

LINDA LINGLE  
GOVERNOR  
DAVID LOUIE  
CHAIRMAN  
DANIEL E. ORODENKER  
ACTING EXECUTIVE OFFICER

## ALOHA TOWER DEVELOPMENT CORPORATION

600 Fort Street, Pier 10 Terminal, Second Floor, Hawaii 96813  
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804

Telephone: (808) 586-2530  
Fax: (808) 586-3046

### 2004 ANNUAL REPORT ALOHA TOWER DEVELOPMENT CORPORATION

#### MISSION AND FUNCTION

The Aloha Tower Development Corporation (ATDC) was established in 1981 to redevelop lands surrounding the Aloha Tower. The boundaries of the project area, called the Aloha Tower Complex, include land areas makai of Nimitz Highway from Piers 5 and 6, Piers 8 through 23, and portions of Nimitz Highway and Iwilei.

The mission and functional goals of ATDC are:

- 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.

#### ORGANIZATION

The ATDC is managed by a Board of Directors, consisting of the Director of the Department of Business, Economic Development & Tourism; the Chairperson of the Board of Land and Natural Resources; the Director of Transportation; the Mayor of the City and County of Honolulu or their representative(s); and three citizens from the community. Presently, the ATDC public members are Mr. David Louie, Chair, Mr. Sidney Quintal and Ms. Melissa Pavlicek. Mr. Daniel Orodener is the Acting Executive Officer.

#### SUMMARY OF ACTIVITIES

The ATDC has vigorously pursued its responsibilities to redevelop the Aloha Tower Complex. In that regard, the following are recent milestones towards the goal of creating a "people place."

1. ATDC began negotiations with potential developers of Piers 5 and 6 in January 2002. After concluding that there were several possibilities, ATDC issued an RFP in September 2002 for proposals on developing Piers 5 and 6. Selection was made in early 2003.

- Pursuant to the RFP process, a developer, UC Urban, was selected as the potential developer of Piers 5 and 6. The UC Urban proposal calls for the development of a mixed-use project on Piers 5 and 6, including an intra-island ferry terminal, loft residences, office space and ancillary retail and restaurants. A key component of the proposal is the development of a transit link to downtown, the eventual relocation of the HECO site and a resolution of the current parking problems offsite.
  - Since selection, ATDC has negotiated and completed a pre-development agreement with UC Urban. The agreement was designed to begin the process of development by identifying various activities that must be accomplished in order to complete a successful development of the project. This report was adopted by the ATDC Board in January 2004. The plan identified three fatal flaws to the development of the project area:
    - The removal of the HECO Plant;
    - Parking, traffic and circulation problems; and
    - Lack of a link to the urban core.
  - The final result was a comprehensive master plan for the redevelopment of the project area and the revitalization of the urban core. In summary, the plan calls for:
    - The removal of the HECO Plant and the creation of a 21-acre open space from the Ala Moana mini-park to Irwin Park;
    - The development of new cruise ship terminals, bus turnarounds, parking and DOT offices on Piers 10 and 11;
    - Reconfiguration of the streets fronting the project and Nimitz Highway;
    - The development of a regional parking complex adjacent to Pier 2;
    - The construction of 350 residential units, an intra-island ferry terminal and retail at Piers 5 and 6;
    - The creation of a bypass below Nimitz Highway to remove 82% of the traffic from the urban corridor and the construction of a trolley line from Pier 2 into Downtown.
  - In September 2004, a Development Agreement was entered into with an affiliate of UC Urban (Ken Hughes Inc.) for the redevelopment of the project area.
2. The Marketplace still does not operate at a profit; it remains in bankruptcy. Recently the Marketplace and the state have entered into mediation to resolve the outstanding debts associated with the Marketplace lease rent. All legal proceedings have been stayed pending the outcome of the negotiations. Mediation has rendered some significant proposals to resolve outstanding issues and should be completed, successfully or unsuccessfully, by the end of the fiscal year.

3. The lease and development agreement with New World Divers for the creation of a world-class diving and training center facility to be constructed between Piers 6 and 7 (on the remnants of the old bridge footings), is still in effect. Construction has been delayed pending evidence of secure financing and all permit approvals. This innovative training facility and free dive center is intended as a resource for the entire dive industry in Hawaii and will be open to all existing shops and tour operators for their use. Submission of construction plans is pending. Construction should begin in 2005 and completed within six months to a year.

### PROJECT DESCRIPTION

The objective of this development, as mandated by ATDC's enabling Statute, is to create a "people place" characterized by an active, bustling waterfront with Aloha Tower as its centerpiece. Retail activity will be coupled with entertainment, interesting restaurants and maritime activity catered to both residents and visitors. Ultimately, the Aloha Tower Complex will become a destination offering business, retail and educational activities.

The original development plan envisioned a project with several components each serving a specific purpose. The current development focus is on enhancing the value of the project by creating additional "mass" through development of reasonable density and open space, designed to enhance or complement existing activity in the urban waterfront. A key to this concept is the creation of the transportation and visual link to the "urban core" through the removal of the HECO Plant and the development of a trolley line. The focus of the project is on creating a vibrant urban center for live work and play that will enhance the economy and increase Honolulu's stature as a world class, livable city.

### THE MARKETPLACE AT ALOHA TOWER

The first phase of the project was the Festival Marketplace at Piers 8 and 9. The Marketplace, together with interim cruise ship terminals at Piers 9, 10 and 11, and the refurbished Aloha Tower, opened in November 1994. The Marketplace is a simple, but elegant, structure offering a two-story mix of retail and specialty shops, and entertainment extending from Irwin Park directly through to Pier 9. Intersecting this major corridor is a large center court, which gives a clear view from Aloha Tower throughout the Marketplace to the Hawaii Maritime Museum on Pier 7.

The perimeter of the Marketplace is dedicated predominantly to restaurants and cafes with intriguing views of the life and activity of the harbor and adjacent piers. Generous landscaping and endearing sculptures activate the edges of the buildings and numerous "courts" which break down the overall building mass into smaller, more intimate experiences. The design has created a complex of buildings that are at once richly Hawaiian, yet classic and simple in keeping with the maritime setting. Arches,

towers, canopies, recessed lanais, and arcades add character and vitality - the essential hallmarks of the festival market setting. Tenants are a mix of Hawaii's best local retailers and restaurants as well as some of the mainland's most successful retail and restaurant operations. These include:

All That Aloha	Hawaii Paradise Jewelry	Martin & MacArthur
Aloha Candle	Hawaiian Collection	Melrose
Aloha Fashion Sports	Hawaiian Flavored T-Shirts/Red Dirt	Millennium
Aloha Tower Sundries	Hawaiian House	Natural Attitude
Alpine Industries	Hawaiian House	Next to Nothing
Aloha Wear	Hawaiian Pacific Crafts	Out of the West & Crybaby Ranch
Animation Magic	Hawaiian Ukulele Company	Paradise Collection Unlimited
Bad Ass Coffee Co.	Hawaiian Wear, Etc.	Patriotic Sports
Belinda's Aloha Kitchen	Hibiscus Collection	Perfumania
Beyond the Beach	Hong Kong Harbour View Seafood	Pet Gear
Big Island Steak House	Hooters of Honolulu	Pipe Dreams Surf Company
Bikini Cantina	Hula Prints	Precious Jewelry & Accessories
Bite My Dogs	Ice Wine	Rainbow Hawaii Souvenirs
Black Pearl Gallery	Imperial Gallery	Rocky Mountain Chocolate Factory
Bungalow Bay	Island Art Galleries	S.O.S. Boutique
Casa Mia	Island Coffee & Cigar, The	Sayumi's Princess Garden Bridal Salon
Chai's Island Bistro	Island Hula Studio	Star Apparel
Crazy Fish	Island Sweetie	Stone Gear
Daniella	Island Taffy	Subway
Danny First	JTB <i>Chart</i>	Sunglass City
Don Ho's Island Grill	JTB <i>Look</i>	Sunglass Hut
Endangered Species	Kapono's	Waterfront Café & Cabaret
Fashion World	Kids World	World of Flags
Foot Locker	Les Montres	World of Hats
Gelateria Uno	Living Sense	Wyland Galleries
Gordon Biersch Brewery	Magnet Store	Yokozuna

The Marketplace remains both a success and challenge. The lack of adequate and a consistent parking arrangement have hampered the performance of the Marketplace. While the Marketplace draws from both local customers as well as visitors, local clientele routinely find the parking arrangement confusing and inadequate. The condition is exacerbated on boat days when almost one-third of the available parking stalls are reserved to boat servicing.

Increased cruise ship activity in the Harbor has significantly added to Marketplace revenues and has served to establish Honolulu Harbor as a prime cruise ship destination. Since the return of the inter-island cruise lines, there has been an increase in activity as well. Like other retail centers, since September 11, 2001, there has been a decline in sales and revenues for the Marketplace. The 2002 bankruptcy filing further exacerbated efforts to attract new tenants and improve the leasing program. It is hoped that issues preventing emergence from bankruptcy will be

resolved in the next few months as part of the negotiation process. While the issues of parking and visitation continue, the specter of a second phase of development offers solutions that are not currently available under the current lease and investment strategy of the Marketplace.

### PIERS 5 AND 6 DEVELOPMENT

The selection of UC Urban under the RFP process is a significant development. UC Urban, and its principal Ken Hughes, is one of the country's most prominent urban developers, highly respected by various national organizations. The UC Urban proposal is innovative and exemplary.

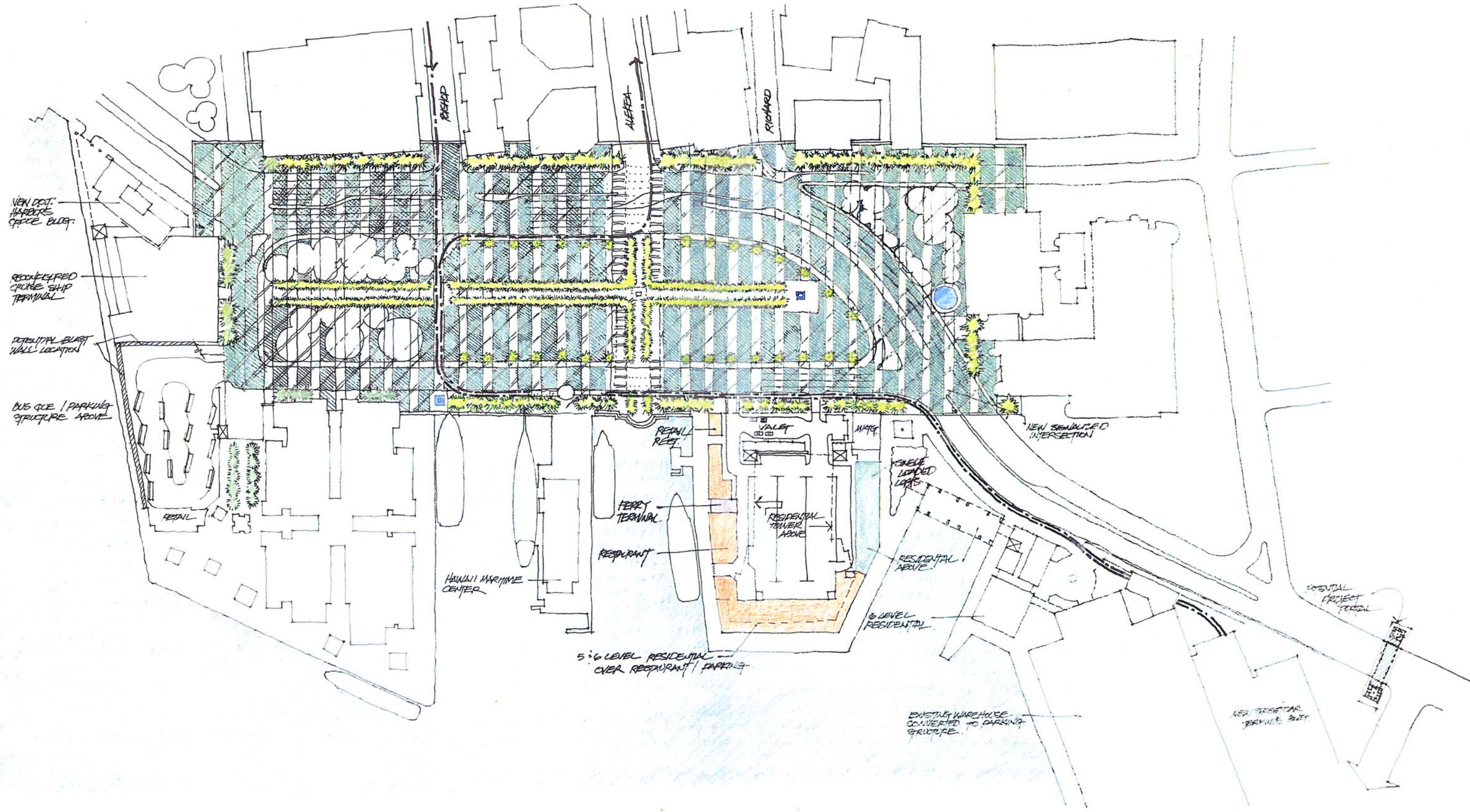
UC Urban proposes the development of an urban waterfront living and working environment aimed at both the young professional and the older – soon to be retired professional and entrepreneur looking to give up their commute and be near the center of activity.

In order to effectuate this, UC Urban has assisted in the planning and development of a downtown transportation system similar to that developed in the Pacific Northwest. It is intended that the transit system will link downtown, the Aloha Tower Complex and Pier 2/Kakaako Makai with eventual expansion into the greater urban core. The system will be complementary to any Island-wide system developed by the City. The system will allow parking to be placed "offsite" in Kakaako. The convenience of the system will not only enhance the living environment developed by UC Urban, but will also resolve many of the issues facing the Marketplace.

The eventual relocation of the HECO site is key to redevelopment of the entire region. After the plant is demolished, the area will be redeveloped into a significant urban park creating tremendous opportunity for future development and enhancing the area as a "people place."

Other elements and details of the overall development program are set forth in the attached site plan.

ATDC is actively pursuing funding to bring the project to fruition. A Development Agreement has been entered into to begin the process of funding and developing the activity structure and timeline to transform the area.



PACIFIC QUAY MASTERPLAN UPDATE

1"=100'  
11.17.09

