

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

January 13, 2012

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

PSF No. 09OD-005

Oahu

Authorize issuance of a Request for Qualifications/Request for Proposals to select a potential lessee for public lands at Honouliuli, Ewa, Island of Oahu, Hawaii. TMKs (1) 9-1-16:08; (1) 9-1-17:97; and (1) 9-1-18:05 & 08

REQUEST:

Authorize the issuance of a Request for Qualifications/Request for Proposals ("RFQ/RFP") to select a potential lessee for public lands in East Kapolei, Honouliuli, Ewa, Oahu

APPLICANT:

Department of Land and Natural Resources ("DLNR"), Land Division

LEGAL REFERENCE:

Sections 171-6, 16, 17, 18, 19, 35, 36, 41, 59, and other applicable sections of Chapter 171, Hawaii Revised Statutes ("HRS"), as amended.

SUBJECT PROPERTY:

The Subject Property consists of four parcels along Farrington Highway in the East Kapolei neighborhood, Honouliuli, Ewa, Oahu. Located near or along the Kualakai Parkway (formerly the North South Road), the four parcels are currently identified by Tax Map Keys (1) 9-1-16:08, (1) 9-1-17:97¹, and (1) 9-1-18:05 & 08, as shown on the tax maps attached **Exhibits A-1, A-2, and A-3**, respectively. A general location map of the East Kapolei area is attached as **Exhibit B**. Additional parcel information is summarized in the following table.

¹ TMK (1) 9-1-17:97 was formerly identified as TMK (1) 9-1-017:086, area 40.354 acres. Pursuant to Land Court Order No. 173438, Petition for Subdivision and Designation of Restriction of Vehicle Access Rights Affecting Lot 10067-A-1, DLNR's portion is now identified by the City and County of Honolulu as TMK (1) 9-1-017:097, area 36.365 acres.

TMK (1 st Tax Div.)	9-1-16:08	9-1-17:97	9-1-18:05	9-1-18:08
Land Court				
Lot No.	2543	10067-A	11994	18060
Application	1069	1069	1069	1069
Map	245	1372	874	1409
Land Area	31.527 ac	36.365 ac	65.999 ac	40.731 ac
Trust Land Status	Non-ceded	Non-ceded	Non-ceded	Non-ceded
DHHL Entitlement	No	No	No	No
Zoning				
SLU	Urban	Urban	Urban	Urban
City Ewa DP ²	Residential	Residential	Residential; Com. Ctr; transit node	Residential; transit node
City Zoning ³	Ag-1	Ag-1	Ag-1	Ag-1
Encumbrances ⁴	RP S-7402 (Larry Jefts, dba Sugarland Farms, Inc.)	RP S-7329 (A. M. Enterprises, L.L.C)	RP S-7402 (Larry Jefts, dba Sugarland Farms, Inc.)	RP S-7402 (Larry Jefts, dba Sugarland Farms, Inc.)

Based on the foregoing, the Subject Property has a gross area of approximately 174.622 acres. However, the H-1 freeway on-ramp improvements at Kualakai Parkway are built on approximately 6.911 acres of TMK (1) 9-1-18:05. Consequently the total area of the Subject Property available for lease is approximately 167.711 acres. The subdivision of TMK (1) 9-1-18:05 is pending.

Prior Board Actions: At its meeting on August 14, 2009, the Board of Land and Natural Resources ("BLNR") designated TMKs (1) 9-1-17:97 and (1) 9-1-18:05 as income-producing assets. This action, in part, reserved any revenues from these parcels to support the management and operations necessary for the Department's protection, preservation, and maintenance of the State's unique cultural, historic and natural resources.

STATUTORY AUTHORITY:

Staff recommends the issuance of a Request for Qualifications/

2 A copy of the City Department of Planning and Permitting Ewa Development Plan, dated August 1997 (Revised May 200), Urban Land use map is attached as **Exhibit C**.

3 As part of the City's rail transit project, the City has published the East Kapolei Neighborhood TOD (transit-oriented development) Plan, Public Review Draft, dated April 2010 ("TOD Plan"). A copy of the proposed TOD Plan, UHWO (University of Hawaii West Oahu) Station Area Plan, which includes portions of the Subject Property and other abutting land, is attached as **Exhibit D**. Approval of the TOD Plan is pending.

4 Revocable Permits are effective on a month-to-month basis and may be revoked by BLNR for any reason whatsoever, upon written notice to the Permittee at least thirty (30) days prior to the revocation. Furthermore, revocable permits automatically terminate at the end of every calendar year.

Request for Proposal ("RFQ/RFP") for the Subject Property be done pursuant to Section 171-59(a), HRS. Upon a finding by BLNR that the public interest demands it, Section 171-59(a), HRS allows BLNR to issue a lease by direct negotiation and provides a process for doing so. Section 171-59(a), HRS is attached as Exhibit E.

In sum, the process requires BLNR to provide public notice of the proposed disposition, establish reasonable criteria for the selection of the lessee, and determine the applicants who meet the criteria for selection. If only one applicant meets the criteria, BLNR may dispose of the lease by negotiation. If two or more applicants meet the criteria, the BLNR shall select the lessee who submits the highest offer contained in a sealed bid deposited with the Board.

For the proposed RFQ/RFP, staff further recommends BLNR's criteria not be limited to the amount of lease rents proposed by applicants. Rather the proposed RFQ/RFP will establish criteria allowing BLNR to consider various aspects of the applicants' proposals that together will constitute the highest offer.

REQUEST FOR QUALIFICATIONS/REQUEST FOR PROPOSALS ("RFQ/RFP"):

Upon a finding by the Board that the public interest demands it, staff proposes a RFQ/RFP process be done in accordance with Section 171-59(a), HRS. The proposed RFQ/RFP process will allow for the issuance of a public notice, establishment of criteria for the selection of the lessee, and the evaluation of proposals based on said criteria.

Staff's objective for the RFQ/RFP process is to solicit qualifications and proposals from applicants interested in leasing and developing the Subject Property, or portion thereof, in a timely manner; and select an applicant to enter into exclusive negotiations of a development agreement and lease.

The RFQ/RFP process contemplates a two-step process, which is briefly summarized below:

Step 1 - Request for Qualifications ("RFQ"). The RFQ will request applicants submit their respective qualifications. A review committee will review and evaluate the submittals based on criteria that includes, at a minimum, the following:

- Experience and Expertise, i.e., the applicant's experience and expertise in developing and operating projects similar to that being proposed by the applicant.
- Financial Capacity and Creditworthiness, i.e., the applicant's ability to finance its proposed project, including evidence of the applicant's ability to finance prior projects.

Step 2 - Request for Proposals ("RFP"). The applicants deemed eligible by the review committee will be invited to submit their development proposals, which should include descriptions of the project, details about the development process and development timeline, proposed lease rents and other fees to be paid to DLNR, etc. A review committee will review and evaluate the proposals based on selection criteria that includes, at a minimum, the following:

- Development and Business Plan, i.e., the soundness and feasibility of the applicant's development proposal, management, marketing, financial and development plans for the Subject Property, and the extent to which the applicant's proposal meets DLNR's development goals and objectives for the Subject Property.
- Financial Plan, i.e., the applicant's ability to fund/finance the applicant's proposed off-site and onsite improvements and proposed operations.

The proposal that best meets DLNR's selection criteria will be determined to be the highest offer, and the responsible applicant will be recommended to BLNR for approval. If more than one proposal can be accommodated within the Subject Property, staff may recommend more than one applicant for BLNR's approval.⁵

CHAPTER 343 - ENVIRONMENTAL ASSESSMENT:

This action before the Board is merely a request to authorize the issuance of a RFQ/RFP to select a prospective lessee for the Subject Property. Whereas this action does not, in and of itself, constitute a use of State lands or funds, this action does not trigger the provisions of Chapter 343, Hawaii Revised Statutes ("HRS"), relating to environmental impact statements.

The RFQ/RFP process contemplates that the selected applicant will be responsible for compliance with all Chapter 343 environmental requirements prior to the issuance of a lease.

DIRECT NEGOTIATIONS - DEVELOPMENT AGREEMENT:

The applicant selected by the review committee will be subject to approval by BLNR. Upon BLNR's approval of the selected applicant, DLNR and selected applicant will enter into exclusive negotiations of a development agreement ("DA").

⁵ If multiple proposals can be simultaneously accommodated within the Subject Property, those proposals may collectively be determined to be the highest offer for purposes of Section 171-59(a), HRS and this RFQ/RFP process.

The DA shall not convey any right, title or interest in the Subject Property. Rather, the DA will allow the selected applicant to conduct due diligence activities and will set forth the terms and conditions the selected applicant must satisfy before DLNR will issue a lease for the Subject Property. These terms and conditions may include the applicant's paying development fees to DLNR, preparing/processing any environmental assessment or environmental impact statement required pursuant to Chapter 343, HRS, and obtaining all required land use entitlements and approvals.

The DA will provide that if the selected applicant satisfies all terms and conditions contained in the DA, DLNR will issue to the selected applicant a lease covering the Subject Property that will comply with all applicable provisions of Chapter 171, HRS.

REMARKS:

The Subject Property is located in East Kapolei and has excellent development and income potential. Development of the Subject Property is consistent with State and County long-range plans, including the underlying State Land Use Commission's "Urban District" classification and the City's Ewa Development Plan.

In addition, the Subject Property is highly visible and adjacent to major thoroughfares, including the H-1-Freeway, Kualakai Parkway, and Farrington Highway. Other major developments in the area include the Salvation Army KROC Center, University of Hawaii West Oahu ("UHWO") campus, Department of Hawaiian Home Lands residential communities and regional shopping center, the City's rail transit project, and the proposed Ho'opili project.

Continued progress of the above-cited development projects is expected to enhance the long-range development and income potential for the Subject Property. A recent increase in the number of inquiries regarding the availability of all or portions of the Subject Property is evidence of growing demand. Proposed uses for the Subject Property have ranged from intensive agriculture, renewable energy production, and commercial development.

Considering the wide variety of uses proposed and the planned development of surrounding lands, the selection of a potential lessee for the Subject Property should not be based solely on the proposed rent (which would be the case under the standard public auction process). Rather the selection process should provide for an evaluation of several factors (e.g. the applicant's experience and financial capacity, the predevelopment and development timeframe for the proposed project, the extent of land use entitlements/approvals required for the project, the proposed lease rent, etc.)

January 13, 2012

Based on the foregoing, staff is requesting BLNR authorize the issuance of a Request for Qualifications/Request for Proposals ("RFQ/RFP") to select a potential lessee for the Subject Property.

Two moth-to-month permits, as cited above, encumber the Subject Property. These permits allow their respective permittee to use portions of the Subject Property for agriculture purposes. Staff has met with both permittees and discussed DLNR's plans to issue an RFQ/RFP.

RECOMMENDATION:

Based on the foregoing, staff recommends that the Board:

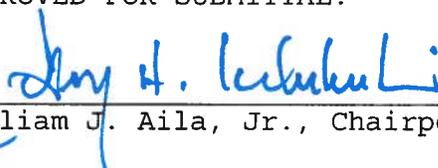
1. Find that the public interest demands that a lease for the Subject Property be disposed of through negotiation pursuant to Section 171-59(a) of the Hawaii Revised Statutes, as amended ("HRS").
2. Authorize the issuance of a request for qualifications/request for proposals ("RFQ/RFP") consistent with HRS §171-59(a) under the terms and conditions described above;
3. Authorize the Chairperson to:
 - a. Evaluate submitted proposals and recommend to the Board at a subsequent meeting the applicant and proposal that is determined to represent the highest offer;
 - b. Modify the RFQ/RFP process, evaluation criteria, and any such terms and conditions as may be in the best interest of the State and consistent with HRS, Section 171-59.

Respectfully Submitted,



Gavin Chun
Project Development Specialist

APPROVED FOR SUBMITTAL:


William J. Aila, Jr., Chairperson

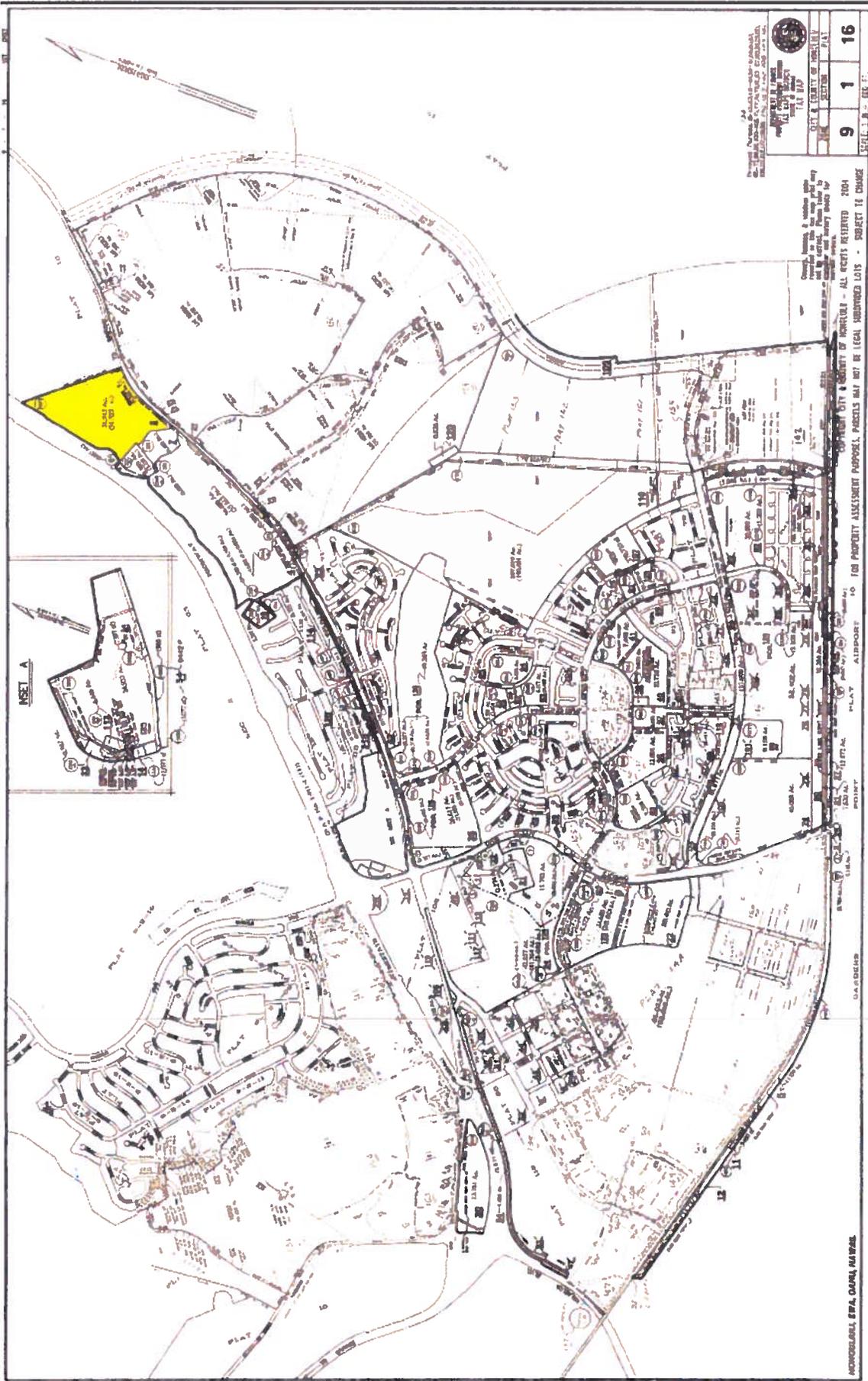


EXHIBIT A1

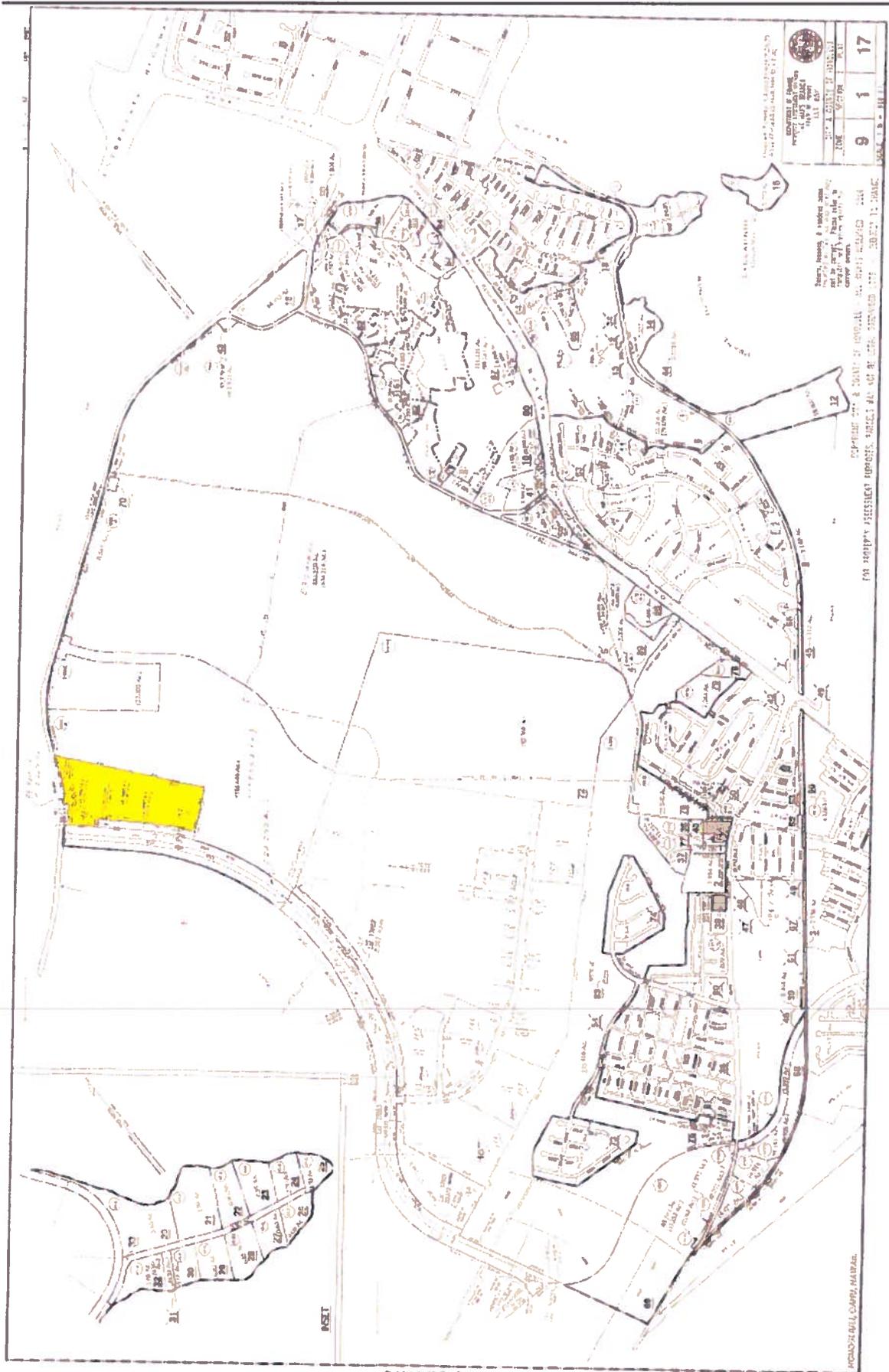
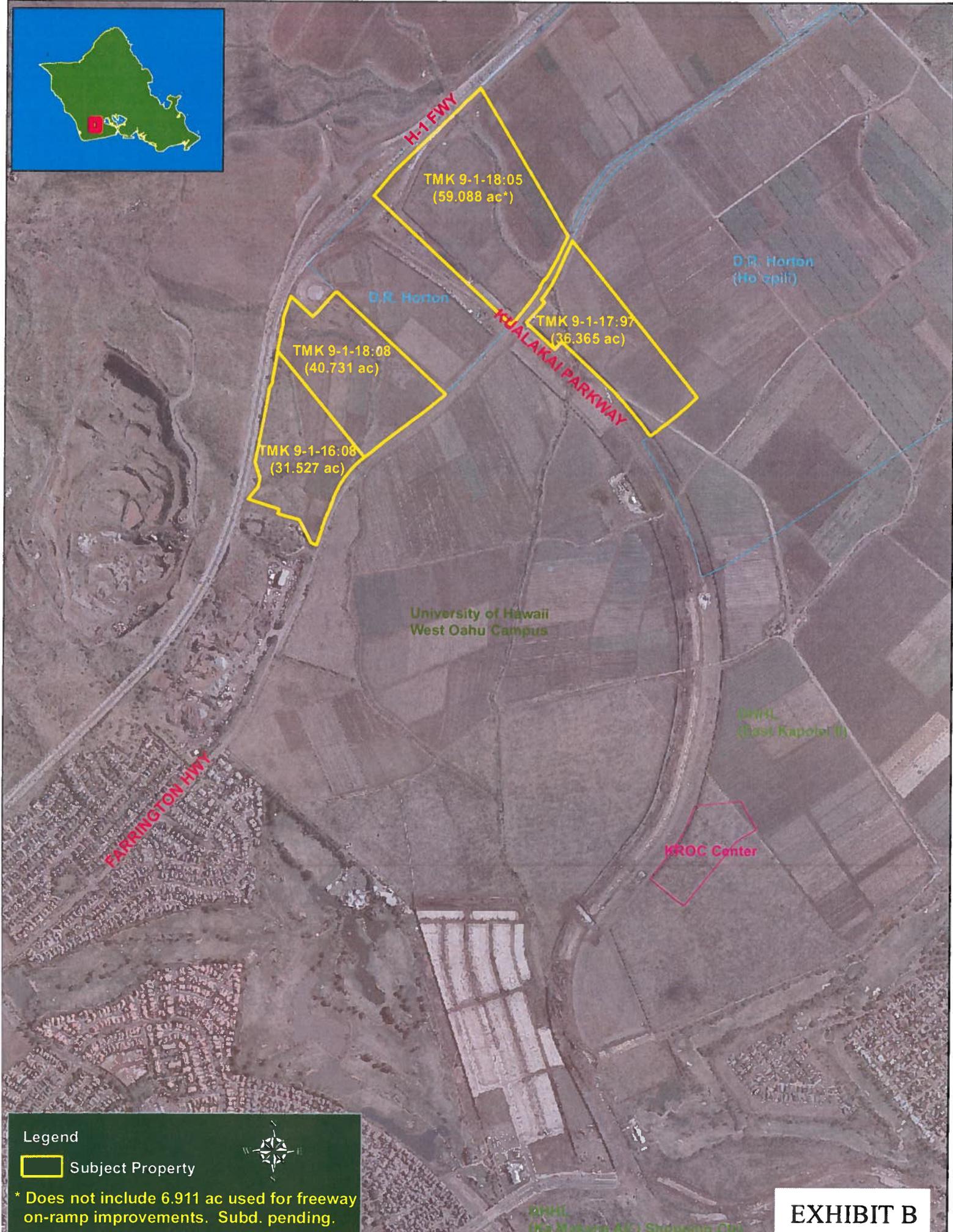


EXHIBIT A2



Legend
Subject Property

* Does not include 6.911 ac used for freeway on-ramp improvements. Subd. pending.

EXHIBIT B

EWA DEVELOPMENT PLAN

Urban Land Use Map

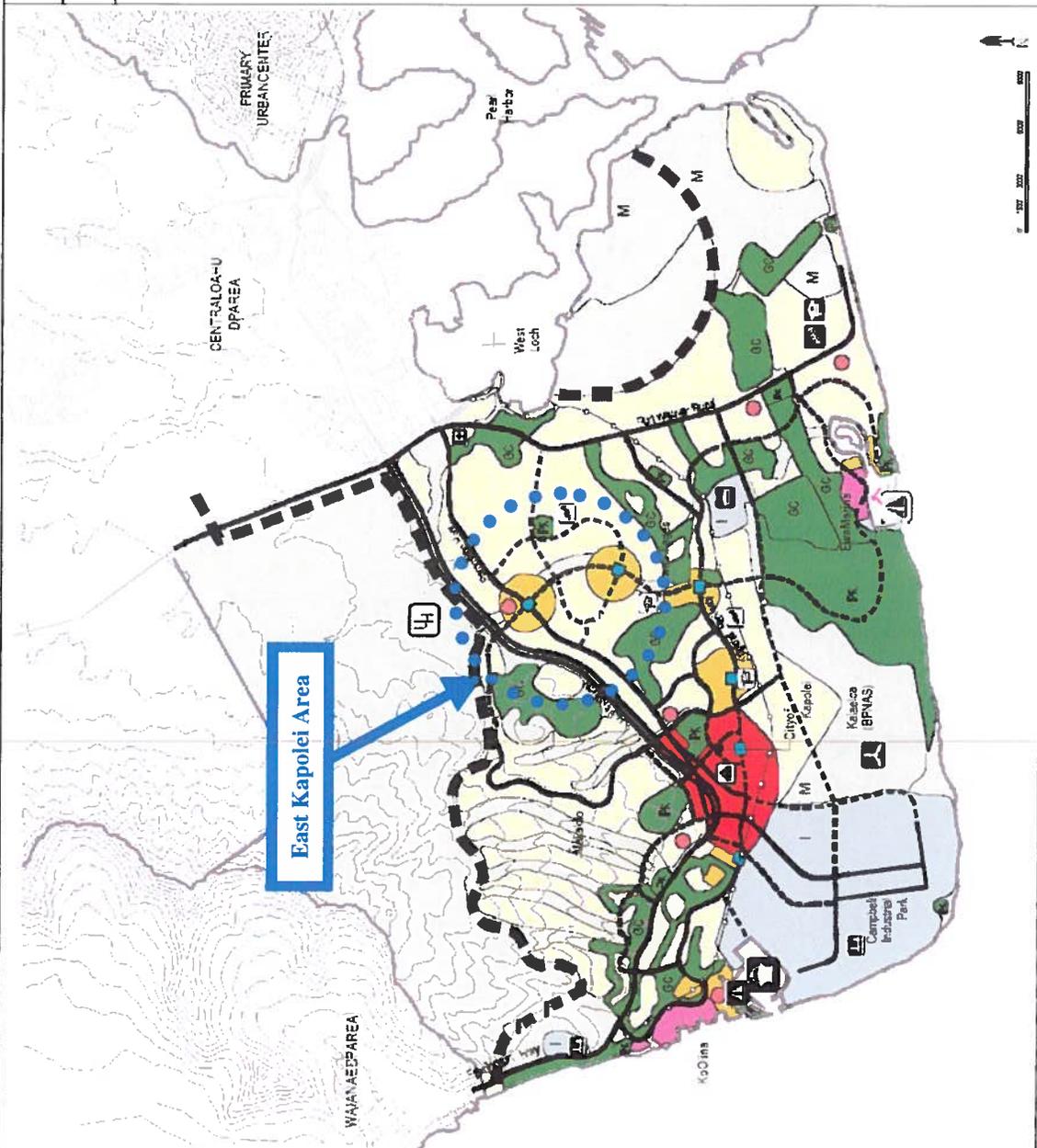
- Low Density Residential
- High Density Residential
- Community Commercial Center
- City Center High Density Residential and Commercial
- Resort/Recreation Area
- Industrial
- Military
- Public Institution
- Agriculture and Recreation
- Park and Golf Course
- Transfer of High Density Residential and Commercial
- Urban Growth Boundary

EXISTING FUTURE

- Civic Center
- Electric Power Plant
- Wastewater T.P.
- Intermediate School
- High School
- U.H. West Oahu
- Hospital
- Small Boat Marina
- Commercial Harbor
- Airfield
- Highways, Arterial & Major Streets
- Historic Railway



Planning Department
City & County of Honolulu
August 1997



Source: <http://honoluluodpp.org/Planning/ewa/EwaDP.pdf>

Selected Excerpts from
East Kapolei Neighborhood TOD Plan
Public Review Draft
April 2010
(UHWO Station Area Plan)

EXHIBIT D



EAST KAPOLEI NEIGHBORHOOD TOD PLAN

PUBLIC REVIEW DRAFT

APRIL 2010

PREPARED BY:
VAN METER WILLIAMS POLLACK

**VAN METER
WILLIAMS
POLLACK**

UHWO STATION AREA PLAN



FIGURE 13 - UHWO Station Land Use Plan

A. OVERALL STRUCTURE

The UHWO Station area will be a campus gateway to UHWO that will serve as a destination for people from all over Oahu including students, workers, shoppers and residents. The UHWO Station will integrate the greenway. Campus Drive which connects the UHWO campus with the station area will be connected by a pedestrian walkway over the intersection allowing for safe, easy access to the rail. Campus Drive will have student oriented businesses and create an active, Main Street gathering space for faculty, students, commuters and shoppers. There will be multi-modal access pathways throughout the area to ensure the maximum influence and benefit of the TOD.

UHWO STATION AREA PLAN

- Serves as a campus gateway
- Campus Drive will feature student oriented businesses

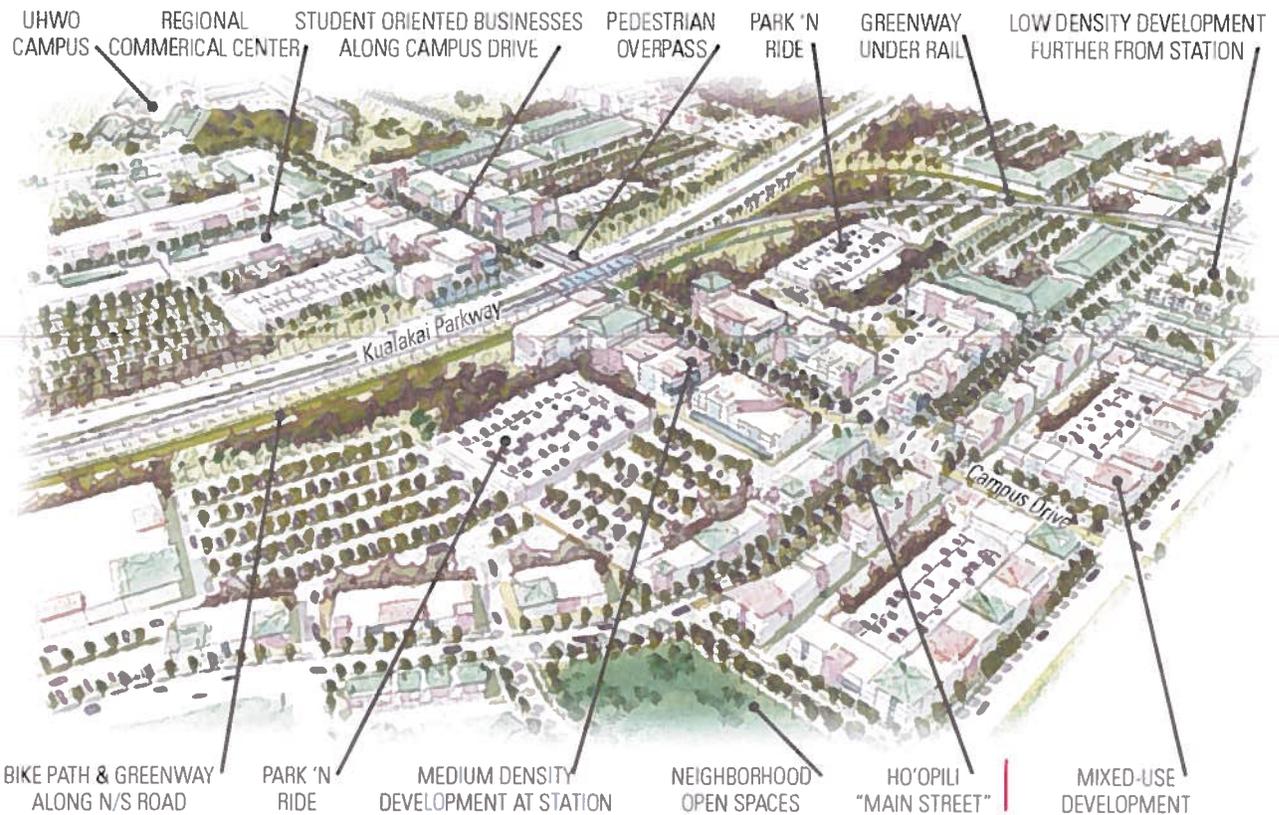


FIGURE 14 - Conceptual Illustration - UHWO Station (looking west)

UHWO STATION AREA PLAN

- Greenway will provide greater regional bike and pedestrian access
- Provide easy access to transit for commuters

B. CONNECTIVITY & CIRCULATION

As the greenway hits Kualakai Parkway, it could continue makai either under the elevated rail or in the larger drainage area on the Diamond Head side of the road. The greenway will allow greater regional bike and pedestrian access to the communities surrounding the transit stations. This bike connection can provide a larger amenity and access route for the UHWO and the destinations to which it connects including the Salvation Army's Kroc Community Center and communities within Phase II of the Department of Hawaiian Home Lands' East Kapolei project makai of Kualakai Parkway. With this concept, the physical width of Kualakai Parkway can be used as a connector, not a divider, between neighborhoods. This access will be essential to both recreational and commuter cyclists.

The park 'n ride facility at the UHWO Station will serve drivers from Kapolei and the Waianae Coast and should be accommodated in structures or on surface lots adjacent to the station. Parking structures should be wrapped with retail uses on the ground floor, and office and/or residential spaces on the upper floors facing the street to mask the parking.

It will be essential, especially in the early years of rail operations, to provide easy vehicular access for drivers from the Kapolei and the Waianae Coast, as well as those from the Ewa and Ewa Beach areas. The Plan provides park 'n ride locations at both the UHWO and East Kapolei Stations. Over time, people will gradually utilize alternate modes of transportation more frequently as they become more comfortable with rail transit and the area develops in a pedestrian and bicycle friendly manner.

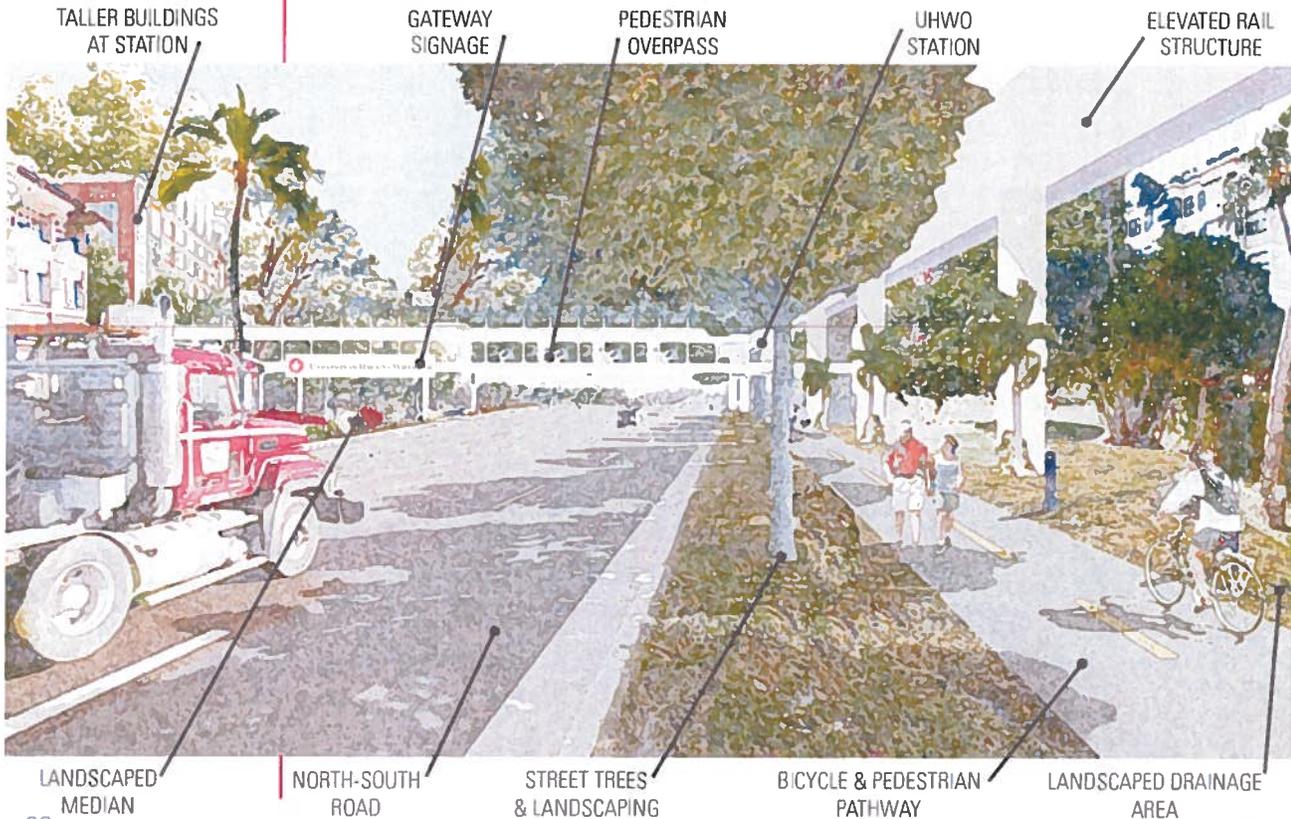


FIGURE 15 - Conceptual Illustration - Kualakai Parkway Greenway towards UHWO Station

C. PARKS & OPEN SPACE

The greenway acts as a connector for all of the landscaping and open space network located in the plan area. It will also serve as a connector between important destination points. For example, within a block from the greenway will be five mini parks, two elementary schools and the Kroc Community Center.

Other gathering spaces will be located on retail streets in the form of small plazas, cafes, seating areas and wide sidewalks. These important elements will help strengthen the sense of community in this new neighborhood and foster positive interactions between residents and visitors.

UHWO STATION AREA PLAN

- The greenway will connect various destination points

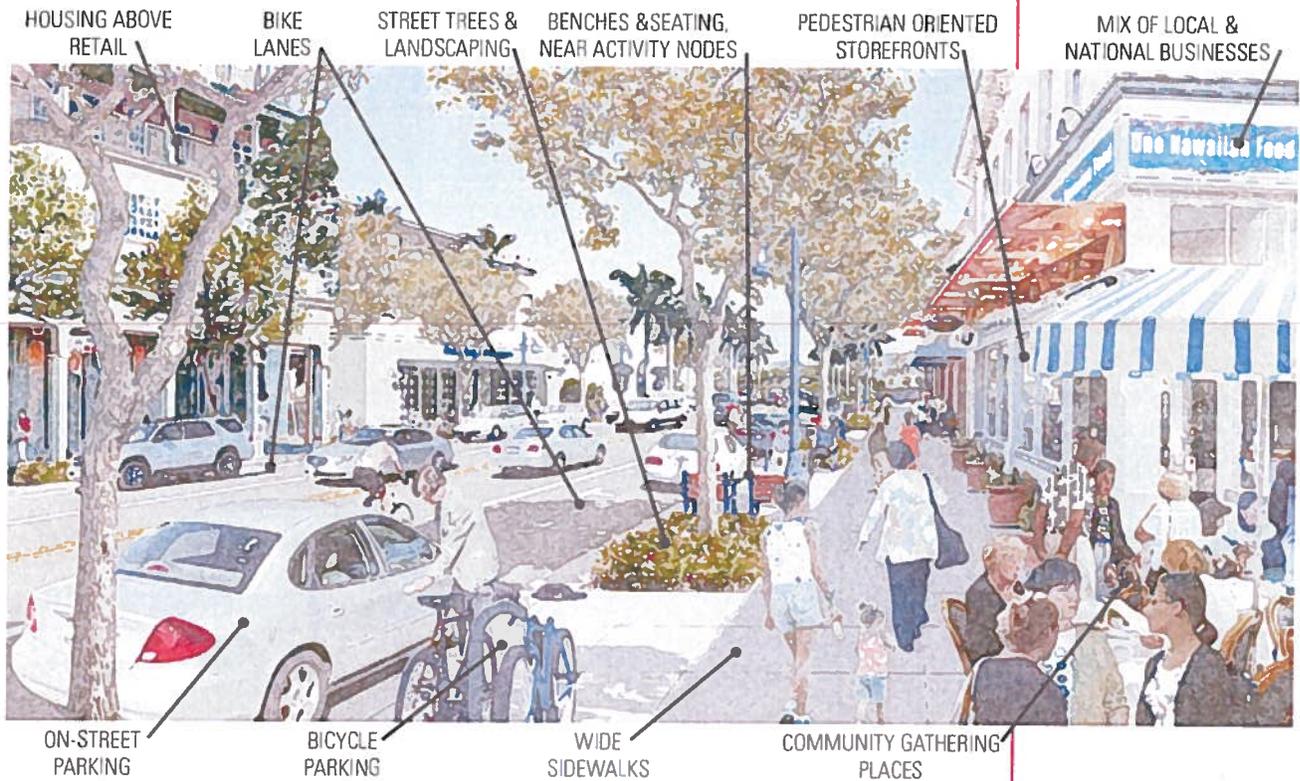


FIGURE 16 - Conceptual Illustration - Ho'opili "Main Street" near UHWO Station

D. LAND USE & URBAN FORM

UHWO STATION AREA PLAN

- Station served by two park 'n rides
- 6-8 story buildings on the Ho'opili side of the station
- 4-5 story buildings on the UHWO side of station
- Residential buildings step down to 2-4 stories

Adjacent to the station, there will be higher density development featuring active ground floor retail, housing, and offices. This area will also have two park 'n ride facilities to serve the large number of student and employee commuters. The station will also be accessible via the greenway's multi-use path running along Kualakai Parkway, which connects all three of the stations in the East Kapolei Neighborhood Plan.

In addition to Campus Drive, the UHWO Station area creates a second Main Street one block Diamond Head of Kualakai Parkway. Mixed-use buildings directly adjacent to the station should be 6-8 stories on the Ho'opili side of the station and 4-5 stories on the UHWO side of the station to highlight this as an activity center and provide definition to the wide, fast-moving thoroughfare of Kualakai Parkway. In addition, the increased building heights signify the importance of the campus and create a visible landmark for people. These buildings will be inwardly focused (away from Kualakai Parkway) with primary entrances and facades facing towards pedestrian-oriented streets.

Residential buildings should step down to 2-4 stories in other areas. The DLNR property mauka of the transit station has the opportunity to provide employment uses in 3-6 story office buildings adjacent to the elevated rail and Kualakai Parkway. At full build-out it is anticipated that the area within 1/4 mile of the UHWO Station could contain approximately 2,400 dwelling units along with 509,000 square feet of commercial/office/retail space.

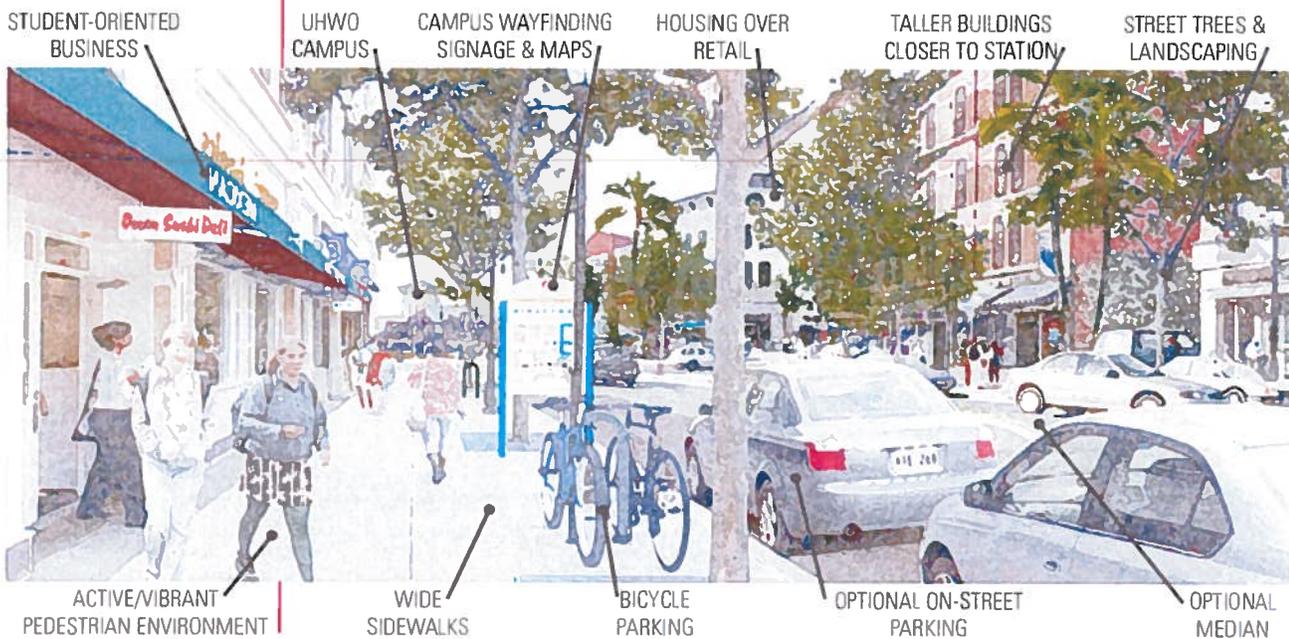


FIGURE 17 - Conceptual Illustration - Ho'opili Drive towards UHWO Campus

§171-59 Disposition by negotiation. (a) A lease of public land may be disposed of through negotiation upon a finding by the board of land and natural resources that the public interest demands it. Where the public land is being sought under this section by a sugar or pineapple company, and the company is the owner or operator of a mill or cannery, then, for the purposes of this section, the economic unit shall be that acreage of public land which when taken together with the lands already owned or controlled or available to the company, when cultivated is found by the board to be necessary for the company's optimum mill or cannery operation. In all other cases, public land to be sold under this section shall be an economic unit as provided in section 171-33(3).

After a determination is made to negotiate the disposition of a lease, the board shall:

- (1) Give public notice as in public auction, in accordance with the procedure set forth in section 171-16(a), of its intention to lease public land through negotiation setting forth the minimum conditions thereunder, the use for which the public land will be leased. Any person interested in securing the lease shall file an application with the board not later than forty-five days after the first publication of the notice;
- (2) Establish reasonable criteria for the selection of the lessee; provided that where the intended use of the land is agriculture, the department of agriculture shall establish the criteria;
- (3) Determine the applicants who meet the criteria for selection set by the board or the department of agriculture, as the case may be, and notify all applicants of its determination. Any applicant may examine the basis of the determination, which shall be in writing, to ascertain whether or not the conditions and criteria established by the board or the department of agriculture were followed; provided that if any applicant does not notify the board of the applicant's objections, and the grounds therefore, in writing, within twenty days of the receipt of the notice, the applicant shall be barred from proceeding to seek legal remedy for any alleged failure of the board to follow the conditions and criteria.

If only one applicant meets the criteria for selection of the lessee, the board may, after notice as provided in (3), above, dispose of the lease by negotiation.

If two or more applicants meet the criteria for the selection of the lessee, the board shall select the lessee who submits the highest offer contained in a sealed bid deposited with the board.

EXHIBIT E