

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

November 9, 2018

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

PSF No. 18OD-130

Oahu

Cancellation of Governor's Executive Order No. 1274; Issuance of Quitclaim Deed and Issuance of Management Right-of-Entry to Hawaii Public Housing Authority; Kalaepohaku and Kapalama, Honolulu, Oahu, Tax Map Key: (1) 1-6-009:003

APPLICANT:

Hawaii Public Housing Authority ("HPHA").

LEGAL REFERENCE:

Sections 171-11, -55, and -95, Hawaii Revised Statutes, as amended.

LOCATION:

Portion of Government lands situated Kalaepohaku and Kapalama, Honolulu, Oahu, Tax Map Key: (1) 1-6-009:003 as shown on the attached maps labeled as **Exhibit A**.

AREA:

12.481 acres, more or less.

ZONING:

State Land Use District: Urban
City and County of Honolulu Land Use Ordinance: R-5 and A-2.

TRUST LAND STATUS:

Section 5(b) lands of the Hawaii Admission Act

DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: No

CURRENT USE STATUS:

Governor's Executive Order No. 1274, setting aside 12.481 acres to Hawaii Housing Authority (now known as Hawaii Public Housing Authority); and

Perpetual, non-exclusive easement (LOD 25767) to Hawaiian Electric Company Inc. for utilities purposes.

PERMITTED USES:

Public housing, affordable senior rental housing units and complementary neighborhood commercial-type and/or community uses, parking, and administrative offices.

CONSIDERATION:

Gratis

CHAPTER 343 - ENVIRONMENTAL ASSESSMENT:

The Final Environmental Impact Statement (FEIS) for the subject project was published in the OEQC's Environmental Notice on May 8, 2018. The Governor accepted the FEIS on July 17, 2018.

DCCA VERIFICATION:

Not applicable. Government agency.

APPLICANT REQUIREMENTS:

None

REMARKS:

In 1948, Governor's Executive Order No. ("EO") 1274 set aside 13.440 acres for Lanakila Emergency Homes, currently known as Puahala Homes to be under the control and management of Hawaii Housing Authority, now known as Hawaii Public Housing Authority ("HPHA").

In 1955, pursuant to EO 1704, 0.088 acre was withdrawn for road widening purposes. In 1968, 0.871 acre was withdrawn by EO 2385 and reset aside to the Department of Accounting and General Services for Senior Opportunity Center purposes pursuant to EO 2386. Currently, Catholic Charities Hawaii, a non-profit entity, is running the daily operation of the Center.

At present, HPHA utilizes the 12.481-acre parcel as its administrative office and maintenance base yard, in addition to the public housing project, the Puahala Homes.

The location is further identified as TMK (1) 1-6-009:003. HPHA has identified an approximate 6.6-acre portion of the subject parcel suitable for redevelopment into the proposed uses mentioned above (**Exhibits B1 and B2**).

The HPHA's Board of Directors meeting on October 18, 2018 approved the following:

- 1) Request the Board of Land and Natural Resources (BLNR) Approve and Recommend to the Governor Issuance of Executive Order Canceling Executive Order No. 1274 That Set Aside Land for Lanakila Emergency Homes;
- 2) Request the BLNR Authorize the Transfer of Land Situated at Kalaepohaku and Kapalama, Honolulu, Oahu, Tax Map Key No. (1) 1-6-009-003, Subject to a Reverter Clause Agreed to by BLNR and the Hawaii Public Housing Authority Executive Director, to the Hawaii Public Housing Authority Under Section 171-95(a)(1), Hawaii Revised Statutes, Subject to an Executive Order Cancelling Executive Order No. 1274 That is Not Disapproved of By the Legislature; and
- 3) Authorize the Hawaii Public Housing Authority Executive Director to Take Any and All Action Related to These Requests.

A copy of HPHA's request is attached as **Exhibit C**.

Staff also notes that the justification from HPHA regarding its request for a fee transfer is provided on page 2 on Exhibit C. HPHA "believes that holding title to the land directly will streamline the ability of the HPHA and its partner to develop the Proposed Project, removing uncertainties that could negatively affect the underwriting, analysis and investment decisions of the multiple lenders, Low Income Housing Tax credit (LIHTC) investors and their consultants who be investing in and lending to the Proposed Project."

The reverter clause in the deed will provide that in the event HPHA uses the land: (1) for purposes that are inconsistent with public housing, affordable senior rental housing units and complementary neighborhood commercial-type and/or community uses, parking, and administrative offices; or (2) for commercial purposes only, and such purposes are not in direct implementation of its mission, then the title to the land shall automatically revert to the Board. Staff believes the reverter will help ensure the corpus of the public trust land inventory will not be depleted in the future.

Staff notes that any executive order signed by the Governor is subject to disapproval by the Legislature in the next following session. Therefore, staff recommends the Board authorize the issuance of a management right-of-entry while the cancellation EO is subject to legislative review and pending the issuance of the quitclaim deed.

Staff did not solicit comments for the subject request as comments were solicited during the environmental assessment process.

RECOMMENDATION: That the Board:

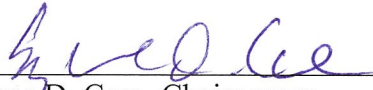
1. Approve of and recommend to the Governor issuance of an executive order canceling Governor's Executive Order No. 1274 and further subject to the following:
 - A. The standard terms and conditions of the most current executive order document form, as may be amended from time to time;
 - B. Disapproval by the Legislature by two-thirds of either the House of Representatives or the Senate or by a majority vote by both in any regular or special session next following the date of the setting aside;
 - C. Review and approval by the Department of the Attorney General; and
 - D. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.
2. Issuance of a management right-of-entry to the Hawaii Public Housing Authority covering the subject area under the terms and 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 right-of-entry document form, as may be amended from time to time;
 - B. The right-of-entry permit shall expire upon issuance of the requested quitclaim deed; and
 - C. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.
3. Authorize issuance of a quitclaim deed to the Hawaii Public Housing Authority covering the subject area under the terms and 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 quitclaim deed form, as may be amended from time to time;
 - B. In the event the Hawaii Public Housing Authority uses the land: (1) for purposes that are inconsistent with public housing, affordable senior rental housing units and complementary neighborhood commercial-type and/or community uses, parking, and administrative offices; or (2) for commercial purposes only, and such purposes are not in direct implementation of its mission, then the title to the land shall automatically revert to the Board of Land and Natural Resources;

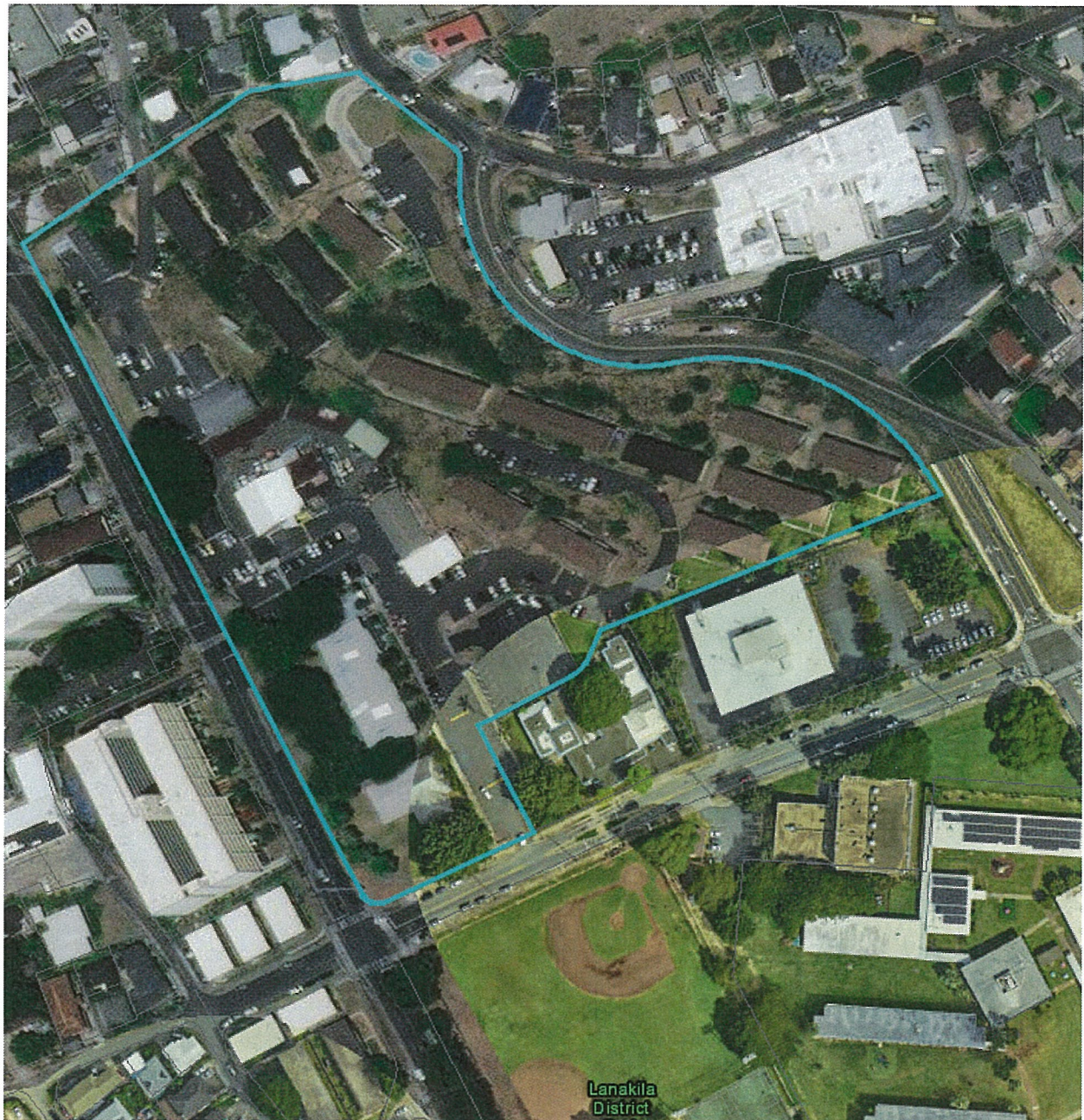
- C. Review and approval by the Department of the Attorney General; and
- D. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully Submitted,


Barry Cheung
District Land Agent

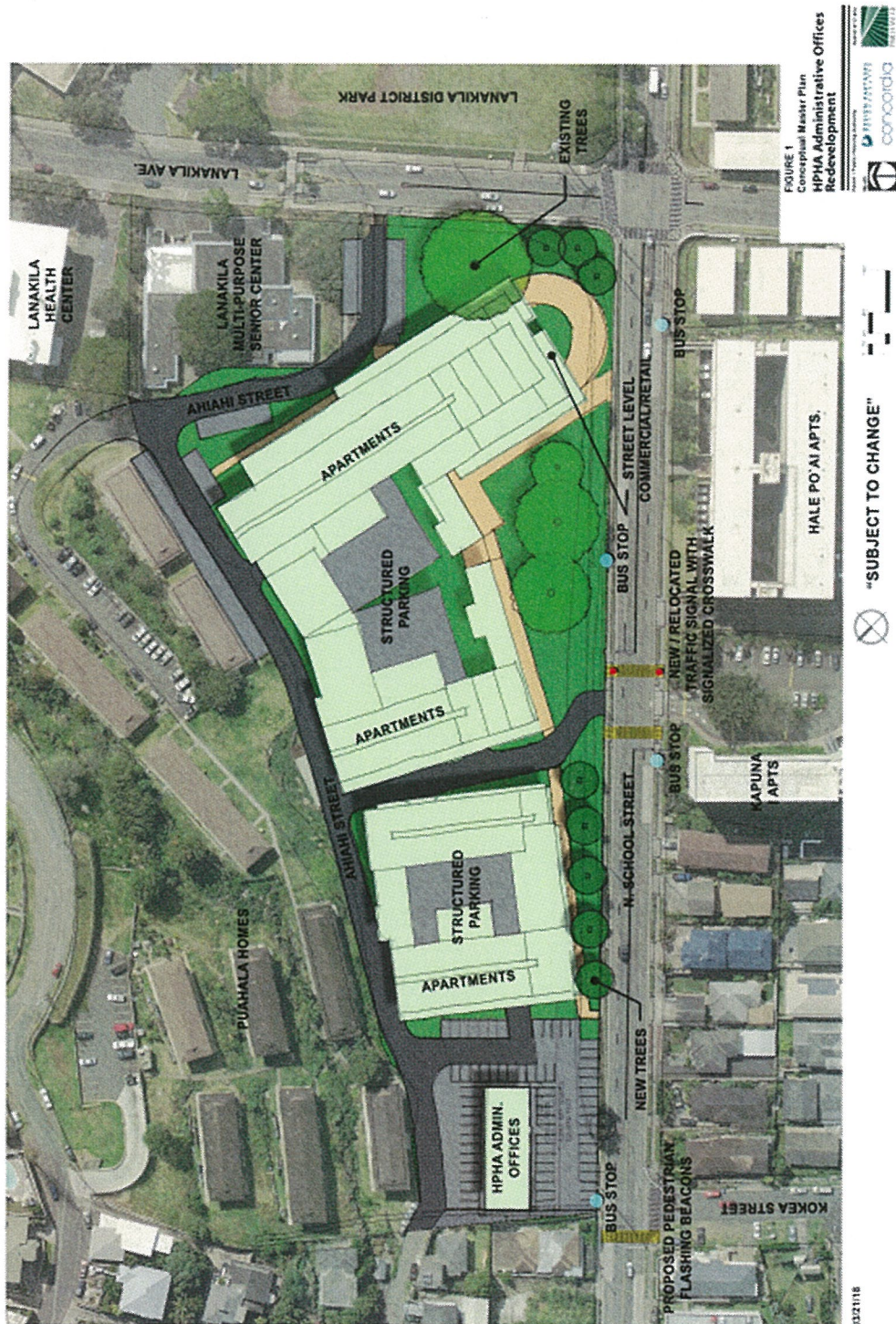
APPROVED FOR SUBMITTAL:


Suzanne D. Case, Chairperson



TMK (1) 1-6-009:003

EXHIBIT A



TMK (1) 1-6-009: portion of 003

EXHIBIT B1



TMK (1) 1-6-009: portion of 003

EXHIBIT B2

DAVID Y. IGE
GOVERNOR



HAKIM OUANSAFI
EXECUTIVE DIRECTOR

BARBARA E. ARASHIRO
EXECUTIVE ASSISTANT

STATE OF HAWAII
HAWAII PUBLIC HOUSING AUTHORITY
1002 NORTH SCHOOL STREET
POST OFFICE BOX 17907
HONOLULU, HAWAII 96817

IN REPLY PLEASE REFER TO:
18-OED-66

October 23, 2018

Ms. Suzanne Case
Chairperson and State Historic Preservation Officer
Hawai'i Department of Land and Natural Resources
601 Kamokila Boulevard, Suite 555
Kapolei, HI 96707

Subject: Request for Cancellation of Executive Order No. 1274, and Transfer of Land
Situated at Kalaepohaku and Kapalama, Honolulu, Oahu,
Tax Map Key No. (1) 1-6-009-003, to the Hawaii Public Housing Authority

Dear Chairperson Case:

Please accept this letter as the Hawaii Public Housing Authority's (HPHA) official request that the Board of Land and Natural Resources (BLNR):

1. Approve and recommend to the Governor issuance of an executive order canceling Governor's Executive Order No. 1274, dated November 15, 1948, that set aside land for the purpose of Lanakila Emergency Homes; and
2. Approve the transfer of land situated at Kalaepohaku and Kapalama, Honolulu, Oahu, Tax Map Key No. (1) 1-6-009-003, to the HPHA, subject to a reverter clause agreed to by the BLNR and the HPHA Executive Director, under section 171-95(a)(1), Hawaii Revised Statutes (HRS), provided that the Legislature does not disapprove of an executive order canceling Executive Order No. 1274.

If approved by the BLNR, the HPHA will be able to proceed with its proposed redevelopment of 800 new low-income senior rental housing units, office spaces, and possible commercial spaces.

Background, Proposed Use of the Property and Purpose:

HPHA is proposing to redevelop a portion (approximately 6.6 acres) of a land parcel identified as TMK parcel number: (1) 1-6-009:003, totaling 12.481 acres, located at 1002 North School Street, Kapālama, Honolulu, Hawai'i (the "Property"). The Property is currently subject to Executive Order ("EO") No. 1274 dated November 15, 1948, that set aside 13.44 acres of land

for Lanikila Emergency Homes (now called Puahala Homes) under the control and management of the Hawaii Housing Authority (predecessor to the HPHA). See Attachment 1 (EO No. 1274). The original acreage in EO No. 1274 was subsequently reduced by withdrawals of land.

EO No. 1704 dated November 2, 1955, withdrew an area of 3,824 square feet of land from EO No. 1274. See Attachment 2 (EO No. 1704). Then, EO No. 2385 dated June 4, 1968, withdrew 0.871 acres of land from EO No. 1274, and this land was then set aside by EO No. 2386 to the Department of Accounting and General Services for Senior Opportunity Center purposes. See Attachment 3 (EO Nos. 2385, 2386). The withdrawals of land from EO No. 1274 results in the current total of 12.481 acres as shown on the attached City & County of Honolulu tax plat map. See Attachment 4.

The approximate 6.6 acres of land that HPHA plans to redevelop currently contains HPHA's administrative offices and parking lots. The area to be redeveloped is outlined in purple on Figure 3: Aerial Photograph, and Figure 4: Tax Map Key Parcel, which are enclosed as Attachments 5 and 6. The area of the Property comprising the Puahala Homes is not part of the proposed redevelopment, but is part of TMK parcel number: (1) 1-6-009:003.

HPHA's primary objective for the proposed redevelopment is to facilitate the delivery of 800 urgently needed new low-income rental units to help address the existing affordable housing crises across the State of Hawai'i. To accomplish this, HPHA proposes to consolidate its existing 13-building administrative campus into a single, efficiently designed, 30,000 square foot office building, occupying a significantly smaller footprint on the Property, thereby allowing the balance of the remaining state land to be more effectively utilized for the development of a new, mixed-use development containing 800, new, age-restricted low-income rental housing units. The target market for the proposed residential units are lower-income senior residents whose incomes are between 30% and 60% of the area median income (AMI). Ancillary commercial use and complimentary neighborhood commercial-type and/or community uses up to 10,000 square feet may also be provided (hereinafter referred to as the "Proposed Project").

Through an RFQ process, the HPHA selected Retirement Housing Foundation (RHF) as its partner to develop the Proposed Project. The HPHA and RHF executed a Predevelopment Agreement in 2016 to engage master planning and environmental review. A Final Environmental Impact Statement for the Proposed Project was completed in April 2018, and accepted by the Governor on July 17, 2018.

Justification for Land Transfer under section 171-95(a)(1), HRS:

Under section 171-95(a)(1), HRS, the BLNR is allowed, without public auction, to "sell public lands at such price and on such other terms and conditions as the [BLNR] may deem proper to. . . other governmental agencies authorized to hold lands in fee simple[.]" The HPHA is authorized by statute to hold lands in fee simple.

The Property is located an area that has a high concentration of low-income public housing. HPHA's Puahala Homes I-IV and Hale Po'ai and Hali'a Hale properties surround the Property limiting the potential development options for the land and HPHA believes that low-income senior housing is the highest and best use of the Property.

The Proposed Project is also a highly complex undertaking that will be executed in multiple phases with onsite construction estimated to be completed over a total construction period of at least 8 – 10 years, costing approximately \$400 million dollars. The HPHA believes that holding title to the land directly will streamline the ability of the HPHA and its partner to develop the Proposed Project, removing uncertainties that could negatively affect the underwriting, analysis and investment decisions of the multiple lenders, Low Income Housing Tax Credit (LIHTC) investors and their consultants who will be investing in and lending to the Proposed Project. This is particularly important given the extended development period of the Proposed Project and as market forces for funding and financing will fluctuate over time and through market cycles. Additionally, the HPHA believes that lenders and investors would view the transaction more favorably knowing that they will be transacting with a single state entity with a specific mission and purpose that is also a partner in the development, versus multiple state entities having approval authority over the land and the Proposed Project.

Through initial discussions with DLNR staff, it was suggested that a “reverter” clause be included in the proposed deed from BLNR to HPHA memorializing that the Property shall be returned to DLNR should HPHA cease using the Property for the purposes it was granted. The HPHA and its Board have no objection to the inclusion of such a reverter clause in the deed.

Significant Beneficial Impacts

The State has a desperate and critical need for low-income housing which is particularly acute for households with low incomes. The Proposed Project specifically responds to this urgent need for developing affordable rental housing units and is an excellent candidate for redevelopment for the following reasons:

1. The Proposed Project is well suited for the neighborhood as it is located adjacent to Lanikila Senior Center, Lanikila Health Center, Malhuia Health Center and located directly across N. School Street in the urban core of Honolulu, close to existing employment centers, infrastructure, and transportation networks, which is highly consistent of the City and County of Honolulu's General Plan.
2. The overall intensification of land uses within the Kalihi-Kapālama-Iwilei corridor is a major goal of the City's long-range vision for O'ahu and general development pattern goals which emphasize the need for the existing urban core around Honolulu to remain the primary urban center.
3. The Proposed Project will reduce the pressure to develop in more rural areas that may be more adversely impacted by a project of similar scale and which may not have sufficient infrastructure, utilities, or access to transportation networks.
4. The Proposed Project is well serviced by O'ahu's existing bus transit system. It is also located less than a mile from both the Middle Street and Kapalama planned Transit Stations of the Honolulu Rail Transit Project (“HART”).

5. The Master Plan for the Proposed Project will be designed in accordance with City and County of Honolulu Complete Streets Ordinance (Section 14-33, ROH) and thoughtful consideration to equitable Transit Oriented Development ("TOD") design.
6. The Proposed Project will incorporate well designed recreational spaces combined with green building and sustainability concepts that will contribute to improved individual health, well-being, quality of life and sense of connectedness for existing and future residents.
7. The Proposed Project represents the efficient use of public resources and taxpayer dollars by leveraging both private and public funding through a public private partnership to redevelop an existing urbanized, underutilized state asset
8. The Proposed Project attempts to balance the potential impacts of intensification of use onsite with the social and environmental considerations of creating a high-quality, comfortable, and inviting community living environment that is expected to result in a reinvigorated community.
9. The Proposed Project is also fully aligned with State of Hawai'i's legislative goal of providing at least 22,500 affordable rental housing units, ready for occupancy between January 1, 2017 and December 31, 2026, pursuant to Act 127, SLH 2016 and is consistent with HPHA's overall mission developing low-income rental and supportive housing, public housing and the efficient and fair delivery of housing services to the people of Hawai'i.

In summary, the Proposed Project is a transformative Project with the potential for far-reaching and positive impacts well beyond the boundaries of the Project Site that is important not only for the community it will serve, but also for the State of Hawai'i.

HPHA and its Board of Directors deliberated all available options and unanimously agree that the most efficient way to move forward with the Proposed Project and to deliver 800 much needed senior low-income rental housing units would be for the HPHA to hold title to the Property directly. Accordingly, the HPHA hereby respectfully requests the BLNR approve and recommend to the Governor issuance of an executive order canceling EO No. 1274 and approve the transfer of land parcel TMK No. (1) 1-6-009-003 to the HPHA, subject to a reverter clause.

The HPHA would be grateful for the BLNR's support of this request which would allow the Proposed Project to move forward and the HPHA to fulfill its primary mission of providing safe, decent housing to the people of Hawai'i.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Hakim Ouansafi', followed by a horizontal line.

Hakim Ouansafi
Executive Director