

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

June 14, 2019

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

OAHU

Amending the Public Purposes of Governor's Executive Order No. 4513 to "Set Aside for Affordable Housing for Homeless Families, Including Any Revenue Generating Activities Assisting the Management of the Housing Project Purposes"; Consent to Sublease of Lands between Kahauiki Village Development LLC and Blow Up, LLC; Moanalua, Honolulu, Oahu, Tax Map Key: (1) 1-1-003:003, 204 to 207, 211 and 212.

APPLICANT:

City and County of Honolulu, for amendment of executive order; and

Kahauiki Village Development LLC and Blow Up, LLC, both are domestic limited liability companies, for consent to sublease.

LEGAL REFERENCE:

Sections 171-11 and 95, Hawaii Revised Statutes ("HRS"), as amended.

LOCATION:

Portion of Government lands situated at Moanalua, Honolulu, Oahu, identified by Tax Map Key Nos.: (1) 1-1-003:003, 204 to 207, 211, and 212 as shown on **Exhibit A**.

AREA:

11.300 acres, more or less.

ZONING:

State Land Use District: Urban  
City and County of Honolulu LUO: P1 and P2

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:

Encumbered by Governor's Executive Order ("EO") 4513 dated October 17, 2016 setting aside to the City and County of Honolulu ("City") for affordable housing for homeless families purposes.

PROPOSED PURPOSE:

For affordable housing for homeless families, including any revenue generating activities assisting the management of the housing project purposes.

CHAPTER 343 - ENVIRONMENTAL ASSESSMENT:

Pursuant to the Governor's Proclamation dated December 14, 2018, as extended by his Supplementary Proclamation of February 12, 2019, his Second Supplementary Proclamation of April 12, 2019, relating to the homeless emergency (collectively, the "Proclamations"), Chapter 343, Hawaii Revised Statutes is suspended to "the extent necessary for the purposes of establishing a long-term housing, temporary shelter, services, to divert homeless individuals from frequent utilization of the healthcare and criminal justice systems, and to facilitate contracting for these programs, housing, shelter, and services, provided that housing and shelter units made available under this Proclamation shall be safe, sanitary, and suitable for human habitation".

The Final Environmental Assessment for the radio tower project described below was published in the OEQC's Environmental Notice on March 23, 2018 with a finding of no significant impact ("FONSI").

APPLICANT REQUIREMENTS:

None

BACKGROUND:Radio tower site

At its meeting of September 11, 2015, under agenda item D-4, the Board authorized the issuance of a right-of-entry permit to Blow Up, LLC for due diligence purposes pertaining to a radio transmission tower.<sup>1</sup> Upon the publication of the Final Environmental Assessment with a finding of no significant impact on March 23, 2018, the Board, at its meeting of May 11, 2018, authorized the issuance of a 30-year, non-exclusive easement to

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<sup>1</sup> Blow Up, LLC was required by the rail project to relocate an existing radio tower located across Nimitz Highway from the subject lands.

Blow Up, LLC, subject to a lump sum payment of fair market value to be determined by an independent appraiser. The area of the proposed radio tower site is about 1.560 acres. The owner of Blow Up, LLC is also the founder of aio Foundation, a domestic non-profit entity, who led the development of the Kahauiki Village described below.

#### Kahauiki Village (“Kahauiki”)

At its meeting of June 9, 2016, under agenda item D-4, as amended on October 14, 2016, Item D-15, the subject lands were set aside to the City for affordable housing for homeless families purposes. Consent from the Board was also given to the lease between the City and aio Foundation, who would lead the development and management of the Kahauiki. Both the EO and the 20-year lease<sup>2</sup> (“Lease”) were signed with the effective date on October 17, 2016. In April 2018, the Lease was assigned to Kahauiki Village Development LLC, which is a domestic limited liability company managed by aio Foundation.

Since the inception of the housing project, the development team received a lot of positive comments and support from the community. The first phase of the Kahauiki housing was occupied by 30 families starting in December 2017. Currently, Kahauiki is undergoing the construction of Phase 2 for 114 similar units, and most of the homes are scheduled to be completed for occupation later this year.

Kahauiki is presently managed by a social service provider who is the filter and final approving body for homeless family applications. Additionally, a commercial management firm handles the physical and fiscal property management services. The monthly rents for one-bedroom and two-bedroom units are \$725 and \$900 respectively. The purpose of collecting the above-described rent is to create a reserve fund for future repairs and maintenance.<sup>3</sup>

Until most of the homes in Phase II are occupied, Kahauiki Village will be operating a deficit. In the first three months of 2019, the monthly loss averaged at almost \$29,000. The Division has been provided with the records of the operating accounts for the project, which support the fiscal condition mentioned above. Notwithstanding the present situation, the development team of Kahauiki believes that the project will provide one solution to relieve the homeless problem on the island. It can act as a pilot project and inspire other similar establishments in the State. Meanwhile, the anticipated high intake rate for the units in Phase 2 will help to lessen the fiscal difficulty.

#### Future Expansion

Lately, expansion of Kahauiki started becoming a topic for discussion, though at its early stage. The first and major consideration is the availability of site(s) capable of developing into the next phase(s) of the project. The adjoining radio tower site naturally became the preferred location due to its proximity to the services and infrastructure that are already a part of the village.

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<sup>2</sup> Lessee exercised its option to extend the term for an additional 10 years, pursuant to the terms and conditions of the lease.

<sup>3</sup> Source: <http://www.kahauiki.org/>



After further discussion, the idea of having Blow Up, LLC become a tenant of Kahauiki for a short tenure, say, five (5) years, with rent paid to the village to help its financial situation, appears to be a feasible approach. The arrangement will also allow the Village to commence its expansion, by using the land occupied by Blow Up, LLC when the leasing arrangement comes to an end.

The business of AM radio is generally on the decline due to its audio quality and the maintenance cost to the broadcasters, as compared to FM and satellite radios. The existing radio tower across Nimitz Highway from the subject site that needs to be relocated has two stations. One covers mainly the local high school sports programs<sup>4</sup> while a church is running the other station for its community programs.

Pursuant to the Board approval for a 30-year easement, an appraisal was procured and appraised the lumpsum payment for the easement at \$880,000. The applicant has concerns about the appraised value mostly because it did not include the high site formation cost. The applicant is contemplating its next steps, including mediation /arbitration or closing the broadcast business.

The costs of housing the homeless and clearing the once homeless sites are enormous in terms of staff and other resources. Past experiences with other applicants for various proposed uses of the lands indicated that the site formation cost of the subject lands is the major hurdle for any feasible development. Despite all the odds against the feasibility of the project, Kahauiki was successfully developed and turned itself into a place that the homeless families can secure a safe shelter, with services, like child care and job referral provided. Therefore, staff believes the continuance of the housing site with adequate funding, is highly desired in the community.

The continuous existence of the village relies heavily on private donation which could fluctuate over the years. The unique circumstances of a possible arrangement between the radio tower operator and Kahauiki can provide a stable income to the latter and delay the cessation of the only radio broadcast of local high school sports program.

The public purposes stated in Executive Order No. 4513 needs to be revised by adding “including any revenue generating activities assisting the management of the housing project purposes”. The proposed leasing with its rental going to the village will help the overall affordable housing for homeless families. Therefore, staff believes the proposed revision to the public purposes of EO 4513 is appropriate.

#### Sublease conditions

Five (5) years plus option to renew for two 5-year periods.

Monthly rent at \$3,000.

Staff brings in today’s request to the Board and recommends the Board approve the above-mentioned leasing arrangement in view of benefits to multiple sectors in the community.

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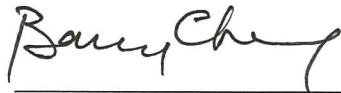
<sup>4</sup> It is the only local radio station that broadcasts the high school sports programs.

Subject to the Board's approval of the above-mentioned request, staff recommends the Board rescind its approval dated May 11, 2018, agenda item D-5 for housekeeping purposes.

RECOMMENDATION: That the Board:

1. Approve of and recommend to the Governor the issuance of an executive order amending the public purposes of Governor's Executive Order No. 4513 under the terms and conditions cited above, which are by this reference incorporated herein and subject further to the following:
  - A. The standard terms and conditions of the most current executive order form, as may be amended from time to time;
  - B. Disapproval by the Legislature by two-thirds vote 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. Consent to the sublease between Kahauiki Village Development LLC and Blow Up, LLC, under the terms and conditions cited above.

Respectfully Submitted,



Barry Cheung  
District Land Agent

APPROVED FOR SUBMITTAL:



Suzanne D. Case, Chairperson

