

STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
Land Division
Honolulu, Hawaii 96813

August 10, 2018

Board of Land and Natural Resources
State of Hawaii
Honolulu, Hawaii

OAHU

Consent to Lease of Lands under Governor's Executive Order No. 4533 to Fisher Hawaii Inc., Kakaako, Honolulu, Oahu, Tax Map Key: (1) 2-1-051:041.

CONTROLLING AGENCY (of subject executive order):

Hawaii Housing Finance and Development Corporation

APPLICANT (requesting lease):

Fisher Hawaii Inc.

LEGAL REFERENCE:

Section 171-11, Hawaii Revised Statutes (HRS), as amended.

ZONING:

State Land Use District: Urban
City and County of Honolulu LUO: Kakaako Commercial Development District

TRUST LAND STATUS:

Section 5(a) lands of the Hawaii Admission Act, i.e. Non-ceded.
DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: No

CURRENT USE STATUS:

Governor's Executive Order No. 4533 to Hawaii Housing Finance and Development Corporation (HHFDC) for educational and affordable housing purposes.

LEASE TERMS & CONDITIONS:LOCATION:

Portion of Government lands situated at Kakaako, Honolulu, Oahu, identified by Tax Map Key: (1) 2-1-051:041, as shown on **Exhibit A**.

AREA:

94,423 square feet, more or less.

CHARACTER OF USE:

Warehousing plus wholesale and retail sales of office products purposes

TERM:

Three (3) years with no options to renew, commencing on February 11, 2019.

RENT AMOUNT:

\$11,000 per month, escalated by 3% per year, payable to the Department of Land and Natural Resources.

CHAPTER 343 - ENVIRONMENTAL ASSESSMENT:

In accordance with Hawaii Administrative Rules (HAR) Section 11-200-8 and the Exemption List for the Department of Land and Natural Resources approved by the Environmental Council dated June 5, 2015, the subject request is exempt from the preparation of an environmental assessment pursuant to Exemption Class No. 1, Item No. 47. See **Exhibit B**.

DCCA VERIFICATION (for Applicant):

Place of business registration confirmed:	YES <u>x</u>	NO <u> </u>
Registered business name confirmed:	YES <u>x</u>	NO <u> </u>
Applicant in good standing confirmed:	YES <u>x</u>	NO <u> </u>

REMARKS:Governor's Executive Order No. 4533 to HHFDC

On August 24, 2012, item D-15, the Board approved in concept the conveyance of the fee simple interest of the subject parcel to Hawaii Community Development Authority (HCDA). The proposed conveyance was intended to facilitate the development of the parcel by private developer into a mixed-use market and affordable residential apartment project, through a competitive request for proposal ("RFP") process undertaken by

HCDA. The Department was to receive a share in the revenue generated from the proposed development.

While HCDA was negotiating with the selected developer for the project mentioned above, HHFDC and DOE started discussions with HCDA and the Department regarding modifying the components of the project by incorporating additional affordable units and a public school. The parties met with the Administration and ultimately it was decided that the project would best be managed by HHFDC. HHFDC will become the lead agency in overseeing the eventual development of the parcel.

The project, as modified, will be divided into two (2) phases to be processed through a condominium property regime process (Project). Developer will be responsible for a mixed market/affordable residential tower together with 13,000 square feet of commercial floor area. Together with the respective proportionate share of parking stalls, they are defined as Phase 1 of the Project. DLNR will be paid by the Developer under the new deal in an amount based upon the appraised value of the land used by the Developer, as restricted by its affordable housing requirement. The Department and HHFDC will enter into a memorandum of agreement regarding the method of payment of compensation to the Department. For Phase 2, HHFDC will prepare another RFP for the development of another affordable residential tower and other public facilities desired by HHFDC.

On March 10, 2017, Item D-2, the Board rescinded its prior action of August 24, 2012, Item D-15, conveying the fee to HCDA, and authorized the issuance of an executive order to HHFDC.

General Lease No. 6097 to HCDA

On December 12, 2015, under item D-15, the Board authorized the issuance of a direct lease (GL6097) to HCDA for managing the subject parcel. Under GL6097 which commenced on August 11, 2016, HCDA is allowed to sub-lease the parcel to private parties, including Fisher Hawaii Inc, and deduct its operating and maintenance expenses from the revenue. The remaining portions of the rental would come to the Department. GL 6097 is scheduled to expire on February 10, 2019.

Proposed lease between HHFDC and Fisher Hawaii Inc.

HHFDC and Fisher Hawaii Inc. tentatively agreed to a new lease and license agreement which is scheduled to commence on February 11, 2019 at a monthly rent of \$11,000 for the same character use under the current sublease between HCDA and Fisher Hawaii Inc. A copy of the accepted Letter of Intent between the parties is attached as **Exhibit C**.

HHFDC intends to keep the presence of Fisher Hawaii Inc. on the parcel until the start of the construction to maintain the condition of the parcel and help to prevent the formation of homeless encampments.

Upon approval of today's request, HHFDC will enter into a formal lease agreement to be approved by the Department of the Attorney General.

Staff did not solicit comments from government agencies other than HHFDC. There are no other pertinent issues or concerns, and staff have no objection to the request.

RECOMMENDATION: That the Board:

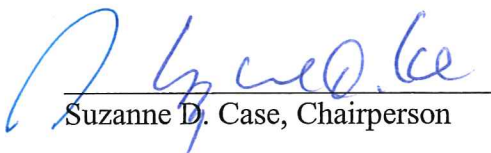
1. Declare that, after considering the potential effects of the proposed disposition as provided by Chapter 343, HRS, and Chapter 11-200, HAR, this project will probably have minimal or no significant effect on the environment and is therefore exempt from the preparation of an environmental assessment.
2. Consent to the lease between Hawaii Housing Finance and Development Corporation and Fisher Hawaii Inc., subject to any applicable conditions cited above which are by this reference incorporated herein and further subject to the following:
 - A. The standard terms and conditions of the most current lease form, as may be amended from time to time;
 - B. Review and approval by the Department of the Attorney General; and
 - C. Such other terms and conditions as may be prescribed by the Executive Director, Hawaii Housing Finance and Development Corporation to best serve the interests of the State.

Respectfully Submitted,

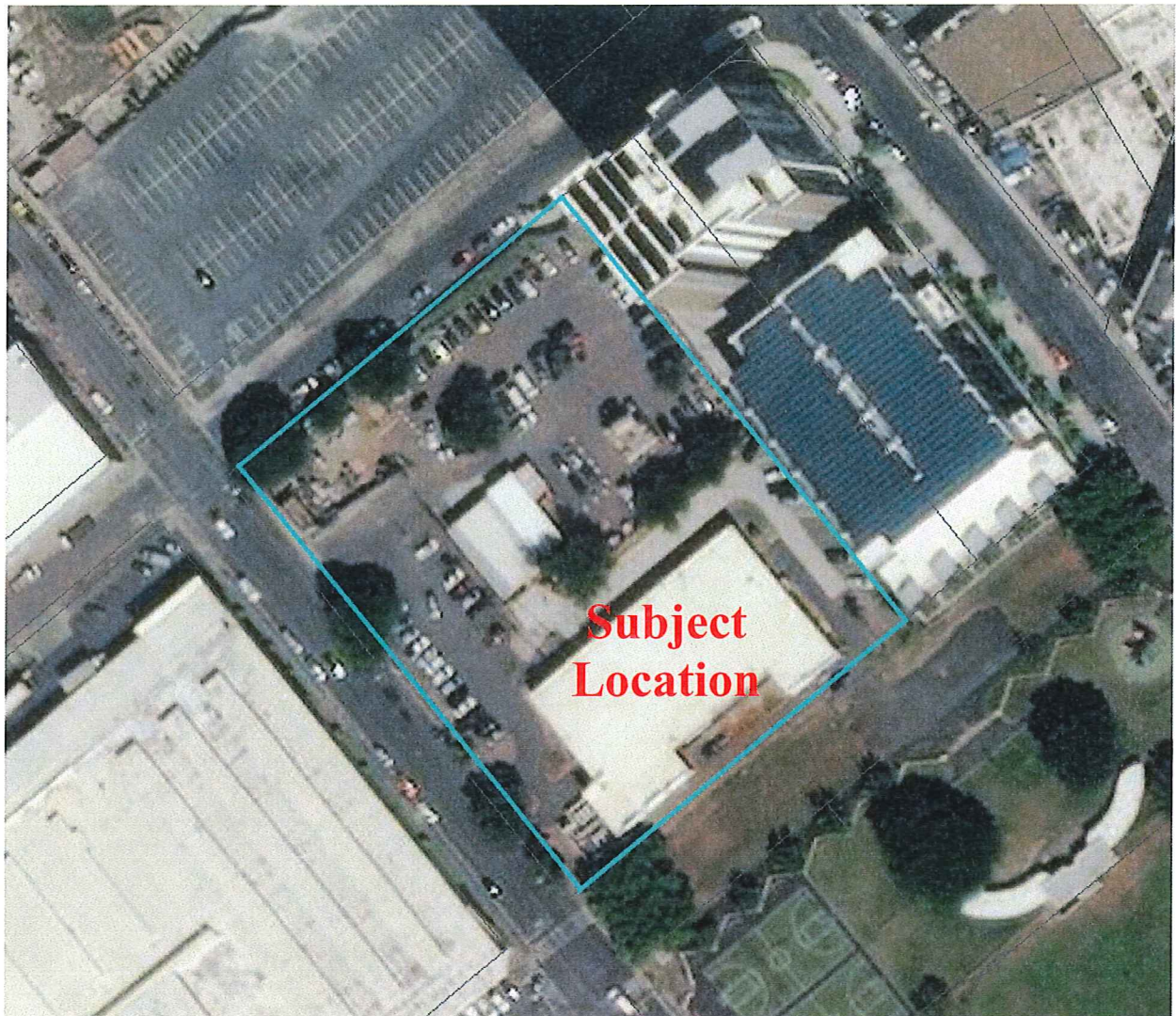


Barry Cheung
District Land Agent

APPROVED FOR SUBMITTAL:



Suzanne D. Case, Chairperson



TMK (1) 2-1-051:041

EXHIBIT A

EXEMPTION NOTIFICATION

Regarding the preparation of an environmental assessment pursuant to Chapter 343, HRS and Chapter 11-200, HAR.

Project Title:	Issuance of lease to Fisher Hawaii Inc.
Project / Reference No.:	EO 4533.
Project Location:	Kakaako, Honolulu, Oahu, Tax Map Key: (1) 2-1-051:041.
Project Description:	For warehousing plus wholesale and retail sales of office products.
Chap. 343 Trigger(s):	Use of State Land.
Exemption Class No.:	In accordance with the Exemption List for the Department of Land and Natural Resources approved by the Environmental Council dated June 5, 2015, the subject request is exempt from the preparation of an environmental assessment pursuant to Exemption Class No. 1, Item 47, that states "lease of State land involving negligible or no expansion or change of use beyond that previously existing."
Cumulative Impact of Planned Successive Actions in Same Place Significant?	No, the requested location has been used for same purposes since 2015 under a lease managed by a different agency. Therefore, staff believes the issuance of a new lease has no significant effect on the environment.
Action May Have Significant Impact on Particularly Sensitive Environment?	No. The subject location has been used for similar purposes prior to the subject request. As such, staff believes there would be no no significant impact to sensitive environment on the parcel.
Analysis:	The request is an extension of the existing lease other than the change in the management State agency. As such staff believes that the request would involve negligible or no expansion or change in use of the subject area beyond that previously existing.
Consulted Parties:	Hawaii Housing Finance and Development Corporation.
Recommendation:	That the Board find this project will probably have minimal or no significant effect on the environment and is presumed to be exempt from the preparation of an environmental assessment.

EXHIBIT B

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
EXECUTIVE DIRECTOR

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

677 QUEEN STREET, SUITE 300
HONOLULU, HAWAII 96813
FAX: (808) 587-0600

IN REPLY REFER TO:
18:AM/178

May 22, 2018

Al Hirata
General Manager / Vice President
Fisher Hawaii Inc.
950 Mapunapuna Street
Honolulu, HI 96819

RECEIVED
HAWAII HOUSING FINANCE
DEVELOPMENT CORP.
2018 JUN 14 A 10:23

Re: 690 Pohukaina Street – Letter of Intent

Dear Mr. Hirata,

Thank you for your interest in a new lease and license agreement ("Lease") for commercial space at 690 Pohukaina Street in Kakaako (the "Property"), where you currently have a sublease from the Hawaii Community Development Authority ("HCDA") through February 10, 2019.

On May 19, 2017, Governor Ige issued Executive Order No. 4533 setting the Property aside to Hawaii Housing Finance and Development Corporation ("HHFDC") for affordable housing and educational purposes. In conjunction with the Department of Education, HHFDC is planning a two-phase, mixed-use development of the Property with 590 affordable and market-rate rental housing units; a public elementary school; approximately 13,000 s.f. of commercial space; and structured parking (the "Mixed-Use Project").

HHFDC's lease of the Property to HCDA expires on February 10, 2019. With the Mixed-Use Project is in its pre-development phase, the following are terms upon which HHFDC would consider entering into a new lease and license agreement with Fisher Hawaii Inc.

Landlord: HHFDC

Tenant: Fisher Hawaii Inc.

Premises: The approximately 20,000 SF building located at 690 Pohukaina St., on the lot with Tax Map Key number ("TMK") (1)-2-1-051:041, being the same building Tenant currently occupies.

Tenant shall also have an exclusive right of use over a portion of the lot and parking lot more or less equivalent to the portion of the lot and

EXHIBIT "C"

Fisher Hawaii Inc.
Re: 690 Pohukaina Street – Letter of Intent
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parking lot currently in use by Tenant. This will include appurtenant driveways and loading areas.

Condition: “As-is” condition.

Use: Warehousing plus wholesale and retail sales of office products.

Commencement Date: February 11, 2019

Term: Three (3) years with no options to renew.

Termination Right: After the first nine (9) months, each of Landlord and Tenant shall have an ongoing option to terminate the Lease with three (3) months’ prior written notice.

Base Rent: \$11,000/month.

Base Rent shall escalate by 3% per year.

Additional Rent: Lease shall be structured as an Absolute Net Lease. Tenant shall be responsible for Real Property Taxes, insurance, maintenance (including structural and exterior), and other applicable issues concerning the Premises. Tenant shall maintain the Premises in its entirety. Landlord notification and consent will be required for certain major repairs and maintenance. Interior tenant alterations may be permitted with Landlord’s prior review and approval.

Payment of Rent: Payment of Base Rent and Additional Rent shall be made to the Department of Land and Natural Resources (“DLNR”).

Utilities and Services: Tenant shall pay for, and be responsible for obtaining service from, all utilities and services servicing the premises.

Security Deposit: Tenant shall deposit with Landlord the sum of one month’s gross rent to secure its performance under the Lease and License Agreement.

Insurance: Tenant shall carry and maintain insurance of the types and in the amounts required by the State of Hawaii and as specified in the Lease and License Agreement.

Lease and License Agreement: Landlord shall deliver to Tenant a form of a Lease and License Agreement document conforming generally to the terms and conditions of this Letter of Intent.

Execution of the Lease and License Agreement shall be subject to approval by the Board of Land and Natural Resources.

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Parking: Tenant shall have exclusive use of the parking areas included within its exclusive right of use as contemplated in the above section "Premises."

Landlord and Tenant acknowledge that this Letter of Intent is not a Lease and License Agreement, presents no warranties or representations, is not legally binding upon any party in any way, and that it is intended as the basis for the preparation of a Lease and License Agreement by Landlord. The Lease shall be subject to Landlord's and Tenant's approval, and only a fully executed Lease shall constitute a Lease and License Agreement for the Premises. Landlord makes no warranty or representation to Tenant that acceptance of this proposal will guarantee the execution of a Lease and License Agreement for the Premises. The final terms of any Lease and License Agreement may differ from this Letter of Intent and may include items not contemplated in this Letter of Intent pursuant to negotiations and approval by Landlord and Tenant.

Should you have any questions regarding this lease proposal, please call Albert Palmer, Housing Development Specialist II, at 587-0500.

Sincerely,



Craig K. Hirai
Executive Director

AGREED AND ACCEPTED:

Fisher Hawaii Inc.

Name: ALVIN A. HIRATA

Title: VP/GM

Date: 6/4/18