

# ANNUAL REPORT



2006



**ALOHA TOWER DEVELOPMENT CORPORATION**



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## LETTER FROM THE CHAIRPERSON

On behalf of the Board of Directors and staff of the Aloha Tower Development Corporation, I am pleased to present you with our Annual Report for the year 2006.

The year has been a productive one for ATDC as we moved forward with implementation of numerous projects in furtherance of our mission and goals. We hope you will find our chosen path and direction exciting as we work to revitalize the downtown waterfront into a vibrant and attractive “people place” that Hawaii can be proud of.



This year, the ATDC Board of Directors approved the development of a mix-use project at Piers 5 and 6 in the Aloha Tower Project Area. The site, currently a parking lot, will be transformed to include maritime, commercial, retail, condominium/hotel uses, as well as ample parking.

The ATDC also made significant progress in its partnership with the Department of Transportation – Harbors Division (DOT-H), to expedite the development of maritime infrastructure for Honolulu Harbor. We are pleased that our successful implementation efforts to quickly upgrade cargo expansion areas and the development planning for the new Kapalama Container Terminal have resulted in the DOT-H requesting continuation of the partnership for the future.

The ATDC also pushed forward this year to lay a solid foundation for the agency by clearly identifying our goals and activities for the coming year and how those goals and activities integrate and contribute to the overall mission of our parent agency, the Department of Business, Economic Development and Tourism.

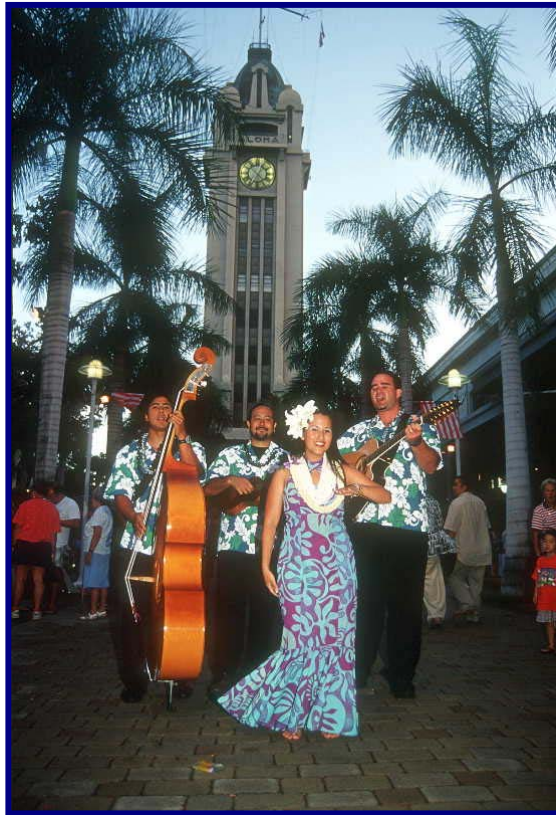
We would like to thank the many individuals and organizations that have contributed to our efforts at ATDC. Our sincere appreciation is extended to Mr. David M. Louie, former Chairperson and member of the ATDC Board, whose term ended this year.

As always, we welcome your feedback and look forward to working responsibly to achieve the program objectives of ATDC.

Sincerely,

A handwritten signature in cursive script that reads "Melissa T. Pavlicek".

MELISSA T. PAVLICEK  
Chairperson  
Aloha Tower Development Corporation



## **MISSION STATEMENT**

- **Strengthen the international economic base of the community in trade activities;**
- **Enhance the beautification of the waterfront;**
- **Improve modern maritime uses in concert with the Department of Transportation; and**
- **Provide for public access and use of the waterfront property.**

# ALOHA TOWER DEVELOPMENT CORPORATION

## JURISDICTION

The Aloha Tower Development Corporation (ATDC) was established in 1981 to oversee the redevelopment of State-owned properties located along the Downtown Honolulu Waterfront. The boundaries of the project area, called the Aloha Tower Complex, include land areas makai of Nimitz Highway from Piers 4 through 6, Piers 8 through 23, and portions of Nimitz Highway and Iwilei.

## ORGANIZATION

### ATDC Staff

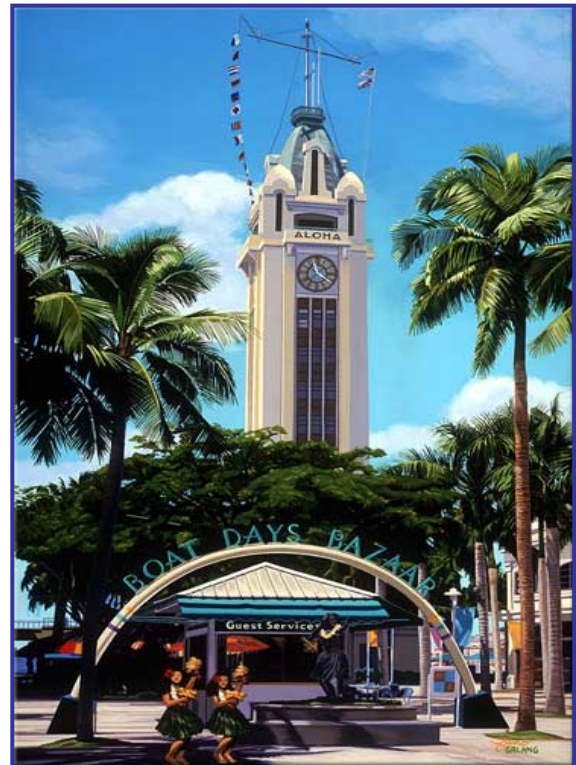
**SANDRA PFUND**  
Chief Executive Officer

**TOM OTAKE**  
Development Director

**CLEIGHTON GOO**  
Development Manager

**DANA YOSHIMURA**  
Development Manager

**DEIDRE HARRISON**  
Administrative Assistant



The ATDC is managed by a Board of Directors. The composition of the seven-member Board, as described in its enabling statute, consists of three ex-officio state members from the Department of Business, Economic Development & Tourism, Department of Land and Natural Resources and the Department of Transportation, the Mayor of the City and County of Honolulu, or his representative, and three citizens from the community.

### **The 2006 Board of Directors:**

Chairperson

**MELISSA T. PAVLICEK**

Attorney

Hawaii Public Policy Advocates

**THEODORE E. LIU**

Director

Department of Business, Economic  
Development & Tourism

Vice-Chairperson

**SIDNEY A. QUINTAL**

Director

Department of Enterprise Services

City & County of Honolulu

Mayor's Representative

**BARRY FUKUNAGA**

Deputy Director, Harbors Division

Department of Transportation

**ROBERT MASUDA**

Deputy Director

Department of Land & Natural Resources

**JASON OKUHAMA**

Managing Partner

Hawaii Lending Specialists

(May 2, 2006 – June 30, 2009)

**NEAL M. OTANI**

President

Y. Fukunaga Products, Ltd.

**DAVID M. LOUIE**

Attorney

Roeca Louie & Hiraoka

(Term Completed May 1, 2006)





## **ALOHA TOWER COMPLEX AND PROJECT AREA**

### **Development of Piers 5 and 6**

In July 2006, the ATDC Board of Directors approved a development proposal by developer UC URBAN to construct a mix-use project at Piers 5 and 6 in the Aloha Tower Project Area. The project is planned to include commercial/retail space; 300 residential condominium units, a portion of which, will be for hotel use; hotel support facilities; a landscaped public waterfront pedestrian promenade and a docking area for the inter-island ferry. UC URBAN will construct the project under a 65-year lease and will not require any funding subsidies from the State.

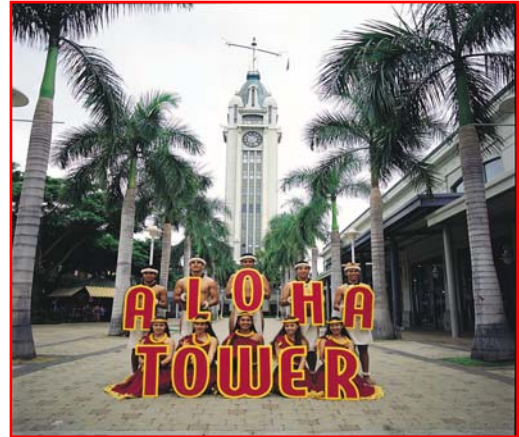


The ATDC found the development proposal to be desirable and one that will compliment and add to the economic vibrancy of the Aloha Tower Project Area. In granting the approval, the ATDC conditioned its approval on several things, including but not limited to, the Developer's requirement to prioritize public access and support of the "lei of green" along the downtown waterfront, in addition to ensuring for cultural sensitivity and a "Hawaiian Sense of Place."

Public input and community outreach was also deemed essential to the success of this project, and to this end, in July 2006 the ATDC Board of Directors approved the establishment of a Public Advisory Group to provide the Developer and the Board with comments and advice as the project progresses through design development.

The Public Advisory Group was structured to include the participation of volunteers representing a wide range of experience and knowledge. The ATDC Board of Directors adopted the following categories of expertise:

- Architecture with emphasis on the “Hawaiian Sense of Place”
- Local culture and customs
- Maritime Industry
- Real estate marketing and financing
- Community member from the immediate neighborhood
- Business member from the immediate neighborhood
- Urban and regional planning
- Open space and recreational environment



A news release seeking candidates for the Public Advisory Group was issued in September and also published on ATDC’s website. Over fifty (50) individuals applied or were nominated in the process. In November 2006, the ATDC Board of Directors selected sixteen members from the community to serve on the Public Advisory Group. They are:

<b>Joe Farrell</b> , principal of Architects Hawaii	<b>Mark H. Higa</b> , vice president and design principal of WCIT Architecture
<b>Peter Apo</b> , culture and education director of the Native Hawaiian Hospitality Association	<b>Doug Won</b> , general manager of tug and barge operator Sause Brothers
<b>Kraig Kennedy</b> , executive vice president of stevedore firm McCabe, Hamilton & Renny, Co.	<b>Andrew Friedlander</b> , principal broker of commercial real estate firm Colliers Monroe and Friedlander
<b>Kyle T. Sakumoto</b> , attorney with Bendet Fidell Sakai & Lee, specializing in commercial real estate	<b>Andrew R. Voikos</b> , construction consultant
<b>Ed Bybee</b> , Harbor Square resident and attorney	<b>Curt Nakamura</b> , Topa Building property manager
<b>Erik M. Takeshita</b> , business director of The Arts at Marks Garage, Chinatown	<b>Gary North</b> , Harbor Court resident and Matson Navigation Co. senior vice president
<b>Tom Papandrew</b> , landscape architect	<b>Michael S. Chu</b> , landscape architect
<b>Michelle Matson</b> , community leader in environment, preservation and restoration issues	<b>Amy C. Anderson</b> , associate professor, UH School of Architecture

The ATDC is currently negotiating a mutually acceptable component development agreement and ground lease. The Developer will refine its development proposal in the coming months as the project moves forward through design development and permit requirements.



## **New World Divers International Dive Center at Pier 6**

The ATDC entered into a Development Agreement with New World Divers, Ltd. to develop and construct a state-of-the-art full service scuba training facility and dive center at Pier 6. The project is targeted to provide a convenient location for educational training, scuba certification and diving adventure experiences.

The facility will contain a retail showroom, men and women showers and restrooms, a scuba gear rental area, compressor room, video center and classrooms. The project will also include its own dock and pier with an in-water confined open water scuba training area.

Planning, design and permitting for the project have been completed. The developer has negotiated its construction contract but has been delayed in securing its financial commitments to begin construction. The ATDC granted an extension of time to April 2007 to commence construction on the project.

## **Update of ATDC's Development Plan and Hawaii Administrative Rules**

The ATDC Development Plan and the Hawaii Administrative Rules for the Aloha Tower Project Area and Complex were originally adopted in 1992 and reflected the master plan originally envisioned for the area. The original development was to have encompassed a much larger development than what is completed today. Due to the economic downturn in the early 1990's, many of the component development areas were never completed.

Today the Development Plan and the Hawaii Administrative Rules for the project area are outdated and in need of major review and update since both guiding documents have not been updated since original adoption. This year the ATDC retained the services of a planning consultant to begin this process. The ATDC envisions a major community planning process, ensuring widespread public input into formulating a new master plan for our invaluable downtown urban waterfront.



## Aloha Tower Marketplace

With bankruptcy issues resolved in 2005, the Aloha Tower Marketplace forged ahead to aggressively market the retail center to locals and visitors alike. The Marketplace continues to be managed with distinction by MMI Realty Services, Inc.

The Aloha Tower Marketplace held numerous memorable events in 2006, including a Chinese New Year Celebration, ProBowl Block Party, St. Patrick's Day Celebration, Cinco de Mayo Block Party, Downtown Mele, and its popular fireworks displays as part of its Independence Day and New Year's Eve celebrations.

The Marketplace enjoyed near 100% occupancy in 2006 with over 70 great stores and award winning restaurants. New stores included 99 Boarding Company, Nicky Shoes and Starbucks. New restaurant openings increased traffic to the Marketplace with culinary choices such as Tower Grill, Aloha Sushi and Makino Chaya.

Tenant revenues for 2006 were up approximately 9.5% from 2005. Other performance measures as of November 2006 include:



Performance Measure	2005	2006
Cruise Ships Entering Port at Piers 10 and 11	121	214
Number of Riders on Pier 2 Shuttle to Aloha Tower	3,434	4,241
Number of Riders on Shuttle from Waikiki to Aloha Tower	11,804	11,551
Number of Visitors to the Star of Honolulu	402,157	304,972
Number of JTB Visitors	191,721	164,951

The lack of adequate parking has been a challenge for the Aloha Tower Marketplace. The Piers 5 and 6 development proposal is being planned to include approximately 900 total parking stalls, and will be instrumental in reducing the parking problem for the Marketplace.

# WATERFRONT DEVELOPMENT



## Hawaii Harbors Project

In April 2005, the Governor's Office initiated the formation of the Hawaii Harbors Task Force to respond on a priority basis to pressing demands for infrastructure improvements in Honolulu Harbor. The task force resulted in a partnership between the Department of Transportation – Harbors Division (DOT-H) and the Aloha Tower Development Corporation (ATDC) to expeditiously implement improvement projects to redevelop existing facilities and provide expansion areas for harbor use.

The partnership, now known as the Hawaii Harbors Project, was established as a short-term arrangement to pursue measures to alleviate demands for cargo and other maritime-related space needs due to increased harbor activity. There is presently a looming shortage of port facilities in Honolulu Harbor. Reserve capacity for foreign cargo is near depletion and capacity for domestic cargo in Honolulu Harbor is anticipated to be reached sometime around the year 2011.

Other maritime industries are also being negatively impacted by the lack of adequate expansion space and aging facilities in the commercial harbor system. The passenger cruise business has become a major source of vessel traffic in the harbor system as cruise ships use the commercial harbor system for off-loading and loading passengers. The introduction of the Super Ferry for inter-island travel will place further demands on the harbor system.

The ATDC was tasked to work in partnership with the DOT-H and assigned the lead to expedite implementation efforts to develop selected infrastructure projects due to its compatible mission, statutorily established jurisdiction within Honolulu Harbor, and experienced staff in the development of state-owned property.

Many of the projects started in April 2005 have been completed or are well underway. The following has been accomplished to date:

- In coordination with the DOT- Airports Division, a dilapidated warehouse in the Kapalama Military Reservation (Building 923) was demolished and one (1) acre of adjacent land was acquired from the Department of Land and Natural Resources (DLNR) to provide an expansion area of approximately 4 acres for cargo container yard operations. The area is now being utilized for cargo and new vehicle storage.
- An area of approximately 30 acres of land adjacent to the major cargo terminals on Sand Island was approved for acquisition by the DLNR for cargo container yard expansion. Governor Lingle signed the

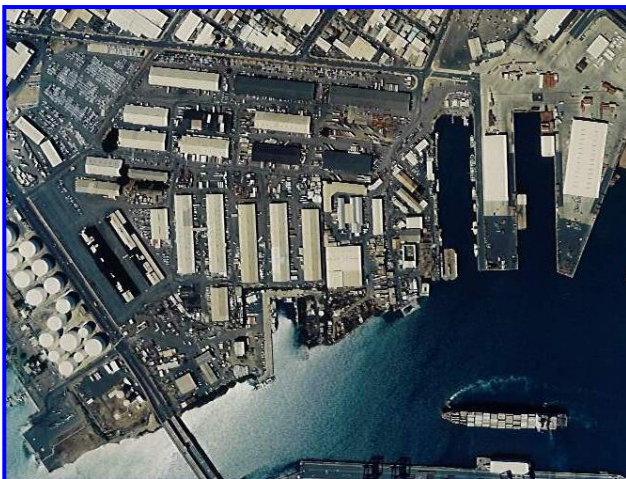


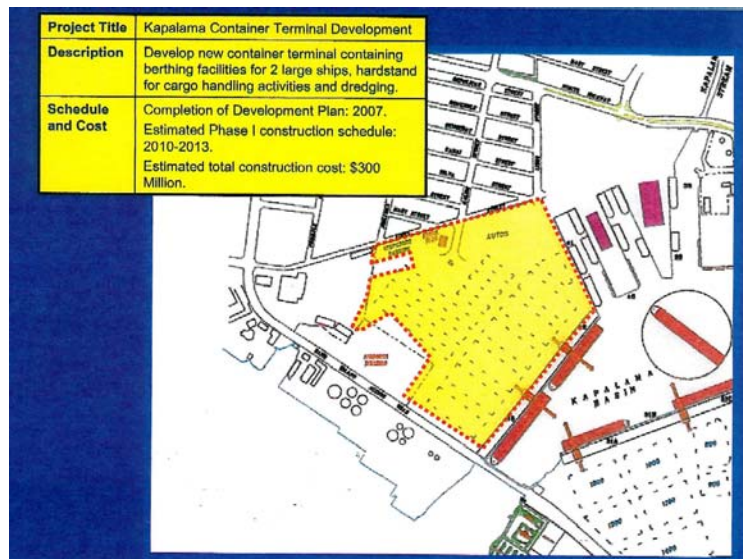
Executive Order vesting use rights to DOT-H in August 2006.

- An 8-year lease was negotiated and executed with Matson for a 9.6 acre portion of the Sand Island Expansion Area. Matson will be constructing site improvements in the first quarter of 2007.



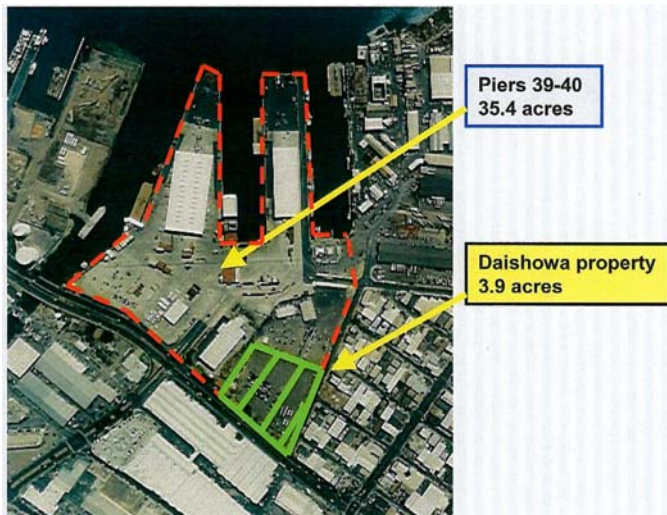
- At Piers 1 and 2, Honolulu Harbor, \$2.7 million in design and construction funds were released for the demolition of the CFS#2 warehouse shed, relocation of existing overhead lines that impede cargo operations and new lighting to provide a cargo yard expansion area of approximately 5.7 acres. Bids for construction were opened in October 2006 and construction is expected to commence January 2007.
- Relocation of LCL cargo processing at CFS#2 was necessary to expand the foreign cargo yard at Piers 1 and 2. A warehouse at Kapalama Military Reservation was cleared of month-to-month permittees and leased to Island Movers, Inc. who assumed the LCL (“less than container load”) cargo processing for NYK Lines.
- A 5-year lease to Island Movers for its core facility at Kapalama Military Reservation was also negotiated and executed to ensure facilities for the LCL cargo processing.
- Facilitation of the arbitration proceedings for the re-opening of lease rent for Hawaii Stevedores, Inc. at Pier 35 was successfully completed.
- Property descriptions were drafted for the land parcels at Piers 1 and 2 that were included in Act 165, Session Laws of Hawaii 2006, for the return of these lands to DOT-Harbors and the Foreign Trade Zone No. 9 from the Kakaako Community Development District.
- Secured tenant reservations for all parcels at the Fishing Village, Pier 38.
- Initiated the development planning for the new Kapalama Container Terminal (redevelopment of the former Kapalama Military Reservation). A total of \$1 million in planning funds was appropriated by the Legislature and released by the Governor to establish a development plan for a new cargo container terminal consisting of an area approximately 70 acres in size. Three major contracts were procured and executed.





The work completed to date include:

- JWD Group has completed development options and is currently at work on financing scenarios for redevelopment;
- Belt Collins Hawaii, Ltd. is completing an assessment of the UH Marine Center facilities at the KMR harbor front for the relocation to new facilities. Cost estimates are also being prepared to identify the cost of the new facilities and relocation costs.
- Fung Associates is working with the State Historic Preservation Division, DLNR, to perform a historic architectural survey of KMR in preparation for demolition and redevelopment.
- Planning, design and construction were initiated in September 2006 to demolish a warehouse shed at Pier 40 and provide for expansion area on the former Daishowa property to permit Young Brothers to expand its Honolulu inter-island barge operations. These actions must be completed by April 30, 2007 to meet conditions specified in a Settlement Agreement between DOT and Young Brothers before the Public Utilities Commission regarding the continuation of LCL cargo service by Young Brothers.



# FINANCIAL INFORMATION

## STATEMENT OF APPROPRIATIONS, EXPENDITURES, ENCUMBRANCES AND BALANCES FOR Fiscal Year Ending June 30, 2006

### Appropriation (Budget)

Act 178, SLH 2005	\$1,533,386
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### REVENUES

Beginning Cash balance – Aloha Tower Fund	\$2,289,074
Revenues	<u>1,411,052</u>
<b>Total</b>	<b>\$3,700,126</b>

### EXPENSES

Expenditures	\$588,645
Encumbrances	<u>566,657</u>
<b>Total</b>	<b>\$1,155,302</b>

<b>Cash Reserve Balance</b>	<b>\$2,544,824</b>
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**ALOHA TOWER DEVELOPMENT CORPORATION**

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