

DAVID Y. IGE
GOVERNOR



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STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

677 QUEEN STREET, SUITE 300
Honolulu, Hawaii 96813
FAX: (808) 587-0600

IN REPLY REFER TO:

18:DEV/0102

July 5, 2018

The Honorable Mike White, Chair
County Council
County of Maui
200 South High Street
Wailuku, Hawaii 96793

Dear Chair White:

Subject: Kahului Civic Center Mixed-Use Project
153 West Kaahumanu Avenue
Kahului, Maui, Hawaii
TMK No. (2) 3-7-004: 003
70 South High Street
Wailuku, Maui, Hawaii
TMK No. (2) 3-4-013: 014

On June 14, 2018, the Board of Directors of the Hawaii Housing Finance and Development Corporation (HHFDC) approved the following for the above subject proposed Kahului Civic Center Mixed-Use Project consisting of office space/civic center uses, a new Maui Bus hub, affordable rental housing, parking and ancillary uses at 153 West Kaahumanu Avenue, Kahului, Maui, Hawaii, TMK No. (2) 3-7-004: 003 (Kahului Property), and 70 South High Street, Wailuku, Maui, Hawaii, TMK No. (2) 3-4-013: 014 (Project):

1. A Memorandum of Understanding between the County of Maui (County), the Department of Accounting and General Services (DAGS), and HHFDC;
2. Request for a set aside of the Kahului Property;
3. Condominium property regime and/or subdivision of the Kahului Property;
4. Right-of-Entry to the County to the Kahului Property for the Maui Bus hub;

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GENERAL COMMUNICATION NO. 18-7

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5. Issuance of 65-year ground leases at \$1/year to DAGS for the office space/civic center uses and to the County for the Maui Bus hub, and 75-year ground lease(s) to the HHFDC developer of the affordable rental housing at the Kahului Property; and
6. A budget from the Dwelling Unit Revolving Fund for master planning and land use approvals for the Project.

A copy of the approved For Action is enclosed.

Your support of this critically needed mixed-use project, which includes the new Maui Bus hub and rental housing affordable to families at 60% or below the U.S. Department of Housing and Urban Development area median income, would be greatly appreciated.

Should there be any questions or comments regarding this matter, please contact Stan S. Fujimoto, Project Manager, at 587-0541.

Sincerely,



Craig K. Hirai
Executive Director

Enclosure

cc: Senator Gilbert Keith-Agaran, letter only
Representative Justin H. Woodson, letter only
Representative Troy N. Hashimoto, letter only
Representative Kyle T. Yamashita, letter only

FOR ACTION

I. REQUEST

Approve: (1) a Memorandum of Understanding Between the Hawaii Housing Finance and Development Corporation, the Department of Accounting and General Services (DAGS) and the County of Maui (County); (2) Request For a Set Aside of the Property; (3) Condominium Property Regime and/or Subdivision; (4) Right-of-Entry to the County; (5) Issuance of Ground Leases; and (6) a Budget from the Dwelling Unit Revolving Fund for the Development of the Kahului Civic Center Mixed-Use Project Located at the Kahului Civic Center Site at 153 West Kaahumanu Avenue, Kahului, Maui, TMK No.: (2) 3-7-004: 003 and at 70 South High Street, Wailuku, Maui, TMK No.: (2) 3-4-013: 014

II. FACTS

- 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 Exhibit A.
- B. The Property was set aside to the Department of Accounting and General Services (DAGS) by Executive Order (E.O.) No. 3586 dated May 20, 1993 for Kahului Civic Center purposes.
- C. The Property is NOT ceded land.
- D. The Property is zoned B-2 and is currently being utilized for Department of Education's adult education and lawnmower operations.
- E. The County of Maui (County) Department of Transportation is required to vacate the Maui Bus transit hub at Queen Kaahumanu Center by January 31, 2020 and would like to relocate the transit hub to a new location on approximately 0.5 acre at the Property along Vevau Street (New Maui Bus Hub).
- F. The County owns a parcel of land at 70 South High Street, Wailuku, Maui, Hawaii, 96793, adjacent to DAGS' Wailuku Civic Center, also known as the State Office Building (SOB), totaling approximately 18,502 square feet, 0.425 acre, TMK (2) 3-4-013: 014 (County Wailuku Parcel), which the County has indicated may be available for long-term lease to DAGS at \$1/year for 65 years in exchange for a long-term lease to the County for the portion of the Property for the New Maui Bus Hub. See attached Exhibit B.
- G. By Senate Concurrent Resolution No. 145, S.D. 1, the Senate of the Twenty-ninth Legislature of the State of Hawaii, Regular Session of 2017, has requested that HHFDC, DAGS and the County work together to:
 - 1. Explore the feasibility of transferring the Property to HHFDC for the purpose of developing a mixed-use rental housing project that includes consideration of DAGS' civic center needs in Kahului and Wailuku, Hawaii; and

2. Enter into a memorandum of understanding, if appropriate, to execute the transfer.
- H. On February 1, 2018, HHFDC and DAGS entered into a Memorandum of Understanding (HHFDC-DAGS MOU) to optimize development of the Property with a mixed-use project consisting of multi-family affordable rental housing, office space/civic center, parking, the New Maui Bus Hub, and other incidental uses, which may include the County Wailuku Parcel as part of the office space/civic center portion of the project (Project).
- I. In 2018, the Hawaii State Legislature appropriated \$2.5 million of Capital Improvement Program (CIP) funds to HHFDC for the Project, including the New Maui Bus Hub¹.
- J. In 2018, the Hawaii State Legislature also appropriated \$10 million in Dwelling Unit Revolving Fund (DURF)², which includes, subject to HHFDC Board of Directors' approval, \$1.5 million for the Project.

III. DISCUSSION

- A. This For Action seeks approval of a Memorandum of Understanding (MOU) between DAGS, the County and HHFDC which is proposed to include the following major terms:
1. HHFDC obligations:
 - a. Administration and disbursement of the CIP funds
 - (1) Funds may be used for any Project related expense as approved by HHFDC;
 - (2) Payment requests shall be submitted to HHFDC together with supporting material justifying payment;
 - (3) Payments shall be made payable to the County, for payment to its vendor;
 - (4) HHFDC may also withdraw funds for Project related expenses;
 - (5) All contracts shall name the State of Hawaii, Department of Land and Natural Resources (DLNR), DAGS, and HHFDC as additional indemnitees and additional insured parties;
 - b. Seek HHFDC Board approval of up to \$1.5 million in DURF funds appropriated by the 2018 Legislature for the Project, and release of funds by the Governor;
 - c. Seek approval from the HHFDC Board for a set aside of the Property to HHFDC for the Project, subject to approval by the Board of Land and Natural Resources (BLNR) of the cancellation of the existing E.O. No. 3586;
 - d. Subject to BLNR approval of the cancellation of E.O. No. 3586, issuance of an E.O. of the Property to HHFDC, and completion of construction of the New Maui Bus Hub, issue a ground lease to the

¹ H.B. No. 1900, H.D. 1, S.D. 2, C.D. 1, Twenty-Ninth Legislature, 2018, Item No. 27.01, at page 95.

² H.B. No. 2748, H.D. 2, S.D. 2, C.D. 1, Twenty-Ninth Legislature, 2018.

County for 65 years at \$1/year for the portion of the Property for the New Maui Bus Hub (Bus Hub Ground Lease);

- e. Procure a consultant for hazardous materials assessment, master plan and HRS Chapter 343 Environmental Assessments and Special Management Area Use Permit for the Project;
- f. Procure a developer under a request for proposals (RFP) process for development of the Project in accordance with the HHFDC-DAGS MOU;

2. DAGS obligations:

- a. Request BLNR for a cancellation of the existing E.O. No. 3586 and issuance of a new E.O. to HHFDC for the Project;
- b. Until cancellation of the E.O. No. 3586, issue rights-of-entry less than 14 days per entry³ to the County for the planning, design, construction and/or operation of the New Maui Bus Hub;
- c. Accept a 65-year, \$1/year ground lease of the County Wailuku Parcel from the County in a form acceptable to DAGS and the County for the development and operation of an office building with ancillary parking;
- d. Provide the program requirements for the office space/civic center uses and parking for the Project;

3. County obligations:

- a. Provide and authorize use of studies relating to the County Wailuku Parcel;
- b. Authorize rights-of-entry to HHFDC's consultant(s) to the County Wailuku Parcel for the planning and design of the Project;
- c. Issue a 65-year ground lease of the County Wailuku Parcel at \$1/year to DAGS for development and operation of an office building with ancillary parking;
- d. Until E.O. No. 3586 is cancelled, obtain rights-of-entry to the Property less than 14 days per entry from DAGS; after a management right-of-entry or a new E.O. is issued to HHFDC, obtain any rights-of-entry to the Property from HHFDC;
- e. Complete an Environmental Assessment (EA) for the New Maui Bus Hub pursuant to Chapter 343, HRS, in accordance with a plan approved by DAGS and HHFDC;
- f. Be the proposing and accepting agency for the EA for the New Maui Bus Hub;

³ Rights-of-entry longer than 14 days requires BLNR approval.

- g. Be responsible for procuring all consultants and contractors for the planning, design and construction of the New Maui Bus Hub in compliance with Chapter 103D, HRS;
 - h. The County shall not commence construction of the New Maui Bus Hub at the Property until a Notice to Proceed has been issued by HHFDC and a right-of-entry for construction has been issued by DAGS or HHFDC, as applicable;
 - i. Accept the Bus Hub Ground Lease after completion of construction when offered by HHFDC;
 - j. Agree to a conversion of the Bus Hub Ground Lease to a condominium conveyance document when a condominium property regime is created for the Project;
 - k. Maintain insurance acceptable to HHFDC in full force and effect throughout the term of this MOU;
 - l. Indemnify, defend and hold the State of Hawaii, DLNR, DAGS and HHFDC harmless against any losses arising out of any act or omission of the County under this MOU;
4. This MOU shall continue until the earliest to occur of the following:
- a. Any party may terminate this MOU with sixty (60) days' prior written notice to the other parties; or
 - b. Fulfillment of the objectives of this MOU.
5. The MOU shall not be binding unless approved by the County Council (if required).
- B. HHFDC contemplates that development of the New Maui Bus Hub will occur as follows:
- 1. Planning, design and construction under a right-of-entry from DAGS or HHFDC, as applicable;
 - 2. After completion of construction, HHFDC will issue the Bus Hub Ground Lease to the County; and
 - 3. After a condominium property regime is created for the Project, the Bus Hub Ground Lease shall be converted to an appropriate condominium conveyance document.
- C. The HHFDC-DAGS MOU indicates that HHFDC will procure a consultant to complete hazardous materials assessments, a master plan and certain land use approvals, and procure a developer for the Project through an RFP process. HHFDC contemplates that development of the Property will require a condominium property regime to legally separate the separate ownership and mixed-uses of the office space/civic center, affordable rental housing, and the New Maui Bus Hub, and the issuance of 65-year ground leases to DAGS and the County for their respective components, and 75-year ground leases to the HHFDC affordable rental developer.

D. The County is desirous of expediting the planning, design, and construction of the New Maui Bus Hub. At a meeting with the Mayor of the County of Maui, County staff, DAGS and HHFDC on May 10, 2018, DAGS indicated that to facilitate development of the Project, they will seek BLNR approval to cancel the existing E.O. No. 3586 and issue a new E.O. to HHFDC for the Project. Based on this meeting and the HHFDC-DAGS MOU, this For Action also seeks approval of the following:

1. Request for a Set Aside of the Property to HHFDC for the Project;
4. Creation of, and amendments to a condominium property regime, and/or subdivision, as necessary, for the legal separation of the New Maui Bus Hub, office space/civic center uses, and affordable rental housing components at the Property;
5. Right-of-Entry to the County in the event that BLNR cancels the existing E.O. No. 3586 and issues HHFDC a management right-of-entry pending the issuance of the set aside to HHFDC;
6. After completion of construction of the New Maui Bus Hub, issuance of a ground lease of the New Maui Bus Hub property to the County for 65 years⁴ at \$1/year in a form acceptable to HHFDC;
7. Issuance of a ground lease of the office space/civic center uses at the Property to DAGS for 65 years⁵ at \$1/year in a form acceptable to HHFDC and DAGS; and
8. Issuance of ground leases of the affordable rental component to a designee of HHFDC as approved by the Executive Director, for 75 years⁶ at \$1/year.

E. The County's proposed budget for the New Maui Bus Hub is as follows:

	County Funds	CIP Funds	Total
Planning	\$280,000	\$0	\$280,000
Design	\$370,000	\$0	\$370,000
Construction	\$0	\$2,000,000	\$2,000,000
Construction Management, Contingencies, Permits, Utilities' Connection Fees	\$0	\$500,000	\$500,000
Total	\$650,000	\$2,500,000	\$3,150,000

F. This For Action also seeks approval of a budget of up to \$1.5 million for the planning of the Project from the DURF funds appropriated by the 2018 Legislature, subject to Governor's approval of the appropriation.

1. On June 1, 2018, HHFDC received proposals from G70 which includes the following community planning services for the Project:

⁴ Leases to governments and agencies limited to 65 years. Section 171-95(a)(2), HRS.

⁵ Ibid.

⁶ Exemptions for leases for low and moderate income projects. Section 171-84, HRS.

- a. Phase 1 hazardous waste site assessment for the County Wailuku Parcel and sampling and testing at the Property to determine the presence of lead and asbestos, and need for supplemental investigations to address abatement, based on findings;
 - b. Conduct workshop meeting with HHFDC and DAGS to verify program and range of alternatives to evaluate; confirm program and development strategy in meetings with HHFDC, DAGS, and County agencies;
 - c. Prepare up to three alternative master plan concepts for the County Wailuku Parcel and the Property;
 - d. Prepare a preliminary engineering report to investigate on-site/off-site utility requirements to support each of alternative master plan concepts, with a projection of costs;
 - e. Topographic survey;
 - f. Update geotechnical report done for County of Maui office building project at the County Wailuku Parcel and conduct soils borings at four representative locations at the Property to provide conclusions and recommendations regarding foundation conditions and mass grading;
 - g. Conduct two community meetings for each of the County Wailuku Parcel and the Property during the Environmental Assessment (EA) process;
 - h. Update the EA done for County of Maui office building project at the County Wailuku Parcel and complete an EA for the Property;
 - i. Presentations at up to two meetings of the Urban Design Review Board for each of the County Wailuku Parcel and the Property;
 - j. Obtain Special Management Area Use Permit for the Property; and
 - k. Processing of plans for subdivision approval for the Property.
2. Based on the G70 proposals received, the proposed DURF budget for planning for the Project is as follows:

County Wailuku Parcel	\$ 450,000
Property	900,000
Contingency	<u>150,000</u>
Total	\$1,500,000

3. As of April 30, 2018, the balance of net available DURF funds is approximately \$12.5 million.⁷

⁷ On July 13, 2017, the HHFDC Board approved a preliminary commitment of funds up to \$15 million from DURF to finance the development of Phase 1 of the Alder Street project. The Legislature (SLH 2017) appropriated \$25 million for FY 2018 and (SLH 2018) appropriated \$10 million for FY 2019 to DURF. These appropriations have not been included in the total cash available.

IV. RECOMMENDATION

That the HHFDC Board of Directors approve the following for the development of the Kahului Civic Center Mixed-Use Project at 153 West Kaahumanu Avenue, Kahului, Maui, TMK No.: (2) 3-7-004: 003 and at 70 South High Street, Wailuku, Maui, TMK No.: (2) 3-4-013: 014, substantially as described in this For Action:

- A. A Memorandum of Understanding between the Hawaii Housing Finance and Development Corporation, the Department of Accounting and General Services, and the County of Maui;
- B. Request for a set aside of the Property at 153 West Kaahumanu Avenue to HHFDC for the Project;
- C. Creation of, and amendments to a condominium property regime, and/or subdivision, as necessary, of the Property at 153 West Kaahumanu Avenue for legal separation of the mixed-uses, including the New Maui Bus Hub;
- D. Right-of-Entry to the County for the New Maui Bus Hub;
- E. Issuance of ground leases at the Property for the New Maui Bus Hub to the County, and for the office space/civic center use to DAGS, for 65 years at \$1/year, and for the affordable rental component(s) to designee(s) of HHFDC as approved by the Executive Director, for 75 years at \$1/year;
- F. Approval of a budget of up to \$1.5 million from the DURF funds appropriated by the 2018 Legislature for the Project, as such budget may be amended by the Executive Director; and
- G. The Executive Director shall be authorized to take all actions necessary to effectuate the purposes of this For Action;

Subject to the following (as applicable):

- H. Cancellation of the existing Executive Order No. 3586 and receipt of a set aside of the Property;
- I. Governor's approval of the 2018 Legislative appropriation and allotment of \$2.5 million in CIP funds to HHFDC for the Project, including the New Maui Bus Hub;
- J. Governor's approval of the 2018 Legislative appropriation of \$10 million in DURF funds to HHFDC;
- K. Availability of DURF funds;
- L. Approval of release of DURF funds by the Governor;
- M. Approval of ground leases at the Property by the Board of Land and Natural Resources;
- N. Approval as to form of applicable documents by the Department of Attorney General and execution by the Executive Director; and

- O. 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 of Property
Exhibit B – Location Map of County Wailuku Property

Prepared by: Stan S. Fujimoto, Project Manager SE

Reviewed by: Rick Prahler, Development Branch Chief MP

Approved by The Board of Directors at its meeting
on JUN 14 2018

DEVELOPMENT BRANCH

Please take necessary action.


EXECUTIVE DIRECTOR

EXHIBIT A-1



EXHIBIT B-1





**County
Wailuku
Parcel**

FOR PROPERTY ASSESSMENT PURPOSES - SUBJECT TO CHANGE

DEPARTMENT OF
REAL PROPERTY TAXATION
COUNTY OF MAUI
PLAT

SECTION	3
SECTION	4
PLAT	13

EXHIBIT B-2