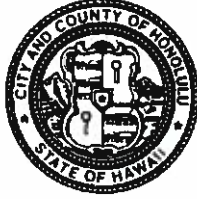


DEPARTMENT OF COMMUNITY SERVICES
CITY AND COUNTY OF HONOLULU

715 SOUTH KING STREET, SUITE 311 • HONOLULU, HAWAII 96813 • AREA CODE 808 • PHONE: 768-7762 • FAX: 768-7792



KIRK CALDWELL
MAYOR

GARY K. NAKATA
DIRECTOR

BARBARA YAMASHITA
DEPUTY DIRECTOR

February 12, 2016

The Honorable Carol Fukunaga
Honolulu City Council
530 South King Street, Room 202
Honolulu, Hawaii 96813

Dear Councilmember Fukunaga:

SUBJECT: Aiea Sugar Mill

Thank you for your letter dated January 7, 2016, requesting certain information regarding the acquisition of the Aiea Sugar Mill Properties. We apologize for the delay in responding to your inquiry but we are pleased to provide the following responses:

1. Total amount of Section 8 Administrative Fees used to acquire parcels 6 – 14 at the Aiea Sugar Mill site.

Section 8 Administrative Fees in the amount of \$3,840,000 was budgeted to purchase Parcel 6 of the Aiea Sugar Mill site.

2. Total amounts of any other City funds used to acquire parcels 6 – 14 at the Aiea Sugar Mill site, if any.

General Obligation Bond Funds in the amount of \$5,120,000 and \$120,000 were appropriated for the acquisition of parcels 7-14 of the Aiea Sugar Mill, and for planning work, respectively.

3. Documentation regarding HUD or other restrictions associated with the funds used to acquire parcels 6 – 14 at the Aiea Sugar Mill site.

Please refer to Aiea Sugar Mill Issue Paper (Issue Paper) attached hereto for your information. As noted on Page 2 of the Issue Paper, because parcel 6 was purchased with Section 8 Administrative Fees, the parcel must be used for housing purposes to include a senior assisted living housing project. However, as noted by the representative of the U.S. Department of Housing and Urban Development (HUD) at the January 6, 2016 meeting, HUD would consider an assisted-living facility to be a healthcare facility and not meet the mandate that parcel 6 be used for housing purposes. Based on that guidance, our perspective

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is that an assisted living facility would not be permitted on parcel 6; however, a senior housing project could still be developed that could include in-home services provided by one or more service agencies. We have asked the Department of Budget and Fiscal Services to directly opine to you on the issues related to the use of General Obligation Bonds.

Thank you for very much your inquiry. Please call me at 768-7760, should you have any questions regarding this matter.

Sincerely,



Gary K. Nakata
Director

Attachment

APPROVED:



Roy K. Amemiya, Jr.
Managing Director

AIEA SUGAR MILL ISSUE PAPER

HISTORIC INFORMATION

The parcels are located at the site of the former Aiea Sugar Mill, which began in 1898 as the Honolulu Plantation Company, formerly the Halawa Plantation Company. At about the end of World War I, the Honolulu Plantation Company installed equipment to produce its own refined sugar. In 1947, California and Hawaiian Sugar Company (C & H) bought the refinery operations and continued operations there until 1994. The mill site was then sold to A & B Properties who built a smaller liquid sugar refinery behind the old mill in 1994, which was later closed.

A clothing manufacturer, Crazy Shirts purchased the sugar mill property in 1994 with the intention of preserving the mill as a historic landmark and developing the site as its corporate headquarters. However, after determining that the renovation costs would be too prohibitive, Crazy Shirts razed the sugar mill in 1998 despite community opposition. In 1997, an Environmental Impact Statement was prepared on behalf of Crazy Shirts to develop the project site as a shopping center, which was not constructed. The former sugar mill property was put back on the market and the Bank of Hawaii took over the property from Crazy Shirts in May 2001 with the intention of selling the property.

The concept of redeveloping the old sugar mill site as a community center grew out of the Aiea/Pearl City Community Vision Teams (Aiea Town Center FY 2001 CIP Project). Residents considered the old sugar mill site as an ideal location for the Aiea Town Center because of its central location and importance in the area's history. As a result of this community initiative, the City purchased TMK: 9-9-78:7-14, inclusive, for the proposed Aiea Town Center, and TMK: 9-9-78:6, for the proposed Aiea Senior Facility in December 2002, all parcels as shown in yellow on the attached Exhibit A.

The Department of Community Services (DCS) had planned to issue a Request for Proposals (RFP) to develop the subject property for the Aiea Senior Facility, but, the RFP was held in abeyance partly due to the lack of the wastewater system adequacy.

ENVIRONMENTAL EXCERPTS

Excerpts from the Leshner, Chee, Stadlbauer Appraisal Report, dated 12/1/2004:

Hazardous substances were previously identified on the property. Most of the contamination was located in the area where Parcels 7 through 14 are situated. The seller, Bank of Hawaii, completed a Voluntary Response Program in accordance with the State of Hawaii Department of Health and National Contingency Plans involving sites with lead contaminated soils. The remediation involved site excavation and replaced with new soil fill. The letter of completion dated November 18, 2002, identified the following hazardous substances as having been removed or lowered to within acceptable levels: lead, diesel range petroleum hydrocarbons, oil range petroleum hydrocarbons, benzene, ethyl benzene, acenaphthene, and benzo (a) pyrene.

It was reported that the site (Parcels 6-14) possessed extensive lead contamination due to its former use by Aiea Sugar Mill. The seller (Bank of Hawaii) incurred the costs for the environmental remediation of the site prior to closing of the transaction; however, this did not impact the sale price. The cost of remediation was approximately \$2 million.

<u>TMK:</u>	<u>SQUARE FEET</u>	<u>ZONING</u>	<u>FUNDING</u>	<u>JURISDICTION</u>
9-9-78 6	150,144 or 3.447 acres	Zoning: I-2 Intensive Industrial District State Land Use: Urban District Flood Zone: Firm Zone AE Flood Zone Firm Zone X Height Limitation: 60 feet Not in SMA or Special District	Parcel 6 was purchased by the City in November 2002 with Section 8 Administration Fee funds, which restricts the use of the property for housing purposes. \$3,840,000 was budgeted in Ordinance 00-20 (project no. 01783). If the property is used for a housing related activity, then the City will be in compliance with the housing component and funds would be in compliance. The Hawaii Regional Office of the U.S. Department of Housing and Urban Development recently confirmed that the City would be required to repay if the land is used to develop a healthcare facility instead of a senior assisted living housing in the original plan. Proposed Project: Aiea Senior Housing	Department of Community Services DCS had planned to issue a Request for Proposals (RFP) to develop the subject property, however, the RFP was held in abeyance due to the lack of the wastewater system adequacy.

<u>TMK:</u>	<u>SQUARE FEET</u>	<u>ZONING</u>	<u>FUNDING</u>	<u>JURISDICTION</u>
9-9-78.7 9-9-78 8 9-9-78 9 9-9-78:10 9-9-78:11 9-9-78:12 9-9-78:13 9-9-78:14	15,517 20,157 19,841 19,441 17,806 18,450 19,142 19,127 TOTAL 148,481 or 3.432 Acres	I-2 Intensive Industrial District State Land Use: Urban District Flood Zone: Firm Zone X Height Limit: 60 feet Not in SMA or Special District	Parcels 7 to 14, inclusive were purchased by the City with General Obligation (GO) Bond Funds in December 2002. \$5,120,000 and \$140,000 were budgeted in Ordinance 00-20, (project no. 01102) for the land and planning work phases. Restrictions imposed by the GO Bonds are being reviewed. Proposed Project: Aiea Town Center an approximately 20,000 square foot community center consisting of three single story buildings.	Parcels 7 to 14, inclusive were developed into an interim passive public park at a cost of \$290,000 and is under the Department of Parks and Recreation's jurisdiction.

Note: Community Development Block Grant funds were not used in the acquisition of the Aiea Sugar Mill.

2015 LAND ASSESSMENT VALUES

TMK:	2015 Assessed Values	Area (sf)	AV/sf
9-9-78:6	\$ 5,498,200	150,144 or 3.447 acres	\$36.62
9-9-78:7	768,100	15,517	\$49.50
9-9-78:8	995,800	20,157	\$49.40
9-9-78:9	982,100	19,841	\$49.50
9-9-78:10	962,300	19,441	\$49.50
9-9-78:11	881,400	17,806	\$49.50
9-9-78:12	913,300	18,450	\$49.50
9-9-78:13	947,500	19,142	\$49.50
9-9-78:14	946,800	19,127	\$49.50
TOTAL	\$7,397,300	149,481 or 3.432 acres	\$49.49

The assessed valuations are based on smaller, individual parcels. Typically smaller sized parcels will reflect higher market values per square foot of land than larger parcels. If the fair market valuation was based on a single master development site, i.e. the consolidation of all the parcels and sold as a bulk sale, then the valuation would result in a lower value conclusion than if the parcels were sold individually.

ABUTTING PROPERTY OWNERS

TMK: 9-9-78:1 – 5, inclusive is owned by the State of Hawaii, and was set aside for the Department of Education (Executive Order 2274), for the Hawaii State Public Library System's Aiea Public Library. The Library has been constructed and was opened to the public in 2014.

TMK: 9-9-78:15 is owned by the Aiea Korean United Methodist Church. The Church is currently being constructed.

DELISTING FROM THE NATIONAL REGISTER OF HISTORIC PLACES

The State Historic Preservation Division reviewed the records of the National Register of Historic Places for Honolulu and delisted the Aiea Sugar Mill site from the Register. As the complex had been demolished, the reason for the listing no longer existed and the Register was updated to reflect that fact.

WARRANTY DEED RESERVATIONS

The Aiea Sugar Mill parcels were conveyed by Warranty Deeds dated December 5, 2002 from Bank of Hawaii, subject to the restrictions, covenants, conditions of a Deferral Agreement and a Unilateral Agreement for Conditional Zoning with the Department of Planning and Permitting. The Deferral Agreement provided that certain improvements to Hakina Street would be required to be installed in the future. The Unilateral Agreement included

provisions on the maintenance of certain landscape buffers. The parcels were also conveyed with various easements, restriction of vehicle access, and setback areas.

PRIOR INTERIM USES

The City had been temporarily renting the usable portions (Parcel 6) of the Mill on a short-term basis to various construction companies as a storage site in conjunction with various City projects. The rental revenues that were generated were deposited in the HCD Section 8 Fund (Fund 470).

The Honolulu Fire Department (HFD) was occupying the Mill from October 2011 to July 2013 as a temporary relocation site for its Aiea Fire Station during the station's renovation.

CITY AGENCIES

In 2013, the Determination of Interest on utilizing Parcel 6 was sent to the various City Agencies. The following three agencies that were interested in the Aiea Sugar Mill Site were submitted for administration's review.

Honolulu Emergency Services Department (HESD)

HESD was interested in utilizing the Mill as a temporary relocation for its Aiea EMS unit, which is currently housed at the Pali Momi Hospital. The current area lacked adequate space for personnel, equipment, and medical and office supplies. HESD understood that the utilities and operational costs would be its responsibility, and confirmed that it had the funds to cover its expenses, which would be reimbursed by the State of Hawaii. HESD was not paying rent to Pali Momi Hospital.

Department of Facility Maintenance (DFM)

DFM was requesting to temporarily use all the usable portions of the Mill to store its vehicles and equipment that are scheduled for disposal through public auction. These vehicles and equipment are being transported from the Halawa Corporation Yard (HCY) and stored at the Kapolei Corporation Yard (KCY). Although the KCY is fenced, vandalism and theft of components are constant problems due to the lack of security. Additionally, with the close proximity of HCY to the Mill, the transport time for the vehicles and equipment would be greatly reduced. The KCY will become unavailable for storage once construction begins on the new Driver Training Facility in 2014.

Department of Environmental Services (ENV)

ENV was interested in a long-term use of the Mill as a parking site for its sewer maintenance vehicles and other related equipment and parts for its sewer maintenance function. Their plan was to construct a large warehouse up to 30,000 square feet. ENV's Halawa Yard makes the Mill an ideal supplemental yard due to its close proximity. The

Halawa Yard is not large enough to accommodate the storage needs of the vehicles, equipment, and parts. With the ongoing improvements to the sewer maintenance operations, ENV would require even more space. The 2010 Wastewater Consent Decree includes requirements for stocking specific emergency repair pipes and fittings for its 70 force mains. ENV is currently renting space at Sand Island at \$40,000 per month.

ENV's estimated budget to improve the Mill and to construct a new warehouse is \$8,000,000. ENV proposed that this capital expenditure will be recovered over time through the savings in warehouse and rental costs and is able to include the project's construction in the FY15 CIP budget.

Another Determination of Interest on utilizing Parcel 6 was sent to the various City agencies in March 2015. We are currently awaiting responses, which are due on April 15, 2015.

CITY COUNCIL RESOLUTION 14-90, DEVELOPMENT OF A MULTI-PURPOSE CENTER

At the Committee on Public Safety and Economic Development meeting on May 20, 2014, former Director Pamela Witty-Oakland offered testimony in response to the attached City Council initiated Resolution 14-90 regarding the development of the community center at the former Aiea Sugar Mill Site in partnership with the Aiea Community Association. Director Witty-Oakland requested that the Resolution be deferred for the following reasons:

- Because Parcel 6 was acquired by Section 8 Administrative Funds, the use of Parcel 6 must be housing or housing-related.
- Because of the lack of sewer capacity, the Aiea Town Center Master Plan, completed in the 1990's was never implemented. The sewer application was last denied in 2012. The Department of Environmental Services had recently requested that the sewer application be resubmitted for reconsideration.

Note: In May 2014, the Department of Planning and Permitting approved DCS' Sewer Connection Application for Parcel 6 for 140 proposed units, as attached.

- In 1998, the City disbanded the Housing Department, which would have been the primary agency to develop new properties. The DCS lacks the staff and technical resources needed to develop and manage such a project.
- Much of the DCS' staff are federally funded and are precluded from working on non-federal projects.
- DCS feels that it does not have the organizational structure and capacity to manage the project as envisioned by the Resolution.

The Committee also had the following question:

- Does an organization's active participation in development of the Request for Proposals (RFP) create a conflict of interest with respect to the same organization submitting a proposal in response to the RFP?

Director Witty-Oakland submitted the following response to the Committee:

- An organization's participation in the development of the Request for Proposals (RFP) does not create a potential conflict unless and until that organization submits a proposal. At that time, the entire proposal process could be challenged. Any further analysis will depend on the specific facts of the organization's involvement. You may wish to consult with COR for legal advice.

Action on Resolution 14-90 was deferred. In December 2014, the bill was referred from Public Safety and Economic Development to Parks, Community, and Customer Services Committee.

AIEA TOWN CENTER MASTER PLAN - EXCERPTS FROM THE FINAL ENVIRONMENTAL ASSESSMENT, JANUARY 2003, PREPARED BY GROUP 70 INTERNATIONAL, INC.

TMK: 9-9-078: PARCELS 7-14

The theme of the Aiea Town Center emphasizes it as the center of daily community activities, and the center of community celebrations, much as the centers of the old plantation towns were in the heyday of the sugar plantations. In the design concept of the Aiea Town Center, the buildings are oriented along pedestrian streets to create a streetscape atmosphere.

The Town Center will emulate the design and community feeling of old Aiea Town in order to create an informal setting where all generations can gather. Uses such as a daycare center and an outdoor performance are planned to draw people to the Town Center and make the area the heart of community life. Community members will be able to participate in community events, attend classes and meetings, or simply hang out with friends and family. The uses will have a synergistic relationship with the proposed library and senior housing facility as well as the neighboring residential area and school.

The design concept of the Town Center is based on Old Aiea Town which consisted of plantation style wooden building with covered lanais. This building style is typical of sugar mill towns in Hawaii. The buildings in Aiea Town Center will consist of three one-story structures approximately 30 feet in height.

The Town Center is intended to provide activities for different age groups that will utilize the center in different ways and at different times of the day. The primary users identified at the community charrette are as follows: youth, generation Xers, baby boomers, and senior citizens. The requirements and expectations of each of these groups are described below:

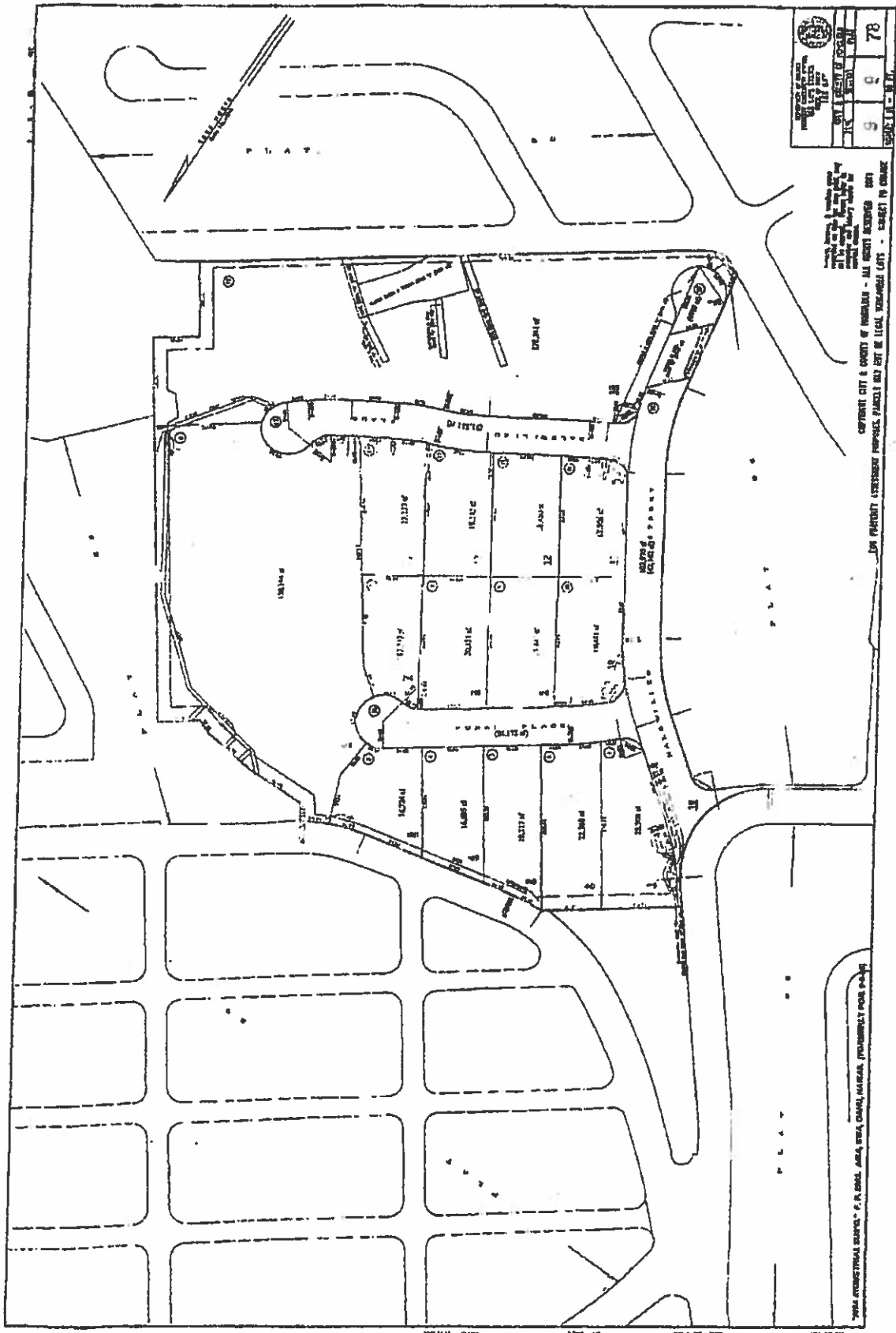
- Youth: School age children and teenagers would primarily use the center after school and on the weekends. This group would hang out at the Town Center as well as attend organized activities such as scouting meetings or hula classes.
- Generation Xers: This group consists of young adults in their 20s and early 30s. They would attend performances at the Town Center as well as participate in fitness and other types of classes.
- Baby Boomers: Baby boomers would attend classes and participate in volunteer programs organized at the Center. This group would also shop at open markets and craft fairs. Baby boomers would use the Center during weekday evenings, weekends, and in the early morning.
- Senior Citizens: Senior citizens would participate in many activities at the Town Center including craft and exercise classes. In addition, seniors would live at the nearby senior facility and could congregate at the Town Center for social activities.

Prior to the development for the Town Center, Parcels 7-14 will be developed as a passive park during the interim.

TMK: 9-9-078:6

The Plan identifies Parcel 6 as the location of a senior facility. The senior facility, such as an independent or assisted living facility, was identified by the Aiea community as an area need. The proposed senior facility will be located near medical services, commercial areas, bus lines, and the proposed library and Town Center. The senior facility will also benefit the Town Center by bringing activity to the center.

The units will be located in one or more separate two-story plantation style buildings in order to avoid the use of overly large and incompatible building forms. The maximum height of the buildings will be 35 feet. 140 assisted living units were identified in the Master Plan. This number is an estimation and may change as the project is further developed. This plan is also contingent on finding a developer to determine the type of facility and implement the project. The development of Parcel 6 would be through a request for proposals process.



NO. OF SHEETS	78
SHEET NO.	78
DATE	11-11-54
BY	J. W. B. / J. W. B.
CHECKED BY	J. W. B.
APPROVED BY	J. W. B.
SCALE	AS SHOWN

CONTRACT CITY & COUNTY OF HONOLULU - ALL WORK SUBJECT TO THE CITY ENGINEER'S APPROVAL AND THE CITY ENGINEER'S OFFICE SHALL BE RESPONSIBLE FOR THE DESIGN AND CONSTRUCTION OF THE PROJECT.

THESE DRAWINGS ARE THE PROPERTY OF THE CITY OF HONOLULU AND SHALL BE KEPT IN THE OFFICE OF THE CITY ENGINEER.

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Exhibit A