



**MARKET SOUNDING  
REQUEST FOR INFORMATION**

**June 2023**

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## INTRODUCTION

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In May 2023, Governor Green announced a “new direction” for the NASED project. This proposed new model comprises both the new Aloha Stadium and the surrounding district to be delivered as one, integrated public-private-partnership (P3) project (“**Project**”). A key feature of the Project is the developer being responsible for designing, building, operating, and maintaining the new Aloha Stadium, with the expectation that the developer will design and build the new stadium using available and allocated State funds and private funds. The developer will also have the right to develop a portion of the surrounding district into a mixed-use development in line with the State’s vision and to use revenue from this to supplement available and allocated funds for the stadium construction and to fund ongoing operating and maintenance stadium costs.

To facilitate the Project, the existing, separate procurement processes for the development of the new Aloha Stadium and for the related real estate development of the adjacent NASED area have been terminated.

Prior to commencing a new procurement process for the Project, the State is undertaking a process to engage with prospective offerors and interested parties to discuss, confirm (or otherwise), and refine the Project (“**Market Sounding**”). The State’s objectives for Market Sounding are that it:

- is undertaken in a fair and transparent manner that does not unfairly advantage or disadvantage any prospective offeror or participant in any subsequent procurement process.
- ensures private sector participation and competition in the procurement process for the Project.
- yields clear, genuine, and reliable feedback on the Project, including:
  - (i) the marketability of the new proposed approach to delivery of the Project;
  - (ii) the industry’s interest and intent in submitting formal proposals; and
  - (iii) the key risks and opportunities in successfully executing a transaction utilizing the proposed approach and ensuring appropriate mechanisms are in place to deal with these.

## REQUEST FOR INFORMATION

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This Request for Information (“**RFI**”) describes some of the key commercial and procurement elements of the Project and requests feedback from prospective participants to confirm or refine certain assumptions in connection with the potential procurement and delivery of the Project. The State may consider responses to this RFI in connection with the evaluation of procurement and delivery options for the Project.

This RFI does not constitute a Request for Qualifications (“**RFQ**”), a Request for Proposals (“**RFP**”), or any other solicitation, nor does it represent a commitment to issue a RFQ or RFP or any other type of procurement process in the future.

This RFI is an inquiry only. No contract or agreement will be made based on the responses to this RFI. Therefore, those choosing to respond to this RFI (a “**Respondent**”) will not, merely by virtue of providing any manner of response, be deemed to be “offerors” or “proposers” to a procurement for the Project in any sense. Respondents will not have any preference, special designation, advantage or disadvantage in any subsequent related procurement process. Being a Respondent to this RFI will not be a prerequisite to any subsequent procurement that may be issued. Any and all information obtained as a result of this RFI may ultimately be used all or in part for the formation of an RFQ or RFP.

## PROCESS

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The State is seeking written responses to this RFI by **Wednesday, June 28, 2023 at 5:00 pm HST**. Please provide responses to:

**RFI Contact:** [david.harris@wtpartnership.co](mailto:david.harris@wtpartnership.co)

**Cc:** [NASEDp3@wtpartnership.co](mailto:NASEDp3@wtpartnership.co)

The State may, but is not obligated to, seek additional feedback from any Respondent based on its written response, which may include one-on-one meetings (virtual) with that Respondent. One-on-one meetings will be held with individual organizations and not as part of already formed teams.

If you have any questions, please contact the RFI Contact. Please do not contact any members of the State regarding this RFI.

## GOALS AND OBJECTIVES

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The State's goals and objectives for the Project are:

- A. For the State to establish and maintain a productive, mutually beneficial, and long-term partnership with the developer, where both are diligently pursuing the achievement of the NASED vision.
- B. For the Project to deliver an integrated, mixed-use, live-work-play-thrive district.
- C. To ensure that the new Aloha Stadium is fit for its intended purpose, maintained to a suitable standard, and returned to the State to a prescribed condition after a specified period of time, with no State payment obligation related to the operation and maintenance of the Stadium.
- D. To ensure that the new Aloha Stadium continues to be a community asset.
- E. The State expects to have little to no financial liability to the developer outside of contractually scheduled payments for the initial design and construction of the new Aloha Stadium.
- F. To maximize the scope of the new Aloha Stadium by granting the developer the right to develop, operate, and retain revenues from the leasing and operation of the entirety<sup>1</sup> of the adjacent NASED area, which revenues will be used to fund increased or enhanced stadium scope (initially) and/or stadium upgrades (in the future). In doing so, deliver, operate and maintain a new Aloha Stadium that is of greater scope and higher quality than the State would otherwise be able to fund using its currently available and allocated funding.

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<sup>1</sup> The State's preference is currently to provide the entirety of the site to ensure the maximum stadium scope; however, this is contingent on the offeror / developer providing demonstrable value (supported by a sound and viable plan) in this approach. If not, the State expects to provide a smaller, fixed portion of the site.

## PRELIMINARY OVERVIEW OF THE PROJECT

The Project seeks to deliver a stadium forming the centerpiece of a live-work-play-thrive district. The State desires long-term operation and maintenance risk transfer to the developer and seeks additional developer funds (over and above the State funding) to be injected into the stadium to design and construct a higher quality stadium than could be delivered solely from State-provided funds.

Some of the high-level features of the Project include:

<b>Term</b>	A 99-year (maximum) ground lease over the Project site, with the exception of the new Aloha Stadium site, which would be the subject of a 20 to 30 year 'operating phase' lease.
<b>Project Site</b>	<p>The State expects to handover the entirety of the NASED site to the developer for development of the new Aloha Stadium and real estate.</p> <p>The extent of the site to be handed over on a 'day one' basis is to be confirmed, and will be subject to the transition of the Aloha Stadium Swap Meet &amp; Marketplace ("<b>Swap Meet</b>") – refer below.</p>
<b>Developer</b>	The State contracts via a master developer agreement and initial ground lease with one entity (presumably, a consortium) to perform the role of master developer of both the new Aloha Stadium and the Project site.
<b>Payment Mechanism</b>	<p>The State will have no ongoing scheduled payment obligations to the developer beyond the State's initial contribution for the stadium design and construction (e.g., no availability payments).</p> <p>Instead, the developer would use some or all of the ground rents normally payable to the State from State-owned real estate developments on the Project site to fund any construction shortfalls, stadium operating shortfalls, ongoing maintenance, and potentially any privately financed stadium capital costs.</p> <p>From the revenue generated by the Project, the State expects payments from the developer to fund its ongoing Stadium Authority team. Additionally, the State expects:</p> <ul style="list-style-type: none"> <li>- ground rent revenue paid to the State shortly after the developer's liabilities regarding the stadium (e.g., developer financing and maintenance) are no longer applicable; and</li> <li>- some form of revenue sharing arrangement for any material upside realized by the developer with respect to the Project.</li> </ul> <p>The State may consider whether additional State payments could be made to the developer upon the occurrence of certain identified compensation events with respect to the new Aloha Stadium (examples to be discussed).</p>
<b>State Contribution</b>	<p>A specified amount (e.g., \$340 million), to be used for the demolition of the existing Aloha Stadium and towards the initial design and construction of the new Aloha Stadium.</p> <p>The State contribution shall be paid as monthly progress payments for work performed, in accordance with a method similar to that used in privately financed investments (e.g., a % of private cash (for the stadium design and construction) in first and then prorated).</p>
<b>Developer Financing</b>	In addition to providing the baseline stadium scope requirements (to be specified by the State), the developer will be encouraged to supplement the baseline scope with additional stadium features to improve the quality, content, fan experience, and revenue generation; however, any such investments by the developer will require private financing and will not be reimbursed by the State. The developer will also be responsible for all new Aloha Stadium operation and maintenance costs during the 'operating phase' of the lease term, without additional State contributions. The

	<p>operating portion of costs shall include payment on an ongoing annual basis of the Stadium Authority’s administrative staff and overheads.</p> <p>The State is open to, and encourages, the developer to propose alternative innovative solutions that support efficient financing of the broader Project, including, for example, making use of the opportunity zone designation of the site, the establishment of a community facilities district, seeking federal financing (e.g., TIFIA), and any others.</p> <p>Subject to certain commercially reasonable limitations, the developer will be permitted to pledge its leasehold interest in the areas of the Project outside the stadium demarcated area, including the vertical improvements thereon, as collateral to obtain and support private financing. In the event of a default by the developer on any private financing or innovative financing, the lender’s sole recourse is on the developer’s pledged asset.</p>
<b>Ownership</b>	<p>The State will retain fee ownership of all land within the Project site and the improvements that comprise the new Aloha Stadium (within a demarcated area).</p> <p>During the term of the lease, the developer will own all vertical improvements outside of the stadium demarcated area, with ownership reverting to the State upon the expiration of the lease term.</p>
<b>Default and Termination</b>	<p>A critical component of the Project is that the State will require the stadium and real estate components of the Project to be cross-defaulted. For example, failure to maintain the new Aloha Stadium to the prescribed standards may lead to default (after the expiration of applicable notice and cure periods for the developer and, if applicable, any affected lenders) which, in turn, could lead to the exercise of remedies by the State, including, among other remedies, the State performing the developer’s obligations itself or with a third party at the developer’s cost, or ultimately the termination of the overall agreement, including the real estate development.</p>
<b>Construction Schedule</b>	<p>Stadium – based off State approved schedule (approved at contract close), with a committed completion date.</p> <p>Real Estate – based off State approved schedule for the initial parcel and overarching masterplan (initially approved at contract close). Overarching construction schedule in master plan may be amended in accordance with specified terms and conditions. The State expects that initial elements of the real estate developments will be operational in time for the opening of the new Aloha Stadium.</p>
<b>Scope</b>	<p>Stadium – based off State approved design (e.g., concept/ schematic, approved at contract close), in line with State-developed technical requirements. The new Aloha Stadium will have a minimum of 25,000 seats and must accommodate, at a minimum, football, soccer, rugby, and concerts.</p> <p>Real Estate – based off State approved master plan (initially approved at contract close), in line with State-developed technical requirements. Master plan may be amended in accordance with specified terms and conditions.</p>
<b>Site Diligence</b>	<p>The State is considering undertaking certain site diligence (e.g., Geotech, hazmat, subsurface utilities, etc.) for the stadium elements of the site and having the parties performing such diligence provide certain rights of reliance to the offerors and developers for these reports.</p> <p>For the remainder of the Project site, the State expects that the preferred offeror, once selected, will have the opportunity to conduct site diligence during any discussion/negotiation period (i.e., prior to contract close).</p>
<b>Real Estate Initial Program</b>	<p>The State is considering specifying the program of development for the initially developed parcel of the Project.</p> <p>Currently, the site provides ~600 vehicle parking stalls to service the Honolulu Rail Hālawā Station. This quantity must be maintained at all times.</p>

<b>Construction</b>	<p>Subject to reliance on previously performed site diligence as noted above, the Project site will otherwise be provided to the developer “as is.” The developer will be responsible for any demolition, including the demolition of the existing Aloha Stadium, and any required remediation.</p> <p>The developer will also be responsible for infrastructure and utility upgrades to service the Project.</p>
<b>Operations</b>	<p>The developer will be responsible for operating and maintaining the new Aloha Stadium and public areas of the Project site, including providing for a site and continued operations of the Swap Meet.</p> <p>This will include booking, scheduling, marketing, ticket sales, managing game day parking and traffic issues and providing regular operational and facility status reports for the Stadium Authority.</p> <p>The State expects that the Stadium Authority will continue to manage the Swap Meet until an agreed point in time, likely aligning with (or just prior or post) the opening of the new Aloha Stadium.</p> <p>The developer will have the right to retain revenues generated from the operation of the new Aloha Stadium and public areas of the Project site, including the Swap Meet (though the developer will only be entitled to Swap Meet revenues once it is actually managing the Swap Meet).</p>
<b>Specified Use</b>	<p>The State will require certain license terms and conditions for specified users of the new Aloha Stadium (e.g., University of Hawaii football, scholastic sports and possible other events) regarding scheduling, rent, required revenue sharing and allowable cost reimbursement.</p>
<b>Maintenance</b>	<p>The developer will be responsible for maintaining the Project in accordance with certain specified commercially reasonable output-based standards, and shall be required to return the stadium to the State in a prescribed condition upon the expiration of the operating period.</p>
<b>Performance Management</b>	<p>A prescribed performance management regime will be in place to ensure the day-to-day performance of the developer. This is expected to cover key focus areas for the State (e.g., reputational risk, safety, stakeholders and users, cleanliness, etc.) and is expected to require performance consistent with commercially reasonable standards.</p> <p>The developer’s performance will be measured against these standards, and failure to meet these would, after certain notice and cure periods, constitute a default under the agreement entitling the State to exercise its remedies (which may ultimately include termination).</p>
<b>Procurement</b>	<p>The State currently plans for a two-stage process, a Request for Qualifications (“<b>RFQ</b>”) stage, and a Request for Proposals (“<b>RFP</b>”) stage.</p> <p>The RFQ stage will aim to priority-list 2 or 3 offerors to proceed to RFP stage, based on skills, experience, capacity, capability, etc., as well as project understanding.</p> <p>The RFP stage will aim to select a preferred or successful offeror to proceed to negotiations or directly to contract.</p>

## QUESTIONS

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The State welcomes any feedback or input on the proposed approach to the Project and the structure and features of such approach as described herein, and in particular, encourages respondents to address the following questions:

1. Do you believe the proposed Project presents a compelling opportunity for private parties? Why or why not?
2. Do you have any comments on the State's objective to enhance the scope of the new Aloha Stadium by granting the developer the right to develop, operate, and retain revenues from the leasing and operation of the entirety of the adjacent NASED area, which revenues will be used to fund increased or enhanced stadium scope?
3. Do you have any comments on how to best structure the site diligence for the proposed Project?
4. Do you have any comments on how to best structure the procurement process for the proposed Project? How can the State best balance quick selection against incentive to "re-trade" scope or terms following preliminary award?
5. Do you have any comments on the proposed 20 to 30-year operating period for which the developer will be responsible for the operations and maintenance of the new Aloha Stadium?
6. Please provide your thoughts regarding the cross-default provisions between the stadium and real estate components of the Project.
  - (a) Please provide prior project examples to support your response or opinion.
  - (b) Please discuss your approach to raising real-estate financing with such a potential cross-default / termination provision.
7. Do you have any comments on leasehold condominiums proposed in the market study for the Project?
8. Do you have any comments on the State specifying the program of development for the initially developed parcel of the Project?
9. Please provide any other comments on the preliminary overview for the Project, including potential changes that would better deliver the State's goals and objectives.
10. As it stands now, would your firm be interested in participating in a procurement process for the Project?

Feedback provided under this RFI and the Market Sounding process may be used in a public facing Market Sounding report. RFI respondents and their individual responses will not be identified in any such report.