

Office of Hawaiian Affairs Kaka'ako Makai Strategic Action Plan



October 2013

Hui O Kukuluae'o



*E lau`ena ka wana`ao a ka lā
He lau i ka launahale o Pu`u`ōhi`a,
Lau ā lau nā lapawai o Kahuawai
Ua laupa`i ka hana
Ua lawa pono ka `ike
Ho`olaulā ka mana`o
E lauele i ka laukapalili ma Māmala
E laulima ka laukanaka
E lauaki kākou
I ke kūkulu kumuhana
ke kūkulu o ka lani,
ke kūkulu o ka honua
E laule`a ka nohona
E ola ma Kūkuluāe`o
E ola ma Ka`ākaukukui
E ola mai no e...*

*Glowing are the spearing rays of the rising sun
A budding leaflet in the forest growth of Pu`u`ōhi`a
Abundant are the cascading waters of Kahuawai
there is much work to be accomplished
Knowledge is ample if thoughts are aligned
then the mind is broadened
Envisioned is the trembling net at Māmala
the multitude in complete cooperation
Pooled together as of experts to concentrate
in the sacredness of thought and prayer to succeed
the pillars above the horizon
the pillars below the horizon
A restored relationship and life
Stemmed at Kūkuluāe`o
Stemmed at Kaakaukukui
Life indeed...*

Introduction

This document is the OHA Kaka`ako Makai Strategic Action Plan, which is a composition of reports and a summary of highlight and priority recommendations. This document completes the scope of services as identified under the Office of Hawaiian Affairs (OHA) Kaka`ako Makai Management and Development Services contract (No. OHA 13-02). On April 11, 2013, OHA engaged Rider Levett Bucknall, Ltd. (RLB) to prepare a recommended Strategic Action Plan to guide OHA with its planning, management, disposition, and development of lands in the Kaka`ako Makai region. RLB assembled a consulting project team (Hui O Kukuluae`o) comprised of land management development experts that include Group 70 International, Inc. and Sanford Murata, Inc. to collaborate with OHA`s leadership in creating the framework for the development and evaluation of value-creation scenarios for the lands of Kaka`ako Makai.

Strategic Action Plan

The Strategic Action Plan (SAP) is a synthesis of the project team`s findings, analyses and conclusions with recommendations to OHA leadership relative to the path that lies ahead regarding its responsibilities as the haku `āina (land steward) for the Kaka`ako Makai parcels. The SAP provides baseline information and outcomes of initial assessments and evaluations relative to land use opportunities that OHA decision makers can use to guide their decisions and actions. While seeking to attain its own goals and respond to the needs of its constituency, OHA leadership will be empowered to recognize and identify both internal and external influences in

the stewardship goals it seeks to attain. The SAP enables OHA to be flexible and agile in response to shifts in market and economic conditions and to circumstances that could ebb and flow with leadership prioritization and direction changes. It is intended to guide OHA's deliberations and decision-making as stewards of the lands and shape the future development in the Kaka'ako Makai area over time rather than prescribe or preclude specific parcel developments.

The SAP is an early step in the continuing and evolving series of planning and design that will subsequently be completed to attain both short and long term goals in the development and programming of these lands. The SAP is meant to establish a foundation upon which succeeding efforts can be developed and expanded. As a foundation document, the SAP provides a flexible structure, particularly in the baseline development strategy analysis, to accommodate changing conditions, directions and new opportunities as they arise. As presented below, the SAP organizes the information and conclusions of the specific contract deliverables into a cohesive context.

Background

In 2012, the State of Hawai'i transferred nine parcels of land (Property) to OHA to settle the ceded land revenue claims that date back to 1978. OHA expects the land to be a source of revenue to grow and support its programs created to enhance opportunities for Native Hawaiians. The Property consists of approximately thirty acres of state-owned land in the Kaka'ako Makai area. OHA is presented with the opportunity to plan and create a model urban waterfront community in Kaka'ako Makai that will serve as a beacon for Native Hawaiian values, practices, and deep knowledge.

The Property consists of nine fee-simple parcels ranging from 0.9 to 7.2 acres, for a total area of 30.718 acres. The Hawai'i Community Development Authority (HCDA) guides and oversees the redevelopment of land in Kaka'ako. Under HCDA rules, the land use zoning for the OHA parcels includes Waterfront Commercial (WC), Mixed-Use Zone (MUZ), and Mixed-Use Industrial (MUZ-I). With the waterfront location and adjacent park, OHA's Kaka'ako Makai lands are potentially the most valuable in Kaka'ako, if residential uses are allowed.

The Property is located in the Makai area of Kaka'ako and is subject to the HCDA's Makai Area Rules, which incorporate the Makai Area Plan. The project is bound by Honolulu Harbor to the west, Ala Moana Boulevard to the North, Kewalo Basin to the east and the Pacific Ocean to the south.

Pursuant to the contract, the project team completed eight specific deliverable tasks over the past six months. The following is a summary of the major conclusions and recommendations

derived from those specific tasks. A full and complete report of each work product is contained in the appendices of this report.

History, Cultural Landscape & Ancestral Connectivity

The first part of the SAP describes the rich history, cultural landscape and ancestral connectivity associated with the Kaka‘ako area. Understanding the history of these lands will give OHA a better understanding of how the past practices and the uses by Kanaka Maoli can shape the future development of the lands and their rightful place in the larger ahupua‘a. The document provides a cultural overview to determine a sense of ancestral connections to place through the identification and documentation of cultural practices known to be common within these lands and the surrounding landscape. The analysis of the cultural document primarily focuses on defining the relationship and responsibility of cultural stewardship between past, present, and future generations that provided a Kahua foundation for the SAP.

Nestled in the moku of Kona, in the ahupua‘a of Waikīkī, the parcels lie within the former coastline and nearshore fisheries belonging to the ‘ili of Ka‘ākaukui and Kukuluae‘o. Various native and foreign accounts consistently record that these lands were part of a larger and productive agrarian and aquaculture landscape that met the subsistence needs of the population in traditional times. Traditional practices included pa‘akai harvesting, fish pond farming activities, and other marine subsistence gathering activities that are still practiced today. Also of importance, the coastal and flat plains are well known for chiefly residence, healing practices, ancestral places, coastal trails, and burials.

The lands were once predominantly comprised of fishing grounds, coral flats and salt beds. However, the surrounding area underwent a major transition in the latter 19th and early 20th Century, which included development of salt works, a human quarantine center and cemetery, a coastal battery and fort, Native Hawaiian occupation, the Magoon tenement and the Ward Estate. By the early 1900’s, the area became a prime spot for large industrial uses, service lumbers schooners and commercial fisherman. In the mid-1900’s, the area was one of the first residential areas for working class families, with nearly 5,000 residents. Today, the area is undergoing a major transformation to create a modern urban mixed-use community.

In summary, there is a high potential of cultural relevancy and an opportunity to integrate cultural planning in the development of these lands. Although these lands are in-filled former reef lands, their proximity to the oceanfront, past related marine activities and practices, their visual and triangulation associations to other significant points of ancestral alignment, their accessibility, as one of the main publicly owned shoreline areas, and the opportunity for OHA to be the land steward makes this a viable cultural landscape in the urban corridor.

The report provides seventeen recommendations. Key recommendations that are highlighted here as potential priority steps in reestablishing a cultural connection to these lands as planning and design move forward include:

- a. Seek opportunities that restore orientation and cultural relationship to the restorative and regenerative powers of the ocean.
- b. Acknowledge and celebrate all animated forms of water as illustrated in a life cycle in lewa-mauka-makai relationship.
- c. Utilize Hawaiian astronomical concepts to develop site(s).
- d. Develop and maintain a visual corridor and triangulation alignment to significant geographic points within ahupua‘a and entire archipelago.
- e. Respect ancestral presence by creating space for meditation and ocean purification practices.
- f. Creating opportunities for the ‘ōlelo mākuahine to be utilized consistently and prominent at and Maoli art in public spaces.
- g. Restore a cultural kīpuka with the presence of appropriate kinolau to establish an urban coastal ecosystem.
- h. Consider gateway and arrival monuments themed to concepts of Ho‘oulu Lāhui Hawai‘i.
- i. Support preserving and restoring energy resource capacities for future generations.
- j. Establish and set-up organizational structure of an advisory ‘aha of recognized kumu, kūpuna, and loea that develop a list of required criteria to be included in all design reviews and to help initiate what a hālau ola, university, and/or global welcoming center within a Hawaiian context would be.
- k. Study the opportunities to engage the wa‘a community as a whole and consider potential of developing a portion of the OHA KM parcels as a hosting site for annual Moloka‘i Hoe, Nā Wahine O Ke Kai; and other canoe association races; and to be a home site for long distance voyaging canoe.
- l. Work with Hawaiian or community service organizations that have an existing presence in the area who help to perpetuate the legacy and heritage of place.
- m. Conduct Complete Streets study to guide and direct a more comprehensive approach to transportation that supports maui ola concepts and promotes healthy lifestyles (ie. tree-lined shaded pedestrian walkways, bicycle paths and lanes, etc.).
- n. Conduct Archaeological Inventory Survey and start early consultation with known cultural descendants within the ahupua‘a.

Charrette Vision & Strategic Priority

In August 2013, a two-day charrette process was conducted for the SAP. The charrette is a brainstorming session that is intended to elicit input from key community leaders and to gain a sense of their collective priorities. The subject of this charrette was to envision the future vibrancy of OHA Kaka‘ako Makai lands as an asset that requires a balance between commerce

and culture. For this Plan, the charrette sought to have an understanding of the lifestyles valued by community stakeholders, including OHA's Trustees and executive leadership; Ali'i Trusts and Hawaiian service organizations; neighboring landowners and educational partners; political representatives; and community, environmental, cultural leaders and potential partners. The major objectives of the charrette included the gathering of input from area and community leaders/stakeholders, prioritizing the many issues and ideas into the three major themes, and hearing of social, cultural and environmental concerns and issues pertaining to Kaka'ako. These are for the Trustee's consideration. The charrette process included five basic steps: lifestyle, major themes, configuration, minor themes and signature details.

As a result of the charrette meetings, three major themes were identified by the participants for the Strategic Management Plan:

1. Create a *kīpuka*, cultural oasis, where Hawaiian national identity can flourish and be celebrated among Hawaiians and local communities throughout the Pacific, but also serve as a welcoming place for global leaders to gather.

As these lands were traditionally the coastal front and fishery of Ka'ākaukui and Kukuluae'o, the relevance is amplified for consideration these lands as a kīpuka with connection to the ocean wherein life flourishes and extends from a firm foundation. These lands can be a source of pride that embodies the Hawaiian national identity while defining and maintaining a Hawaiian sense of place and strategically become a place where global leadership can gather and immerse within an exclusive Hawaiian space, reflecting on issues with universal impact.

2. Support the development of a *cultural marketplace* that invests in intellectual capital, seeking possibilities of exploration and innovation in education, health and political leadership.

The concept of hālau ola, a center of life and healing, speaks to the possibility of these lands being strategically directed to provide benefit to the physical, mental, emotional, and spiritual well-being for Native Hawaiians. Highlighted issues shared include the social and economic well-being of Native Hawaiians; promoting and supporting initiatives in sustainability, specifically food security and alternative energy; expanding on-going ocean research; and addressing the needs and impacts of an aging population.

3. Create a cohesive and multi-functional planned community that embraces a transformative ideal of *live, work and play*.

The lands continue to be a place where communities live, work and play. Historically, the area supported the working middle class community and comprised a diverse heritage of different ethnicities. It is a place where people still gather to find recreation, relaxation, and reflection within the urban corridor. The SAP includes alternatives for a

sensible arrangement of a residing and working community whose density is appropriate and intimate enough for interaction.

These three major themes aim to elevate these parcels in a unique and distinct way as compared to other conventional real estate development. These themes involve values that are both global to Native Hawaiian cultural identity and intrinsic to the unique sense of place. The inputs gained from the charrette were utilized towards the development of scenarios in the Baseline Development Strategy.

Master Baseline Infrastructure Review

The master baseline infrastructure provides an overview assessment of the current existing infrastructure conditions and capacity of potable water, wastewater, drainage, roadways, circulation and other infrastructure issues in the Kaka‘ako Makai area.

The existing off-site infrastructure appears to be sufficient to accommodate the existing land use. The review lists some major recommendations and considerations for future development of the Property:

- An ALTA survey should be performed to assess properties, easements and restrictions.
- Although water supply is adequate under current conditions, development in the surrounding area can potentially affect available water supply and water pressure to the Property.
- Wastewater capacity should be reviewed prior to proceeding with development. Sewer laterals that require replacement are the responsibility of the developer/owner.
- Additional assessment should be made of proposed improvements with respect to the current flood zone during master planning.
- Topographic survey is needed to determine the extent of work associated with development within a Flood Zone and to address the potential sea level rise and flooding in the future.

In addition, sea level rise in the project area has been recently studied primarily due to unpredictable global climate changes and the unknown impact to our properties. In January 2012, a report by Dr. Charles Fletcher indicated that varying levels of sea level rise were modeled to determine the impact to the Kaka‘ako Makai area and surrounding areas. Dr. Fletcher’s analysis indicates that although vulnerable to inundation, such hazards are event-based with temporary impacts and development can be designed to withstand those events to achieve decades of useful life.

Market Assessment & Land Value Analysis

A critical component in the planning process is an understanding of the market conditions and land values that will influence the use of the lands. Primarily focused on revenue generation and land value, the analysis gives an overview of relevant market conditions and land implications. It provides a range of potential land uses that is feasible to pursue while being consistent with near-term market trends. The rationale is to gauge the potential viability of prospective land uses, based on current and past market demand trends.

The market assessment includes a summary of macro-economic data, demographic and other trends that impact residential and commercial uses and developments planned for Kaka'ako.

Macro-economic factors indicate that Hawai'i's economy is generally healthy and ahead of national averages. The demographic and real estate trends for residential and commercial uses for Kaka'ako indicate continued and sustained growth. Kaka'ako is experiencing a real estate boom, fueled by the convergence of pent-up demand with the acceleration of the development plans for major landowners and developers, low-interest mortgage loans and the blossoming of Kaka'ako as the heart of urban Honolulu.

In the next 10 to 15 years, as developments are constructed and new residents move in, the demographics of the population will be changing dramatically to account for the addition of families in the planned 10,000+ residential units. While demand has increased to international buyers, there is a pent-up demand for affordable housing residential units near downtown and Waikiki. The median sales price for Kaka'ako condominiums is currently \$630,000. Comparing this to a condominium in Honolulu, at \$330,000, Kaka'ako condominiums indicate a surging demand and, combined with low housing inventory, low mortgage interest rates, and an improving economy with job growth, are motivating factors for developers to proceed with their developments. Kaka'ako is a current hotbed for condominium and commercial property development and the trend is expected to continue for the foreseeable future.

An analysis of the Property's land values was prepared to evaluate the revenue production capability for planning purposes. The land value analysis is comprised of the Property's estimated land value and income potential provided as a basis for future consideration. It includes a comparison of adjacent land uses, market values as reported from two appraisal reports, a range of rates of return, ground lease analysis, and the residual land values for single-use projects.

The ground lease analysis stated that seven of the nine parcels are encumbered by ground leases which combined produce an annual base rent of \$1,017,183. The ground lease summary indicated that OHA is achieving a weighted average annual lease income of \$0.98 per

square foot of land. Typical returns on commercial properties with ground leases are about 7% to 8% of the unimproved market value of the land. Assuming an average return of 7.5% on the Property valued at \$200 million, the lands could potentially generate approximately \$15 million.

The baseline for the single-use projects was composed using hypothetical commercial and residential projects specifically for parcels F & G, which combined equal a total land area of seven acres. A consistent methodology was applied to compare financial results of certain land uses. The methodology uses a mixed-use zoning and a maximum allowable height of 200 feet. The pro forma models are shown separately for each project type. The project types studied included: a high-rise residential condominium of 624 units; a mid-rise rental apartment of 960 units; a single-level multi-tenant retail building of 237,500 square feet of gross leasable area; and a high-rise multi-tenant office of 593,950 square feet of net rentable area.

A table summary of the estimated residual land value of the project types shows the estimated square foot value of each land use type. These project types serve as a reference point to shape the alternative land use scenarios in the Baseline Development Strategy report.

Land Use Type	Dollars Per Square-Foot
Residential Condominium	\$219
Rental Apartment	\$20
Retail	\$72
Office	(\$245)

Baseline Development Strategy

The Baseline Development Strategy is based upon the synthesis and analysis of the preceding reports: Market Assessment and Land Value Analysis; the three major themes identified in the charrette process; the key findings from the infrastructure report; and the recommendations derived from the Cultural Analysis & Ancestral Connectivity report that are essential underpinnings for seeking balance between cultural and commercial use of the lands.

While the scope of services of the contract called for a minimum of three alternative scenarios, the project team developed a total of nine scenarios that were determined to be a suitable representation, enabling the project team to investigate a range of assumed values for potential land use activities. These alternatives should not be treated as alternative development scenarios typical under a Master Plan, but rather treated collectively to explore ideas and provide OHA leadership with a measuring tool that provides simple economic implications for a range of specific land use activities.

The nine scenarios considered six land uses, some of which are allowable under current land use zoning and use designations under HCDA, while the others represent feasible and

compatible land use opportunities for OHA leadership to consider. The Baseline Development Strategy uses include: commercial, hotel, industrial, residential condominium (at two distinct interval heights of 200 feet and 300 feet), residential rental, and park space.

Given the guidance from the major themes derived from the charrette to create a “live, work and play” environment, the alternatives include a residential component with a typical height allowance of 200 feet. The consideration of residential use in this analysis recognizes that currently under Hawaii Revised Statutes 206E-31.5, that the HCDA is prohibited from approving any plan or proposal for residential development in the Kaka‘ako Makai area. However, the residential development option clearly demonstrates the impact of residential use on land values at \$219/SF for these parcels.

The OHA Kaka‘ako Policy directs OHA to balance culture and commerce within these parcels. As such, priority must be given to the utilization of the HCDA Park use designation as a means to identify areas for passive (open space) or active facility space dedicated to developing cultural facilities, programs, and events within the parcels. Park space may be used for various culturally appropriate activities including those requiring facilities such as a performing arts center, museum, art galleries and workshops, gardens, aquariums and marine research facilities; exploratoriums, etc.

The following lists the nine scenarios with a brief description: Alternative A (Existing zoning) – the allowable uses under existing HCDA land use zoning and height allowances. Alternative A-1 (Existing zoning with office) – all land uses are the same as Alternative A except for parcel E, which is assigned for office use. Alternative A-2 (Existing zoning with hotel) – all land uses are the same as Alternative A, except for parcel E, assigned for hotel use. Alternative B (Residential-condominium and rental) – residential use was divided into two categories; 40% residential-condominiums and 18% residential-rentals. The remaining was assigned to commercial use and park use. Alternative B-1 (Increased residential-condominium and limited rental) – this divides residential into 51% for fee simple and 7% for rental. The remaining is assigned to commercial use and park use. Alternative C (Residential-condominium only) – Similar to B-1 in all land use assignments except for parcel E which is assigned for condominium use and represents 58% of land use allocation. Alternative C-1 (Increased residential-condominium and park use) – this alternative attempts to broaden the mixed-use distribution of Alternative C with the intent to increase residential rental to condominium use. Alternative C-2 (300-foot residential-condominium and increased park use) – this alternative increases the height allowance from 200 feet to 300 feet on one parcel and assigns 25% for park use. Alternative D (300-foot residential condominium with 50% park use) – this scenario analyzes the effect of increasing park space to near 50% of land use allocation for an extensive range of culturally based uses to be developed.

In summary, the alternatives provide a range of estimated land value between \$61 million and \$211 million. The scenarios provide what is currently allowed under existing zoning and the

potential for residential use. OHA leadership will need to determine what is a favorable portion and allocation of uses to achieve its desired residual land value goal. The Baseline Development Strategy will be used as a tool to guide OHA Trustees as they formulate an appropriate balance of land values and uses.

Recommendations & Next Steps

The project team recommends that OHA take the following steps in order to commence implementation of subsequent steps to this phase of work:

1. Using past policies and information articulated in the SAP, formulate and adopt a series of quantified objectives for the property, which will be the basis of a master planning effort. These should include the following:
 - a. Cultural activities and values to be incorporated into the development of the land.
 - b. The residual value target for the property.
 - c. The approximate proportion of the developed land that should be designated for “Park” use.
 - d. Commercial and other uses projected for the property and the approximate proportion of developed FAR that is to be targeted for each use.
2. With the above information, seek through an RFP process, a planning entity to work with OHA to develop a master plan.
3. Concurrently, organize and move to seek the proper legislated entitlements to achieve the planning objectives. These would include uses such as housing, if appropriate.
4. Once the master plan is developed and approved, seek a development entity to proceed with either the first phase (only) of the master plan or to develop the master plan over all phases. This planning entity should be able to modify the master plan, after their selection is made, so as to fit into their approach to the markets. They should, however, be required to be faithful to the cultural, environmental and social concerns embodied in the master plan.
5. With the selected development entity, gain HCDA entitlements (as necessary) for the development of the plan. The developer, and its consultants, may be primarily responsible for this.
6. As approvals are obtained and the developer prepares to proceed, develop a project management oversight capacity, either on-staff or through a consultant familiar with

construction issues. This is not to oversee construction but to interface with the developer and governmental entities during the construction period.

7. Other

- a. Engage in regional partnerships with relevant public agencies and surrounding land owners that support OHA's vision of Kaka'ako Makai.
- b. Prepare a comprehensive financial proforma and capital financing plan. Leveraging OHA's existing cash flow through potential debt financing sources such as revenue bonds can generate additional capital for its development projects and represents one financing option.

Conclusion

OHA has a tremendous opportunity to develop the Kaka'ako Makai land parcels in a unique and genuine way, through harmony and the balance of cultural, social, spiritual and economic values. OHA can realize the balance of culture and commerce with smart decisions in harvesting monetary returns on its lands and also satisfy its fiduciary responsibilities of maximizing the land value and preserving the cultural history and significance of the land. While the neighboring developers are focused on typical urban developments, OHA has the opportunity to be the light and epicenter (piko) of Kaka'ako, complementing the infusion of the culture and arts lifestyle by using the land and natural elements while reestablishing the relevance of an ancestral relationship to place. The strategic location and value of these lands serves as an asset that aims to meet OHA's overall vision Ho'oulu Lāhui Aloha, provides an overall positive contribution to the surrounding community, and potentially will be an inspiration to draw national and international leaders and visitors to Hawai'i.