

# ANNUAL REPORT



2007



ALOHA TOWER DEVELOPMENT CORPORATION



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## CHAIRPERSON'S MESSAGE

On behalf of the Board of Directors and staff of the Aloha Tower Development Corporation (ATDC), I am pleased to present you with our Annual Report for the year 2007.

This year will be remembered as a year of growth for the ATDC as we built upon a stable foundation of Directors and staff, and pursued several development opportunities for the Aloha Tower Complex and for the larger Honolulu Harbor.



The ATDC entered into due diligence and negotiations with developers for the Piers 5 and 6 project area this year. The ATDC will continue to work on these projects in the coming year, keeping strong to our responsibility to ensure quality projects that provide benefits to the people of the State of Hawaii.

The ATDC also entered into productive discussions with the owners of the Aloha Tower Marketplace for planned upgrades to the marketplace in the upcoming year.

A major highlight this year was the passage of Act 127, Session Laws of Hawaii 2007, which formalized the partnership between the Department of Transportation – Harbors Division (DOT) and ATDC for the expedited development and expansion of Honolulu Harbor infrastructure. The Legislature recognized the progress made by the DOT-ATDC team in successfully implementing various projects that resulted in timely upgrades and expansion of our harbor.

We would like to thank the many individuals and organizations that have contributed to our efforts at ATDC. Our sincere appreciation is extended to our Public Advisory Group and to Mr. Robert Masuda, Deputy Director of the Department of Land and Natural Resources, who retired from his position this year.

We welcome your comments and thoughts, and look forward to working with you to meet the vision and mission of ATDC.

Sincerely,

A handwritten signature in blue ink 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 a representative from three state departments; 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**

**BRENNON T. MORIOKA**

**MICHAEL D. FORMBY**

Department of Transportation

**ROBERT MASUDA**

**LAURA H. THIELEN**

Department of Land &  
Natural Resources

**JASON OKUHAMA**

Managing Partner

Hawaii Lending Specialist

**NEAL M. OTANI**

President

Y. Fukunaga Products, Ltd.





## ALOHA TOWER COMPLEX AND PROJECT AREA

ATDC has the statutory mandate of redeveloping, renovating, and/or improving the Aloha Tower Complex and Project Area. Proper development will result in the area serving as a stimulus to enhance commercial activities in the downtown business district and help transform the waterfront urban core into a “people place”. In addition, the infusion of new capital will further stimulate the local economy, as well as the construction industry and provide new jobs.



A major program objective is to attract investment capital to the downtown waterfront. The first phase of the Aloha Tower Complex was completed without any state funds. In addition, the developer provided public improvements such as the interim cruise facilities and refurbishment of Aloha Tower at no cost to the State. ATDC continues to pursue this strategy for the development of future phases.



## Development of Piers 5 and 6

The ATDC continued to work with developer UC URBAN to develop a mixed-use project at Piers 5 and 6, based on the developer's initial development proposal in 2006 to construct a 300-unit condominium/hotel, inclusive of commercial and retail space. The project plans also include a landscaped public waterfront pedestrian promenade and a docking area for the intra-island ferry.

The ATDC established certain conditions to be met in order for the project to proceed, including support of a "Hawaiian Sense of Place", cultural sensitivity and the "lei of green" concept along the downtown waterfront.

The ATDC encouraged public input and community outreach on the developer's plan by forming a Public Advisory Group in late 2006. A diverse group of sixteen members from the community were selected after public notices were posted inviting public participation. The Public Advisory Group met regularly throughout 2007 to review the UC URBAN project and provided comments, vision statements and perspectives about the development proposal. The members of the Public Advisory Group are shown on page 7.

In furtherance of this project, the ATDC retained consultants of the highest caliber to assist in due diligence and negotiations on a development agreement and ground lease. The ATDC retained the law firm Imanaka, Kudo & Fujimoto, LLLC, as special legal counsel to the state, and real estate consultants GMR. Additionally, the ATDC retained the appraisal firms of Leshner, Chee and Stadlbauer and John Child and Company to provide the ATDC with expert opinions on land valuation.





## PUBLIC ADVISORY GROUP

“The Public Advisory Group encourages continuing efforts to develop a project at Piers 5 and 6 that will enhance the aesthetic, cultural and economic development of the Honolulu waterfront. Since the project will be built on public land, it is also essential that sufficient public benefit be derived from any development. The project is in a special waterfront area that will affect the future use of the area for generations to come and should be viewed in that light.” *Public Advisory Group – October 31, 2007*

**Amy C. Anderson**, associate professor, UH School of Architecture

**Peter Apo**, culture and education director of the Native Hawaiian Hospitality Association

**Ed Bybee**, resident of Harbor Square and an attorney

**Michael S. Chu**, landscape architect

**Joe Farrell**, principal of Architects Hawaii

**Andrew Friedlander**, principal broker of commercial real estate firm Colliers Monroe and Friedlander

**Mark H. Higa**, vice president and design principal of WCIT Architecture

**Kraig Kennedy**, executive vice president of stevedore firm McCabe, Hamilton & Renny, Co.

**Michelle Matson**, community leader in environment, preservation and restoration issues

**Curt Nakamura**, property manager of Topa Building

**Gary North**, resident of Harbor Court and senior vice president of Matson Navigation Co.

**Tom Papandrew**, landscape architect

**Kyle T. Sakumoto**, attorney with Bendet Fidell Sakai & Lee, specializing in commercial real estate

**Erik M. Takeshita**, business director of The Arts at Marks Garage, Chinatown

**Andrew R. Voikos**, construction consultant

**Doug Won**, general manager of tug and barge operator Sause Brothers



## **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 facility and dive center at Pier 6. The project proposal includes construction of a retail showroom, showers and restrooms for men and women, a scuba gear rental area, compressor room, video center and classrooms. The project also includes its own dock and pier with an in-water confined open scuba training area.

While the developer completed all pre-development activities to proceed with construction, financial commitments to fund construction could not be secured by the developer despite several time extensions. The ATDC Board approved termination of the Development Agreement in December 2007. The developer will pursue other options for the project including the possibility of operating the dive shop on an existing pier to eliminate substantial construction costs. The ATDC remains open to a revised proposal from the developer.



## **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 reflect the master plan originally envisioned for the area. The original development was to have encompassed a much larger development than what is completed today, but due to the economic downturn in the early 1990's, many of the component development areas were never completed.

In 2007 the ATDC selected a planning consultant to assist with a community planning process for proposed revisions to the plan and rules.



## Aloha Tower Marketplace



The Aloha Tower Marketplace is leased under a 65-year master lease to AHI Aloha Associates, LLC and is managed by MMI Realty Services, Inc.

The marketplace is primarily located on Piers 8, 9 and 10 in Honolulu Harbor, and maintains adjacent parking and landscaping.

In 2007, the Aloha Tower Marketplace continued to vigorously market the retail center to visitors and Hawaii residents, with tenant occupancy levels averaged at 87 percent.

Several exciting new tenants were added:

- Aloha Tower Collections
- Ang Namsilk
- AT Hula
- Hawaii Athletic Club
- Island Style Attitudes
- Precious Boutique
- Sparkle







Numerous special events were held at the Aloha Tower Marketplace to increase patronage and create vibrancy for the downtown waterfront. The events for 2007 were:

- Chinese New Year
- Mardi Gras Celebration
- New Car Shows
- Pipe Dreams Skate Party and Exhibition
- Congressional Art Competition
- St. Patrick's Day
- Miss Aloha Tower Pageant and Hawaii's Miss Pageant
- Cinco de Mayo Celebration
- Brown Bags to Stardom
- First Fashion Fridays
- 3<sup>rd</sup> of July Celebration
- Aloha Festivals 2<sup>nd</sup> Annual Ukulele Contest
- 13<sup>th</sup> Annual Hawaii Yacht Club Christmas Boat Parade
- New Year's Eve Celebration







Tenant revenues overall were up approximately 4.1% from 2006. Other performance measures as of October 2007 include:

Performance Measure	2006	2007
Cruise Ships Entering Port at Piers 10 and 11	214	85
Number of Riders on Pier 2 Shuttle to Aloha Tower	4,241	15,846
Number of Riders on Shuttle from Waikiki to Aloha Tower	11,551	9,359
Number of Visitors to the Star of Honolulu	304,972	305,266
Number of JTB Visitors	164,951	180,511



The significant reduction in the number of cruise ships to the Aloha Tower Project Area in 2007 is due to the completion of improvements by the Department of Transportation–Harbors Division (DOT-H) at Pier 2, to establish the primary cruise ship terminal for Honolulu Harbor. The DOT-H channeled the majority of cruise ship port calls to Pier 2, and utilized Piers 10 and 11 as a secondary berthing location. In 2008, the ATDC expects an increase in port calls at Piers 10 and 11, due to increased cargo berthing requirements at Pier 2 that will necessitate more frequent use of Piers 10 and 11 for cruise ships. Aloha Tower Marketplace merchants and cruise ship lines both favor berthing at Piers 10 and 11, as it creates a better venue for the cruise ship passenger.

The ATDC and the owners of the Aloha Tower Marketplace began earnest discussions in late 2007 to upgrade the marketplace area and the parking situation. The lack of adequate parking has been a long-standing challenge for the marketplace and the ATDC looks forward to working with the owners in 2008 to create new opportunities and exciting changes.





## WATERFRONT DEVELOPMENT

### **Hawaii Harbors Project**

The ATDC is authorized under its enabling statute, HRS Chapter 206-J, to plan, develop or redevelop lands located seaward of Nimitz Highway between Pier 4 and the Honolulu International Airport.

In April 2005, the Administration 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 ATDC, referred to as the Hawaii Harbors Project. The ATDC was selected to partner with DOT-H due to its compatible mission, statutorily established jurisdiction within Honolulu Harbor, and experienced staff in the development of state-owned property. This short-term arrangement was strategized as a way to provide focused and prioritized development assistance to the DOT-H to alleviate strong demands for action, due to reduced cargo and other maritime-related space as a result of sharply increased harbor activity.

In 2007, the Legislature recognized the expedited accomplishments of the ATDC/DOT-H partnership and supported the concept of providing continued additional infrastructure development support to the DOT-H as evidenced by the passage of Act 127, Session Laws of Hawaii 2007, which formalized the partnership between the DOT and ATDC for Honolulu Harbor.



## Accomplishments for 2007 include:

- An 8-year lease was negotiated and executed with Matson for a 9.6 acre portion of the Sand Island Expansion Area. Matson completed construction of site improvements and is fully utilizing the site as of November 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, and new lighting was installed to provide a cargo yard expansion area of approximately 5.7 acres. Construction was completed in Fiscal Year 2008.



Pier 1

- 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 (FTZ) from the Kakaako Community Development District. The Board of Land and Natural Resources (BLNR) granted final approval in December 2007 to revert the lands to DOT-Harbors and FTZ. Executive Orders conveying the lands to DOT-Harbors and FTZ are to be completed in Fiscal Year 2008.



KMR



Development Plan for KMR

- Completion of the development plan for the new Kapalama Container Terminal (redevelopment of the former Kapalama Military Reservation, KMR). A total of \$1 million in planning funds was appropriated by the Legislature and released by the Governor to establish a development plan for the new cargo container terminal consisting of approximately 70 acres.

- Three major contracts were procured and executed. The work completed to date include:
  - JWD Group has completed the development plan and order of magnitude costs.
  - Belt Collins, Hawaii, Ltd. has completed a facilities assessment of the UH Marine Center facilities at the KMR harbor front and will be working on the relocation facility plan in 2008.
  - Fung Associates completed the historical architectural survey of KMR, which has been accepted by the State Historic Preservation Division.
- A warehouse shed at Pier 40 was demolished to provide expansion area for Young Brothers to load cargo at its Honolulu inter-island barge operations site.
- An agreement in principle was reached with the University of Hawaii for the relocation of the UH Marine Center from KMR. Relocation of the UH Marine Center is essential to start construction of the new Kapalama Container Terminal. Planning of new facilities was initiated in 2007.



UH Snug Harbor



Pacific Shipyards' dry-dock

- Relocation of Matson rolling stock operations from Pier 29 to Pier 2 clears the way for the relocation of Pacific Shipyard to Piers 27-28. Planning of new facilities was initiated in 2007.
- A Request for Proposals (RFP) is issued for the redevelopment of the Keehi Industrial Lots area, a run-down 20-acre site off Sand Island Access Road, to an industrial park for maritime or maritime-related purposes.



While improvement projects in Honolulu Harbor are underway by the ATDC-DOT team, serious concerns abound regarding the other ports in the commercial harbor system, particularly Kahului Harbor and Kawaihae Harbor. Kahului Harbor is at capacity at this time, and Kawaihae Harbor requires additional terminal improvements and earthquake damage repair.



**Kahului Harbor, Maui**



**Honolulu Harbor, Oahu**



**Kalaeloa Barbers Point Harbor, Oahu**

In the fall of 2007, the DOT-H and the Hawaii Harbors Users Group (HHUG), comprised of major representatives from the Hawaii maritime industry, participated in a planning endeavor and reached consensus on a list of harbor improvement projects statewide that are critical for implementation on a priority basis. The DOT-H and HHUG, along with the support and assistance of various state departments and the Legislature, compiled a proposed harbors modernization plan that includes financing of projects by revenue bonds. One component of the plan proposes to expand ATDC's jurisdiction in Honolulu Harbor to a statewide jurisdiction. The plan has initially received favorable response and will be introduced as a measure for consideration before the Legislature in 2008.



**Hilo Harbor, Hawaii**



**Kawaihae Harbor, Hawaii**



**Nawiliwili Harbor, Kauai**

## FINANCIAL INFORMATION

### STATEMENT OF APPROPRIATIONS, EXPENDITURES, ENCUMBRANCES AND BALANCES FOR Fiscal Year Ending June 30, 2007

#### Appropriation (Budget)

Act 178, SLH 2005 as amended by Act 160, SLH 2006	\$1,506,734
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#### REVENUES

Beginning Cash balance – Aloha Tower Fund	\$3,111,479
Revenues	<u>1,136,235</u>
<b>Total</b>	<b>\$4,247,714</b>

#### EXPENSES

Expenditures	\$ 884,231
Encumbrances	<u>571,404</u>
<b>Total</b>	<b>\$1,455,635</b>

<b>End of Year Balance</b>	<b>\$2,792,079</b>
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**ALOHA TOWER DEVELOPMENT CORPORATION**

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