

DAVID Y. IGE
GOVERNOR



DR. CHRISTINA M. KISHIMOTO
SUPERINTENDENT

DEPT. COMM. NO. 92

TE: 01A 8S Y0A 81

STATE OF HAWAII
DEPARTMENT OF EDUCATION
P.O. BOX 2360
HONOLULU, HAWAII 96804

OFFICE OF THE SUPERINTENDENT

November 19, 2018

The Honorable Ronald D. Kouchi, President
and Members of the Senate
State Capitol, Room 409
Honolulu, Hawaii 96813

The Honorable Scott K. Saiki, Speaker
and Members of the House of Representatives
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

For your information and consideration, I am transmitting a copy of the Annual Report on the Pilot Project for Lease of Public School Lands, pursuant to Section 302A-1151, Hawaii Revised Statutes (HRS) 2013. In accordance with Section 93-16, HRS, I am also informing you that the report may be viewed electronically at: <http://bit.ly/DOELegReports>.

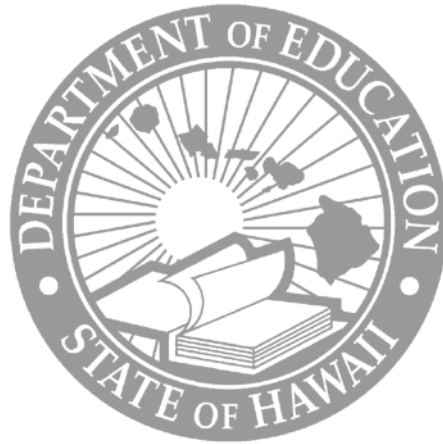
Sincerely,

A handwritten signature in black ink, appearing to read "CKM".

Dr. Christina M. Kishimoto
Superintendent

CMK:kgm
Enclosures

c: Legislative Reference Bureau
Office of School Facilities and Support Services



State of Hawaii
Department of Education

Annual Report on Pilot Project for Lease of Public School Lands

November 2018

§302A-1151.1 (Note: L 2013, c 155, §4) Hawaii Revised Statutes (HRS) requires the Department of Education (DOE) to report on the Public School Land Pilot Program until completion of projects.

The Pilot Project for Lease of Public School Lands, §302A-1151.1 HRS, was enacted on June 21, 2013 as a pilot program to allow the DOE to explore the possibility of managing public school properties to generate revenue for modern improvements to its educational facilities. This is the fifth report to the legislature documenting DOE activities to date.

Annual Report on Pilot Project for Lease of Public School Lands

(1) Project Timeline:

§302A-1151.1 HRS requires the Department of Education (DOE) to focus on underutilized assets to increase the educational benefit to students statewide.

Since the enactment of §302A-1151.1 HRS, the DOE has been working:

- With the Hawaii Housing Finance Development Corporation (HHFDC) on establishing a process that would allow HHFDC to assist DOE in the redevelopment of DOE facilities using the HHFDC existing staff and procedures;
- Through issues related to each unique project;
- With a demographer to establish projected student enrollments along the transit corridor;
- To develop a process specific to public private projects;
- With the legislature to transfer City and County of Honolulu (City)-owned school lands to the State of Hawaii (State).

In establishing a development process, the DOE identified a range of possible redevelopment opportunities for sites selected under §302A-1151.1 HRS. These would include the following:

- a) Revenue generation to fund 21st Century Schools.
- b) A new 21st Century School.
- c) A hybrid mixed-use project with school and possibly revenue generation or some other benefit (i.e. teacher housing) for the DOE.

Early in the process the DOE decided to pursue project sites that would not disrupt operating schools, or cause undue concern within school communities. So, initially only non-school sites were considered. Of the sites considered the following illustrate our research, analysis, and efforts through 2017.

Three (3) Non School Initial Sites:

Listed below are the initial pilot project sites and a summary of work done to date.

Sample Site No. 1 - 1037 South Beretania Street (1042 Young Street)

This site is presently used by the DOE Auxiliary Services Branch and the Student Transportation Services Branch.

Property Description:

Auxiliary Services Facility - 1042 Young Street	
Tax Map Key	2-4-002:019
Area	29,193 sq. ft.
Zoning	BMX-3
Ownership	City and County of Honolulu
Building	1,210 sq. ft. (Built 2001)
Flood Zone	X
Tax Assessed Value	
Land	\$5,897,200
Building	\$192,300

Similar to other DOE Facilities in urban Honolulu the underlying fee on the property is owned by the City. In 1965, Act 97 transferred the authority of county schools, and their properties, from the counties to the state. The intent was to provide equity across the state for all public schools. As part of Act 97 the executive functions associated with land ownership and all responsibility for the planning, construction, improvement, maintenance of public school facilities and grounds, and the transportation of school children to public schools were transferred to the DOE. In support of §302A-1151.1 HRS, it was revealed that the county school lands were never transferred to the state, which means there are still public school campuses on county land, and campuses on both state and county land.

In early 2016, the Mayor’s Administration indicated that they would not support the DOE’s proposed mixed use development on the Young Street property. They indicated that if the DOE was not going to use it for the Auxiliary Services Branch, the City would take back the property and use it in conjunction with development activities on the Neal Blaisdell property.

Sample Site No. 2 - 690 Pohukaina

The site is on state-owned land immediately adjacent to Mother Waldron Park in Kakaako.

Property Description:

690 Pohukaina Street	
Tax Map Key	2-1-051: 041
Area	94,425 sq. ft.
Zoning	HCDA
Ownership	State of Hawaii
Tax Assessed Value	
Land	\$10,958,200
Building	\$735,100

This site offered DOE the opportunity to partner with another State agency experienced in real estate development. The HHFDC Board approved the project and the DOE has been working with staff at HHFDC to prepare the needed documents and memorandum of understandings, necessary to facilitate the construction of a school within this housing development. The DOE has also been working with the City to develop a use agreement for Mother Waldron Park that allows the new school to use the park exclusively during school hours of operation. The initial schematic design for the vertical elementary has begun, with full design on the project expected to begin early 2019.

Sample Site No. 3 - 475 22nd Avenue

The site is encumbered by the DOE through Executive Order No. 4290, which set aside the lands for “Public Education Purposes.” The site is presently used by the Office of Curriculum and Instructional Design.

Property Description:

Office of Curriculum and Instructional Design - 475 22nd Avenue	
Tax Map Key	3-1-042: 035
Area	284,665 sq. ft. (6.535 Acres)
Zoning	Residential
Ownership	State of Hawaii
Tax Assessed Value	
Land	\$41,132,400
Building	\$346,200

The intent on this site was to enter into a similar arrangement that was made between DOE and HHFDC on the Pohukaina project and allow for a competitive Request for Proposal (RFP) process that would create an income stream for DOE through the development of Market Rentals on the site. The process would have HHFDC assist in the redevelop using its RFP selection process to assist the DOE in selecting a developer. A ground lease would be paid to the DOE, for the use of the property, creating a revenue stream for 21st Century improvements to public schools.

A preliminary infrastructure assessment to determine the existing sewer and water capacity, as well as the land use entitlement requirements, need to be researched while a conceptual plan for the development is being prepared. These are necessary steps that need to be taken prior to conducting a public outreach and preparation of the environmental assessment and initiating the RFP process.

2018 Actions

In January of 2018, the Board of Education (BOE) Finance and Infrastructure Committee (FIC) asked the DOE to expand its list of candidate sites to include operational school sites.

March 2018, the DOE presented seven (7) school and non-school sites to the FIC:

- 1046 Young Street
- 475 22nd Avenue
- 1106 Koko Head Avenue
- 3633 Waialae Avenue
- 4087 Diamond Head Road
- Kaimuki High School (1 acre)
- McKinley High School (1 acre)

The FIC concurred with this list of sites.

June 2018, the FIC asked the DOE to solicit proposals from private developers through a Request for Information (RFI) process. The RFI process was initiated August 2018 and three (3) responses were received for two (2) of the non-school sites. A fourth response did not select a site but raised questions regarding the sites, and roles and responsibilities of the overall process.

In July of 2017, the Governor signed Act 206, 2017 SLH (HB-116) which allowed for the transfer of certain high school lands currently owned by the City to the State. Act 206 also extended the pilot project program for an additional five (5) years.

In July of 2018, the Governor signed Act 210, 2018 SLH (SB-2237) which allowed for the transfer of certain public school lands along the Honolulu Rapid Transit Corridor that are currently owned by the City to the DOE.

Since August of 2018, the DOE has been working with the City, Department of Land Management to work out the process and details of how these lands will be transferred from the City to the State. The intent is to have one or more of the properties transferred by the end of 2018 to initiate the process.

October 2018, the FIC asked the DOE to proceed with due diligence on four (4) of the seven (7) sites.

Upon completion of the first phase of due diligence, the DOE will begin community stakeholder outreach before finalizing the pilot site selection. At that juncture the DOE will work with HHFDC to prepare and advertise a RFP on the three (3) BOE approved pilot sites.

In addition, the DOE is currently working with HHFDC to develop a financial model that could inform the development of a pilot project that includes teacher housing.

- (2) **Summary of the DOE activities, results, and recommendations to optimize the use of public school lands as a means to build or renovate 21st century schools and school-centered communities:**

Since the enactment of §302A-1151.1 HRS, the DOE has worked to create a process for how sites are selected and subsequently developed.

I. Site Selection:

The DOE has invested considerable time in developing a process for site selection and how the sites would be developed or redeveloped. Meetings have been held with numerous private developers to better understand what investors consider in developing or redeveloping sites. Through these discussions it was determined that site location and size, zoning, market demand, and community support are issues that developers consider in any such project.

The DOE has also consulted with government regulatory agencies to determine the process for compliance with Chapter 343 HRS, county zoning, and the disposition of public lands (i.e. DOE Facilities). This fact finding and analysis will be used in the development, or redevelopment, of the pilot project sites.

Given the non-school nature of the initial pilot project selection, the DOE has yet to formally engage in community discussions. The intent has been to work out the mechanics of the process to determine each site's development potential, and all foreseeable obstacles, to ensure the viability of the projects before engaging with stakeholders.

The DOE continues to vet the various processes required in the selection, and potential development, of any DOE facility. These processes will be revised and improved as the DOE continues to advance the initiative.

II. Program Communication:

The DOE will develop a communication plan for each project once the short list of sites has been finalized. The DOE's Communications Branch will initiate public relations efforts and will coordinate outreach with the identified communities.

III. On-going Consultation:

The DOE will continue its efforts to involve all pertinent entities on the site selection and development/redevelopment process. This includes conversations with specific communities once the short-list of sites has been fully established, as well as a representation of stakeholders, educators, community leaders, community program providers, real estate developers and investors, elected officials, and municipal leaders, etc. This group will review the short-list of sites, the process and criteria for selection, and make recommendations for final three (3) sites to be selected. The DOE will take recommendations under advisement and will make final recommendations to the BOE.

(3) Summary of all school and community engagement efforts undertaken or that will be undertaken by the DOE in carryout of the pilot program:

Once a short list of candidate schools is approved by the BOE, community engagement will be front and center in the discussions. Since the initial enactment of §302A-1151.1 HRS, it has been understood that community engagement is key to the success of the program. The on-going consultation, described above, represents one level of engaging key stakeholders who can provide specific information and oversight to guide the process.

(4) Summary of the DOE's current and project budgeted expenses, including the identification of any contracts with third parties and the creation of temporary positions within the DOE in carrying out the pilot program.

§302A-1151.1 HRS provided \$100,000 in appropriations for the first year of the program. An additional \$631,961.44 has been obligated, to date, to continue consultant support and provide for the initial program set up. Given the effective scope of the program, extended appropriations **for an additional \$500,000 for Fiscal Year 2020 is requested.** This funding will be used to support the balance of the program requirements leading to the successful implementation of the three (3) pilot projects.

The additional funds requested will support the preparation of an environmental assessment or environmental impact statement for each of the three (3) pilot sites to comply with Chapter 343 HRS, cost associated with additional market studies, cost associated with projecting student enrollment on schools on Oahu given the impact of the Hawaii Authority for Rapid Transit project on areas identified for future growth, and the cost of developing and managing the RFP process.

(5) Summary of any capacity and funding issues or challenges the DOE has encountered in carrying out the pilot project:

Since the enactment of the program, the DOE has been able to subsidize its lack of capacity and expertise in property development with consultants. As the program begins to take on a greater dimension there will be a greater demand on DOE staff. Funding levels, as described in paragraph (4), will allow the DOE to continue to receive support from consultants throughout the program. Should the program be extended beyond the three (3) pilot sites, the DOE will require additional staffing to support.

One of the biggest hurdles, in developing school sites, has been the issue of land ownership. The DOE currently does not own the land under its schools. The land is owned by the Department of Land and Natural Resources and/or state counties. This creates a financial uncertainty for lending institutions, which the developer community finds extremely challenging. With the recent passing of Act 210, 2018 the DOE can now hold fee on public school lands. As properties are transferred from the City, we are setting priorities to support Act 155.