EAR-63

TEACH

Integrating Technology, Education, Agricultural, Community & Health
For the Benefit of Humankind & Nature

TEACH CENTER @ OLD MAUI HIGH SCHOOL

RESPONSE TO COUNTY COUNCIL INQUIRIES

1. What are the source(s) of funding for the project?

A project such as the TEACH Center is phased, and each phase has different funding requirements and uses. Each phase of development is informed by and built upon the prior phase. The following is an outline of the different phases of the development plan, estimated funding requirements and sources of funding. The overall Project and vision is rolled out over a 3-5 year period. Re-use of the existing improvements and facilities will occur as early as Phase 2. The table below provides a summary of the estimated Phases of Development, Estimated Funding Requirements, the Source of Funding and the Uses.

Phase 1 - $3,250,000			
Phase of Development	**Est. Funding Requirement**	**Source of Funding**	**Uses**
Phase 1 **Studies, Reports, Community Engagement and Initial Planning** **(6 Months)**	$500,000	• Self Funding • Private Equity •	• Understanding the land and how to most effectively serve and benefit the community and the land. • Understanding the potential of the project.
Part 2 **Design, Architecture, Engineering, Master Planning, Initial Use of Existing Facilities, Initial Infrastructure, Initial Environmental Remediation.** **(12-18 months)**	$2,750,000	• Self Funding • Private Equity	• Engaging in the necessary planning, design and economic analysis to promote the success of the project. • Initial uses: 1) Agtech & Demonstration Farms, 2) Environmental Remediation Challenges, 3) Workshops, Festivals & Events, and 4) Convening Think Tanks

RECEIVED AT EAR MEETING ON 8/2/16
Committee Chair Guzman

Phase 2 – $47,500,000			
Phase of Development	**Est. Funding Requirement**	**Source of Funding**	**Uses**
<u>Part 1</u> - Adaptive Re-Use & Rehabilitation of Historic Campus; Infrastructure, Initial Operations (FF&E, Training, Staffing, Marketing) (Years 2-3)	$11,500,000	• Tax Credits • Private Equity • Debt (Private and Public-insured Loans (e.g., USDA) • PACE Assessment Financing • Project-Based Financing	• Patsy T. Mink Reception Center, Museum & Retail • Commercial Kitchen • Food Hub & Restaurant • Makers' Lab & Precision Machine Shop • Co-Working Space • Initial Innovation Center • Initial Educational Facilities • Amphitheatre, Stage & Park
<u>Part 2</u>. New Construction of Facilities with "Living Buildings" and integration of systems; full operation launch, marketing, administration and reserves. (Years 3-4)	$36,000,000	Each Component Project is financed separately with a combination of: • Debt (70%) • Equity (30%) • Project-specific partners (JV) • Other Sources (e.g., Grants, Sponsors)	• Campus & Worker Housing • Center for Regenerative & Local Living Economy • Innovation Center • Co-Working Space • Hawaiian Culture & Earth Wisdom Center • Optimal Wellness Center • Agtech & Aquatech Center • Youth Camp

Phase 3 – $5,250,000			
Phase of Development	Est. Funding Requirement	Source of Funding	Uses
Program Development, Training, Staffing, FF&E, Marketing, Operations. (Years 4-5)	$5,250,000	• Private Equity • Debt • Project-Based Financing	Full Operations including: • Environmental & Living Technologies Showcase • Incubation of Eco-Social Innovation • Educational programs • Green job training • Solutions think tanks • Integrated wellness programs • Youth programs & education • Indigenous wisdom for world health & peace
Total	**$56,000,000**		

- We have significant interest from equity investors, providers of federal historic tax credit financing and PACE financing.

- In addition to the equity investors for the TEACH facilities, we have been in discussion with investors for the underlying onsite businesses and the incubator articulated in the uses.

- Capital providers will spend significant time, energy, resources and money in due diligence and legal prior to providing capital and will first require an executed financeable lease (i.e., a long-term lease) prior to even seriously engaging in the process of providing capital.

- We have relationships with leaders of some of the largest Hawaiian businesses and intend to seek sponsors of various facilities and programs once we have done our master plan and virtual renderings.

- Paragraph F of the lease provides for termination of the lease if the performance milestones and deadlines set forth in Exhibit E, including financing, construction and operations, are not met.

2. Why the leases should be for terms of 60 years?

- We need a financeable lease term. A financeable ground lease will often contain a term of 50 to 99 years. At a minimum, lenders will usually require that the term of the lease extend at least 10 years beyond the final maturity date or amortization period of the loan. Public agency debt programs (e.g., Fannie Mae, Freddie Mac, USDA) offer 40 year amortizing loans. These loans are funded at stabilization, which typically requires several years of operations.

- The 60-year term also permits sufficient to realize a return of the significant investment in the buildings, infrastructure and component projects.

- 60 years was put in our original proposal and was accepted by, and negotiated with The Mayor's Office, Ed Kushi of County Counsel, Teena Rasmussen at Department for Economic Development, There is precedent for leases up to 65 years being issued by the State and County.

- We have spent significant time, money, resources and effort in preparing our proposal, presenting our plan and negotiating the lease. From inception, we made our moving forward contingent upon a 60-year term. It is has been over 18 months and we are not going to renegotiate the lease.

3. Why is there is a need for two separate leases?

- The 2 parcels make up the totality of OMHS. One parcel is owned by the State, the other by the County. They were supposed to be included together, however, due to State ownership and required DLNR approval for the State land, Ed Kushi felt it was best to separate them into 2 leases.

4. Why one lease is for zero rent and what is the consideration for that?

- The consideration for the lease is the time, effort, energy and money that we will be spending in due diligence, testing, planning, architecture, engineering, permitting, construction and operations, which, based upon our current understanding and vision for the project, is estimated at $56M.

5. **What kind of insurance covers damages?**

   - Paragraph 12 (Liability) and paragraph 13 (Fire) of the lease cover the insurance requirements.

6. **Who is responsible for 3rd party damages?**

   - The Lessee is responsible. Paragraph 10 controls the responsibilities and indemnity of the Lessee arising from actions, suits and claims of 3rd parties. The Lessee is required to indemnity the County from any liability.

7. **Why can't the County end the lease on shorter notice?**

   - In paragraph F, Lessor is given 30 days after reasonable notice to cure. This is a very short period of time, especially given the nature and size of our investment. The financial markets and equity investors require notice and opportunity to cure any covenant default given the significant investment made in the Project and its component parts.