS will develop the civic center component of the Project as funding becomes available.

- B. This For Action seeks approval to issue an RFP for the Residential Project. Major terms proposed for the RFP are summarized as follows:
 - 1. Objective – To procure a qualified developer to develop a master plan of the Project, subdivide or CPR the Property, and develop, finance, own and operate and/or sell for-sale units at the Residential Project.

 - 2. Other major requirements proposed for the RFP are:
 - a. The developer will submit a proposal for a conceptual master plan for a mixed-use project consisting of a residential component, the civic center component, the new Maui bus hub, community-oriented commercial space (if any), parking, and other incidental uses.

 - b. After selection, the developer will develop the master plan, subdivide or create condominium spatial units for the specified uses, and develop in leasehold, the Residential Project;

 - c. The Residential Project may be a rental and/or a for sale project;

 - d. More than 50% of the units in the Residential Project shall be affordable to households at 140% or below the U.S. Department of Housing and Urban Development area median income (AMI);

 - e. Affordable rental units shall be affordable for the term of the ground lease;

 - f. Affordable for-sale units shall be subject to HHFDC's buy-back and shared appreciation requirements;

 - g. Conveyance of the site for the specified uses shall be by ground leases; the ground lease for the Residential Project and commercial component (if any) shall be for a term of up to 99 years, subject to HHFDC approval; the lease rent shall be as proposed by the developer;

 - h. The ground leases for the civic center and new Maui bus hub components shall be \$1/year for 65 years;

 - i. The civic center component will preferably include 66,000 square feet of floor area for DAGS offices, the public library, and DOE's McKinley Community School for Adults (MCSA), but shall have no less than 44,000 square feet of floor area;

- j. Five thousand (5,000) square feet of community-oriented commercial space may be proposed for the Residential Project or the civic center component, however if proposed, the commercial space shall be owned and operated by the developer;
- k. The developer will be responsible for all offsite and onsite costs necessary to develop, design, finance, entitle, own and operate and/or sell for-sale units in the Residential Project; and
- l. The developer shall be responsible for the security and maintenance of the civic center component from the time that the DOE MCSA vacates the Property until DAGS executes a ground lease for the civic center component.

3. Draft evaluation criteria are as follows:

Offeror qualifications	25 points
Project Design Concept and Strategy	20 points
Ability to Meet Time and Budget Requirements	10 points
Number of Affordable Units Proposed and Community Benefits	10 points
Financial Proposal	10 points
Maximum Present Value to HHFDC	10 points
Sustainability Plan and Commitment	5 points
Management Proposal	5 points
Completeness of Proposal	<u>5 points</u>
	100 points

4. A preliminary timetable for the RFP is as follows:

Sept. 2022	HHFDC Board approval to issue RFP
Nov. 2022	Issue RFP
Dec. 2022	Pre-Proposal Conference
March 2023	RFP Deadline
May 2023	Selection Committee recommends a proposal and developer
June 2023	HHFDC Board approval of proposal, developer and negotiation of Development Agreement
March 2024	Execute Development Agreement
Feb. 2025	Developer submits Consolidated Application for HHFDC financing
June 2025	Entitlements and Approvals
Aug. 2026	Permits
Aug. 2026	Commence Construction
Aug. 2028	Completes Construction

C. To encourage developer interest and facilitate development of the Residential Project, this For Action also seeks approval of up to \$5 million from the Dwelling Unit Revolving Fund (DURF) as an interim loan to the developer of the Residential Project under the following terms (DURF Loan):

Loan Amount: Up to \$5 million, excluding interest

Borrower: Developer of the Residential Project, or other affiliate entity approved by the Executive Director

Interest Rate: 5% per annum compounded annually

Loan Fee: 2 points

Loan Term: Five (5) years, with two 1-year options to extend at the sole discretion of the Executive Director, at one percent of the total loan amount per extension

Security: Ground lease of the Property (short-term; excluding the new Maui bus hub site); non-recourse loan; total debt of the Residential Project, including the DURF Loan, shall not exceed 100% of the total cost of the Residential Project; after subdivision or creation of the spatial units, the ground lease of the Property shall be terminated and replaced with the ground lease for the Residential Project as security for the DURF loan

Mortgage Priority: Junior mortgage; the DURF Loan shall not be enforceable prior to the maturity date of the first-priority construction loan;

Special Conditions:

1. The developer's overhead, project management, and developer's fee shall not be paid from the DURF Loan.
2. The DURF Loan will be forgiven if the Residential Project is determined to be unfeasible due to factors beyond the control of the developer, as approved by HHFDC. All plans, approvals and work product shall be assigned to HHFDC upon termination of the DURF Loan due to unfeasibility.
3. The DURF Loan will be repaid by the Residential Project's interim or permanent financing.
4. The Residential Project shall receive all discretionary approvals by June 30, 2025, unless otherwise extended by the Executive Director.
5. As of July 31, 2022, the balance of net available DURF funds is approximately \$42 million.¹

IV. RECOMMENDATION

That the HHFDC Board of Directors approve the following for development of a master plan, subdivision or creation of condominium spatial units for a mixed-use project, and the leasehold development of the Residential Project at the Kahului Civic Center Mixed-Use Complex, at Kahului, Maui, Hawaii, TMK No.: (2) 3-7-004: 003, substantially as described in this For Action:

- A. Issuance of a Request For Proposals;
- B. DURF Loan of up to \$5 million (excluding interest); and
- C. The Executive Director shall be authorized to take all actions necessary to effectuate the purposes of this For Action;

Subject to the following:

¹ Act 88, SLH 2021 appropriated to DURF for FY2022 \$20,000,000. This appropriation is not included in the estimated net available cash balance.

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

Attachments: Exhibit A – Location Maps of Property
 Exhibit B – Site Plan from the FEA
 Exhibit C – Massing Plan from the FEA

Prepared by: Stan S. Fujimoto, Project Manager SF

Reviewed by: Dean Minakami, Development Branch Chief m

Randy Chu, Development Section Chief rl

Approved by The Board of Directors at its meeting
 on September 8, 2022

Development Branch

Please take necessary action.

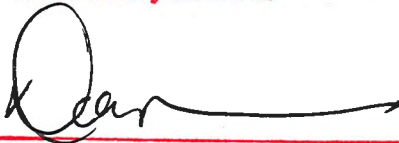
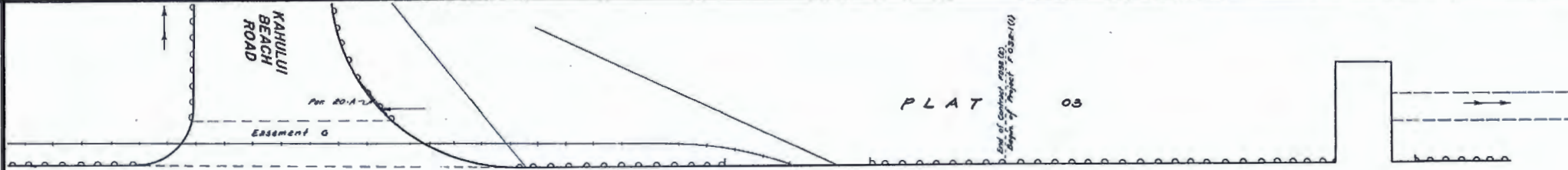

EXECUTIVE DIRECTOR



EXHIBIT A-1

REV 20 1938
REV 1 2 1947
REV 10 1949
REV 10 1951
REV 10 1954
REV 11 1974



- To Walluku

KAHUMANU AVENUE

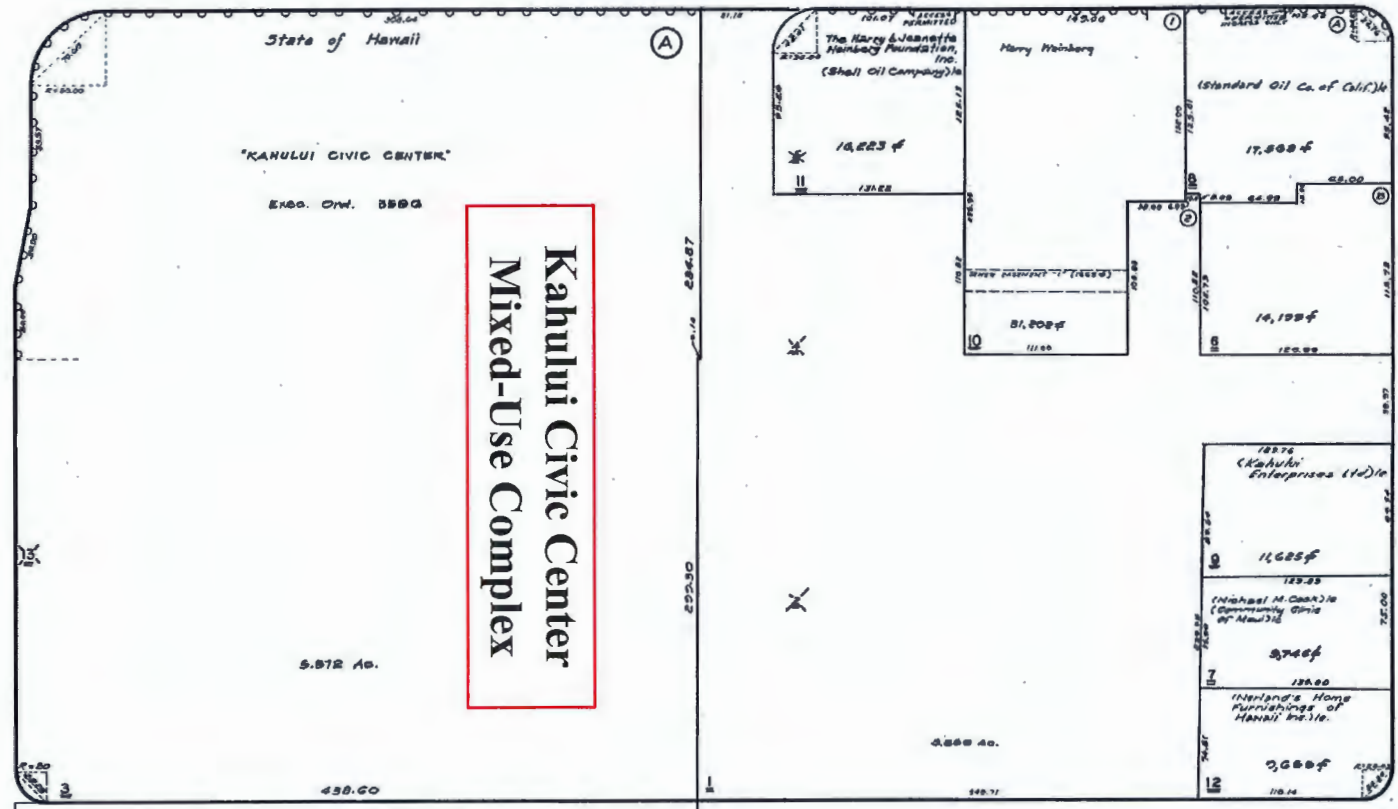
PLAT 03

To Paia ->

EXHIBIT A-2

PLAT 02

KANE STREET



**Kahului Civic Center
Mixed-Use Complex**

Kahului Lani Senior Project

AVE. LONO

PLAT 07

TRUE NORTH
1" = 30'

Parcels Dropped: 8, 2, 4, 13,

ADVANCE SHEET
SUBJECT TO CHANGE

SECOND DIVISION		
ZONE	SEC.	PLAT
3	7	04

UNLESS OTHERWISE NOTED.
CONTAINING 6 PARCELS
SCALE: 1/4" = 50 FT.

NOTE: ALL PARCELS OWNED BY ALEXANDER & BALDWIN, INC.

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For of KAHULUI, MAUI, File Plan 22

Map No. 1844
By: N.A. J.D.S.G.
Source: Rec. Maps Bureau

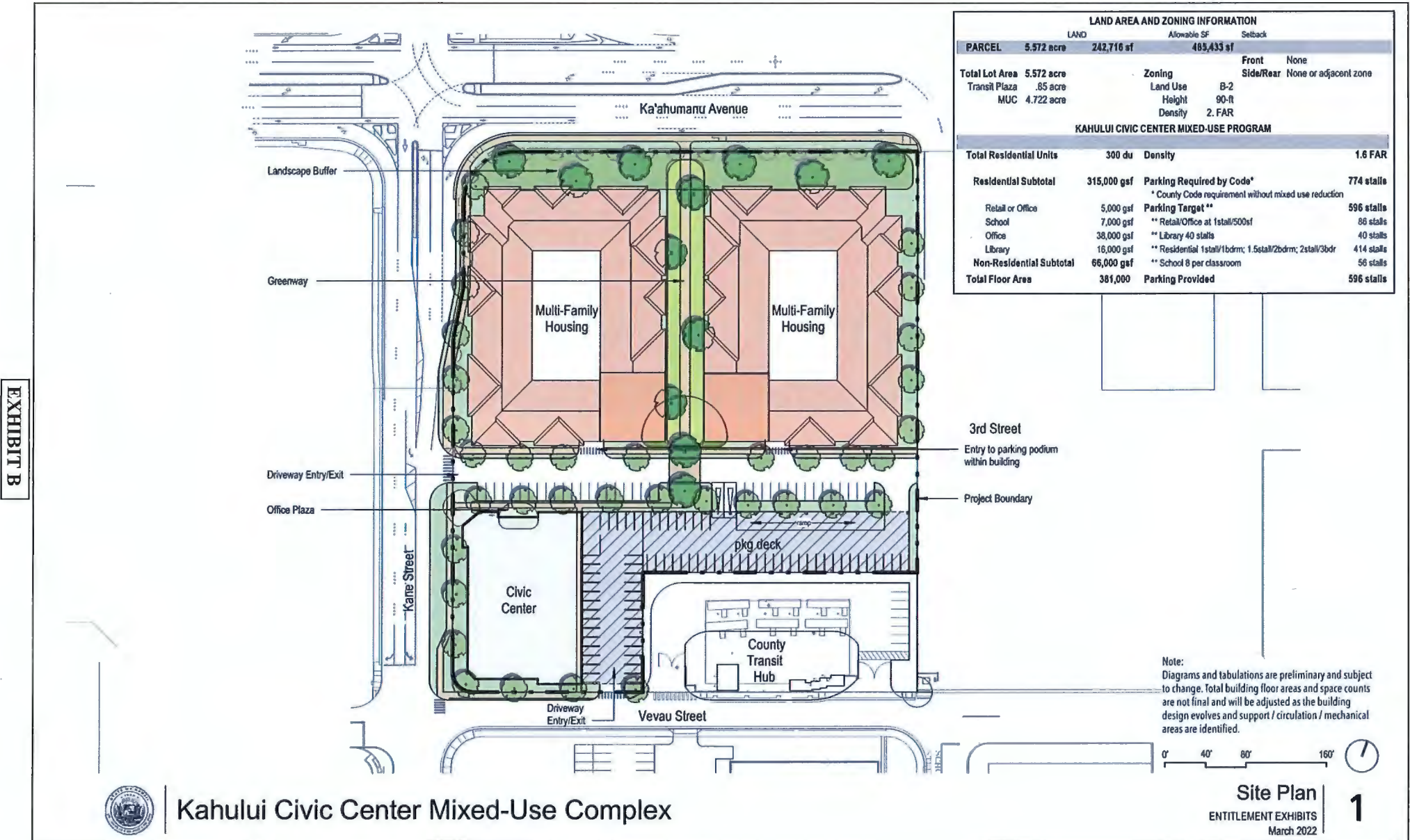


Figure 2-1

Conceptual Site Plan

EXHIBIT C



Disclaimer: View studies of the project are for planning purposes. They are preliminary, subject to change and will be adjusted with the design of the building.

Figure 2-3

View Along West Ka'ahumanu Avenue