KAKAʻAKO MAKAI

QUARTER 3 DELIVERABLES

PART II - DECEMBER 2015

KUHIKUHI PU'UONE
COLLABORATIVE

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1. DRAFT 2 FINANCIAL ASSESSMENT

Introduction

The Hallstrom Group/CBRE and AECOM were retained to conduct a market study and financial feasibility analysis as part of the Kuhikuhi Puʻuone Collaborative effort to assist the Office of Hawaiian Affairs (OHA) in their master planning of 30.7 acres of lands at Kakaʻako Makai, Honolulu, Hawaiʻi. The nine parcels were transferred to OHA in 2012.

The holdings are located along the shoreline and near-waterfront area of central Honolulu, adjacent to Kewalo Basin, mid-way between Downtown Honolulu and Waikīkī, in the Kakaʻako District, an in-transition neighborhood which is a focus of the current development up-cycle being experienced in Hawaiʻi. Owing to their central location, accessibility, and makai-orientation, coupled with the scarcity of quality Honolulu building sites, the properties have wide-ranging use potentials.

Key objectives for our assignment included:

- Analyze market demand for retail, hotel, office, and residential uses;
- Identify the highest and best use(s) for the sites under prevailing and forecast market conditions given existing zoning and use restrictions;
- Evaluate financial return or value of the properties "as is" and for proposed conceptual masterplan alternatives;
- Assess the financial impact of the construction and operations of cultural facilities within the conceptual masterplan alternatives; and
- Examine a series of financing mechanisms available to OHA.

The market analysis and a preliminary financial analysis was completed and summarized in the Quarter 2 Deliverables Report, prepared in June 2015.   The purpose of this report is to summarize key findings and implications from the detailed financial analysis.

Methodology and Approach

The following methodology was used for conducting financial analysis and evaluating the potential revenue to OHA from the Kaka'ako Makai sites:

- Examined comparable sales for each land use in the market.
- Develop detailed pro forma for each site to determine residual land value, based upon the development program for each masterplan alternative. Depending on the use, the pro forma include detailed estimate for operating revenue, sales prices, operating costs, and construction costs for the specific land use as well as required parking.
- Revised the development program if necessary in an interactive process and through sensitivity testing to ensure that the uses and scale of development for each parcel maximized overall project viability, while still being reasonable given market and development conditions.

- Compared the residual land value estimate from the detailed pro forma to land value estimates from comparable land sales to confirm reasonableness and based upon the parcel and scenario, selected the appropriate value to use for the financial analysis.
- For purposes of comparison only, estimated land value on a fee simple basis for each scenario.
- After developing estimates potential revenue to OHA from the value of the land, subtracted site-wide infrastructure costs and the cost of building and operating cultural facilities, and identified any other costs which may eventually need to be included but are not able to be quantified at this time.

Key Assumptions

Detailed assumptions underlying the financial analysis are described in detail within the sections below on each scenario. However, major assumptions are also summarized below:

- This analysis is based upon market analysis conducted as of August 2015.
- This current analysis does not take into consideration phasing or the impact of time on land value. A future analysis will develop a net present value based on assumptions about phasing and build-out. This may lower land values due to the need to discount future values, although current lease revenue to OHA which will likely be ongoing until development takes place will help offset this impact.
- The ultimate financial performance will depend upon the timing of development with respect to real estate cycles in Honolulu.
- The development program shown will occur over a 10 year or greater time frame. It will require a time frame of this length to absorb the amount of retail and restaurant use shown.
- We assume that a tower attraction or other major development that attracts a critical mass of people will be developed and will help support the retail.
- Currently no revenues or costs are shown associated with the tower attraction.
- The cost of achieving entitlements for uses that are currently prohibited is not included in these estimates.
- All costs are based upon industry standard for development . Any specific features such as signature architecture or other unique building characteristics would likely increase the cost and have not been included as part of this analysis.
- Remediation costs have been included for the marina based upon similar costs per cubic foot in similar projects, but engineering or environmental studies have not been conducted as part of this study. Also, additional remediation costs have not been included in the development pro forma.
- Infrastructure impacts and costs have been examined at a very high level to understand order of magnitude costs. More detailed investigation will be required to estimate more specific cost estimates.

Overview of Development Program for Scenarios

Below is the summarized development program used to evaluate each scenario.

SUMMARY OF FINDINGS

Our preliminary summary of key findings is shown in Table 2 below.

- For comparative purposes our analysis was completed on a fee simple basis assuming the individual sites or entire master planning area were sold outright by OHA.
- As indicated by the comparison of Scenario C, which reflects the "As Is" status of the lands, and Scenario B, in which the master plan is put in place, its implementation will meaningfully increase the gross or development value of the OHA holdings, partially due to increased entitlements for the hotels and partially due to the value of the marina investment. However, there are also significantly more costs incurred, including infrastructure costs and costs to build and operating the cultural center, which result in the net land values being in the same general range.
- While producing similarly high gross revenues as Scenario B the Scenario A net outcomes are lower due to the higher infrastructure costs, the expense of acquiring or relocating the Children's Discovery Center, and the loss of Parcels I and L in the assumed land exchange; which is somewhat off-set by the gain of the Look Lab site although the latter is not planned for any income-producing use at this time.
- If the holdings were leased (except for residential uses) the maximum ground rent stream to OHA is preliminarily estimated at between $15 million and $20 million annually based on current trends for Honolulu lease agreements.
- In subsequent analyses as the impact of time is built into the models, the net land values will decrease.

Table 2
PRELIMINARY COMPARISON OF NET VALUE TO OHA
OHA Kakaako Makai Lands
All Figures in Millions of Dollars

	Scenario					
	A	A1	B	B1	C	C1
Development Value	$356	$335	$358	$320	$238	$220
Master Developer Discount	($36)	($34)	($36)	($32)	$0	$0
Infrastructure Costs	($38)	($38)	($27)	($27)	($17)	($17)
Marina Cost	($25)	($25)	($25)	($25)	$0	$0
Cultural Facility (capital)	($30)	($30)	($30)	($30)	$0	$0
Cultural Facility (operating, capitalized)	($27)	($27)	($27)	($27)	$0	$0
Other Costs (CDC Purchase)	($22)	($22)	$0	$0	$0	$0
Estimated Net Land Value	**$178**	**$159**	**$214**	**$179**	**$221**	**$203**

It is assumed a master developer other than OHA will be necessary to oversee and pay for the implementation of the master plan who would seek a discount from full market value to undertake the project. We have made an allowance of 10 percent of total parcel development value to reflect this item.

FINANCIAL ANALYSIS OF SCENARIOS

Land Use Scenario Plan A and A1: Master Plan Approach with Land Acquisition

This scenario assumes a master plan approach to development, where the entire development area is under project district zoning and a marina is created. A primary benefit of the planning concept will be to support higher economic order of uses on Parcels F/G superior to its current industrial highest and best use.

This scenario assumes the acquisition of the Look Lab via trade for Parcels I and L, and the purchase/relocation of the Children's Discovery Center (CDC) sites. Key assumptions and considerations related to the Scenario A and A1 scenarios are summarized below.

Major Assumptions and Considerations

This scenario assumes the full implementation of the envisioned master plan including the marina and cultural spaces as supplemented by the Look Lab and CDC properties. It has the highest costs of infrastructure ($38 million) and incurs a high developer discount, marina costs, cultural expenses (capital improvements and operations), and purchasing/relocating the CDC.

Numerous entitlements will be required to manifest this master plan that will allow for density and uses to be spread throughout the project area and provide other planning and development benefits. Among the critical entitlements will be approvals for the marina basin and channel, residential use and height limit on Parcel E, hotel uses on Parcels A and F/G. We have not reflected the cost, time or risk of achieving these and other necessary entitlements.

Despite the loss of revenues associated with Parcel I and L, which are somewhat offset by the inclusion of the Look Lab site (land value only) and the CDC, the gross preliminary development value of the holdings in the master plan area range from $335 million to $356 million. The high costs of implementation reduce the estimated net land value to between $159 million and $178 million. Several parcel specific factors which underlie our analysis, which is shown in Tables 3 and 4, including:

- Parcel A – Assumed in both Scenario A and A1 to be a 389,800 square foot improvement with a 109,800 square foot ground floor having restaurant, retail and hotel lobby spaces with a 280,000 square foot, 400 room, full-service, four star, with extensive meeting facilities, hotel housed in four upper floors.

- Parcel B - Assumed to be three floors of waterfront retail and restaurant space totaling 154,100 square feet with parking underneath in both alternatives.
- Parcel C - Assumed to be three floors of waterfront retail and restaurant floor area totaling 94,300 square feet, with 5,000 square feet for the KKFC space on the fourth floor, and parking underneath in both alternatives.
- Parcel D – Is encumbered by two long-term ground leases, and we have reflected the capitalized value of the leased fee interest held by OHA.
- Parcel E – In Scenario A this parcels is assumed to have a 65,450 square foot ground floor with retail, restaurant and a condominium lobby with 210 luxury condominium units within a 40 story tower. In A1 the project will have no residential and would be put to retail/restaurant (ground floor) and medical office uses in a four-story improvement having 197,000 square feet.
- Parcel F/G – In both alternatives it is assumed this site will be developed with retail/restaurant, hotel and cultural uses within a 531,000 square foot project having 131,000 square feet on the ground floor and 576 hotel rooms in a 20 story total tower. The hotel will be comprised of 400,000 square feet of floor space and be a moderate to full-service 3.5 star quality facility.
- Parcel K – Is under a ground lease agreement and we have reflected the value of the OHA leased fee interest. However, once the lease expires it is envisioned the site would be developed with a three or four-story waterfront retail and restaurant improvement with 59,000 square feet.
- Look Lab and CDC sites – For the purposes of analysis, we have assumed that the land swap of the Look Lab and CDC site with Parcels L and I do not result in any additional land acquisition costs.

Given the preliminary nature of this potential land swap, more investigation or discussions would be required to determine whether or not OHA would need to incur additional costs. We do anticipate that there will be a cost associated with providing replacement space for the CDC, which is likely to be in the range of $20 to $25 million if it needs to be built new.

Table 3
SUMMARY OF PRELIMINARY GROSS DEVELOPMENT VALUE OF OHA LANDS UNDER SCENARIO A
OHA Kakaako Makai Lands

Parcel		Use	Parcel Size in Sq. Ft.	Total Value
A		Waterfront Mixed-Use/Hotel	191,403	$71,900,000
B		Waterfront Commercial	103,597	$21,500,000
C	(1)	Waterfront Commercial	73,996	$10,500,000
D	(2)	Waterfront Commercial	40,855	$8,100,000
E		Residential	95,919	$40,900,000
F/G		Mixed-Use/Hotel	328,000	$123,400,000
K	(2)	Waterfront Commercial	40,000	$5,500,000
CDC		Interior Commercial	93,707	$19,600,000
Look Lab		Industrial/Commercial	229,561	$54,200,000
				$355,600,000

(1) Encumbered by KKFC lease and requirements.
(2) Leased fee value.

Table 4
SUMMARY OF PRELIMINARY GROSS DEVELOPMENT VALUE OF OHA LANDS UNDER SCENARIO A1
OHA Kakaako Makai Lands

Parcel		Use	Parcel Size in Sq. Ft.	Total Value
A		Waterfront Mixed-Use/Hotel	191,403	$71,900,000
B		Waterfront Commercial	103,597	$21,500,000
C	(1)	Waterfront Commercial	73,996	$10,500,000
D	(2)	Waterfront Commercial	40,855	$8,100,000
E		Neighborhood Commercial	95,919	$20,100,000
F/G		Mixed-Use/Hotel	328,000	$123,400,000
K	(2)	Waterfront Commercial	40,000	$5,500,000
CDC		Interior Commercial	93,707	$19,600,000
Look Lab		Industrial/Commercial	229,561	$54,200,000
				$334,800,000

(1) Encumbered by KKFC lease and requirements.
(2) Leased fee value.

Land Use Scenario Plan B and B1: Master Plan Approach

This master plan alternative is very similar to Scenario A/A1 except it assumes there is no land swap/ acquisition of the Look Lab and CDC sites, and OHA retains ownership of Parcels I and L. It also reflects a project district approach to development, acknowledging the Parcels I and L are well-removed from the project core and receive nominal benefit from the larger undertaking apart from residential use and height limit enhancements to Parcel I.

Major Assumptions and Considerations

Numerous entitlements will be required to implement this master plan. Because of the inclusion of Parcel I, it will be at least as costly and time consuming as for Scenario A/A1; however, if the residential use and height changes can be achieved for Parcel E they should also be manageable for Parcel I.
The gross preliminary development value of the parcels under this scenario upon implementation of the master plan will be in the range of $320 million to $358 million, with a net land value after all costs of between $179 million and $214 million.

Several parcel specific factors underlie our analysis, shown in Tables 5 and 6, including:

- Parcel A – Same as in Scenario A/A1.
- Parcel B - Same as in Scenario A/A1
- Parcel C - Same as in Scenario A/A1
- Parcel D – Same as in Scenario A/A1
- Parcel E – In Scenario B this parcels is assumed to have a 77,000 square foot ground floor with retail, restaurant and a condominium lobby with 210 luxury condominium units within a 40 story tower. In B1 the project will have no residential and would be put to retail and restaurant use in a two-story improvement having 115,500 square feet.
- Parcel F/G – Same as Scenario A/A1 with the exception of another 45,000 square feet added to the improvements for cultural use spaces.
- Parcel I - - This parcel, which is omitted from Scenario A/A1 as it was to be traded, is assumed in Scenario B to have a 79,000 square foot ground floor with retail, restaurant and a condominium lobby with 240 luxury condominium units within a 30 to 40 story tower. In B1 the project will have no residential and would be put to retail/restaurant (ground floor) and medical office uses in a four-story improvement having 199,000 square feet.
- Parcel K - Same as in Scenario A/A1.
- Parcel L - Is assumed to be sold as industrial property to be put to use as the buyer desires. The site could support a maximum floor area of 135,000 square feet.

Table 5
SUMMARY OF PRELIMINARY GROSS DEVELOPMENT VALUE OF OHA LANDS UNDER SCENARIO B
OHA Kakaako Makai Lands

Parcel		Use	Parcel Size in Sq. Ft.	Total Value
A		Waterfront Mixed-Use/Hotel	191,403	$71,900,000
B		Waterfront Commercial	103,597	$21,500,000
C	(1)	Waterfront Commercial	73,996	$10,500,000
D	(2)	Waterfront Commercial	40,855	$8,100,000
E		Residential	95,919	$40,900,000
F/G		Mixed-Use/Hotel	328,000	$123,400,000
I		Residential	130,000	$46,300,000
K	(2)	Waterfront Commercial	40,000	$5,500,000
L		Industrial	229,561	$29,800,000
				$357,900,000

(1) Encumbered by KKFC lease and requirements.
(2) Leased fee value.

Table 6
SUMMARY OF PRELIMINARY GROSS DEVELOPMENT VALUE OF OHA LANDS UNDER SCENARIO B1
OHA Kakaako Makai Lands

Parcel		Use	Parcel Size in Sq. Ft.	Total Value
A		Waterfront Mixed-Use/Hotel	191,403	$71,900,000
B		Waterfront Commercial	103,597	$21,500,000
C	(2)	Waterfront Commercial	73,996	$10,500,000
D	(3)	Waterfront Commercial	40,855	$8,100,000
E		Neighborhood Commercial	95,919	$20,800,000
F/G		Mixed-Use/Hotel	328,000	$123,400,000
I		NeighborhoodComm./Medical	130,000	$28,900,000
K	(3)	Waterfront Commercial	40,000	$5,500,000
L		Industrial	229,561	$29,800,000
				$320,400,000

(1) Encumbered by KKFC lease and requirements.
(2) Leased fee value.

Land Use Scenario Plan C and C1: Individual Parcel Approach

Land Use Scenario C is basically an "as is" scenario, which assumes that individual parcels or groups of parcels are sold to developers and generally developed according to existing zoning and without other policy restrictions or limitations on what is developed (i.e. the developer can select the highest and best use for the sites as currently zoned). The exception to this is on Parcels E and I, where residential is assumed for Scenario C. Scenario C1 is without residential.

Major Assumptions and Considerations

While we have completed a residual analysis for the OHA sites in this scenario similar to for the other scenarios, the best method for determining the value of the parcels is through Sales Comparison with other transactions having comparable characteristics given the currently strong market for development sites in Honolulu. Our conclusions for this scenario reflect a combination of sales comparison and residual indicators.

The outcomes may be slightly understated as we reflect the costs of off-site infrastructure upgrades necessary to support the maximum development possible on the sites as a negative to the OHA ownership. Typically in an urban setting the site purchaser is responsible for these expenses.
This perspective will not require the time and cost of obtaining entitlements apart from residential uses in Scenario C, will not require partnering with or selling/leasing to a third party master developer, and would not suffer as major a negative impact for time as the sites could be sold immediately.
The indicated gross sales/development value of the sites under these scenarios ranges from $220 million to $238 million, and net value of $203 million to $221 million after deduction of infrastructure costs.

Parcel specific factors which underlie our analysis, shown in Tables 7 and 8, include (all square footages are gross floor areas):

- Parcels A – Assumed to be three floors of waterfront retail and restaurant space totaling 276,000 square feet with parking underneath in both Scenario C and C1.
- Parcel B - Assumed to be three floors of waterfront retail and restaurant space totaling 154,100 square feet with parking underneath in both alternatives.
- Parcel C - Assumed to be three floors of waterfront retail and restaurant floor area totaling 94,300 square feet, with 5,000 square feet for the KKFC space on the fourth floor, and parking underneath in both alternatives.
- Parcel D – Is encumbered by two long-term ground leases, and we have reflected the capitalized value of the leased fee interest held by OHA.

- Parcel E – In Scenario C this parcels is assumed to have a 60,000 square foot ground floor with retail, restaurant and a condominium lobby with 133 luxury condominium units within a 20 story tower. In C1 the project will have no residential and would be put to retail and restaurant use in a two-story improvement having 115,500 square feet.
- Parcel F/G – Is assumed to be sold as industrial property to be put to use as the buyer desires. The site could support a maximum floor area of 580,000 square feet.
- Parcel I - In Scenario C this parcels is assumed to have a 72,000 square foot ground floor with retail, restaurant and a condominium lobby with 310 luxury condominium units within a 20 story tower. In C1 the project will have no residential and would be put to retail/restaurant (ground floor) and medical office uses in a four-story improvement having 199,000 square feet.
- Parcel K – Is under a ground lease agreement and we have reflected the value of the OHA leased fee interest. However, once the lease expires it is envisioned the site would be developed with a three or four-story waterfront retail and restaurant improvement with 59,000 square feet.
- Parcel L - Is assumed to be sold as industrial property to be put to use as the buyer desires. The site could support a maximum floor area of 135,000 square feet.

Table 7
SUMMARY OF PRELIMINARY GROSS DEVELOPMENT VALUE OF OHA LANDS UNDER SCENARIO C
OHA Kakaako Makai Lands

Parcel		Use	Parcel Size in Sq. Ft.	Total Value
A		Waterfront Commercial	191,403	$55,500,000
B		Waterfront Commercial	103,597	$21,200,000
C	(1)	Waterfront Commercial	73,996	$12,100,000
D	(2)	Waterfront Commercial	40,855	$8,100,000
E		Residential	95,919	$28,800,000
F/G		Industrial	328,000	$41,000,000
I		Residential	130,000	$35,800,000
K	(2)	Waterfront Commercial	40,000	$5,500,000
L		Industrial	229,561	$29,800,000
				$237,800,000

(1) Encumbered by KKFC lease and requirements.
(2) Leased fee value.

Table 8
SUMMARY OF PRELIMINARY GROSS DEVELOPMENT VALUE OF OHA LANDS UNDER SCENARIO C1
OHA Kakaako Makai Lands

Parcel		Use	Parcel Size in Sq. Ft.	Total Value
A		Waterfront Commercial	191,403	$55,500,000
B		Waterfront Commercial	103,597	$21,200,000
C	(1)	Waterfront Commercial	73,996	$12,100,000
D	(2)	Waterfront Commercial	40,855	$8,100,000
E		Neighborhood Commercial	95,919	$19,700,000
F/G		Industrial	328,000	$41,000,000
I		NeighborhoodComm./Medical	130,000	$26,700,000
K	(2)	Waterfront Commercial	40,000	$5,500,000
L		Industrial	229,561	$29,800,000
				$219,600,000

(1) Encumbered by KKFC lease and requirements.
(2) Leased fee value.

DEVELOPMENT STRUCTURE ALTERNATIVES

The following section summarizes strategies for financing associated with future development of OHA landholdings. Our experience reinforces that the role played by OHA in future development is ultimately a reflection of several inter-related factors, including:

- Pursuit / interest in broader policy goals, including the preservation of the Hawaiian culture to sustaining economic self-sufficiency, health, and education of native Hawaiians.
- Tolerance of the organization to accept development risk, which could possibly include the need to provide front end equity, even as project investment returns lag behind.
- The need to balance subsidies associated with broader policy goals with the need to generate cash flow to recover associated costs.
- OHA access to equity, beyond the value of its land holdings
- Organizational structure and legal authority of the organization to commit to issuance of debt / securities associated with the project.
- Expectations for both overall rate of return on invested equity, and the timing of returns.
- Capacity to participate in day-to-day project decision-making in real estate development projects.
- Alignment with policy goals of local units of government who are interested in pursuing new development, again in support of broader policy / community development goals

Although there are a variety of deal structures available in the market, there are four basic deal structures that could be appropriate in this situation.

Self-Development

OHA can choose to self-develop a project. In this scenario, OHA would be 100% responsible for achieving project financing, creating design aesthetics, determining construction quality, defining phasing and sequencing strategies, selecting a delivery method, and ultimately delivering the projects. Additionally, OHA would receive 100% of the benefits from any financial profitability realized by each project.

While OHA would have control over and benefit from all project components, OHA would also have 100% of the financial commitment required to implement these projects and 100% of the risk associated with those commitments. The commitment and risk associated with these types of developments usually prohibit a majority of organizations from choosing Self Development, because the institution's debt capacity and credit rating are subject to exposure with developments of this size and scale. Most organizations are compelled to select projects with a direct view of their impact on overall credit ratings and debt capacity, as well as alignment with core missions.

Ground Lease

On the opposite end of the spectrum from the Self Development option, OHA can choose to outsource 100% of the development to a third party developer. In this scenario, OHA would ground lease the entire development to a third party for an annual ground lease payment to be negotiated. The third party would control 100% of the project decisions, including design, construction quality, tenant mix, and delivery method, and would also likely be responsible for attaining project financing. OHA would have the ability to shape some of the project concepts and set some minimum project design standards. While this scenario reduces OHA risk and theoretically provides a basic level of guaranteed income, it also significantly reduces OHA control over design and implementation; it also limits OHA upside financial potential once the project stabilizes.

Development Partnership

The Development Partnership structure requires the official formation of a partnership between OHA and a third party developer. In this scenario, OHA and their partner each contribute equity toward the project and a partnership LLC is officially formed. In this scenario, OHA would contribute its land holdings as its "contribution" to the partnership. In this structure, OHA and the third party would share the design, construction, financing, and implementation responsibilities. Advantages of this structure to OHA are that it reduces the development risk by sharing it with the third party developer, and it potentially allows OHA to be bought out of the project at a future date. The trade-off of this structure is that it reduces the long-term financial potential by sharing long-term returns with the third party developer and introduces some risk to OHA.

Owner as Master Developer

This model could allow OHA to balance risk and control while it is involved in the continued planning and implementation of the project. As Master Developer, OHA would syndicate individual parcels of land within a larger development zone for either self-development or third party participation, depending on the needs and demands of the project. By ground leasing individual parcels to third party developers, we would expect that OHA would maintain authority over final development concepts, details, and project execution process. In this scenario, OHA would also maintain authority over schedule and the overall development concept. OHA would most likely be responsible for securing any funds that may be available for infrastructure improvements, working cooperatively with local units of government, and exploring unique tools such as benefit districts and tax increment financing (described below).

Challenges with the master developer structure link with the reality that it can be difficult to make individual projects cash flow in financial terms, as third party developers will likely expect a higher return in exchange for the exposure they assume by allowing OHA to maintain control.

In addition to the above points, our experience shows that the following points come into play vis-à-vis ownership structure options:

- The underlying concept of, "If you pay you benefit, and if you benefit you pay".
- The "master developer" entity can be structured as either a for profit or not-for-profit organization.

Financing Mechanisms

In addition to the above development structures, OHA will likely have the potential need to cooperate with local and state units of government to pursue several additional tools that can support funding of infrastructure and utilities. These options include:

- Revenue Bonds are a municipal debt instrument that can be used to finance income-producing projects and are secured by specific revenue sources.
- Tax Increment Financing (TIF) is an important financing tool that captures growth in taxable value above a designated area's baseline level and applies it to specific projects within the TIF district instead of general or other uses. In Hawaii, the ability to use TIF successfully may require a possible constitutional amendment to clarify the ability of counties to issue bonds funded by tax increment. Should this be an option in the future, this could be an important tool for paying for major infrastructure investments such as sewer system upgrades and traffic and road system improvements.
- Business Improvement Districts (BID) are a form of special assessment district, where property owners within a defined geographic area agree to tax themselves to fund additional services, beyond what the standard level of city-wide service is. In general, BID's are used in downtown areas, to provide additional support related to cleaning, security, marketing, and grant writing; BIDS also provide an advocacy role.
- General Improvement Districts (GID) are similar to BIDS in that they are focused on a specific geography, this structure is used to fund more significant infrastructure improvements. In some states, the special assessment can be structured as either an additional property tax amount or an identified tax per linear foot of street.
- Incentive zoning provides zoning benefits to a developer, entitling them to increased density or height allowances in exchange for funding support for other specified improvements, most often public space or affordable housing, or to build increased density near transit stations.
- Microgrids, renewables, and distributed energy: Recent regulatory changes in California and New York are allowing the creation of micro grids, which are connected to, but independent of the local electrical grid. These new structures link in large measure to the emergence of large scale solar installations, which, combined with battery storage and distributed energy, create a real opportunity for larger planned developments to exert greater control over their on-site utilities, and allow owners and or developers to capture revenue associated with consumption of energy that would otherwise flow to a local utility.

Table 9
SUMMARY OF DEVELOPMENT MECHANISMS
OHA Kakaako Makai Lands

Development Mechanism	How would it apply to OHA?	What are the Advantages?	What are the Disadvantages?	What is our recommendation?
Revenue Bonds	OHA would be 100% responsible for achieving project financing, creating design aesthetics, defining phasing and sequencing and delivering the projects.	OHA would receive 100% of the benefits from any financial profitability realized by each project and would have complete creative control.	OHA would have 100% of the financial commitment required to implement these projects and 100% of the risk associated with these commitments.	We do not recommend this due to the complexity of the project, the cost of major infrastructure improvements, and the associated risk. Financing would also be a barrier.
Tax Increment Financing	OHA would outsource 100% of the development to a third party developer and ground lease or sell the land to a third party for an annual ground lease payment or sales revenue.	Reduces risk to OHA and theoretically provides an ongoing stream of income on an annual basis or large payment upfront.	Third party controls 100% of the project decisions and significantly reduces OHA control over design and implementation. Also limits OHA upside financial potential once the project stabilizes.	Given OHA's mission and non-financial goals for the Kaka'ako Makai sites, we do not recommend a straight ground lease as the primary development mechanism, as OHA will not have control over what is developed. However, this could be an option for Parcel L or I in certain scenarios, and sale would be required for residential use.
Development Partnership	Requires the official formation of a partnership between OHA and a third party developer. OHA and the partner each contribute equity toward the project. In this scenario OHA's contribution would be its land holdings.	Reduces risk by sharing it with a third party developer and potentially allows OHA to be bought out of the project at a later date. OHA shares control over design and implementation.	Reduces OHA's long-term financial potential by sharing long-term returns with the third party developer; increases OHA risk as all revenues are based upon performance.	This option is not recommended given the risk involved and the challenges that OHA may face jointly developing the project with a developer.
Owner as Master Developer	OHA would syndicate individual parcels of land within a larger development zone for either self-development or third party participation.	By ground leasing individual or groups of parcels to third party developers, OHA would maintain authority over final development concepts and project execution process.	Third party developers will expect to pay a reduced amount in exchange for the exposure they will assume by allowing OHA to maintain some control over program and design and for handling the infrastructure improvements required.	We do recommend this option, since it allows OHA to receive a guaranteed amount of money with relatively low risk and maintain some control over the program and development of the site. Generally speaking, the more control OHA has, the less revenue it will receive. Also, it is possible that in this scenario OHA would need to secure funds that may be available for infrastructure improvements through government units.

2. FINANCIAL ASSESSMENT FINAL MEMO

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Introduction

The Hallstrom Group/CBRE and AECOM were retained to conduct a market study and financial feasibility analysis as part of the Kuhikuhi Puʻuone Collaborative effort to assist the Office of Hawaiian Affairs (OHA) in their master planning of 30.7 acres of lands at Kakaʻako Makai, Honolulu, Hawaiʻi. The nine parcels were transferred to OHA in 2012.

The holdings are located along the shoreline and near-waterfront area of central Honolulu, adjacent to Kewalo Basin, mid-way between Downtown Honolulu and Waikīkī, in the Kakaʻako District, an in-transition neighborhood which is a focus of the current development up-cycle being experienced in Hawaiʻi. Owing to their central location, accessibility, and makai-orientation, coupled with the scarcity of quality Honolulu building sites, the properties have wide-ranging use potentials.
Key objectives for our assignment included:

- Analyze market demand for retail, hotel, office, industrial, and residential uses;
- Identify the highest and best use(s) for the sites under prevailing and forecast market conditions given existing zoning and use restrictions;
- Evaluate financial return or value of the properties "as is" and for proposed conceptual masterplan alternatives;
- Assess the financial impact of the construction and operations of cultural facilities within the conceptual masterplan alternatives; and
- Examine a series of financing mechanisms available to OHA.

The market analysis and a preliminary financial analysis was completed and summarized in the Quarter 2 Deliverables Report, prepared in June 2015. In September 2015, we prepared a more detailed financial analysis report based upon 6 different development scenarios. The report included a detailed evaluation of the fee simple residual land value of each development scenario, as well as a discussion regarding possible development and financing mechanisms.

Since then, the development scenarios have been refined and streamlined to include only two scenarios. The purpose of this report is to provide a brief overview of the comparative land values associated with each scenario, including all revues and development costs and present a summary of a more in-depth analysis of likely cash flows to OHA given development realities, reasonable absorption and phasing, and assumptions related to ground lease and other terms.

Methodology and Approach

The following methodology was used for conducting financial analysis and evaluating the potential revenue to OHA from the Kaka'ako Makai sites:

- Examined comparable sales for each land use in the market.
- Develop detailed pro formas for each site to determine residual land value, based upon the development program for each alternative. Depending on the use, the pro formas include detailed estimate for operating revenue, sales prices, operating costs, and construction costs for the specific land use as well as required parking.
- Revised the development program if necessary in an interactive process and through sensitivity testing to ensure that the uses and scale of development for each parcel maximized overall project viability, while still being reasonable given market and development conditions.
- Compared the residual land value estimate from the detailed pro forma to land value estimates from comparable land sales to confirm reasonableness and based upon the parcel and scenario, selected the appropriate value to use for the financial analysis.
- Estimated land value on a fee simple basis for each scenario.
- Estimated ground lease or sale revenue to OHA and included site-wide infrastructure and cultural programming costs.
- Confirmed reasonable of financial model by evaluating the returns from a private developer perspective.
- Estimated discounted residual value of cash flow to OHA over time to allow for comparison of scenarios.

Key Assumptions

Detailed assumptions underlying the financial analysis are described in detail within the sections below on each scenario. However, major assumptions are also summarized below:

- This analysis is based upon market analysis conducted as of August 2015.
- The ultimate financial performance will depend upon the timing of development with respect to real estate cycles in Honolulu.
- We assume that a tower attraction or other major development that attracts a critical mass of people will be developed and will help support the retail.
- We assume that entitlements for land uses not currently supported by existing zoning regulations are successful. The cost of achieving entitlements for uses that are currently prohibited is not included in these estimates.
- All costs are based upon industry standards for development. Any specific features such as signature architecture or other unique building characteristics would likely increase the cost and have not been included as part of this analysis.

- Remediation costs have been included for the marina based upon similar costs per cubic foot in similar projects, but engineering or environmental studies have not been conducted as part of this study. Also, additional remediation costs have not been included in the development pro formas.
- Infrastructure impacts and costs have been examined at a very high level to understand order of magnitude costs. More detailed investigation will be required to estimate more specific cost estimates.

Overview of Development Program for Scenarios

Generally speaking, Scenario A refers to using the land "as is," with current zoning restrictions and requirements. Scenario A assumes that parcels are sold off or leased on a parcel by parcel basis, with the focus on maximizing return. Scenario B refers to a master-planned development that includes numerous community benefits including cultural facilities, a marina, and public spaces and improvements. We assume under Scenario B that there is a master developer who will likely sublease or sell off properties to other developers, but that there is a program clearly identified for each parcel.

Updated Financial Analysis: Scenario A

The analysis for Scenario A is shown in Table A. The model depicts a 20-year lease-up and holding period beginning in Fiscal Year 2016-17 with the residual value (the capitalized value of the rents in perpetuity) of the properties shown in Year 21. As indicated, major findings are as follows:

- The current aggregate gross fee simple value of the "As Is" subject lands is estimated at $219.6 million based on their current zoning, condition and prices being obtained for comparable parcels in urban Honolulu.
- The net ground rents flowing to OHA are projected to increase from their current levels to more than $13 million annually by Year 6 of the model (2021), and generally stabilizing at $14.4 million by Year 8 before moving upward as leases reopen and the developer's sub-lease position is extinguished. By Year 19 the rents re-stabilized again for a period at $24.5 million per year.
- The discounted present value of the OHA leased fee ownership under Scenario A is estimated at $201.1 million
- Key assumptions are as follows:
- Properties are leased as is where is as soon as available (free from encumbering leases).
- Ground rents are at 8% of the fee simple property annually as of the initial lease date (appreciation from current value at 3.5% per year).
- The lessee receives 2-years of reduced rent (25% of full rent).
- A contractor/developer would emplace the infrastructure and be repaid via a sub-lease

agreement of 20% of the gross rents with OHA receiving the other 80%. The sub-lease position would last twelve years.

- The OHA net cash flow is discounted at 8% annually. The reversionary capitalization rate at end of cash flow is 6%.

Updated Financial Analysis: Scenario B

The analysis for Scenario B: is shown in Table B. This model also depicts a 20-year period with residual in Year 21; however, leasing of the parcels on a long-term basis does not begin until 2020 when master planning and entitlements are completed. As indicated, major findings are as follows:

- The current aggregate gross fee simple value of the subject land were the entitled master plan in-place would be $346.4 million based on comparable pricing indicators and land residual analysis, demonstrating the significant positive enhancement of values achieved via the master-planning and approval process.
- The net ground rents flowing to OHA would increase from current levels to $3-plus million in the near-term and escalate as the entitled and master-planned sites began lease-up in 2020. OHA income, including rents and residential site sales proceeds, would move from $16 million in 2020 and grow annually over the long-term at a compounded rate of about 3 percent per year; with a major spike upwards of nearly $8 million annually when the sub-lease agreement expires.
- The discounted present value of the OHA leased fee ownership under Scenario B is estimated at $244.8 million, evidence of the potetnial substantial benefits associated with implementing the master plan.
- Properties are leased in accordance with market demand once foundational entitlements are achieved and infrastructure emplacement commences, projected to be in fiscal year 2020-21.
- Base rents are at 8% of the fee simple property annually as of the initial lease date (appreciation from current value at 3.5% per year).
- Parcels A and F/G with hotel components would also pay percentage rents in addition to base rents.
- Parcel B, the Tower site, would pay rents solely as a percentage of Tower revenues (no base rents).
- The lessee receives 2-years of reduced rent (25% of full rent), except Tower site which would pay no rents during first two years.
- Parcels E and I would be sold as high-rise residential condominium sites with 85% of proceeds going to repay developer and 15% to OHA.
- The developer would additionally receive sub-lease rents of 20% of gross rents with OHA receiving other 80%. The sub-lease position would last approximately 15 years assuming they receive 75 percent of the revenue produced by the fee simple sales of condominium parcels E and I; otherwise the sub-lease would extend for 35 to 40-plus years.

- For the properties having fixed base rents, it is assumed they increase by 30% in year 11 of the lease.
- The OHA net cash flow is discounted at 8% annually. The reversionary capitalization rate at end of cash flow is 6%.
- Development costs are inflated at 3% annually.

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DISCOUNTED CASH FLOW ANALYSIS OF THE OHA KAKAKO MAKAI LANDS
SCENARIO "A" ASSUMING LEASED"AS IS" SUBJECT TO ENCUMBERING LEASES

Proiect Year Fiscal Year (7/1 to 6/30)		1 2016-17	2 2017	3 2018	4 2019	5 2020	6 2021	7 2022	8 2023	9 2024	10 2025	11 2026	12 2027	13 2028	14 2029	15 2030	16 2031	17 2032	18 2033	19 2034	20 2035	21 and On Residual	
Estimated Fee Simple Value	**Current**										**Appreciated Value**												**Totals**
A	$55,500,000	$57,442,500	$59,452,988	$61,533,842	$63,687,527	$65,916,590	$68,223,671	$70,611,499	$73,082,902	$75,640,803	$78,288,231	$81,028,319	$83,864,310	$86,799,561	$89,837,546	$92,981,860	$96,236,225	$99,604,493	$103,090,650	$106,698,823	$110,433,282	$114,298,447	
B	$21,200,000	$21,942,000	$22,709,970	$23,504,819	$24,327,488	$25,178,950	$26,060,213	$26,972,320	$27,916,352	$28,893,424	$29,904,694	$30,951,358	$32,034,656	$33,155,868	$34,316,324	$35,517,395	$36,760,504	$38,047,122	$39,378,771	$40,757,028	$42,183,524	$43,659,947	
C	$12,100,000	$12,523,500	$12,961,823	$13,415,486	$13,885,028	$14,371,004	$14,873,989	$15,394,579	$15,933,389	$16,491,058	$17,068,245	$17,665,634	$18,283,931	$18,923,868	$19,586,204	$20,271,721	$20,981,231	$21,715,574	$22,475,619	$23,262,266	$24,076,445	$24,919,121	
D (Leased Fee)	$8,110,000																						
E	$19,700,000	$20,389,500	$21,103,133	$21,841,742	$22,606,203	$23,397,420	$24,216,330	$25,063,901	$25,941,138	$26,849,078	$27,788,796	$28,761,403	$29,768,053	$30,809,934	$31,888,282	$33,004,372	$34,159,525	$35,355,108	$36,592,537	$37,873,276	$39,198,841	$40,570,800	
F/G	$41,000,000	$42,435,000	$43,920,225	$45,457,433	$47,048,443	$48,695,139	$50,399,468	$52,163,450	$53,989,171	$55,878,791	$57,834,549	$59,858,758	$61,953,815	$64,122,198	$66,366,475	$68,689,302	$71,093,428	$73,581,698	$76,157,057	$78,822,554	$81,581,343	$84,436,690	
I	$26,700,000	$27,634,500	$28,601,708	$29,602,767	$30,638,864	$31,711,224	$32,821,117	$33,969,856	$35,158,801	$36,389,359	$37,662,987	$38,981,191	$40,345,533	$41,757,627	$43,219,144	$44,731,814	$46,297,427	$47,917,837	$49,594,962	$51,330,785	$53,127,363	$54,986,820	
K (Leased Fee)	$5,500,000	$10,350,000	$10,712,250	$11,087,179	$11,475,230	$11,876,863	$12,292,553	$12,722,793	$13,168,090	$13,628,974	$14,105,988	$14,599,697	$15,110,687	$15,639,561	$16,186,945	$16,753,488	$17,339,860	$17,946,756	$18,574,892	$19,225,013	$19,897,889	$20,594,315	
L	$29,800,000	$30,843,000	$31,922,505	$33,039,793	$34,196,185	$35,393,052	$36,631,809	$37,913,922	$39,240,909	$40,614,341	$42,035,843	$43,507,098	$45,029,846	$46,605,891	$48,237,097	$49,925,395	$51,672,784	$53,481,331	$55,353,178	$57,290,539	$59,295,708	$61,371,058	
Total	**$219,610,000**																						
Gross Rents (Interim and New)																							
A (Encumbered to 2018)		$230,700	$518,364	$1,495,042	$1,230,677	$3,999,700	$4,922,707	$4,922,707	$4,922,707	$4,922,707	$4,922,707	$4,922,707	$4,922,707	$4,922,707	$4,922,707	$6,399,520	$6,399,520	$6,399,520	$6,399,520	$6,399,520	$6,399,520	$106,658,660	
B (Encumbered to 2021)		$249,200	$249,200	$249,200	$256,676	$264,376	$521,204	$521,204	$2,084,817	$2,084,817	$2,084,817	$2,084,817	$2,084,817	$2,084,817	$2,084,817	$2,084,817	$2,084,817	$2,084,817	$2,710,262	$2,710,262	$2,710,262	$45,171,036	
C (wait until longer)		$160,980	$259,236	$259,236	$1,036,946	$1,036,946	$1,036,946	$1,036,946	$1,036,946	$1,036,946	$1,036,946	$1,036,946	$1,036,946	$1,036,946	$1,348,030	$1,348,030	$1,348,030	$1,348,030	$1,348,030	$1,348,030	$1,348,030	$22,467,159	
D (Leased Fee)		$430,616	$430,616	$430,616	$462,678	$512,678	$515,178	$516,753	$518,375	$520,046	$532,767	$532,767	$532,767	$532,767	$532,767	$532,767	$579,501	$581,618	$583,798	$586,043	$627,151	$17,120,183	
E			$1,488,000	$436,835	$436,835	$1,747,339	$1,747,339	$1,747,339	$1,747,339	$1,747,339	$1,747,339	$1,747,339	$1,747,339	$1,747,339	$1,747,339	$2,271,541	$2,271,541	$2,271,541	$2,271,541	$2,271,541	$2,271,541	$37,859,020	
F/G		$848,700	$848,700	$3,394,800	$3,394,800	$3,394,800	$3,394,800	$3,394,800	$3,394,800	$3,394,800	$3,394,800	$3,394,800	$3,394,800	$4,413,240	$4,413,240	$4,413,240	$4,413,240	$4,413,240	$4,413,240	$4,413,240	$4,413,240	$73,554,000	
I		$424,612	$572,034	$572,034	$2,288,137	$2,288,137	$2,288,137	$2,288,137	$2,288,137	$2,288,137	$2,288,137	$2,288,137	$2,288,137	$2,288,137	$2,974,578	$2,974,578	$2,974,578	$2,974,578	$2,974,578	$2,974,578	$2,974,578	$49,576,293	
K (Leased Fee)		$1	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1	$250,515	$250,515	$1,002,059	$1,002,059	$1,002,059	$16,700,988	
L		$432,492	$564,521	$638,450	$2,234,512	$2,553,800	$2,553,800	$2,553,800	$2,553,800	$2,553,800	$2,553,800	$2,553,800	$2,553,800	$2,553,800	$3,319,941	$3,319,941	$3,319,941	$3,319,941	$3,319,941	$3,319,941	$3,319,941	$55,332,342	
Gross Rental Proceeds		**$2,777,301**	**$4,930,673**	**$7,476,215**	**$11,341,260**	**$15,797,777**	**$16,980,112**	**$16,981,687**	**$18,546,922**	**$18,548,593**	**$18,561,314**	**$18,561,314**	**$18,561,314**	**$19,579,754**	**$21,343,419**	**$23,344,433**	**$23,641,681**	**$23,643,798**	**$25,022,968**	**$25,025,213**	**$25,066,321**	**$424,439,680**	**$780,171,753**
Less Costs and Expenses																							
Infrastructure & Demolition (paid by Developer)		$17,000,000	$4,243,600	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
Marina		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
Cultural Facilities & HOLIS Move		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
OHA Overhead/Other Expenses (allen)		$2,637,181	$1,749,157	$1,207,235	$475,466	$438,525	$414,409	$420,493	$426,688	$432,994	$439,415	$445,952	$453,087	$460,337	$467,702	$475,185	$482,788	$490,513	$498,361	$506,335	$514,436	$8,711,114	
Total Costs and Expenses		$19,637,181	$5,992,757	$1,207,235	$475,466	$438,525	$414,409	$420,493	$426,688	$432,994	$439,415	$445,952	$453,087	$460,337	$467,702	$475,185	$482,788	$490,513	$498,361	$506,335	$514,436	$8,711,114	**$43,390,972**
Net Revenues		**($16,859,880)**	**($1,062,084)**	**$6,268,980**	**$10,865,794**	**$15,359,252**	**$16,565,703**	**$16,561,194**	**$18,120,234**	**$18,115,599**	**$18,121,899**	**$18,115,362**	**$18,108,227**	**$19,119,418**	**$20,875,717**	**$22,869,248**	**$23,158,893**	**$23,153,285**	**$24,524,607**	**$24,518,879**	**$24,551,885**	**$415,728,566**	**$736,780,781**
OHA Costs		**$2.637.181**	**$1.749.157**	**$1.207.235**	**$475.466**	**$438.525**	**$414.409**	**$420.493**	**$426.688**	**$432.994**	**$439.415**	**$445.952**	**$453.087**	**$460.337**	**$467.702**	**$475.185**	**$482.788**	**$490.513**	**$498.361**	**$506.335**	**$514.436**	**$8.711.114**	
Developer Returns																							
Sub-Lease Rents (20% of total)			$986,135	$1,495,243	$2,268,252	$3,159,555	$3,396,022	$3,396,337	$3,709,384	$3,709,719	$3,712,263	$3,712,263	$3,712,263	$3,915,951	$4,268,684								
Total Developer Returns			**$986,135**	**$1,495,243**	**$2,268,252**	**$3,159,555**	**$3,396,022**	**$3,396,337**	**$3,709,384**	**$3,709,719**	**$3,712,263**	**$3,712,263**	**$3,712,263**	**$3,915,951**	**$4,268,684**								
Discount Rate			**0.92593**	**0.85734**	**0.79383**	**0.73503**	**0.68058**	**0.63017**	**0.58349**	**0.54027**	**0.50025**	**0.46319**	**0.42888**	**0.39711**	**0.36770**								
Developer Returns Discounted			**$913,088**	**$1,281,930**	**$1,800,612**	**$2,322,368**	**$2,311,276**	**$2,140,269**	**$2,164,390**	**$2,004,246**	**$1,857,056**	**$1,719,496**	**$1,592,126**	**$1,555,078**	**$1,569,586**								
Net OHA Returns/Cash Flow		**$140.120**	**$2.195.381**	**$4.773.737**	**$8.597.542**	**$12.199.696**	**$13.169.681**	**$13.164.857**	**$14.410.850**	**$14.405.881**	**$14.409.637**	**$14.403.100**	**$14.395.964**	**$15.203.467**	**$16.607.033**	**$22.869.248**	**$23.158.893**	**$23.153.285**	**$24.524.607**	**$24.518.879**	**$24.551.885**	**$415.728.566**	
Discount Factor		**0.92593**	**0.85734**	**0.79383**	**0.73503**	**0.68058**	**0.63017**	**0.58349**	**0.54027**	**0.50025**	**0.46319**	**0.42888**	**0.39711**	**0.36770**	**0.34046**	**0.31524**	**0.29189**	**0.27027**	**0.25025**	**0.23171**	**0.21455**	**0.19866**	
Discounted Present Value		**$129,741**	**$1,882,186**	**$3,789,546**	**$6,319,450**	**$8,302,908**	**$8,299,133**	**$7,681,568**	**$7,785,734**	**$7,206,527**	**$6,674,450**	**$6,177,243**	**$5,716,835**	**$5,590,283**	**$5,654,048**	**$7,209,341**	**$6,759,860**	**$6,257,614**	**$6,137,259**	**$5,681,320**	**$5,267,563**	**$82,586,869**	**$201,109,478**

Total Developer Investment	**$21,243,600**	
Total Developer Returns	**$41,442,072**	**95.08%**
Total Developer Discounted Returns	**$23,231,519**	**9.36%**

TOTAL INDICATED PRESENT VALUE OF OHA OWNERSHIP **$201,109,478**

(green) = Years when properties have reduced rents during development period, or when rents increase at reopening.
(blue) = Developer-invested capital.

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DISCOUNTED CASH FLOW ANALYSIS OF THE OHA KAKAKO MAKAI LANDS
SCENARIO "B" ASSUMING LEASING OF COMMERCIAL AND SALE OF RESIDENTIAL MASTER PLANNED ACREAGE SUBJECT TO ENCUMBERING LEASES

Project Year		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21 and On	
Fiscal Year (7/1 to 6/30)		2016-17	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	Residual	
Estimated Fee Simple Value	Current											Appreciated Value											Totals
A	$71,900,000	$74,416,500	$77,021,078	$79,716,815	$82,506,904	$85,394,645	$88,383,458	$91,476,879	$94,678,570	$97,992,320	$101,422,051	$104,971,823	$108,645,836	$112,448,441	$116,384,136	$120,457,581	$124,673,596	$129,037,172	$133,553,473	$138,227,845	$143,065,819	$148,073,123	
B	$10,000,000	$10,350,000	$10,712,250	$11,087,179	$11,475,230	$11,876,863	$12,292,553	$12,722,793	$13,168,090	$13,628,974	$14,105,988	$14,599,697	$15,110,687	$15,639,561	$16,186,945	$16,753,488	$17,339,860	$17,946,756	$18,574,892	$19,225,013	$19,897,889	$20,594,315	
C	$10,500,000	$10,867,500	$11,247,863	$11,641,538	$12,048,992	$12,470,706	$12,907,181	$13,358,932	$13,826,495	$14,310,422	$14,811,287	$15,329,682	$15,866,221	$16,421,539	$16,996,292	$17,591,163	$18,206,853	$18,844,093	$19,503,637	$20,186,264	$20,892,783	$21,624,030	
D (Leased Fee)	$8,100,000																						
E	$40,900,000	$42,331,500	$43,813,103	$45,346,561	$46,933,691	$48,576,370	$50,276,543	$52,036,222	$53,857,490	$55,742,502	$57,693,489	$59,712,761	$61,802,708	$63,965,803	$66,204,606	$68,521,767	$70,920,029	$73,402,230	$75,971,308	$78,630,304	$81,382,365	$84,230,747	
F/G	$123,400,000	$127,719,000	$132,189,165	$136,815,786	$141,604,338	$146,560,490	$151,690,107	$156,999,261	$162,494,235	$168,181,533	$174,067,887	$180,160,263	$186,465,872	$192,992,178	$199,746,904	$206,738,046	$213,973,877	$221,462,963	$229,214,167	$237,236,663	$245,539,946	$254,133,844	
I	$46,300,000	$47,920,500	$49,597,718	$51,333,638	$53,130,315	$54,989,876	$56,914,522	$58,906,530	$60,968,258	$63,102,147	$65,310,723	$67,596,598	$69,962,479	$72,411,166	$74,945,556	$77,568,651	$80,283,554	$83,093,478	$86,001,750	$89,011,811	$92,127,224	$95,351,677	
K (Leased Fee)	$5,500,000	$10,350,000	$10,712,250	$11,087,179	$11,475,230	$11,876,863	$12,292,553	$12,722,793	$13,168,090	$13,628,974	$14,105,988	$14,599,697	$15,110,687	$15,639,561	$16,186,945	$16,753,488	$17,339,860	$17,946,756	$18,574,892	$19,225,013	$19,897,889	$20,594,315	
L	$29,800,000	$30,843,000	$31,922,505	$33,039,793	$34,196,185	$35,393,052	$36,631,809	$37,913,922	$39,240,909	$40,614,341	$42,035,843	$43,507,098	$45,029,846	$46,605,891	$48,237,097	$49,925,395	$51,672,784	$53,481,331	$55,353,178	$57,290,539	$59,295,708	$61,371,058	
Total	**$346,400,000**																						
Gross Rents (Interim and New) and Sales																							
A		$230,700	$518,364	$528,731	$539,305	$1,707,893	$1,707,893	$6,831,572	$7,036,519	$7,247,614	$7,465,043	$7,688,994	$7,919,664	$8,157,254	$8,401,971	$8,654,031	$8,913,651	$9,181,061	$9,456,493	$9,740,188	$10,032,393	$172,222,751	
B		$249,200	$249,200	$249,200	$256,676	$264,376	$0	$0	$658,405	$678,157	$698,501	$719,456	$741,040	$763,271	$786,169	$809,755	$834,047	$859,069	$884,841	$911,386	$938,727	$16,114,821	
C		$160,980	$168,912	$172,290	$175,736	$181,008	$186,438	$267,179	$267,179	$1,068,715	$1,068,715	$1,068,715	$1,068,715	$1,068,715	$1,068,715	$1,068,715	$1,068,715	$1,068,715	$1,068,715	$1,389,329	$1,389,329	$30,102,127	
D (Leased Fee Interest)		$430,616	$430,616	$430,616	$462,678	$512,678	$515,178	$516,753	$518,375	$520,046	$532,767	$534,540	$571,633	$573,514	$575,451	$577,446	$579,501	$581,618	$583,798	$586,043	$627,151	$17,120,183	
E			$1,488,000			$48,576,370																	
F/G		$703,920	$725,038	$746,789	$769,192	$2,931,210	$2,931,210	$11,724,839	$12,076,584	$12,438,882	$12,812,048	$13,196,410	$13,592,302	$14,000,071	$14,420,073	$14,852,676	$15,298,256	$15,757,203	$16,229,920	$16,716,817	$17,218,322	$295,581,189	
I		$424,612	$437,350	$450,471	$463,985	$477,905	$56,914,522																
K (Leased Fee Interest)		$1	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1	$346,797	$346,797	$1,387,189	$1,387,189	$1,387,189	$30,055,758	
L		$432,492	$445,467	$458,831	$472,596	$707,861	$707,861	$2,831,444	$2,831,444	$2,831,444	$2,831,444	$2,831,444	$2,831,444	$2,831,444	$2,831,444	$2,831,444	$2,831,444	$3,680,877	$3,680,877	$3,680,877	$3,680,877	$61,347,957	
Gross Interim Rents & Sales Proceeds		**$2,632,521**	**$4,462,948**	**$3,036,928**	**$3,140,169**	**$55,359,301**	**$62,963,102**	**$22,171,787**	**$23,388,506**	**$24,784,858**	**$25,408,519**	**$26,039,560**	**$26,724,799**	**$27,394,270**	**$28,083,825**	**$28,794,066**	**$29,872,411**	**$31,475,340**	**$33,291,832**	**$34,411,829**	**$35,273,988**	**$622,544,785**	**$1,151,255,345**
Net Ground Lease Rents After Development						**$6,782,931**	**$6,048,581**	**$22,171,787**	**$23,388,506**	**$24,784,858**	**$25,408,519**	**$26,039,560**	**$26,724,799**	**$27,394,270**	**$28,083,825**	**$28,794,066**	**$29,872,411**	**$31,475,340**	**$33,291,832**	**$34,411,829**	**$35,273,988**	**$622,544,785**	
Less Costs and Expenses (Inflated @ 3%)																							
Infrastructure & Demolition (Paid by Developer)						$35,937,496										$4,673,902							
Marina (Paid by Developer)						$24,344,756																	
Cultural Facilities & UH Marine Lab Move							$19,950,000																
OHA Overhead/Other Expenses (allen)		$2,655,037	$1,767,549	$1,362,299	$1,232,632	$1,133,408	$1,104,235	$452,255	$459,402	$466,690	$474,122	$481,700	$489,407	$497,238	$505,194	$513,277	$521,489	$529,833	$538,310	$546,923	$555,674	$9,409,414	
Total Costs and Expenses		$2,655,037	$1,767,549	$1,362,299	$1,232,632	$61,415,660	$21,054,235	$452,255	$459,402	$466,690	$474,122	$481,700	$489,407	$497,238	$505,194	$5,187,179	$521,489	$529,833	$538,310	$546,923	$555,674	$9,409,414	**$89,939,667**
Net Revenues		**($22.516)**	**$2.695.399**	**$1.674.629**	**$1.907.537**	**($6.056.359)**	**$41.908.867**	**$21.719.532**	**$22.929.104**	**$24.318.168**	**$24.934.397**	**$25.557.859**	**$26.235.392**	**$26.897.032**	**$27.578.631**	**$23.606.887**	**$29.350.922**	**$30.945.507**	**$32.753.521**	**$33.864.906**	**$34.718.314**	**$613.135.371**	**$63.827.090**
OHA Costs		**$2.655.037**	**$1.767.549**	**$1.362.299**	**$1.232.632**	**$1.133.408**	**$1.104.235**	**$452.255**	**$459.402**	**$466.690**	**$474.122**	**$481.700**	**$489.407**	**$497.238**	**$505.194**	**$513.277**	**$521.489**	**$529.833**	**$538.310**	**$546.923**	**$555.674**	**$9.409.414**	
Parcel Fee Sales Revenues						**$48.576.370**	**$56.914.522**																
Developer Returns																							
Return of Capital (75% of Net Sales)	**Total Developer Investment**			**$84,906,154**		$36,432,277	$42,685,891																
Sub-Lease Rents (20% of total)						$1,356,586	$1,209,716	$4,434,357	$4,677,701	$4,956,972	$5,081,704	$5,207,912	$5,344,960	$5,478,854	$5,616,765	$5,758,813	$5,974,482	$6,295,068	$6,658,366	$6,882,366			
Total Developer Returns	**Total Developer Returns**			**$154,052,792**	**81.44%**	**$37,788,864**	**$43,895,607**	**$4,434,357**	**$4,677,701**	**$4,956,972**	**$5,081,704**	**$5,207,912**	**$5,344,960**	**$5,478,854**	**$5,616,765**	**$5,758,813**	**$5,974,482**	**$6,295,068**	**$6,658,366**	**$6,882,366**			
Discount Rate						**0.89286**	**0.79719**	**0.71178**	**0.63552**	**0.56743**	**0.50663**	**0.45235**	**0.40388**	**0.36061**	**0.32197**	**0.28748**	**0.25668**	**0.22917**	**0.20462**	**0.18270**			
Developer Returns Discounted	**Total Developer Discounted Returns**			**$95,799,904**	**12.83%**	**$33,740,057**	**$34,993,309**	**$3,156,288**	**$2,972,764**	**$2,812,719**	**$2,574,549**	**$2,355,795**	**$2,158,740**	**$1,975,730**	**$1,808,448**	**$1,655,521**	**$1,533,501**	**$1,442,667**	**$1,362,434**	**$1,257,383**			
Net OHA Returns		**($22.516)**	**$2.695.399**	**$1.674.629**	**$1.907.537**	**$16.437.030**	**$17.963.260**	**$17.285.175**	**$18.251.403**	**$19.361.197**	**$19.852.694**	**$20.349.948**	**$20.890.432**	**$21.418.178**	**$21.961.866**	**$17.848.074**	**$23.376.440**	**$24.650.439**	**$26.095.155**	**$26.982.540**	**$34.718.314**	**$613.135.371**	
Less Costs of Cultural Center Subsidy								($1,771,000)	($1,771,000)	($1,771,000)	($1,771,000)	($1,771,000)	($1,771,000)	($1,771,000)	($1,771,000)	($1,771,000)	($1,771,000)	($1,771,000)	($1,771,000)	($1,771,000)	($1,771,000)	($29,516,667)	
Net OHA Cash Flow		**($22.516)**	**$2.695.399**	**$1.674.629**	**$1.907.537**	**$16.437.030**	**$17.963.260**	**$15.514.175**	**$16.480.403**	**$17.590.197**	**$18.081.694**	**$18.578.948**	**$19.119.432**	**$19.647.178**	**$20.190.866**	**$16.077.074**	**$21.605.440**	**$22.879.439**	**$24.324.155**	**$25.211.540**	**$32.947.314**	**$583.618.705**	
Discount Factor		**0.92593**	**0.85734**	**0.79383**	**0.73503**	**0.68058**	**0.63017**	**0.58349**	**0.54027**	**0.50025**	**0.46319**	**0.42888**	**0.39711**	**0.36770**	**0.34046**	**0.31524**	**0.29189**	**0.27027**	**0.25025**	**0.23171**	**0.21455**	**0.19866**	
Discounted Present Value		**($20.848)**	**$2.310.870**	**$1.329.375**	**$1.402.096**	**$11.186.766**	**$11.319.901**	**$9.052.372**	**$8.903.849**	**$8.799.478**	**$8.375.323**	**$7.968.192**	**$7.592.589**	**$7.224.227**	**$6.874.203**	**$5.068.164**	**$6.306.422**	**$6.183.602**	**$6.087.096**	**$5.841.818**	**$7.068.787**	**$115.939.210**	
TOTAL INDICATED PRESENT VALUE OF OHA OWNERSHIP				**$244,813,492**																			

= Years when properties have reduced rents during development period, or when rents increase at reopening.

= Residential condominium properties sold in fee simple.

= Developer-invested capital.

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3. DEVELOPMENT ROADMAP

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COLLABORATIVE

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EXISTING REGULATORY CONDITIONS

The Office of Hawaiian Affairs' (OHA) Kakaʻako Makai lands comprise nine parcels located the Kakaʻako Makai Area of the Kakaʻako Community Development District (KCDD). The Kakaʻako Makai area is generally makai of Ala Moana Boulevard and between Kewalo Basin and the Foreign Trade Zone). OHA's lands in this area total approximately 30 acres with nine parcels ranging in size from approximately one acre to 7.5 acres.

Several Federal, State, Hawaiʻi Community Development Authority (HCDA), and City and County of Honolulu regulations and polices control land uses the Kakaʻako Makai Area.

HCDA

The Kakaʻako Makai Area, including OHA's Kakaʻako Makai lands, are under the local regulatory jurisdiction of HCDA. Of any relating authority, HCDA exerts the most control over development within the Kakaʻako Makai Area.

HCDA has adopted land use regulations, policies and goals, relating to development and uses in the Kakaʻako Makai area. These include:

- Makai Area Rules (Hawaiʻi Administrative Rules Title 15, Chapter 23, the Kakaʻako Community Development District Rules for the Makai Area)
- Kakaʻako Community Development District Makai Area Plan (HCDA 2005)
- Kakaʻako Makai Conceptual Master Plan (HCDA 2011)
- Covenants, Conditions and Restrictions (CC&Rs) for the Waterfront (Hawaiʻi Community Development Authority, 2002)

Chapter 3 of the OHA Kakaʻako Makai Background Analysis report (Kuhikuhi Puʻuone Collaborative 2015) dated March 2015 contains summaries of these regulations and plans. In general, the Makai Area Rules and the Makai Area Plan are the "controlling" regulations and plan for the Kakaʻako Makai Area; however the Kakaʻako Makai Conceptual Master Plan and the CC&Rs for the Waterfront, as well as the Kakaʻako Community Development District Transit Oriented Development Overlay Plan (draft) (Hawaiʻi Community Development Authority, 2013), include polices and guidelines that the HCDA may seek to implement in the development of OHA's Kakaʻako Makai lands.

Makai Area Rules establish regulations regarding zoning, maximum densities, and maximum heights in the Makai Area. Because HAR has the effect of law, these regulations are controlling of development as compared to plans, which provide general policies and guidelines and generally allow for more flexibility in interpretation and implementation. Table 1 shows the zoning, maximum densities, and maximum heights for OHA's Kakaʻako Makai lands, as established in the Makai Area Rules.

TABLE 1 ZONING, MAXIMUM DENSITY, AND MAXIMUM HEIGHTS FOR OHA'S KAKA'AKO MAKAI LANDS

Lot	Zoning	Maximum Density (Floor Area Ratio)	Maximum Height (feet)
A	Waterfront Commercial (WC)	1.5	65
B	Waterfront Commercial (WC)	1.5	65
C	Waterfront Commercial (WC)	1.5	65
D	Waterfront Commercial (WC)	1.5	65
E	Mixed-Use Zone (MUZ)	2.5	200
F	Mixed-Use Zone (MUZ)	2.0	200
G	Mixed-Use Zone (MUZ)	2.0	200
I	Mixed-Use Zone (MUZ)	3.5	200
K	Waterfront Commercial (WC)	1.5	65
L	Mixed-Use Zone (MUZ)	0.6	45

State Laws and Regulations

State Land Use Law (Chapter 205, HRS): The OHA Kaka'ako Makai lands are within the State Urban Land Use District. Urban uses, such as envisioned by OHA for its lands, are generally permitted in the Urban District.

Section 206E-31.5, Hawai'i Revised Statues (enacted by Act 317 (2006)): Enacted by the State Legislature in 2006 (Act 317) Section 206E-31.5, HRS, prohibits HCDA from approving any proposal for residential development in the Kaka'ako Makai area (i.e. makai of Ala Moana boulevard and between Kewalo Basin and the Foreign Trade Zone). In addition, HCDA is generally prohibited with from selling or otherwise assigning the fee simple interest in any lands (including roads) to which it holds title.

State Public Lands Law. Assuming Section 206E, HRS can be amended, compliance with Chapter 171, HRS may be required to implement any proposed land transfers or exchanges. In particular Section 175.50 pertains to exchanges of public lands.

Act 15 (2012): Enacted by the State Legislature in 2012, Act 15 transferred fee-simple ownership of the OHA Kaka'ako Makai lands to OHA. This Act contains certain provisions that prohibit OHA from asserting certain claims regarding the portion of income and proceeds from Public Trust Lands OHA is to receive under the State of Hawai'i Constitution. Act 15 also states that the OHA Kaka'ako Makai lands shall remain under the jurisdiction of HCDA, but does provide for the possibility that jurisdiction of the lands could be transferred to another State department or agency.

State Environmental Impact Law (Chapter 343, HRS): The State Environmental Impact Law (Chapter 343, HRS, and the implementing State administrative rules, Chapter 200, Hawai'i HAR, establish nine types of actions that "trigger" compliance. The use of State lands (which include OHA's Kakaʻako Makai lands) are one of these "triggers." Other applicable "triggers" include the use of State funds, and amendment to general plans (which would include the Makai Area Plan). Any use in the shoreline area (defined in section 205A-41) would also trigger the need for compliance with Chapter 343, HRS).

Special Management Area (SMA): The OHA Kakaʻako Makai lands are within the Special Management Area (SMA). Development in the SMA must be consistent with the objectives and policies established in Section 205-2, HRS and the SMA guidelines contained in Section 205A-26, HRS. The State Office of Planning reviews consistency with SMA objectives, policies, and guidelines through the SMA Use Permit process.

Shoreline Setback & Harbor Access: A 40-foot shoreline setback applies to parcels along the open ocean (Parcel I and K). This setback requirement does not apply to parcels along the Kawalo Basin waterfront (A, B, C, and possibly a portion of D), as the water edge within the harbor is not considered to be the "shoreline." In general, the shoreline runs across the mouth of the Kewalo Basin Harbor entrance channel; however the precise location of the shoreline (across the channel and along the open ocean) would to be determined by a shoreline survey certified by the Department of Land and Natural Resources.

Historic Structures: A number of structures on the OHA Kakaʻako Makai Lands are approaching or greater than 50 years old, making them potentially eligible for the State or National Registers of Historic Properties, thus necessitating additional considerations under Hawaiʻi's historic preservation law, Chapter 6E, HRS. For any scenarios that have the potential to affect historic structures or archaeology, the State Historic Preservation Division has the obligation to review the potential effect on those historic properties.

City and County of Honolulu

While the City and County of Honolulu does not have jurisdiction over land use requirements such as zoning, heights, and densities, they do administer permitting in areas such as subdivision approval, building permits, fire code requirements, and water and sewer connections. These types of permitting actions are largely administrative it that they are reviewed and approved at a staff level and do not involve discretionary approval by, for example, the Planning Commission or the County Council.

Flood Hazard Zone: Several of the lots (L, E, A, B, C), are wholly in the flood hazard zone while and portions of others are in the flood zone. Several straddle more than one flood zone designation (Wilson Okamoto Corporation, 2015). Development of lots in the flood hazard zones is not prohibited, but special measures will be required and considered by the City and County of Honolulu in conjunction with building permits. When a structure straddles two or more flood zones, the most restrictive standards apply.

Storm Water Quality Standards: Development of Kakaʻako Makai will be required to comply with the City and County of Honolulu's Standards for Storm Water Quality and Drainage Standards. Notably, the standards require incorporation of both Low Impact Development (LID) strategies to manage stormwater volumes and quality as well as Source Control Best Management Practices to minimize pollution.

Federal Laws

It is assumed that development of the OHA Kakaʻako Makai lands will not require any federal funds, and therefore the requirements of the National Environmental Protection Act (NEPA) will not be triggered by the overall development. However any development impacting Navigable Waters of the United States, such as connecting a marina on OHA's land to Kewalo Basin Harbor would require NEPA compliance as well as the need to comply with several other federal laws such as: Section 10 Rivers and Harbors Act (US Army Corps), Section 9 Rivers and Harbors Act (US Coast Guard), Section 404, Clean Water Act (US Army Corps), Section 401, Clean Water Act (Hawaiʻi Dept. of Health). Any development will require compliance with the National Pollutant Discharge Elimination System (NPDES) requirements.

LAND USE SCENARIOS

The Kuhikuhi Puʻuone Collaborative has prepared two Master Plan scenarios for OHA's Kakaʻako Makai lands. The overarching vision under both scenarios is of creating "Kīpuka Kakaʻako" which imagines the lands as a vibrant, active center. At the heart of this center is the "kīpuka" creating a focal point around which other uses, including cultural structures and programing, would radiate. A waterfront promenade along the Kewalo Basin edge is imaged, along with Diamond Head/ʻEwa connections. Neighboring landowners would have the opportunity to integrate their public spaces and promenades with the center.

Land Use Scenario Plan A (Individual Parcel Approach). Land Use Scenario Plan A assumes retaining the lots for individual developments within the context of a master plan and with opportunities to develop contiguous lots together or with integrated uses. Waterfront properties would include commercial spaces like retail and restaurants with landscaped plazas and promenades that take advantage of views and harbor activity. The landlocked Lot F/G lot, is proposed for light industrial uses, particularly uses that may be complementary to harbor activities. Parcels E and I would be developed with neighborhood commercial and uses that support surrounding institutions and the community. Parcel L would remain in industrial use. Proposed uses on individuals parcel are as follows:

- Parcel A: Waterfront Commercial
- Parcel B: Waterfront Commercial
- Parcel C: Waterfront Commercial
- Parcel D: Waterfront Commercial

- Parcel E: Neighborhood Commercial
- Parcel F/G: Industrial
- Parcel I: Neighborhood Commercial/Medical
- Parcel K: Waterfront Commercial/Park
- Parcel L: Industrial

Land Use Scenario Plan A also imagines a cultural center and open space uses on land commonly referred to as the "Look Lab" property. To ensure this course, OHA would need to obtain land use control of the "Look Lab" property, which is currently owned by HCDA (or otherwise influence the creation of the cultural center).

Land Use Scenario Plan B (Master Plan Approach). Land Use Scenario Plan B takes a more comprehensive approach than Land Use Scenario Plan A. It is comprised of three core cultural components: Kīpuka, Hālauāola, and Kūlia ʻĀnuʻu (Edith Kanakaole Foundation, 2015):

- The Kīpuka is represented as a marina, creating a home for voyaging and Hawaiian canoes. The marina and its surrounding plaza will become a focal point for the commercial and community activity at Kīpuka Kakaʻako.
- The Hālauāola is a building that houses exhibition and interpretive exhibits that are centered around the Kānaka Maoli and their relationship to the Universe. It will be a place of learning (a science and arts museum and center), a repository of knowledge (archival library of genealogy and cultural resources), and a center for aiding the kānaka maoli to navigate the modern world with a native perspective (center of land and water law).
- The Kūlia ʻĀnuʻu, is an observation tower that creates a new focal point. The tower will be aligned with the cosmos, and function as not only a place to view the island, but also to track the celestial and environmental changes to plan for seasons and ceremonies.

Land Use Scenario Plan B envisions the waterfront parcels (parcels A, B, C, and D) and parcel F/G are developed as one contiguous master planned area. The portion of Ahui Sreet between the waterfront parcels and parcel F/G would be integrated with the adjacent parcels, and vehicle circulation to/from areas makai of Olamehani Street would be via Ohe Street on the Ewa side of parcel F/G. This will unify the waterfront parcels with parcel F/G, maximize pedestrian flow, and create a true pedestrian-oriented center. Land Use Scenario Plan B also includes a cultural center and open space uses on the "Look Lab" property with the goal of integrating OHA's master plan with the Kakaʻako Waterfront Park to create a complete and integrated Kakaʻako Makai.

The land use breakdown by lot is as follows:

- Parcel A: Waterfront Mixed Use / Hotel
- Parcel B: Kūlia ʻAnuʻu

- Parcel C: Waterfront Commercial
- Parcel D: Waterfront Commercial
- Parcel E: Neighborhood Commercial
- Parcel F/G and ʻAhui Street: Mixed Use/Hotel/parking /kīpuka
- Parcel I: Neighborhood Commercial/Medical
- Parcel K: Waterfront Commercial/Park
- Parcel L: Industrial

As Land Use Scenario Plan B involves: 1) the closure of a portion of ʻAhui Street (between Ilalo Street and Olomehani Street); and 2) a cultural center and open space uses on the "Look Lab" property, both of which are under control of HCDA, OHA would need to obtain land use control of these properties, or otherwise influence the closure of Ahui Street and creation of the cultural center.

DEVELOPMENT ROADMAP

Land Use Scenario Plan A takes a relatively conservative, parcel by parcel approach to development of OHA's Kakaʻako Makai lands. It works within the framework of existing land use laws and rules (perhaps with some incremental land use law and rule amendments) to allow for implementation of the plan. It balances commerce and culture as much as possible within current land use regulatory constraints.

In contrast, Land Use Scenario Plan B sets forth several profound and landscape-altering concepts that respond to current development patterns and a host of evolving contemporary issues that were not contemplated 2005 when the Makai Area Plan and associated rules were adopted. The great recession had not occurred; rail was far from certain; planning for public health, transit oriented development, and sea level rise were not given serious consideration; and collective discussion regarding nation-building was very different than it is today. Land Use Scenario Plan B takes a present-day, big-picture approach to chart the course for OHA's Kakaʻako Makai lands and associated entitlements and more fully integrates culture with commerce.

Both scenarios provided herein can trigger many "what-if" alternatives that can quickly derail linear thought regarding the development process. Therefore, some basic assumptions are made to provide a clear and linear roadmap.

Land Use Scenario Plan A – Anticipated Entitlements. Under Land Use Scenario Plan A, anticipated entitlement include:

- Programmatic EIS (Chapter 343, HRS)
- HCDA Master Plan Permit
- Special Management Area Use Permit

PAR.	AREA	USE
A	191,403	Waterfront Commercial
B	103,597	Waterfront Commercial
C	73,996	Waterfront Commercial
D	40,855	Waterfront Commercial
E	95,919	Neighborhood Commercial
F/G	328,000	Industrial
I	130,000	Neighborhood Commercial / Medical
K	40,000	Waterfront Commercial
L	229,561	Industrial

LAND USE SCENARIO PLAN A (INDIVIDUAL PARCEL APPROACH)

PAR	AREA	USE
A	191,403	Waterfront Mixed-Use / Hotel
B	103,597	Kūlia ʻAnuʻu
C	73,996	Waterfront Commercial
D	40,855	Waterfront Commercial
E	95,919	Residential / Live-Work
F/G	328,000	Hālauāola/ Mixed-Use / Hotel / Kīpuka
I	130,000	Residential / Live-Work
K	40,000	Waterfront Commercial
L	229,561	Industrial

LAND USE SCENARIO PLAN B (MASTER PLAN APPROACH)

- Supplemental EIS(s) and/or EA(s) for each phase or individual project
- HCDA Development Permit
- Development in the Flood Zone
- Grading and Building Permits
- Associated construction activity permits & NPDES compliance

As with any large master plan (especially in Kakaʻako), community and political consensus building strategies should be undertaken to gain support for Land Use Scenario Plan A. Figure 1 later in this report provides a timeline for entitlements. The timeline reflects a best-case scenario, with little to no complications during the entitlement process.

Land Use Scenario Plan B – Two Approaches to Anticipated Entitlements. Under Land Use Scenario Plan B two approaches could be taken. The first is a high-level approach to achieve the Land Use Scenario Plan B master plan could involve seeking State Legislature action to grant OHA autonomy to plan their lands, or a sub-set of their lands (Kakaʻako Makai) without land use oversight by the HCDA or other State or County agencies. A precedent for land use autonomy has been set for the Department of Hawaiian Home Lands (DHHL), where DHHL has the authority to create and implement their own land use plans, but are still subject to related laws such as Hawaiʻi's EIS law (Chapter 343, HRS). Philosophically, this path could be considered a next step toward empowering Hawaiian governance. Short of transferring land use autonomy to OHA, an alternative high-level approach could involve seeking legislative approval of the Master Plan in its entirety, thus bypassing HCDA permitting and other requirements. Legislative approaches should be well coordinated, including long-term community and political consensus building, before any legislative action is introduced.

If neither of the "high-level State Legislature" approaches are undertaken, the second approach to implementation of Land Use Scenario Plan B would be the more incremental, traditional approach, which would still require certain legislative action, as well as environmental documentation (i.e. compliance with Chapter 343, HRS), discretionary land use approvals, and several administrative permit approvals. Long-term community and political consensus building strategies should also be undertaken to gain support to Land Use Scenario Plan B.

Below is a list of environmental compliance documentation and major discretionary land use approvals that will be required to implement Land Use Scenario Plan B. Anticipated entitlements are listed below, followed by a description that explains why or what elements of the plan trigger the need for the entitlement process. Figure 2 later in this report provides a timeline for entitlements under Scenario B. The timeline reflects a best-case scenario, with little to no complications during the entitlement process.

- Programmatic EIS (Chapter 343, HRS)
- Legislative Action
- Makai Area Rules Amendment
- Makai Area Plan Amendment
- HCDA Master Plan Permit
- Special Management Area Use Permit
- Supplemental EIS(s) and/or EA(s) for each phase or individual project
- HCDA Development Permit
- Development in the Flood Zone
- Grading and Building Permits
- Associated construction activity permits & NPDES compliance
- **Environmental Impact Statement:** An Environmental Impact Statement (EIS) is expected to be necessary, rather than a less extensive Environmental Assessment. The EIS will be prepared and processed in accordance with Chapter 343, HRS. It is assumed that compliance with the Federal National Environmental Policy Act (NEPA) will not be required. An issue to be resolved internally within OHA (or with the guidance of the Attorney General's Office) is whether the EIS will be submitted as an "agency action" or an "applicant action." If it is determined that the EIS will be submitted as an "agency action," the accepting authority would be the Governor. If the EIS will be submitted "applicant action," EIS would be accepted by the government agency with permitting jurisdiction, which most likely would be HCDA.

  A programmatic EIS (PEIS) is expected because of the long-term scope of the Conceptual Master Plan, the conceptual nature of uses that may be proposed on each parcel, and to ensure that a framework is provided regarding environmental impacts as conceptual ideas transition into actual physical proposals for development.

  The PEIS provides for a "tiered" environmental review process where the PEIS provides an overview of the Master Plan and its impacts, and subsequent environmental documentation (EA or EIS) may be required to address specific impacts relating to individual projects that may be implemented subsequent to, but consistent with, the Master Plan.

  Some of the more unique elements of the Master Plan that will need identification and disclosure in the PEIS include:

  - Construction of the kīpuka (marina) (note that connecting the marina to Kewalo Basin Harbor would trigger NEPA compliance, however for the purpose of this analyses it assumed that there would be no connection that would trigger NEPA compliance).

  - Addressing Chapter 6E, HRS relating to historic resources (archaeology and alterations to historic buildings).
  - Incorporation of hospitality and residential uses.
  - Kulia ʻĀnuʻu and relationship to flight paths.
  - Brownfield redevelopment.

- **Legislative Action:** Legislative action will be necessary to amend Section 206E-31.5, HRS to allow HCDA to approve to: 1) residential uses in the Kakaʻako Makai area; and 2) selling, exchanging, or transferring fee simple interest in any lands (including roads) to which it holds title.

  While hospitality and residential uses may not be synonymous under common land use definitions, it is assumed that visitor accommodations in the Kakaʻako Makai area may not be considered consistent with the intent of Section 206E-31.5, HRS in regard to the prohibition of residential uses the Kakaʻako Makai area.

  It is acknowledged that any proposed land transfers to OHA and (i.e. a portion of ʻAhui Street) may require amending Section 206E-31.5, HRS to allow HCDA to sell, exchange, or transfer fee simple interest in any lands. Separately, amendments to Act 15 (2012) may also be needed to address transfers or land exchanges.

- **Makai Area Rules Amendment (HAR amendment).** An amendment to the Makai Area Rules (Title 15, Chapter 23, HAR) will be necessary to allow for hospitality uses in the Makai Area. Amendments may also be necessary to change specific parcel zoning, allowable density, and heights. Amending the Makai Area Rules would involve proposing rule amendments (applicant or agency initiated), public hearing(s), HCDA review and approval; and final approval by the Governor.
- **Makai Area Plan Amendment.** Amendments to the Makai Area Plan would be necessary as a precursor or concurrent to, and in support of, amending the Makai Area Rules. Amending the Makai Area Plan involves proposing changes (applicant or agency initiated), public hearing(s), and HCDA review and approval.
- **HCDA Master Plan.** A Master Plan Permit is intended to provide a flexible approach to development, encourage investment in new development, and a commitment to the master planning of large land holdings. A further purpose is to derive public benefits, such as reserved housing, public parking, off-site infrastructure, and other public facilities from Master Plan developers, in exchange for greater development flexibility for a specific period. It is assumed that OHA will elect to pursue a Master Plan Permit. The Authority approves Master Plan Permits.
- **SMA Use Permit:** Development within the SMA requires an SMA Use Permit. The State Office of Planning (OP) SMA reviews and approves SMA Use Permits for lands under HCDA jurisdiction.

Table 3 summarizes the entitlements and modifications necessary to implement Land Use Scenario Plan A and Land Use Scenario Plan B.

TABLE 3 DEVELOPMENT SCENARIO ENTITLEMENTS

	A	B
Programmatic EIS	x	x
Supplemental EAs or EISs	x	x
Amend HRS		x[rt]
Amend HAR		x[oh]
Master Plan Approval (HCDA)	x	x
Special Management Use Permit (OP)	x	x
Development Permit (HCDA)	x	x
Dredging and Water quality Permits (USACOE/USCG/DOH)		x
Zoning adjustments /Waivers (HCDA)		
Variances (HCDA)		
Development in the Flood Zone (DPP)	x	x
Grading and Building Permits (DPP)	x	x
Associated construction activity permits & NPDES compliance (various)	x	x

[r] *to permit residential use*
[t] *to permit transfer of HCDA lands*
[o] *to permit Kūliaʻanuʻu (increase height limit)*
[h] *to permit hospitality use*

LAND TRANSFERS/EXCHANGES/LEASES

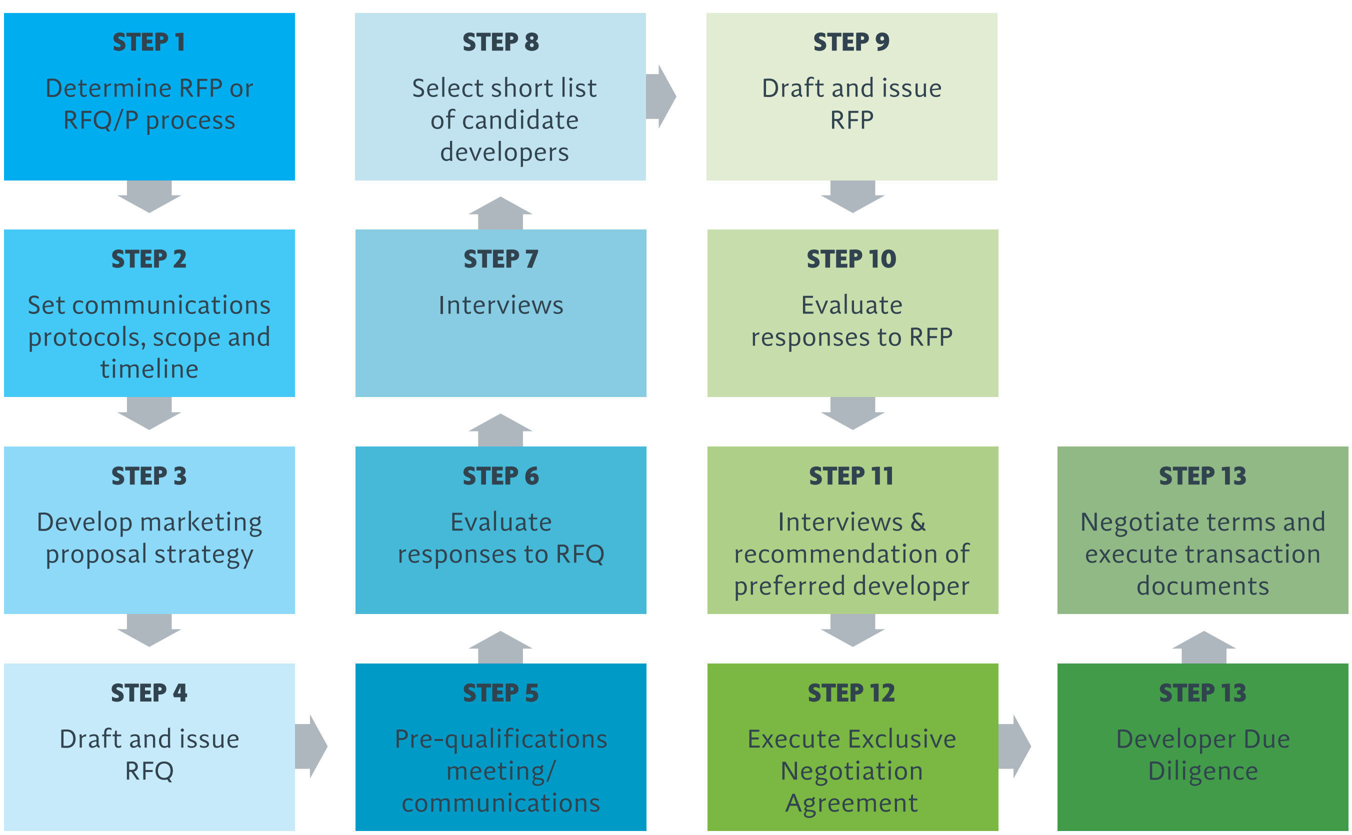
Closure of a portion of ʻAhui Street and a cultural center and open space uses on the "Look Lab" property, both of which are under control of HCDA, may require OHA obtain land use control of these properties, or otherwise influence the closure of Ahui Street and creation of the cultural center. Transfer of lands from HCDA to OHA would require several steps including possible legislative action to amend Section 206E-31.5, HRS to allow HCDA to approve to selling, exchanging, or transferring fee simple interest in any lands (including roads) to which it holds title. However it is acknowledged that any proposed land transfers to OHA may be able to be implemented without amendment to Section 206E-31.5, HRS (similar to how Act 15 (2012) transferred the OHA Kakaʻako Makai lands to OHA in 2012). Control or use of non-OHA lands may be accomplished in other ways short of transfer, including joint development agreement, stewardship agreement, or lease.

DEVELOPER SELECTION PROCESS

To achieve the balance between culture and commerce that OHA seeks, careful developer selection is of paramount importance. The developer will need to prepare a development program that builds financial value while acknowledging this unique placemaking opportunity and multi-faceted responsibilities to OHA's beneficiaries.

OHA may choose to select a developer with a single step process (RFP) or a two-step process, by first soliciting requests for qualifications (RFQ/P) to generate a short list of candidate developers from which to solicit proposals. Prior to initiating the RFP or RFQ/P process, it is important for OHA to establish communication protocols and establish a timeline for the process. For example, it must be determined what materials will be shared with prospective developers, how will questions be responded to, and what are the solicitation evaluation criteria. It is not uncommon to retain the support of a consultant specializing in conducting developer selection processes, to ensure that protocols are maintained and that the process is conducted with the professional integrity that is demanded. The process is summarized in Figure 3, below.

FIGURE 3, DEVELOPER SELECTION PROCESS



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SCENARIO A
19-YEAR PROJECTION

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
	DEVELOPMENT PREPARATIONS - BY OHA MASTER PLANNING MASTER PLAN ENTITLEMENTS - BY OTHERS																		

PARCEL	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
A *	$230,700	$518,364	$1,495,042	$1,230,677	$4,922,707	$4,922,707	$4,922,707	$4,922,707	$4,922,707	$4,922,707	$4,922,707	$4,922,707	$4,922,707	$4,922,707	$6,399,520	$6,399,520	$6,399,520	$6,399,520	$106,658,660
B **	$249,200	$249,200	$249,200	$256,676	$264,376	$521,204	$521,204	$2,084,817	$2,084,817	$2,084,817	$2,084,817	$2,084,817	$2,084,817	$2,084,817	$2,084,817	$2,084,817	$2,084,817	$2,710,262	$45,171,036
C ***	$160,980	$259,236	$259,236	$1,036,946	$1,036,946	$1,036,946	$1,036,946	$1,036,946	$1,036,946	$1,036,946	$1,036,946	$1,036,946	$1,036,946	$1,348,030	$1,348,030	$1,348,030	$1,348,030	$1,348,030	$22,467,159
D ****	$430,616	$430,616	$430,616	$462,678	$512,678	$515,178	$516,753	$518,375	$520,046	$532,767	$532,767	$532,767	$532,767	$532,767	$532,767	$532,767	$532,767	$532,767	$16,544,436
E		$1,488,000	$436,835	$436,835	$1,747,339	$1,747,339	$1,747,339	$1,747,339	$1,747,339	$1,747,339	$1,747,339	$1,747,339	$1,747,339	$1,747,339	$2,271,541	$2,271,541	$2,271,541	$2,271,541	$37,859,020
F/G	$848,700	$848,700	$3,394,800	$3,394,800	$3,394,800	$3,394,800	$3,394,800	$3,394,800	$3,394,800	$3,394,800	$3,394,800	$3,394,800	$4,413,240	$4,413,240	$4,413,240	$4,413,240	$4,413,240	$4,413,240	$73,554,000
I	$424,612	$572,034	$572,034	$2,288,137	$2,288,137	$2,288,137	$2,288,137	$2,288,137	$2,288,137	$2,288,137	$2,288,137	$2,288,137	$2,288,137	$2,974,578	$2,974,578	$2,974,578	$2,974,578	$2,974,578	$49,576,293
K ****	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1	$16,149,011
L	$432,492	$564,521	$638,450	$2,553,800	$2,553,800	$2,553,800	$2,553,800	$2,553,800	$2,553,800	$2,553,800	$2,553,800	$2,553,800	$2,553,800	$3,319,941	$3,319,941	$3,319,941	$3,319,941	$3,319,941	$55,332,342
GROSS RENTAL PROCEEDS	**$2,777,301**	**$4,930,673**	**$7,476,215**	**$11,660,549**	**$16,720,784**	**$16,980,112**	**$16,981,687**	**$18,546,922**	**$18,548,593**	**$18,561,314**	**$18,561,314**	**$18,561,314**	**$19,579,754**	**$21,343,419**	**$23,344,433**	**$23,344,433**	**$23,344,433**	**$23,969,878**	**$423,311,956**
OHA Operational Costs	*$2,637,181*	*$1,749,157*	*$1,207,235*	*$475,466*	*$438,525*	*$414,409*	*$420,493*	*$426,688*	*$432,994*	*$439,415*	*$445,952*	*$453,087*	*$460,337*	*$467,702*	*$475,185*	*$482,788*	*$490,513*	*$498,361*	*$506,335*
OHA Development Costs	*($0)*	*($986,135)*	*($1,495,243)*	*($2,332,110)*	*($3,344,157)*	*($3,396,022)*	*($3,396,337)*	*($3,709,384)*	*($3,709,719)*	*($3,712,263)*	*($3,712,263)*	*($3,712,263)*	*($0)*	*($0)*	*($0)*	*($0)*	*($0)*	*($0)*	*($0)*
NET OHA CASH FLOW	**$140,120**	**$2,195,381**	**$4,773,737**	**$8,852,973**	**$12,938,103**	**$13,169,681**	**$13,164,857**	**$14,410,850**	**$14,405,881**	**$14,409,637**	**$14,403,100**	**$14,395,964**	**$19,119,418**	**$20,875,717**	**$22,869,248**	**$22,861,645**	**$22,853,920**	**$23,471,517**	**$422,805,621**

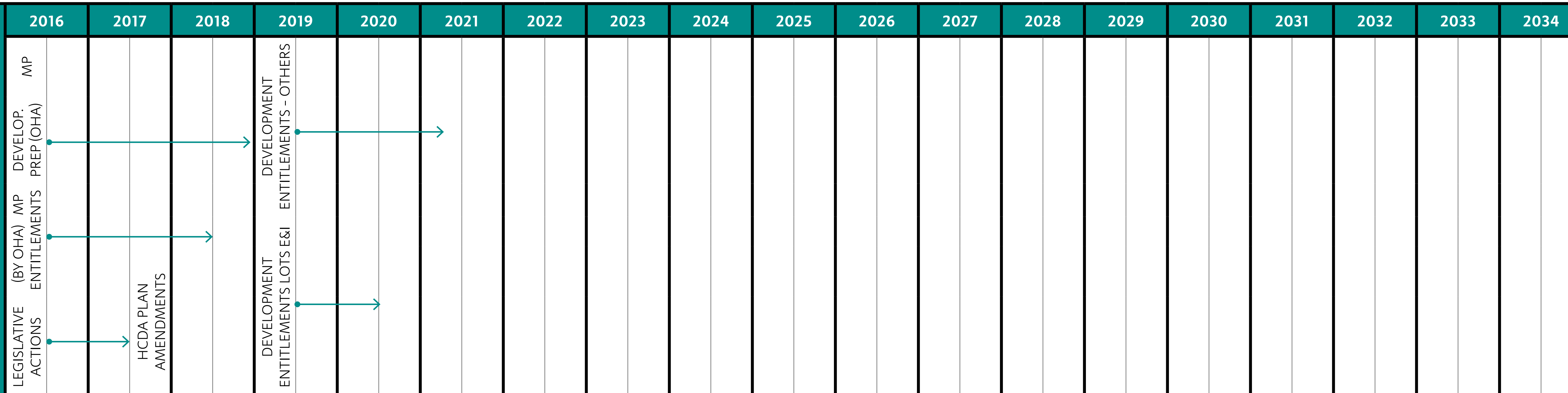
TOTAL NET CASH FLOW	**$682,117,370**

*Leased Fee Interest

START OF LEASE & CONSTRUCTION PERIOD

Note: Fiscal year (7/1- 6/30)

SCENARIO B
19-YEAR PROJECTION



PARCEL	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
A	$230,700	$518,364	$528,731	$539,305	$1,707,893	$1,707,893	$6,831,572	$7,036,519	$7,247,614	$7,465,043	$7,688,994	$7,919,664	$8,157,254	$8,401,971	$8,654,031	$8,913,651	$9,181,061	$9,456,493	$162,336,460
B	$249,200	$249,200	$249,200	$256,676	$264,376	$0	$0	$658,405	$678,157	$698,501	$719,456	$741,040	$763,271	$786,169	$809,755	$834,047	$859,069	$884,841	$15,189,764
C	$160,980	$168,912	$172,290	$175,736	$181,008	$186,438	$267,179	$267,179	$1,068,715	$1,068,715	$1,068,715	$1,068,715	$1,068,715	$1,068,715	$1,068,715	$1,068,715	$1,068,715	$1,068,715	$23,155,483
D *	$430,616	$430,616	$430,616	$462,678	$512,678	$515,178	$516,753	$518,375	$520,046	$532,767	$534,540	$571,633	$573,514	$575,451	$577,446	$579,501	$581,618	$583,798	$16,061,487
E		$1,488,000			$48,576,370														
F/G	$703,920	$725,038	$746,789	$769,192	$2,931,210	$2,931,210	$11,724,839	$12,076,584	$12,438,882	$12,812,048	$13,196,410	$13,592,302	$14,000,071	$14,420,073	$14,852,676	$15,298,256	$15,757,203	$16,229,920	$278,613,619
I	$424,612	$437,350	$450,471	$463,985	$477,905	$56,914,522													
K *	$1	$1	$1	$1	$1	$1	$254,456	$254,456	$1,017,823	$1,017,823	$1,017,823	$1,017,823	$1,017,823	$1,017,823	$1,017,823	$1,017,823	$1,017,823	$1,017,823	$22,052,841
L	$432,492	$445,467	$458,831	$472,596	$707,861	$707,861	$2,831,444	$2,831,444	$2,831,444	$2,831,444	$2,831,444	$2,831,444	$2,831,444	$2,831,444	$2,831,444	$2,831,444	$3,680,877	$3,680,877	$61,347,957
GROSS RENTAL PROCEEDS	**$2,632,521**	**$4,462,948**	**$3,036,928**	**$3,140,169**	**$55,359,301**	**$62,963,102**	**$22,426,242**	**$23,642,961**	**$25,802,681**	**$26,426,342**	**$27,057,382**	**$27,742,621**	**$28,412,092**	**$29,101,647**	**$29,811,889**	**$30,543,438**	**$32,146,366**	**$32,922,466**	**$578,757,610**
OHA Operational Costs	*($2,655,037)*	*($1,767,549)*	*($1,362,299)*	*($1,232,632)*	*($1,133,408)*	*($1,104,235)*	*($452,255)*	*($459,402)*	*($466,690)*	*($474,122)*	*($481,700)*	*($489,407)*	*($497,238)*	*($505,194)*	*($513,277*	*($521,489)*	*($529,833)*	*($538,310)*	*($513,277)*
OHA Development Costs	*$0*	*$0*	*$0*	*$0*	*($42,646,501)*	*($49,587,060)*	*($6,485,248)*	*($6,728,592)*	*($7,160,536)*	*($7,285,268)*	*($7,411,476)*	*($7,548,524)*	*($7,682,418)*	*($7,820,329)*	*($7,962,378)*	*($8,108,688)*	*($8,429,273)*	*($8,584,493)*	*($56,735,658)*
NET OHA CASH FLOW	**($22,516)**	**$2,695,399**	**$1,674,629**	**$1,907,537**	**$11,579,393**	**$12,271,808**	**$15,488,738**	**$16,454,967**	**$18,175,454**	**$18,666,952**	**$19,164,205**	**$19,704,690**	**$20,232,436**	**$20,776,124**	**$21,336,234**	**$21,913,261**	**$23,187,260**	**$23,799,663**	**$521,508,676**

TOTAL NET CASH FLOW	$790,514,909

*Leased Fee Interest

Note: Fiscal year (7/1- 6/30)

START OF LEASE & CONSTRUCTION PERIOD

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4. PHASING STRATEGY & DEVELOPMENT SCHEDULE

KUHIKUHI PUʻUONE COLLABORATIVE

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INTRODUCTION

Existing Conditions

The Office of Hawaiian Affairs' (OHA) Kakaʻako Makai lands comprise nine parcels located the Kakaʻako Makai Area of the Kakaʻako Community Development District (KCDD). The Kakaʻako Makai area is generally makai of Ala Moana Boulevard and between Kewalo Basin and the Foreign Trade Zone. OHA's lands in this area total approximately 30 acres with nine parcels ranging in size from approximately one acre to 7.5 acres.

The Kakaʻako District is strategically situated between Honolulu's Central Business District and Waikīkī. For many years, it has been a service commercial and light industrial area. Commercial uses were concentrated along the major thoroughfares, while industrial uses occupied interior sites. Major landownership is controlled by four entities—Howard Hughes Corporation, Kamehameha Schools, the State of Hawaiʻi, and OHA.

Land Use Scenarios

Phasing strategies are discussed for two land use scenarios in this report. Land Use Scenario Plan A takes a relatively conservative, parcel by parcel approach to development of OHA's Kakaʻako Makai lands and is focused more on commerce than culture. Land Use Scenario Plan B takes a more comprehensive approach and more fully integrates culture with commerce. Both scenarios assume an aggressive entitlement timeline, with little to no complications during the entitlement process.

Land Use Scenario Plan A (Individual Parcel Approach). Land Use Scenario Plan A assumes retaining the lots for individual developments within the context of a master plan and with opportunities to develop contiguous lots together or with integrated uses. Waterfront properties would include commercial spaces like retail and restaurants with landscaped plazas and promenades that take advantage of views and harbor activity. The landlocked Lot F/G lot, is proposed for light industrial uses, particularly uses that may be complementary to harbor activities. Parcels E and I would be developed with neighborhood commercial and uses that support surrounding institutions and the community. Parcel L would remain in industrial use. Proposed uses on individuals parcel are as follows:

- Parcel A: Waterfront Commercial
- Parcel B: Waterfront Commercial
- Parcel C: Waterfront Commercial
- Parcel D: Waterfront Commercial
- Parcel E: Neighborhood Commercial
- Parcel F/G: Industrial

PAR.	AREA	USE
A	191,403	Waterfront Commercial
B	103,597	Waterfront Commercial
C	73,996	Waterfront Commercial
D	40,855	Waterfront Commercial
E	95,919	Neighborhood Commercial
F/G	328,000	Industrial
I	130,000	Neighborhood Commercial / Medical
K	40,000	Waterfront Commercial
L	229,561	Industrial

- Parcel I: Neighborhood Commercial/Medical
- Parcel K: Waterfront Commercial/Park
- Parcel L: Industrial

Land Use Scenario Plan A also imagines a cultural center and open space uses on land commonly referred to as the "Look Lab" property. To ensure this course, OHA would need to obtain land use control of the "Look Lab" property, which is currently owned by HCDA (or otherwise influence the creation of the cultural center).

Land Use Scenario Plan B (Master Plan Approach). Land Use Scenario Plan B takes a more comprehensive approach than Land Use Scenario Plan A. It is comprised of three core cultural components: Kīpuka, Hālauāola, and Kūlia ʻAnuʻu (Edith Kanakaole Foundation, 2015):

- The Kīpuka is represented as a marina, creating a home for voyaging and Hawaiian canoes. The marina and its surrounding plaza will become a focal point for the commercial and community activity at Kīpuka Kakaʻako.

PAR	AREA	USE
A	191,403	Waterfront Mixed-Use / Hotel
B	103,597	Kūlia ʻAnuʻu
C	73,996	Waterfront Commercial
D	40,855	Waterfront Commercial
E	95,919	Residential / Live-Work
F/G	328,000	Hālauāola/ Mixed-Use / Hotel / Kīpuka
I	130,000	Residential / Live-Work
K	40,000	Waterfront Commercial
L	229,561	Industrial

- The Hālauāola is a building that houses exhibition and interpretive exhibits that are centered on the Kānaka Maoli and their relationship to the Universe. It will be a place of learning (a science and arts museum and center), a repository of knowledge (archival library of genealogy and cultural resources), and a center for aiding the kānaka maoli to navigate the modern world with a native perspective (center of land and water law).
- The Kūlia ʻAnuʻu, is an observation tower that creates a new focal point. The tower will be aligned with the cosmos, and function as not only a place to view the island, but also to track the celestial and environmental changes to plan for seasons and ceremonies.
- Land Use Scenario Plan B envisions the waterfront parcels (parcels A, B, C, and D) and parcel F/G are developed as one contiguous master planned area. The portion of ʻĀhui Street between the waterfront parcels and parcel F/G would be integrated with the adjacent parcels, and vehicle circulation to/from areas makai of Olamehani Street would be via Ohe Street on the Ewa side of parcel F/G. This will unify the waterfront parcels with parcel F/G, maximize pedestrian flow, and create a true pedestrian-oriented center. Land Use Scenario Plan B also includes a cultural center and open space uses on the "Look Lab" property with the goal of integrating OHA's master plan with the Kakaʻako Waterfront Park to create a complete and integrated Kakaʻako Makai.

The land use breakdown by lot is as follows:

- Parcel A: Waterfront Mixed Use / Hotel
- Parcel B: Kūlia ʻAnuʻu
- Parcel C: Waterfront Commercial
- Parcel D: Waterfront Commercial
- Parcel E: Neighborhood Commercial
- Parcel F/G and ʻĀhui Street: Mixed Use/Hotel/parking /kīpuka
- Parcel I: Neighborhood Commercial/Medical
- Parcel K: Waterfront Commercial/Park
- Parcel L: Industrial

As Land Use Scenario Plan B involves: 1) the closure of a portion of ʻĀhui Street (between Ilalo Street and Olomehani Street); and 2) a cultural center and open space uses on the "Look Lab" property, both of which are under control of HCDA, OHA would need to obtain land use control of these properties, or otherwise influence the closure of ʻĀhui Street and creation of the cultural center.

INTERCONNECTED CONSIDERATIONS

Development phasing will be dependent on a suite of interconnected considerations financial, cultural, aesthetic, as well as what is feasible and practical by way of construction of infrastructure.

CULTURAL CONSIDERATIONS

The Edith Kanakaʻole Foundation prepared a Cultural Theme Report to help guide the Kuhikuhi Puʻuone Collaborative in preparing master plan concepts (Edith Kanakaole Foundation, 2015). Master Plan scenarios were developed with the themes of kīpuka, hālauāola, and Kūlia ʻAnuʻu firmly in mind.

Kīpuka - The word kīpuka describes any change in form of a constant natural scape (i.e. a calm place in the ocean, the eye of the storm, the opening in a cloud formation or in the case of landscapes). Kīpuka is a place of flourishing vegetation surrounded by a hardened lava flow. The existence of flourishing vegetation in the middle of a lava field is necessary, however like a nebula in space, only due to many natural simultaneous occurrences. Vegetation flourishing in kīpuka on the rich nutrients provided by the volcano, ʻōhiʻa, koa and kolea reach the sky due to the precipitation attracted by the oxygen rich oasis. The kīpuka provides the surrounding new land with the seeds for new growth. These seeds carried by birds, wind, and flowing water, are transported to the new lava fields and begin life with water provided also by kīpuka and sunlight. Our extensive forests thereby originate from these lone oases of vegetation thriving in the middle of an encompassing layer of hardened magma.

To understand the value of kīpuka we must analyze the vocabulary. The action of Kī is to shoot or aim as a gun, to travel swiftly in a straight line like a jet of water. The intensifier of Kī – a or Kia means to focus or direct your thoughts, "kia ka noʻonoʻo"… concentrate. Puka is an opening, the sunrise, and a place of emergence. Therefore the literal English translation of kīpuka is a very precise aim through an opening. If we "unfold" the English translation we start to understand the valuable resource that is a landscape kīpuka. Despite all odds, a forested area was able to survive a massive lava flow. The location of this area, the topography, the flow of lava, the emergence of magma, had to be just right for the survival of this one area of forest. This is the value of a kīpuka. As the right times, this life creates new life and the cycle continues within this area surrounded by no growth, and a lack of vegetation. This prose reminds man that there must be recognition and reciprocation to this area of growth because of its fragile yet priceless state.

The kīpuka as defined earlier is an oasis or a change in consciousness within a certain landscape. Kakaʻako will be a kīpuka of cultural consciousness amongst a sea of urban unnatural sprawl. First and foremost, that which must be remembered is, to accomplish this there must be a visible connection to water. An impactful presence of water should be evident. As important as water is, the presence of native plants in close proximity to one another, almost resembling a forest kīpuka. This will ensure the continuous presence of water in Kakaʻako Makai. The physical touch and feel of the forest for a native Hawaiian initiates an immediate relationship, this instinctual connection is innate. The idea of kīpuka, that being a change in consciousness within a certain landscape, or a seed bank of culture and ancestral reflection surrounded by the hustle and bustle of an urban jungle, is the goal for Kakaʻako Ma Kai.

The first reflection of kīpuka located at Kakaʻako Ma Kai is a protected native forest. The apex tree, the ʻōhiʻa dominates native forests. The ʻōhiʻa will create the framework of the kīpuka of Kakaʻako Ma Kai. The foundation of all of our islands are our native mauka forests. Our ancestors celebrated the longevity of nature through reflection on heiau, kiʻi, chants, stories and connections. Native forests play a significant role in our daily lives. Other plants such as ʻieʻie, maile, kolea and koa will be active participants in this native kīpuka.

Hālauāola – Hawaiian stories describe a house that holds the body of Lohiʻau being prepared for the ritual of revivification, which is the kuleana of Hiʻiaka. The purposeful adornment of this house and the configuration of the building determined the success of Hi`iaka's ritual, hence returning the life to Lohiʻau. This center of healing is Hālauāola. Hālauāola, however, does not only describe a structure, Hālauāola is an energy within every living thing. For example, the configuration of our limbs, head, and feet, follow the rising and setting of the sun from one season to the next. These directionals represent the birth of new life with the rising of the sun, a time to renew our energy with the setting of the sun, the flow of our winds from NE to SW, and the rain from atmosphere to solid earth. These elements are the prescriptions for life of not only mankind, but for all living things. Hālauāola is that house within all living things that heals our maladies.

Kūlia ʻAnuʻu – The ʻAnuʻu combines the theme of Kīpuka and Hālauāola in an iconic symbol of the accomplishments of our people. An ʻAnuʻu is a structure commonly found in the more prominent cultural sites. It is the conduit between the heavens and the earth, Wākea and Papa, allowing man to participate in this relationship.

Following other models, the Kūlia ʻAnuʻu cost would be incurred by a developer, to lighten the burden upon OHA. The developer would receive their return on investment through a share of income from the operation of the Kūlia ʻAnuʻu.

Kūlia ʻAnuʻu honors the past by creating an iconic symbol of our people, grounded in tradition and leading us into the future. The spirit of Kaʻākaukukui will dwell at Kūlia ʻAnuʻu, a metaphoric beacon for the Hawaiian culture. Connecting Hawaiian to terrestrial and celestial elements, Kūlia ʻAnuʻu will serve as a conduit to the elements. This movement of energy from the outside in can be described as a Hālauāola, a place to educate and pass on traditions. Here as a people we can strive for excellence and celebrate those who stand strong upon the mountain peaks. Kūlia ʻAnuʻu will illustrate man's presence at Kūkuluaeʻo and Kaʻākaukukui through chant, video imaging and interpretive exhibits, showcasing man's connection to the ocean practices so prominent in this area. It would be a place to honor the waʻa and practices associated with the waʻa.

Kūlia ʻAnuʻu will serve as a modern ʻīmaka or place of observation, a place where we can draw connections to our environment. Here we can connect our mountains to the deep ocean, a task often difficult in an urban setting but required in traditional thinking. This ʻīmaka will serve all practitioners supporting them in their arts allowing them to hoʻomau. Kūlia ʻAnuʻu should consider alignments with prominent land features such as Lēʻahi and Pūowaina, cardinal points, solstices, and constellations. A star compass should be integrated into the design continuing the practice of kilohōkū and serving as a reminder of where we come from and where we are going.

MARKET DEMAND CONSIDERATIONS

The Hallstrom Group and AECOM prepared a market study in June 2015 which serves as a preliminary basis for market considerations that will impact how the Master Plan is phased (The Hallstrom Group, Inc & AECOM, June, 2015). In general, the report projects demand - over time - in retail and restaurant, residential, office, and industrial sectors. As an illustration of how demand might influence phasing decisions, the industrial sector has a strong immediate demand due to shrinking supply in urban Honolulu. In contrast, retail and restaurant demand are projected to have a growing demand as the resident population of Kakaʻako grows. Thus, it may be advantageous to maintain existing or provide new industrial opportunities in Kakaʻako Makai while taking a measured approach to retail and restaurant development.

Hallstrom Group and AECOM report that Kakaʻako has emerged as the primary focus of new development in the State of Hawaiʻi during the on-going economic up-cycle. While many areas in the islands are also experiencing major expansion, none compare to Kakaʻako in regard to scale, number of under-construction and proposed projects, level of capital investment, and transformative impact. The centrally-located Honolulu district is rapidly evolving from its industrial roots into the modern, residential and commercial-oriented urban neighborhood which has been envisioned for a generation but only now is beginning to broadly achieve long-term objectives.

Significant portions of the district are in-development or being master planned either as individual projects or under the guidance of major area landowners such as Kamehameha Schools, Howard Hughes Corporation (Ward Village), the Hawaiʻi Community Development Authority (HCDA), the City & County of Honolulu, and OHA. Areas adjacent to Kakaʻako, along Kapiʻolani Boulevard and Ala Moana Center, are experiencing similar growth, with much of the construction thus far tending toward the upper-end of the market.

The multi-billion dollars of on-going and planned long-term investment will potentially add upward of 10,000 high-rise condominium and apartment units, between one and two million square feet of commercial floor area, and new/enhanced public spaces. The efforts by private and public landowners will be further supplemented by the new rail line which will bisect the district and the proposed upgrading of Ala Moana Beach Park and Kakaʻako Waterfront Park. The development is anticipated to provide a broad spectrum of new inventory, with housing units ranging from low income to ultra-luxury and retail and restaurants oriented toward neighborhood, destination, and visitor patrons, all within a sustainable "live, work, play" community.

It is anticipated that within two decades (by 2035), Kakaʻako will be home to more than 32,000 residents, about three times the count at the 2010 census, attracted by the availability of housing; easy access to employment centers, services, activities; and minimized commuting times. Households are forecast to be meaningfully smaller, older, and with higher incomes than islandwide averages.

The on-going “boom” in Kakaʻako is creating new opportunities for real estate uses, investment, and returns/profits, which could be enhanced with the implementation of Transit-Oriented Development and potential rezoning strategies.

The demand for and prices of building sites are strong and the availability of supply outside of the major landownerships are limited. Under-construction and proposed condominium units are being rapidly reserved upon offering, many at all-time high prices for Hawaiʻi, although demand has been strong across all pricing levels. Among the upscale projects, about half the buyers are off-shore purchasers, while those oriented toward market-priced and affordable units have been rapidly absorbed by local families with many having extended waiting lists.

While the cyclical nature of the Hawaiʻi/Oʻahu economy will periodically impact the pace of development in the district, a market inertia and critical mass is being reached which will insure Kakaʻako remains at the forefront of Honolulu real estate demand and supply for coming generations.

Given this favorable market context, there is fundamental support for additional development in Kakaʻako, with makai-oriented sites having solid access/frontage and linkages to existing and proposed residential projects providing the optimum opportunities. The subject OHA Kakaʻako Makai sites possess these traits. The properties have a central location, extensive water frontage (harbor and shoreline), offer expansive panoramas, and are nearby major under-construction and proposed projects.

In many respects, from commercial (retail/restaurant), residential (high-rise condominium) and hospitality (hotel and timeshare) use perspectives, the OHA holdings are superior to the mauka lands in the district that are the emphasis of the current construction and planning efforts and could potentially: support a highly-competitive and profitable master planned project(s); capture a reasonable market share regardless of the other inventory being built; and offer favorable returns to the underlying land. However, a charged community/political environment could pose obstacles to maximizing the densities, building heights and envelopes of the properties.

Surrounding Development Considerations

Ala Moana Boulevard is a prominent commercial strip that runs between Honolulu's Central Business District and Waikīkī. Commercial properties fronting Ala Moana Boulevard provide both retail and office space, in addition to several high-rise luxury condominium projects.

With the exception of the Aloha Tower Marketplace and 677 Ala Moana office building, most of the land makai of Ala Moana Boulevard is still improved with older industrial/service commercial steel and masonry warehouses. As part of its effort to revitalize Kakaʻako, HCDA has made progress in resurfacing, extending, and widening interior roads, and the development of a Makai Gateway Park, the Children's Discovery Center, the Kakaʻako Waterfront Park, and the University of Hawaiʻi John A. Burns School of Medicine.

The mauka side of Ala Moana provides a greater density of commercial uses that include Waterfront Plaza (formerly called Restaurant Row); One Waterfront Towers; the under-construction "The Collection" condominium; Ward Centre; Ward Warehouse; Ward Entertainment Centre; IBM Building; Office Max; and the 924 Ala Moana office complex.

Commercial – Retail / Restaurant Market Segment

The market analysis prepared for OHA in June, 2015 estimates the 12,500 new residents and additional off-shore persons in Kakaʻako between now and 2025 will demand some 337,500-500,000 square feet of new retail and restaurant space. In total, upward of four million square feet of in-center, big box retail, and restaurant are estimated on Oahu for the next 10-year period with nearly half that floor area anticipated in the Kakaʻako and Waikiki districts. A forecast demand of just over two million square feet of gross leasable floor area are expected in each five-year segment between 2015-2025. The market analysis points to markets based on the Oahu's expansion generally, Kakaʻako's expansion specifically, the growing visitor population, as well as specialized patrons of surrounding park and Kewalo Basin uses, who are extremely limited in food and beverage options as well as retail and service opportunities.

Projected absorption of retail and restaurant demand are shown in the following table.

PROJECTED ABSORPTION OF POTENTIAL OHA KAKAAKO MAKAI RETAIL AND RESTAURANT DEMAND

		OHA Kakaako Properties					
	Market	Free-Standing			Within Master Plan		
Year	Demand (1)	Square Feet	%of Mkt.		Square Feet	%of Mkt.	
2015		Master Planning & Entitlements					
2016							
2017		Site Preparation & Infrastructure					
2018		Initial Construction and Pre-Leasing					
2019	207,443						
2020	207,443	70,000	33.7%	(2)	105,000	50.6%	(2)
2021-2025	1,056,845	175,000	16.6%		265,000	25.1%	
2026-2030	1,072,698	180,000	16.8%		275,000	25.6%	
Total	**2,544,429**	**425,000**	**16.7%**		**645,000**	**25.3%**	

(1) Projected mid-point of Kakaako-Waikiki Corridor during period in sq. ft.
(2) Percent of regional market during two-year period 2019 (pre-leasing) and 2020 (opening year).

Source: The Hallstrom Group/CBRE

POTENTIAL DEMAND FOR RESIDENTIAL UNITS ON KAKAAKO MAKAI BY TYPE ASSUMING INITIAL PRE-SALE BEGINS IN 2019			
Year	Market Demand for Units	Kakaako Makai Capture Rate	Est. Demand For Subject Units
Upper-Market Luxury			
2019	250	20.0%	50
2020	250	20.0%	50
2021-2025	1,250	20.0%	250
2026-2030	1,250	20.0%	250
Totals	**3,000**		**600**
Low to Mid-Market			
2019	350	15.0%	53
2020	350	15.0%	53
2021-2025	1,750	15.0%	263
2026-2030	1,750	15.0%	263
Totals	**4,200**		**630**
Affordable/Reserve			
2019	400	15.0%	60
2020	400	15.0%	60
2021-2025	2,000	15.0%	300
2026-2030	2,000	15.0%	300
Totals	**4,800**		**720**

Source: The Hallstrom Group/CBRE

Residential Market Segment

The market analysis prepared for OHA in June, 2015 reports a robust upswing in residential development and demand in Kakaʻako which is anticipated to continue through this market cycle, unless there is a significant increase in mortgage interest rates. The analysis finds that pre-sale absorption rates are ranging from 9.8 units per month to immediate sell-outs with averages of between 20 to 40 units sold per month. Affordable/workforce/reserve units tend to sell out most quickly. The estimated residential condominium market share is shown in the following table. If Kakaʻako were to capture residential demand, it is estimated that 2019-2020 could capture over 300 units; and the periods 2021-2025 and 2026-30 could each capture over 800 units.

POTENTIAL DEMAND FOR HOSPITALITY UNITS ON KAKAAKO MAKAI ASSUMING INITIAL PRODUCT OPENING IN 2020

Year	Market Demand for Units	Kakaako Makai Capture Rate	Est. Demand For Subject Units
2020	1,007	20.0%	201
2021-2025	2,443	20.0%	489
2026-2030	2,000	20.0%	400
Totals	**5,450**		**1,090**

Source: The Hallstrom Group/CBRE

Hospitality Market Segment

Visitor arrival projections continue to expect expansion (State of Hawai'i Department of Business, 2014) (University of Hawai'i Economic Research Organization, 2014). The Market Analysis prepared for OHA in June 2015 predicts a favorable demand/supply balance for lodging units through the Kaka'ako Makai development period and beyond. Timeshare product continues to maintain a growing presence on O'ahu. Potential Kaka'ako Makai market share of the total regional demand for lodging units is illustrated in the following table. Upward of 1,000 units are a reasonable demand capture between 2020 and 2030.

Office Market Segment

The market analysis prepared in June 2015 finds that medical office space is a suitable use for upper floors of a mixed-use development, particularly if subsidized parking is provided. Potential absorption of demand for office is approximately 8,200 square feet in 2019 and 2020 respectively; growing to over 41,000 square feet for each of the five year periods between 2021 and 2030 as shown in the following table.

POTENTIAL DEMAND FOR MEDICAL OFFICE SPACE ON KAKAAKO MAKAI ASSUMING INITIAL PRODUCT PRE-LEASING IN 2019 IN SQUARE FEET

Year	Market Demand for Sq. Ft.	Kakaako Makai Capture Rate	Est. Demand For Subject Sq. Ft.
2019	55,000	15.0%	8,250
2020	55,000	15.0%	8,250
2021-2025	275,000	15.0%	41,250
2026-2030	275,000	15.0%	41,250
Totals	**605,000**		**90,750**

Source: The Hallstrom Group/CBRE

POTENTIAL DEMAND FOR INDUSTRIAL FLOOR SPACE ON KAKAAKO MAKAI ASSUMING INITIAL PRODUCT PRE-LEASING IN 2019 IN SQUARE FEET			
Year	Market Demand for Sq. Ft.	Kakaako Makai Capture Rate	Est. Demand For Subject Sq. Ft.
2019	100,000	25.0%	25,000
2020	100,000	25.0%	25,000
2021-2025	500,000	25.0%	125,000
2026-2030	500,000	25.0%	125,000
Totals	**1,100,000**		**275,000**

Source: The Hallstrom Group/CBRE

Industrial Market Segment

With a 2.6 percent vacancy rate in 2014, the market analysis prepared for OHA in June 2015, gave industrial uses some consideration. Kakaʻako Makai has a central location, access to transportation, workforce, and users of industrial goods and services. The market analysis finds the supply of centrally-located industrial space to be shrinking and in ever greater demand. Kakaʻako Makai could capture nearly a quarter of the region's demand, or 275,000 square feet between now and 2030. The years 2019 and 2020 will see a projected estimated demand of 25,000 square feet with 125,000 square feet in demand for each of the five year periods between 2021 and 2030.

Cultural Uses and Attractions

Strengths, weaknesses, opportunities and threats associated with OHA Kakaʻako Makai Lands potential ability to satisfy a market demand for cultural uses and attractions were weighed by AECOM in the June, 2015 Market Analysis. Among other strengths, the analysis cited opportunities such as the growing development interest and population in the area, beautiful views, and OHA's unique position to create a cultural destination. Challenges, among others include that OHA does not control surrounding properties and visibility to the site is limited. Notably, for the purpose of this report, an identified challenge is that existing adjacent land uses are not conducive to a cultural attraction, and phasing is identified as an important consideration for the success of a cultural attraction. Potential available markets (in numbers of people) are identified in the following table.

Summary of Available Markets	2010	2015	2020
Resident Market			
Primary Market (0-30 minutes)	623,000	641,000	667,000
Secondary Market (Remainder Oʻahu)	295,000	310,000	328,000
Total Resident Market	918,000	951,000	995,000
Overnight Leisure Tourists	3,879,000	4,618,000	4,758,000
Total Available Markets	**4,797,000**	**5,569,000**	**5,753,000**

Source: Hawaii Tourism Authority, ESRI, AECOM

In the Market Analysis, a variety of types of cultural uses and attractions were compared by use for:

- Consistency with OHA vision
- Need for operating subsidy
- Ability to create a destination
- Appeal to residents and visitors
- Market demand
- Appropriateness for development: scale, site and other uses

Based on the above factors, the highest ranking attraction/cultural uses are shown below:

Weighted Ranking Results	Consistent with OHA Vision	Need for Operating Subsidy	Creates a Destination	Appeal to Mix of Residents & Tourists	Market Potential / Demand	Appropriate for Development; Scale, Site and Other Uses	Total Score	% Total
Highest Possible Score	25	20	25	10	25	15	**120**	**100%**
Potential Uses								
Observation Deck/Tower	15	20	25	6	25	15	**106**	**88%**
Licensed Multimedia New Cultural Concept	20	12	20	10	25	15	**102**	**85%**
Eatertainment Destination	10	12	20	8	15	12	**77**	**64%**
Wheel Attraction	5	16	20	4	20	12	**77**	**64%**
Science Center	20	8	15	4	15	12	**74**	**62%**
Cultural Center / Interpretive Center	25	4	15	6	10	12	**72**	**60%**
Aquarium	20	8	15	8	10	9	**70**	**58%**
Theme / Amusement Park	5	20	20	4	15	3	**67**	**56%**
Specialty Retail Village/District	5	16	20	6	10	9	**66**	**55%**
Garden Attraction / Botanical Garden	25	8	15	8	5	3	**64**	**53%**
Art Museum	15	4	15	6	5	12	**57**	**48%**
Natural History Museum	20	4	10	4	10	9	**57**	**48%**
Children's Museum	15	4	5	4	5	12	**45**	**38%**
Outdoor Water Park	5	16	10	2	5	3	**41**	**34%**
Zoo / Live Animal Attractions	5	8	10	4	5	3	**35**	**29%**

Source: AECOM

In summary, when considering Kakaʻako Makai's potential for satisfying market demand in isolation of any other factors (i.e. cultural, logical infrastructure improvements, entitlements), the following development targets can be considered:

Use		2019	2020	2021-2025	2026-2030	Total
Commercial (gsf)	Free Standing	construction	70,000	175,000	180,000	425,000
	Within Master Plan	construction	105,000	265,000	275,000	645,000
Residential (units)	Upper Market	50	50	250	250	600
	Low to Mid-Market	53	53	263	263	632
	Reserve	60	60	300	300	720
					Total Residential	1952
Hospitality (units)		construction	201	489	400	1090
Medical Office (gsf)		8,250	8,250	41,250	41,250	99,000
Industrial (gsf)		25,000	25,000	125,000	125,000	300,000
Use		2015	2020			
Cultural & Attractions (persons in market)	Resident Market	951,000 (persons)	995,000 (persons)	Not evaluated	Not evaluated	
	Visitor Market	4.6M (persons)	4.75M (persons)	Not evaluated	Not evaluated	

EXISTING LEASEHOLD CONSIDERATIONS

Following is a summary table of lease terminations at Kakaʻako Makai, organized by lease termination.

	PARCEL	TENANT	LEASE TERMINATION
Very Near Term	**L**71-72, 73-74 mauka	Crestek (supply storage)	9/30/2015
	F/G-4	Don's Makiki (towing)	10/31/2015
	L63-66	PODS (storage)	12/15/2015
	I-2	City and County (baseyard)	12/31/2015
	I-1	A1 Auto (car dealer)	1/31/2016
	C-3	Davidson's Masonry	2/29/2016
	F/G-5	Cutter Chrysler	4/30/2016
	F/G-3	Honolulu Ford	5/31/2016
Near Term	**L** 51-72	Reuse Hawaii (construction recycling and retail)	2/28/2017
	E	State of Hawaii (office)	7/31/2018
	A-1	Street Grindz	9/30/2018
Development Phase	**B**	Honolulu Marine (shipyard)	10/21/2021
	K	UH	6/30/2030
Very Long Term Development	**D**-2	Salem Comm. (antennae)	5/4/2035
	D-1	Ocean Investments (53 By the Sea)	12/22/2042
	C-KKFC	Kewalo Keiki Fishing Conservancy (non-profit)	10/31/2074
	F/G-1	Parking Mgmt	n/a
	L67-68	Elysium House (storage)	n/a
	L73-96 (makai)	Next Step Shelter	n/a
	A-2	Vacant	
	A-3	Vacant	
	C-1	Vacant	
	C-2	Vacant	
	C-4	Vacant	
	F/G-2	Vacant	
	L69-70	Vacant	

INFRASTRUCTURE CONSIDERATIONS

The existing infrastructure system in the Kakaʻako District was determined by state planners to be adequate to support new development along major roadways and the perimeter of the district. However, infrastructure along interior roadways (primarily in the Makua Area) is older and less capable of accommodating new development and consists of overhead utility lines; no curbs, gutters, or sidewalks; and certain areas often flood during heavy rainfall due to inadequate drainage.

Transportation System

The advent of the Honolulu Rail Transit project warranted refinement of the Kakaʻako redevelopment plans to capitalize on the benefits that such an undertaking can bring to Kakaʻako. Such refinement came in the form of the TOD Overlay Plan, a draft of which was released in May of 2013. The draft plan does not intend to replace or supersede the already existing development plans and rules approved for the area, but rather to serve as an overlay or supplement to aid maximize the benefits of the Honolulu Rail Transit project. The intent of the plan is to collaborate with the Honolulu Rail Transit project to create a community that can provide all that residents need, such as housing, employment and public transportation within close proximity to achieve a neighborhood less dependent on private transportation, while providing venues and opportunities to walk, bike and use of convenient public transportation. The TOD Overlay Plan seeks to allocate more residents and commercial enterprises by developing an array of taller towers as well as pedestrian and bike paths in close proximity to the two rail stations that are planned for the area. The plan also provides for a limited number of hotels to be located in Kakaʻako and addresses issues related to the current highly-used bus transportation system. Areas of Kakaʻako that provide the highest potential for redevelopment are considered such as buildings and parking lots that have completed their expected useful life.

As the OHA master plan develops, consultation with the appropriate jurisdictions is recommended by the project civil engineer to determine vehicle driveway locations, pedestrian facilities, bicycle facilities, and emergency vehicle access lanes.

Storm Drainage System

Major storm drain lines that outfall to Kewalo Harbor are present at Lots A, D and L. Development of these lots will require building placement that avoids the stormwater infrastructure Alternatively, relocations of these infrastructure, including new outfalls, could be considered. This undertaking would be time consuming and costly, triggering the need for a cost-benefit analysis.

Development of Kakaʻako Makai will be required to comply with the City and County of Honolulu's Standards for Storm Water Quality and Drainage Standards. Notably, the standards require incorporation of both Low Impact Development (LID) strategies to manage stormwater volumes and quality as well as Source Control Best Management Practices to minimize pollution. Implementing Low Impact Development requires some additional phasing considerations to ensure that site conditions can realize stormwater quality and quantity goals.

Grading

Under any scenario grading must be designed to ensure flow patterns away from buildings and retain stormwater on site, preferably using Low Impact Development techniques wherever feasible.

Grading work cannot commence until additional environmental studies are performed to characterize any possible soil contamination, necessary disposal protocols, and possible remediation. OHA is working with the Environmental Protection Agency (EPA) to characterize site soils and any possible contamination.

Sanitary Sewer

Sewage within Kakaʻako Makai is routed through the City and County of Honolulu system via the Ala Moana pump station and treated and disposed of at the City's Sand Island Wastewater Treatment Plant. The Sand Island Treatment plan is currently undergoing improvements that are expected to be completed in 2017. Previous planning efforts predicted an average daily flow of approximately 382,000 gallons per day (gpd). Preliminary calculations at optimal and maximum build-out are 1.38M gallons per day. Once a development program is firmed up, a new Sewer Master Plan will be required, which will help analyze downstream sewer lines. Development of Kakaʻako Makai may necessitate upsizing of sewer lines to handle the flow generation beyond current system capacity.

Water System

Kakaʻako Makai's water system is provided by the Board of Water Supply. The land use scenarios proposed have an estimated water demand of up to 767,250 gpd. An updated utility master plan will be required to assist the Board of Water Supply in determining if upgrades to the system will be required to satisfy this volume demand.

The system was designed for industrial use which has a flow requirement of 4,000 gallons per minute (gpm). Depending on the ultimate suite of uses proposed, OHA could request that BWS reclassify the site as "commercial" rather than "industrial" which may lead to a reduction in the required fire flows from 4,000 gpm to 2,000 gpm.

ENTITLEMENT CONSIDERATIONS

Several Federal, State, Hawaiʻi Community Development Authority (HCDA), and City and County of Honolulu regulations and polices control land uses the Kakaʻako Makai Area. Entitlement constraints and timing are discussed in detail in the "Development Roadmap." In summary, it is expected that any development program will be subject to a tiered Environmental Impact Statement (EIS) process, where a programmatic EIS will address impacts of the master plan with an understanding that environmental assessments (EAs) or a supplemental EIS(s) will address impacts associated with specific phases of development. Assuming the development entitlements take a path established in current rules and law, all scenarios will likely be subject to a Master Plan Permit, administered by HCDA, while individual phases of development will be subject to HCDA Development Permits. Permitting associated with the Special Management Area and development in the flood zone are expected in any scenario, as are requisite building, stormwater pollution control, and construction related permits.

Pursuit of residential and hotel uses and/or transfer of HCDA lands as in Scenario B will require certain legislative action(s) along with community and political consensus building long before any legislative action is taken. Two approaches to could be taken. The first, a high-level approach to achieve the Land Use Scenario Plan B master plan, could involve seeking State Legislature action to grant OHA autonomy to plan their lands, or a sub-set of their lands (Kakaʻako Makai) without land use oversight by the HCDA or other State or County agencies. A precedent for land use autonomy has been set for the Department of Hawaiian Home Lands (DHHL), where DHHL has the authority to create and implement their own land use plans, but are still subject to related laws such as Hawaiʻi's EIS law (Chapter 343, HRS). Philosophically, this path could be considered a next step toward empowering Hawaiian governance. Short of transferring land use autonomy to OHA, an alternative high-level approach could involve seeking legislative approval of the Master Plan in its entirety, thus bypassing HCDA permitting and other requirements. Legislative approaches should be well coordinated, including long-term community and political consensus building, before any legislative action is introduced.

If neither of the "high-level State Legislature" approaches are undertaken, the traditional approach to implementation of Land Use Scenario Plan B would be the more incremental tack, which would still require certain legislative action, as well as environmental documentation (i.e. compliance with Chapter 343, HRS), discretionary land use approvals, and several administrative permit approvals.

An overview of anticipated permits is provided in the following table.

Development Scenario Entitlements

	A	B
Programmatic EIS	X	X
Supplemental EAs or EISs	X	X
Amend HRS		X[r,t]
Amend HAR		X[o,h]
Master Plan Approval (HCDA)	X	X
Special Management Use Permit (OP)	X	X
Development Permit (HCDA)	X	X
Dredging and Water quality Permits (USACOE/USCG/DOH)		X
Zoning adjustments /Waivers (HCDA)		
Variances (HCDA)		
Development in the Flood Zone (DPP)	X	X
Grading and Building Permits (DPP)	X	X
Associated construction activity permits & NPDES compliance (various)	X	X
[r]to permit residential use [t]to permit transfer of HCDA lands [o]to permit Kūlia ʻAnuʻu (increase height limit) [h]to permit hospitality use		

PHASING STRATEGIES

The phasing strategy for Scenario A is fairly straightforward, and is most dependent on lease terminations and timing of standard entitlements. Because Scenario B is more ambitious, takes a more comprehensive approach, and more fully integrates culture with commerce, it is dependent on a combination of considerations: cultural, lease terminations, market demand, infrastructure and entitlement timing.

Scenario A

Scenario A represents a plan that could be developed on a more-or-less parcel by parcel basis as leases terminate and entitlements allow. Consideration for market demand must also be given.

Phasing Plan Overview – Land Use Scenario Plan A

Near Term, Pre-Development

- Lot A, B, C, D: Seek immediate near-term waterfront commercial opportunities as leases allow. Consider mission, opportunities for business incubation, weighing any potential for long-term impacts that may hinder future re-development

Development Phase I

- Lot F & G: Develop first (upon completion of entitlements) to capitalize on demand for industrial lands, catalyze employment opportunites, and create a vibrant mix of uses

Development Phase I/II

- Upon completion of entitlements and lease terminations (2016-2018), Lots E, I & L can be developed in isolation or at any subsequent phase

Development Phase III

- Lot A, B, C, D: develop as long-term leases expire
- Lot K: move to market

Scenario B

Land Use Scenario Plan B takes a more comprehensive approach than Land Use Scenario Plan A. It is comprised of the three core cultural components: Kīpuka, Hālauāola, and Kūlia ʻĀnuʻu. Land Use Scenario Plan B also incorporates residential and hospitality uses which may require legislative action and other amendments to current rules and plans for the Makai Area. Following is an outline and description of a phasing strategy. Of course, an alternate phasing approach may be pursued by a master developer based on their development expertise, access to capital, and actual market considerations.

Phasing Plan Overview – Land Use Scenario Plan B

Near Term, Pre-Development

- Lot A, B, C, & D: Seek near-term waterfront commercial opportunities as leases allow. Consider mission, opportunities for business incubation, weighing any potential for long-term impacts that may hinder future re-development.

Development Phase I

- Lot F/G & Kīpuka : currently vacant (except for parking facility) and the heart of the development, develop first

Development Phase I/II

- Upon completion of legislative action, Makai Area rule and plan amendments, and other entitlements, Lots E, I & L can be developed in isolation or at any subsequent phase

Development Phase III

- Kūlia ʻAnuʻu
- Lot A: develop after Makai Area rules and plan are amended
- Lot B: develop any associated support retail/commercial
- Lot K: move to market

Development Phase IV

- Lots C, D: develop as long-term leases expire

The phasing plan for Scenario B begins with ensuring that maximum revenues are generated from existing properties while legislative work and entitlements are being pursued.

Upon completion of legislative action, Makai Area rule and plan amendments, other and entitlements, development of the kīpuka and Lot F/G is suggested first. The kīpuka is the heart and the central hub of the planned development. Waiting to construct the kīpuka until later phases could be highly disruptive to business and hospitality uses. From the on-set, establishing necessary parking infrastructure to support new use in Kakaʻako Makai will also be important and should be initiated in Phase I. Due to their relative isolation from the core, Lots E, I, and L could be developed in concert with lot F/G and kīpuka in Phase I or in any subsequent phase. Due to the relative expense of the kīpuka and parking structure on F/G, it is assumed that a developer would be motivated to develop Lots E, I, and L simultaneously or in quick succession. Phase III augments placemaking through construction of the Kūlia ʻAnuʻu on Lot B. The draw of Kūlia ʻAnuʻu is expected to encourage additional hotel development on Lot A. Finally, as long term leases expire and permitting allows, the kīpuka can be extended to connect to the harbor and Lots C and D can be redeveloped to take full advantage of their prime waterfront locations.

Phasing Timeline and Schedule

The following timeline illustrates an overview of the timing and sequencing as the development moves from conceptual master plan to development reality. It assumes that:

- OHA master planning efforts, including the programmatic EIS, Master Plan Permit initial Development Permits, and SMA permit are concluded in 2017.
- It will take through summer 2018 to achieve an amendment to Section 206E-31.5, HRS that would permit residential uses and land transfers from HCDA in Kakaʻako Makai.
- It will take additional time after the amendment to Section 206E-31.5, HRS to amend Makai Area Rules (Title 15, Chapter 23, HAR) and the Makai Area Plan.

As the outcome of the amendment to Section 206E-31.5, HRS is known, the process for selection of a developer may be able to begin in 2020. It will be the developer's responsibility after selection, to prepare any supplemental environmental documentation, and all permits. This work is expected to occur 2020-2021, assuming an aggressive schedule.

LAND USE SCENARIO AND PHASING PLAN

Land Use Scenario A Phasing Plan

Time Frame	Lot	Proposed	Considerations				
			Cultural	**Economic**	**Engineering**	**Entitlement**	**Other**
Near Term/Pre-Development (present-2018)	All	-Seek immediate near-term waterfront commercial opportunities as leases allow.	Consider uses that support OHA's mission	Consider uses that begin developing Kaka'ako Makai's brand	Weigh uses that may cause any potential long-term impacts that may hinder future re-development	-legislative actions and alternatives are described in the Development Roadmap	
Development Phase I (2019-2022)	F/G	-Parking and/or industrial use		Industrial use in high demand	-Relocate sewer line formerly in 'Āhui street around the 'Ewa side of Lot F/G or along the western edge of marina -If industrial use there will be the continued requirement of 4,000 gpm fire flow requirements -Soil remediation likely		
Development Phase I/II (2019-2024)	E, I, L	Can be developed in isolation immediately or at any subsequent phase	These lots are disconnected from the Kīpuka and center of the Master Plan; however, L could be drawn in the cultural theming if continuity carries through the Waterfront Park.	Semi-immediate revenue generation provided timed with market demand	Depending on use, downstream sewer line upgrades may be required	Immediate development will require specific EA or EIS and appropriate land use permits	
Development Phase III (2024-2030+)	A, B, C, D	Develop as long-term leases expire			-soil remediation -Design buildings to accommodate existing stormwater infrastructure	Expect the required engineering, permitting and environmental work to make harbor connection to take several years from completion of OHA's programmatic EIS	Lot B lease terminates 2021 Seek to incorporate very long term leases (52 by the sea[2042] and Kewalo Keiki Fishing Conservancy [2074]) into redeveloped sites within MP;
	K	Waterfront mixed retail and park addition	Creation of additional waterfront public access				Convert Lot K to park addition when UH lease expires (2030)

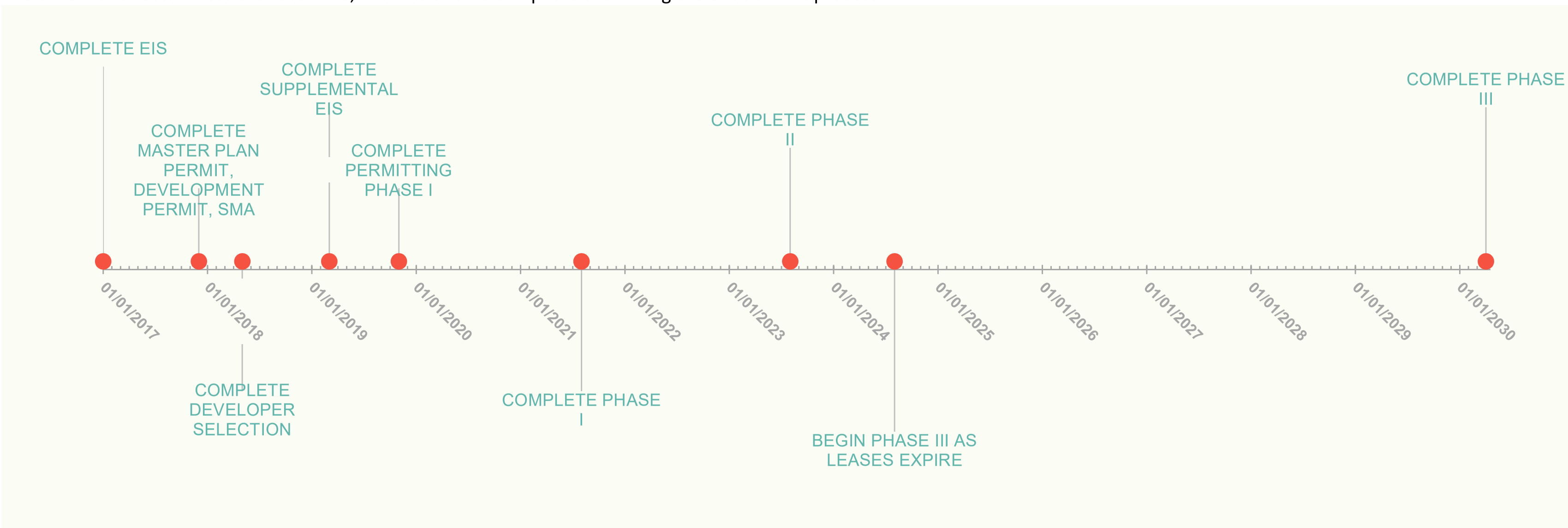
LAND USE SCENARIO AND PHASING PLAN

Land Use Scenario B Phasing Plan

Time Frame	Lot	Proposed	Considerations				
			Cultural	Economic	Engineering	Entitlement	Other
Near Term/Pre-Development (present-2018)	All	-Seek immediate near-term waterfront commercial opportunities as leases allow. -Begin negotiations with HCDA and/or State of Hawaiʻi to gain development control (agreement/ lease/ acquisition/ transfer) of ʻĀhui Street) -Pursue Legislative actions to remedy land use conflicts with Master Plan	Consider uses that support OHA's mission	Consider uses that begin developing Kakaʻako Makai's brand	Weigh uses that may cause any potential long-term impacts that may hinder future re-development	Legislative actions and alternatives are described in the Development Roadmap	
Development Phase I (2019-2024)	F/G	-Hospitality and mixed commercial and industrial use and first phase Kīpuka (no connection to harbor) -transfer ʻĀhui Street to OHA control	To establish Kakaʻako Makai as a kīpuka of cultural consciousness in an urban environment, there must be a visible connection to water.	Development of the hospitality use (as well as any revenue generated from development or transfer of E, I, L will help to fund construction of the first phase of the kīpuka	-Structures designed to avoid changes to large storm lines/outfalls. -Raise habitable floors to above base flood elevation. -Excavation for kīpuka will likely require soil testing and proper disposal. -maintain utilities in ʻĀhui Street	-Hospitality use not permitted under Makai Area Rules (legislative remedy alternatives discussed in Development Roadmap)	
	F/G	-Parking and Waterfront Commercial		Industrial use in high demand	-Relocate sewer line formerly in ʻĀhui street around the ʻEwa side of Lot F/G or along the western edge of marina -Soil remediation likely		
	L	Can be leased at any time	Could be drawn in the cultural theming if continuity through the Waterfront Park.			Immediate development will require specific EA or EIS and appropriate land use permits	
Development Phase I/II (2019-2024)	E, I	Can be developed in isolation immediately or at any subsequent phase	These lots are disconnected from the Kīpuka and center of the Master Plan	May be beneficial to hold until residential uses approved to add value to properties	Depending on use, downstream sewer line upgrades may be required	Immediate development will require specific EA or EIS and appropriate land use permits	
Development Phase III 2021-2026	B	Kūlia ʻAnuʻu	The Observation Tower is meant to be not only a place to view from, but also a Koʻa, a marker representing the Lāhui. Its presence and form is meant to be bold and dynamic, representing the persevering nature of the Lāhui.	Landmark attraction, strong potential for revenue generation	-Structural engineering and soils stability studies required -possible soil remediation	-Exceeds height limits; coordination with FAA, DOT-Airports critical -Anticipated to be developed upon changes to Kakaʻako Makai Area Rules and Plan	Potential for joint development agreement with HCDA
	A	Hospitality and waterfront commercial				-Hospitality use not permitted under Makai Area Rules (legislative remedy alternatives discussed in Development Roadmap)	
	B	Complete kīpuka			-soil remediation	Expect the required engineering, permitting and environmental work to make harbor connection to take several years from completion of OHA's programmatic EIS	Lot B lease terminates 2021
	K						Move to market and accommodate UH elsewhere within master plan
Development Phase IV 2030-	C, D	Waterfront mixed retail and park addition			-Design buildings to accommodate existing stormwater infrastructure -soil remediation		Seek to incorporate very long term leases (53 by The Sea[2042] and Kewalo Keiki Fishing Conservancy [2074]) into redeveloped sites within MP

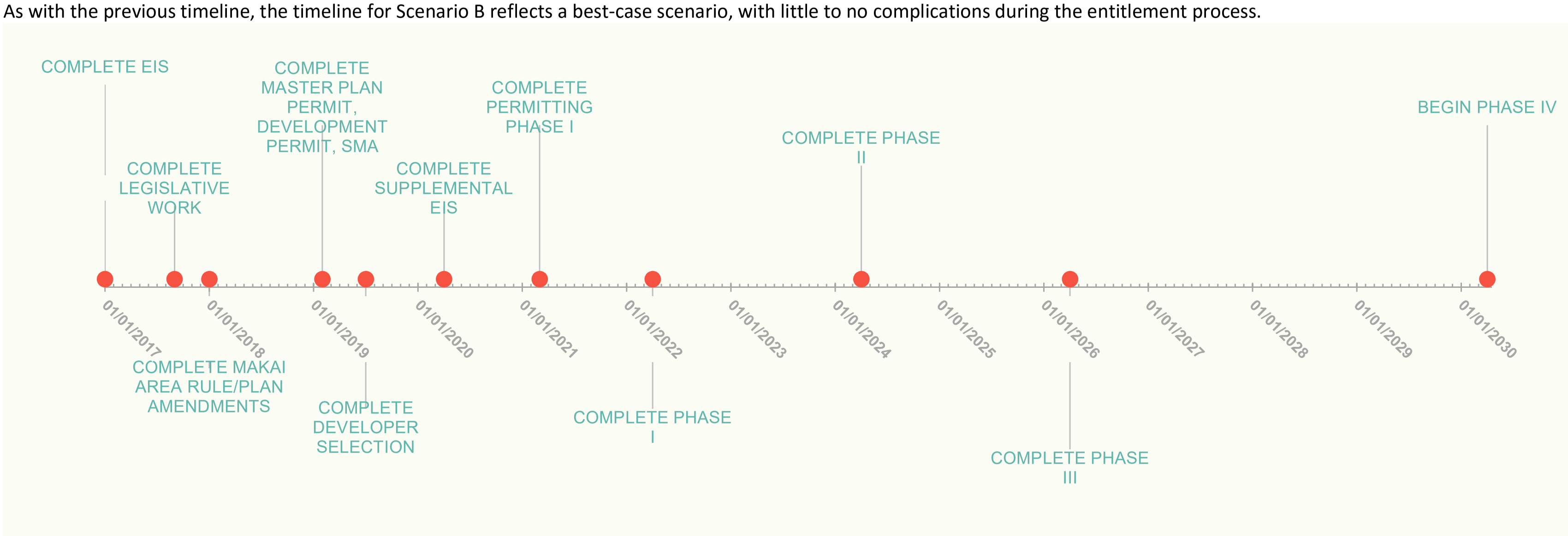
Timeline Overview: Scenario A

The timeline reflects a best-case scenario, with little to no complications during the entitlement process.



Timeline Overview: Scenario B

As with the previous timeline, the timeline for Scenario B reflects a best-case scenario, with little to no complications during the entitlement process.



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KAKAʻAKO MAKAI

5. PUBLIC-PRIVATE FINANCING TOOLS

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DEVELOPMENT STRUCTURE ALTERNATIVES

The following section summarizes strategies for financing associated with future development of OHA landholdings. Our experience reinforces that the role played by OHA in future development is ultimately a reflection of several inter-related factors, including:

- Pursuit / interest in broader policy goals, including the preservation of the Hawaiian culture to sustaining economic self-sufficiency, health, and education of native Hawaiians.
- Tolerance of the organization to accept development risk, which could possibly include the need to provide front end equity, even as project investment returns lag behind.
- The need to balance subsidies associated with broader policy goals with the need to generate cash flow to recover associated costs.
- OHA access to equity, beyond the value of its land holdings
- Organizational structure and legal authority of the organization to commit to issuance of debt / securities associated with the project.
- Expectations for both overall rate of return on invested equity, and the timing of returns.
- Capacity to participate in day-to-day project decision-making in real estate development projects.
- Alignment with policy goals of local units of government who are interested in pursuing new development, again in support of broader policy / community development goals

Although there are a variety of deal structures available in the market, there are four basic deal structures that could be appropriate in this situation.

Self-Development

OHA can choose to self-develop a project. In this scenario, OHA would be 100% responsible for achieving project financing, creating design aesthetics, determining construction quality, defining phasing and sequencing strategies, selecting a delivery method, and ultimately delivering the projects. Additionally, OHA would receive 100% of the benefits from any financial profitability realized by each project.

While OHA would have control over and benefit from all project components, OHA would also have 100% of the financial commitment required to implement these projects and 100% of the risk associated with those commitments. The commitment and risk associated with these types of developments usually prohibit a majority of organizations from choosing Self Development, because the institution’s debt capacity and credit rating are subject to exposure with developments of this size and scale. Most organizations are compelled to select projects with a direct view of their impact on overall credit ratings and debt capacity, as well as alignment with core missions.

Ground Lease

On the opposite end of the spectrum from the Self Development option, OHA can choose to outsource 100% of the development to a third party developer. In this scenario, OHA would ground lease the entire development to a third party for an annual ground lease payment to be negotiated. The third party would control 100% of the project decisions, including design, construction quality, tenant mix, and delivery method, and would also likely be responsible for attaining project financing. OHA would have the ability to shape some of the project concepts and set some minimum project design standards. While this scenario reduces OHA risk and theoretically provides a basic level of guaranteed income, it also significantly reduces OHA control over design and implementation; it also limits OHA upside financial potential once the project stabilizes.

Development Partnership

The Development Partnership structure requires the official formation of a partnership between OHA and a third party developer. In this scenario, OHA and their partner each contribute equity toward the project and a partnership LLC is officially formed. In this scenario, OHA would contribute its land holdings as its "contribution" to the partnership. In this structure, OHA and the third party would share the design, construction, financing, and implementation responsibilities. Advantages of this structure to OHA are that it reduces the development risk by sharing it with the third party developer, and it potentially allows OHA to be bought out of the project at a future date. The trade-off of this structure is that it reduces the long-term financial potential by sharing long-term returns with the third party developer and introduces some risk to OHA.

Owner as Master Developer

This model could allow OHA to balance risk and control while it is involved in the continued planning and implementation of the project. As Master Developer, OHA would syndicate individual parcels of land within a larger development zone for either self-development or third party participation, depending on the needs and demands of the project. By ground leasing individual parcels to third party developers, we would expect that OHA would maintain authority over final development concepts, details, and project execution process. In this scenario, OHA would also maintain authority over schedule and the overall development concept. OHA would most likely be responsible for securing any funds that may be available for infrastructure improvements, working cooperatively with local units of government, and exploring unique tools such as benefit districts and tax increment financing (described below).

Challenges with the master developer structure link with the reality that it can be difficult to make individual projects cash flow in financial terms, as third party developers will likely expect a higher return in exchange for the exposure they assume by allowing OHA to maintain control.

In addition to the above points, our experience shows that the following points come into play vis-à-vis ownership structure options:

- The underlying concept of, "If you pay you benefit, and if you benefit you pay".
- The "master developer" entity can be structured as either a for profit or not-for-profit organization.

Financing Mechanisms

In addition to the above development structures, OHA will likely have the potential need to cooperate with local and state units of government to pursue several additional tools that can support funding of infrastructure and utilities. These options include:

- **Revenue Bonds** are a municipal debt instrument that can be used to finance income-producing projects and are secured by specific revenue sources.
- **Tax Increment Financing (TIF)** is an important financing tool that captures growth in taxable value above a designated area's baseline level and applies it to specific projects within the TIF district instead of general or other uses. In Hawaii, the ability to use TIF successfully may require a possible constitutional amendment to clarify the ability of counties to issue bonds funded by tax increment. Should this be an option in the future, this could be an important tool for paying for major infrastructure investments such as sewer system upgrades and traffic and road system improvements.
- **Business Improvement Districts (BID)** are a form of special assessment district, where property owners within a defined geographic area agree to tax themselves to fund additional services, beyond what the standard level of city-wide service is. In general, BID's are used in downtown areas, to provide additional support related to cleaning, security, marketing, and grant writing; BIDS also provide an advocacy role.
- **General Improvement Districts (GID)** are similar to BIDS in that they are focused on a specific geography, this structure is used to fund more significant infrastructure improvements. In some states, the special assessment can be structured as either an additional property tax amount or an identified tax per linear foot of street.
- **Incentive zoning** provides zoning benefits to a developer, entitling them to increased density or height allowances in exchange for funding support for other specified improvements, most often public space or affordable housing, or to build increased density near transit stations.
- **Microgrids, renewables, and distributed energy:** Recent regulatory changes in California and New York are allowing the creation of micro grids, which are connected to, but independent of the local electrical grid. These new structures link in large measure to the emergence of large scale solar installations, which, combined with battery storage and distributed energy, create a real opportunity for larger planned developments to exert greater control over their on-site utilities, and allow owners and or developers to capture revenue associated with consumption of energy that would otherwise flow to a local utility.

Table 9
SUMMARY OF DEVELOPMENT MECHANISMS
OHA Kakaako Makai Lands

Development Mechanism	How would it apply to OHA?	What are the Advantages?	What are the Disadvantages?	What is our recommendation?
Revenue Bonds	OHA would be 100% responsible for achieving project financing, creating design aesthetics, defining phasing and sequencing and delivering the projects.	OHA would receive 100% of the benefits from any financial profitability realized by each project and would have complete creative control.	OHA would have 100% of the financial commitment required to implement these projects and 100% of the risk associated with these commitments.	We do not recommend this due to the complexity of the project, the cost of major infrastructure improvements, and the associated risk. Financing would also be a barrier.
Tax Increment Financing	OHA would outsource 100% of the development to a third party developer and ground lease or sell the land to a third party for an annual ground lease payment or sales revenue.	Reduces risk to OHA and theoretically provides an ongoing stream of income on an annual basis or large payment upfront.	Third party controls 100% of the project decisions and significantly reduces OHA control over design and implementation. Also limits OHA upside financial potential once the project stabilizes.	Given OHA's mission and non-financial goals for the Kaka'ako Makai sites, we do not recommend a straight ground lease as the primary development mechanism, as OHA will not have control over what is developed. However, this could be an option for Parcel L or I in certain scenarios, and sale would be required for residential use.
Development Partnership	Requires the official formation of a partnership between OHA and a third party developer. OHA and the partner each contribute equity toward the project. In this scenario OHA's contribution would be its land holdings.	Reduces risk by sharing it with a third party developer and potentially allows OHA to be bought out of the project at a later date. OHA shares control over design and implementation.	Reduces OHA's long-term financial potential by sharing long-term returns with the third party developer; increases OHA risk as all revenues are based upon performance.	This option is not recommended given the risk involved and the challenges that OHA may face jointly developing the project with a developer.
Owner as Master Developer	OHA would syndicate individual parcels of land within a larger development zone for either self-development or third party participation.	By ground leasing individual or groups of parcels to third party developers, OHA would maintain authority over final development concepts and project execution process.	Third party developers will expect to pay a reduced amount in exchange for the exposure they will assume by allowing OHA to maintain some control over program and design and for handling the infrastructure improvements required.	We do recommend this option, since it allows OHA to receive a guaranteed amount of money with relatively low risk and maintain some control over the program and development of the site. Generally speaking, the more control OHA has, the less revenue it will receive. Also, it is possible that in this scenario OHA would need to secure funds that may be available for infrastructure improvements through government units.

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