

BUSINESS REPORT



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Office tower to become affordable housing

The Queen Emma Building in downtown Honolulu could be ready in May 2020

By Andrew Gomes
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An abandoned office tower eyesore in downtown Honolulu is slated for a face-lift, but its "pimples" will remain under a plan to convert the building into affordable housing.

The Queen Emma Building, also affectionately known as the "pimple building" for its architectural arrangement of brick ends protruding from exterior walls, has been empty for more than a decade despite a string of different owners trying to make new uses of the 12-story tower built in 1964.

An affordable-housing development partnership received approval Thursday from a state board to finance a \$33 million acquisition and conversion of the building to provide 71 rental apartments for low-income households.

Board members of the Hawaii Housing Finance and Development Corp., a state agency that helps produce affordable housing, unanimously agreed to provide Queen Emma Partners LP, led by Makani Maeva and Paul Fortino, with about \$35 million in bonds, a loan and tax credits for the project.

"This is a big step," Fortino said.

Maeva and Fortino have a contract to buy the property for \$3.5 million and still face some challenges, which include producing an environmental assessment for the historic property and having retrofit design plans approved by the city. If they are successful, construction could start in June and be finished in May 2020.

Office space in the building would be configured into 34 studios, seven one-bedroom units and

30 two-bedroom units. Monthly rents would be \$998 for studios, \$1,071 for one-bedroom units and \$1,299 for two-bedroom units. Tenants would be allowed to earn no more than 60 percent of the annual median income for Honolulu, which equates to \$49,020 for a single person, \$55,980 for a couple or \$69,960 for a family of four. Also, four studios would be reserved for households earning half that much and rented for \$448 a month.

Affordable rents linked to incomes would have to stay in place for 61 years as part of the financing.

HHFDC board member Leilani Pulmano said the Queen Emma Building is the agency's first project adapting a commercial building for affordable housing.

"I really like that," she said. "We have a lot of empty commercial real estate spaces. This is an exciting sort of venue for us to be in."

The building's history includes two prior attempts at adaptive reuse as college dorms and condominiums for seniors. A man died last year trying to cut live copper electrical wiring in the closed-off building.

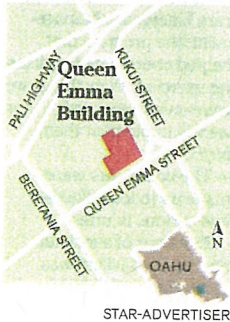
The dormitory plan was pursued by Honolulu resident Armand Behpour, who bought the building in 2006. Behpour started construction, but work was derailed by a legal dispute with a development partner and the property was sold through foreclosure in 2010.

Maui contractor Greg Hatcher of GC Pacific Inc. was the next owner and had a plan to create senior housing managed by Wilson HomeCare. Hatcher ran into trouble and in 2013 lost the property to foreclosure.

An affiliate of Woodbridge Co. Ltd., a family investment firm based in Canada which



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The Hawaii Housing Finance and Development Corp. agreed to give \$35 million in bonds to Queen Emma Partners LP to help transform the abandoned 12-story office building at 1254 Queen Emma St., pictured above, into affordable housing, shown in a rendering at right.



COURTESY QUEEN EMMA PARTNERS LP

owns a majority stake in media company Thomson Reuters, bought the building in 2015 and is the current owner.

Maeva is the principal of Kailua-based Ahe Group, which has been involved in about a dozen Hawaii affordable-housing projects including River Pauahi, Whitmore Circle, Hausten Gardens and Banyan Street Manor. Fortino is president of Florida-based development firm Southport Financial Services.

At a Downtown/China-town Neighborhood Board

meeting last year, some residents expressed support for affordable housing, but others opposed the plan by Maeva and Fortino. One community member, according to board meeting minutes, expressed interest in using the site for a dog park. Other concerns were raised over the impact on the neighborhood and a lack of parking.

There are 15 parking stalls on the site that would be available for tenants.

Maeva said the building is within walking distance of two planned city transit

stations as well as downtown businesses, making it ideal for housing.

"This is a unique opportunity to do an adaptive reuse," she said. "People don't think of the resources that we already have within the central (urban) core. Everybody just drives by and

says, 'Aw, this thing's ugly.' I think this is a really good opportunity now that we're thinking about more walkable communities."

Added Fortino, "Land resources aren't just laying around here. You have to take what you have and make it into what you need."

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(Committee Chair Crivello)