

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

June 22, 2007

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

PSF No.:06OD-238

Oahu

Authority to Procure an Appraisal in connection with the
Possible Sale of State Land to The Salvation Army,
Honouliuli, Ewa, Oahu, Tax Map Key:(1) 9-1-17:88 por.

APPLICANT:

The Salvation Army, a California Nonprofit Corporation, whose
mailing address is 180 E. Ocean Boulevard, 9th Floor, Long Beach,
California 90802.

LEGAL REFERENCE:

Act 104, Session Laws of Hawaii, 2007 and Section 171-17, Hawaii
Revised Statutes, as amended.

LOCATION:

Portion of Government lands of Honouliuli situated at East
Kapolei, Ewa, Oahu, identified by Tax Map Key: (1) 9-1-17:88
por., as shown on the attached map labeled Exhibit A. Exhibit A
depicts a 12 acre site. For purposes of the appraisal, this area
may increase up to 15 acres, subject to the Chairperson's review
and approval.

AREA:

15 acres or less

ZONING:

State Land Use District: Agricultural
County of Honolulu CZO: AG-1, Restricted Agricultural

TRUST LAND STATUS:

Non-ceded. These lands were acquired after August 1959

DHHL 30% entitlement lands pursuant to the Hawaii State
Constitution: YES _____ NO X

CURRENT USE STATUS:

At its meeting of September 24, 2004, under agenda item D-14, the BLNR approved as amended the conveyance of 318 acres of land in the east Kapolei area to the Department of Hawaiian Home Lands ("DHHL"), of which the subject site is a portion of. Nonetheless, the conveyance of land from DLNR to DHHL has been held in abeyance at DHHL's request until they are able to complete large lot subdivision and reconsolidation of the 318 acres. Thus, the subject land remains unencumbered.

CONSIDERATION IF TSA DECIDES TO
PURSUE THE PURCHASE DIRECTLY FROM DLNR:

One-time lump sum payment of fair market value to be determined by an independent appraiser, subject to review and approval by the Chairperson.

CHAPTER 343 - ENVIRONMENTAL ASSESSMENT:

In accordance with the "Division of Land Management's Environmental Impact Statement Exemption List", approved by the Environmental Council and dated April 28, 1986, the procurement of an independent appraiser is exempt from the preparation of an environmental assessment pursuant to Exemption Class No. 5, Item No. 2(b) which includes the appraisal of real property for determination of acquisition/sales price, as long as the lands are not in the conservation district.

A Final Environmental Impact Statement was prepared for the Housing and Community Development Corporation, State of Hawaii, dated July 23, 1998_ with respect to the East Kapolei Master Plan, of which the subject site is a part of. Moreover, in April 2006, DHHL requested a waiver for an Environmental Assessment or Supplemental Environmental Impact Statement for DHHL's planned development of East Kapolei II, which also includes the proposed Kroc Community Center site. The Office of Environmental Control granted the requested waiver in May 2006.

DCCA VERIFICATION:

Place of business registration confirmed:	YES	<u>X</u>	NO	_____
Registered business name confirmed:	YES	<u>X</u>	NO	_____
Applicant in good standing confirmed:	YES	<u>X</u>	NO	_____

APPLICANT REQUIREMENTS:

Applicant shall be required to:

- 1) Pay the costs for the State to procure an appraisal to determine the one-time payment of fair market value for the subject land;
- 2) Provide survey maps and descriptions according to State DAGS standards and at Applicant's or DHHL's own cost; and
- 3) Pay, or cause DHHL to pay for the costs to subdivide the subject parcel.

REMARKS:

The Salvation Army ("TSA") has been awarded nearly \$1.6 billion from the Kroc Foundation for the construction of community centers across the nation. Despite an intense national competition among numerous States, Hawaii was fortunate to be selected to potentially receive an \$80 million grant for construction and maintenance of a community center located in Kapolei; and pursuant to Act 104, 2007 SLH1, the proposed community center shall include:

- (1) An aquatic center with two swimming pools;
- (2) An athletic complex with a gymnasium that houses a national collegiate athletic association regulation-sized basketball court;
- (3) A performing arts center;
- (4) An educational and vocational training center; and
- (5) At least three hundred parking stalls

In addition to the planned community center, TSA shall establish a scholarship fund, which will be used to assist in defraying the cost of membership, initiation and program fees for underserved native Hawaiians.

However, TSA purports that funds currently allocated to Hawaii could be diverted to different States if TSA is unable to acquire the fee simple interest in an appropriate site or if the community center is not completed in a timely manner.

1 Act 104 authorizes the BLNR to exchange, or sell state lands by direct negotiation without the need for an auction to a qualified eleemosynary organization that is tax exempt under 501(c)(1) or (3) of the IRC, to be used specifically for a community center, and subject to certain conditions specified in Act 104, and a reverter should the property cease to be used for the purposes specified in the Act.

Despite receiving offers for free land in Kapolei from various private developers, TSA prefers the location of the State land identified on Exhibit A, attached.

Although not yet subdivided, the proposed subject site is expected to have an area of 15 acres or less, and shall be situated along the proposed North-South Road alignment.

At its meeting of September 24, 2004, under agenda item D-14, the Board of Land and Natural Resources ("BLNR") approved conveying approximately 318 acres of east Kapolei land to the Department of Hawaiian Home Lands ("DHHL"). Included in this approved conveyance is the proposed 15-acre subject site.²

Pursuant to this BLNR action, DHHL has proceeded with plans for its largest single project in the State, which includes retail, commercial and residential components, and DHHL's future department headquarters. Notwithstanding the above, DHHL will not accept conveyance of these lands until they complete proposed subdivision and reconsolidation of the lands. Consequently, despite BLNR's approval to convey the 318 acres of east Kapolei land, DLNR remains the record fee owner of these yet to be encumbered lands, including the proposed community center site.

TSA is under time constraints to acquire the fee simple interest in the subject site in order to secure the awarded grant³. Thus, TSA needs to make a business decision on whether to: (1) acquire the subject site from DHHL by way of a land exchange (after the land is conveyed by DLNR to DHHL); or (2) acquire the land directly from DLNR (prior to any conveyance to DHHL), by direct sale as provided for by Act 104, SLH 2007. If TSA decides to pursue a fee simple purchase directly from DLNR rather than a land exchange with DHHL, staff intends to bring this matter back to the BLNR with all relevant terms and conditions of such sale, and request all appropriate approvals prior to any fee conveyance to TSA.

Accordingly, BLNR is being asked to authorize staff to proceed with procuring an independent appraiser to determine the fair market value of the subject site pursuant to Section 171-17, HRS, subject to the terms, conditions, use restrictions and reverter as specified in Act 104, SLH 2007. The fee simple value determined by the independent appraiser will help TSA make a business decision on whether to acquire the property directly

² Because of timing issues, staff proceeded with this submittal without a map of the 15 acre site. Instead, Exhibit A depicts a 12 acre site. The additional 3 acres may come from the 4 acre park depicted on Exhibit A, subject to the review and approval of the Chairperson for purposes of the appraisal. If TSA decides to purchase the property from DLNR, then the actual approval of the sale will come back to the Board for review and approval.

³ TSA is also pursuing fund raising efforts to match a portion of the grant. Potential donors are reluctant to commit funds until TSA secures the land for the construction of the community center.

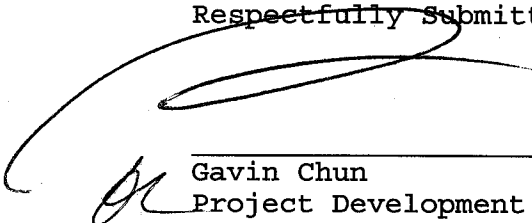
from DLNR, or to pursue a land exchange or other form of disposition with DHHL.

RECOMMENDATION:

That the Board authorizes staff to procure an independent appraisal to determine the fair market value of the subject lands⁴ under the terms, conditions, use restrictions and reverter as specified above, and further subject to:

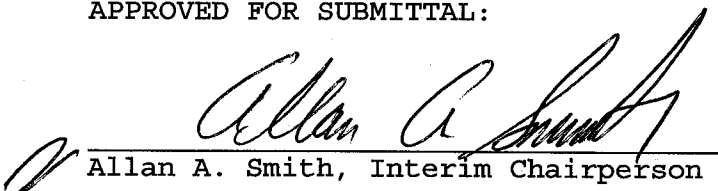
1. The acceptance of such an appraisal shall be subject to the review and approval by the Department and Chairperson; and
2. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully Submitted,



Gavin Chun
Project Development Specialist

APPROVED FOR SUBMITTAL:



Allan A. Smith, Interim Chairperson

⁴ The lands to be appraised are identified in part on Exhibit A. Exhibit A identifies a 12 acre site that TSA is interested in possibly acquiring. TSA is requesting an additional 3 acres that will likely come from the park shown on Exhibit A. The appraisal will likely involve valuing the 12 acre site shown on Exhibit A, with the possibility of increasing up to 15 acres, subject to the review and approval of the Chairperson. As noted above, if TSA decides to pursue a fee simple purchase with DLNR, such sale will be subject to the review and approval of the Board.

KROC CENTER
12 AC

HECO
1 AC

PARK
4.7 AC

MIDDLE SCHOOL
17.3 AC

20' WIDE DRIVEWAY