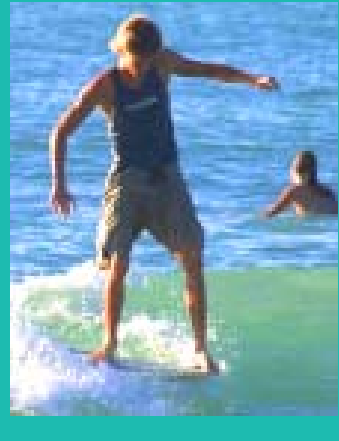


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...creating desirable and attractive communities for all of Hawaii's people.

HAWAII
COMMUNITY
DEVELOPMENT
AUTHORITY



2004
ANNUAL
REPORT



Letter to the Governor



The Honorable Linda Lingle
Governor
State of Hawaii

Dear Governor Lingle:

We are pleased to present the Hawaii Community Development Authority's (HCDA) Annual Report for the 2003-2004 Fiscal Year. This is an exciting time for HCDA as we strive to enhance the quality of life for Hawaii citizens while contributing to expanding and diversifying our State's economy. Looking forward, the Authority remains keenly focused and enthused in furthering our mission to guide and oversee development in the Kaka'ako and Kalaeloa Districts of Oahu.

Since the Authority was created in 1976, the agency has worked towards ensuring that the Kaka'ako Community Development District is redeveloped as an attractive and vibrant urban community where Hawaii's people can live, work, visit, learn and play. One of the important steps we are undertaking to accomplish this vision is the systematic enhancement of infrastructure in Kaka'ako. During the past Fiscal Year, HCDA forged ahead with its program to revamp and expand the capacities of the aging network of utilities and roadways in Kaka'ako's mauka and waterfront areas. These improvements are bringing positive changes to the District as evidenced by the strong development momentum in Kaka'ako today. The State's investment of \$217 million over the past 20 years is making Kaka'ako safer and more functional, as well as providing the means to accommodate the future growth of the District. The private sector has responded with projects valued at over \$2 billion for an impressive 10:1 return on the State's investment.

In the Kalaeloa Community Development District, our goal is to facilitate redevelopment there with the same commitment that has helped to change the face of Kaka'ako. A \$450,000 federal grant has been secured, along with State matching funds. A portion of these funds are being utilized for a strategic planning process to help chart a course that will serve State and community needs while not precluding potential U.S. Navy plans for the District. It is important for HCDA to advance the concept of the "second city" by creating jobs and economic development while addressing local and regional community issues such as infrastructure, traffic, public transportation and essential life safety concerns. We believe that Kalaeloa's redevelopment must improve the quality of life of residents, and work toward becoming a model of sustainability for the island.

Over the years, many individuals and organizations have contributed greatly to the success of HCDA. We extend our thanks to: the State administration; the Legislature; Kaka'ako and Kalaeloa landowners, businesses and residents; the City and County of Honolulu; other government agencies; community groups; concerned citizens; and committed staff. We also take this opportunity to express our appreciation to Lori Ann Lum who concluded her fifth year as HCDA Chairperson at the close of Fiscal Year 2003-04 after serving her eighth and final year on the Authority. At the staff level we are indebted to former Executive Director Jan Yokota whose leadership from January 1997 to August 2003 helped position HCDA for this exciting period in our history. Also, we thank Interim Executive Director Sandra Pfund, who was critical in the transition until Daniel Dinell assumed the Executive Director position in January 2004.

Respectfully yours,

James Kometani
Chairperson
Hawaii Community Development Authority



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Introduction



The Hawaii Community Development Authority (HCDA) was established to supplement traditional community renewal methods by promoting and coordinating public and private sector community development. The 1976 State Legislature created HCDA to plan for and to revitalize urban areas in the State which lawmakers find to be in need of timely redevelopment. Its legislative mandate empowers HCDA with comprehensive planning, regulation and development responsibilities. HCDA is able to go beyond traditional community renewal methods by facilitating and participating in collaborative community development efforts between the public and private sectors.

In creating HCDA, the Legislature also designated the Kaka'ako area of Honolulu as the Authority's first Community Development District, recognizing its potential for increased growth and development and its inherent economic importance to Honolulu as well as to the State. Lawmakers found that Kaka'ako was significantly underdeveloped and underutilized relative to its central location in urban Honolulu. The Legislature foresaw that the redevelopment of Kaka'ako would offer tremendous opportunities to address the need for more housing, parks, and public facilities, as well as to facilitate the establishment of new industries and new commercial and industrial space near downtown Honolulu.

HCDA has also assumed the role of redevelopment authority for the Kalaeloa Community Development District. The 2002 State Legislature adopted legislation to transfer redevelopment responsibility for Kalaeloa from the Barbers Point Naval Air Station Redevelop-

ment Commission to HCDA. Lawmakers added five new members to the Authority to represent the Kalaeloa District; these members vote only on Kalaeloa issues.

Organization of HCDA

HCDA is a public instrumentality and body corporate attached to the Department of Business, Economic Development & Tourism for administrative purposes. The Authority is composed of 16 voting members from the private and public sectors who oversee HCDA operations and establish policies to implement its legislative objectives. (As mentioned above, the five Kalaeloa members vote only on Kalaeloa matters and the other 11 members vote on both Kaka'ako and Kalaeloa issues.) Four of these eleven members are ex officio voting members from the following State departments: Accounting and General Services; Budget and Finance; Business, Economic Development & Tourism; and Transportation. In addition, the Governor appoints three members from a list of names submitted by the Honolulu City Council, as well as four members-at-large. The five Kalaeloa members include: the Chairperson of the Hawaiian Homes Commission; the Director of the City Department of Planning and Permitting; two community representatives (one each appointed by the Governor and the Mayor of Honolulu); and a Hawaiian cultural resources specialist appointed by the Governor. The Executive Director serves as the chief executive officer and is appointed by the Authority. HCDA staff includes personnel from professional fields including planning, engineering, architecture, development, finance, public information and administrative services.

...the creation of vibrant neighborhoods; communities where people work, live and play...



Current Activities & Projects in the Kaka'ako District



The Kaka'ako District

Composed of 670 acres of land, the Kaka'ako Community Development District includes the area bounded by Piikoi, King, and Punchbowl Streets and Ala Moana Boulevard, as well as the stretch of waterfront from Kewalo Basin to Pier 4 in Honolulu Harbor, and the Hawaiian Electric power plant site in downtown Honolulu. Today, the District largely consists of retail and commercial businesses, wholesale and semi-industrial companies, and single- and multi-family residences.

The agency's main thrust is the use of sound planning to encourage mixed usage of Kaka'ako's valuable land, with compatible commingling of residential, commercial and industrial activities to create an interesting and lively people-oriented district.

In 1982, following an intensive five-year planning process, the Authority adopted the Kaka'ako Community Development District Plan. This Plan and associated rules serve as the

...the use of sound planning to encourage mixed usage of Kaka'ako's valuable land, with compatible commingling of residential, commercial and industrial activities to create an interesting and lively people-oriented district.



The Kaka'ako Community Development District

basis for guiding both public and private development activities in Kaka‘ako. The Plan was subsequently amended to include the Kaka‘ako waterfront area and is currently comprised of two documents: the Mauka Area Plan (covering the area on the mountainside of Ala Moana Boulevard) and the Makai Area Plan (covering the waterfront lands). In an effort to stay in concert with changing market and social conditions, and to facilitate new development, HCDA periodically reexamines and revises its plans for Kaka‘ako to meet these needs.

Vision and Mission for Kaka‘ako

HCDA’s vision for Kaka‘ako is to establish the District as the most desirable urban place in Hawaii in which people can work, live, visit, learn and play. This direction supports the legislative intent of a mixed-use district where residential, commercial, industrial, and public uses would complement each other. The Legislature believed that through HCDA Kaka‘ako would experience

- improved infrastructure and public facilities;
- increased housing opportunities for all segments of the community;
- increased business (commercial and industrial) opportunities;
- enhanced economic activity; and
- increased public recreation and open space.

The mission of HCDA for Kaka‘ako is to ensure the transformation of the District into a dynamic urban neighborhood that accommodates a mix of people with a wide spectrum of social and business activities. HCDA serves as an infrastructure developer, landowner, city planner, regulator, and property manager to expeditiously implement Kaka‘ako’s master plan. In doing so, HCDA contributes to Hawaii’s economic development, education and exposure to the culture and the arts; is sensitive to and support existing businesses and residents; and in the process, works to provide the most livable community and raise standards for new communities throughout the State of Hawaii.

Regulatory Functions

Since the adoption of the Kaka‘ako Plan in 1982, HCDA has performed regulatory functions to ensure that any development occurring in the District meets the provisions of

the Kaka‘ako Plan. HCDA regulates land use, zoning, and development of land within the Kaka‘ako District. The Plan includes specific requirements and restrictions relating to height, density, building setbacks, front yards, open space, view corridors, streetscapes, landscapes and tower footprints. Additionally, the Plan contains schemes for transportation, open space and recreation areas, public facilities, and infrastructure. HCDA processes permits for major planned development projects, as well as for smaller projects and building renovations. In order to meet changing conditions, the Authority initiated a major review and revision process for the Mauka Area Plan in 2004.

...HCDA works to provide the most livable community and raise standards for new communities throughout the State of Hawaii.





HCDA's Improvement District Program

...the Improvement District Program being undertaken by HCDA has proven to be a very effective and successful method of financing and constructing the massive infrastructure improvements that are necessary for the revitalization of Kaka'ako.

The Road to a Safer, More Functional and More Attractive Community

For people to comfortably live, work, visit, learn and play in any neighborhood, the area's roadways and utility systems must be functional, designed for public safety, and able to accommodate current needs and future growth. One of the most important functions that HCDA has in the Kaka'ako District is to ensure the systematic improvement of the District's network of streets and utilities for the purpose of facilitating and encouraging redevelopment. For many years, the District had been burdened with a deteriorating and inadequate infrastructure system, much of which was installed over 75 years ago. Many streets were narrow and unimproved, and susceptible to serious flooding during times of heavy rainfall. Certain roadways lacked safe pedestrian walkways and were filled with haphazardly parked vehicles. Existing overhead utility poles, cables and equipment gave an unsightly and cluttered character to the Kaka'ako streetscape. Moreover, the District's obsolete infrastructure network was not only detrimental to its businesses, residents and visitors, but it also stymied the timely redevelopment of properties. Many areas just did not have sufficient capacity to support further development.

The Improvement District (ID) Program being undertaken by HCDA has proven to be a very effective and successful method of financing and constructing the massive infrastructure improvements that are necessary for the revitalization of Kaka'ako. For this ambitious program—which has been largely funded by the Hawaii State Legislature—HCDA has joined forces with property owners and the public utility companies to make improvements

to Kaka'ako's roadways in a systematic, timely and cost-effective manner. The ID Program is being used to reconstruct and/or widen streets with new streetlights, curbs, gutters and sidewalks. In addition, drainage, sewer and water systems are being improved and upgraded. Telephone, electric and cable television systems are also being upgraded and relocated underground.

Nine improvement district projects had been completed by HCDA by the close of the 2003-04 Fiscal Year, and construction work on a new ID project (the Queen Street Extension Project) was ongoing and completed shortly after the close of the Fiscal Year. While greatly improving the function, safety and appearance of the area's infrastructure, these projects have also directly influenced the level of investment and development in Kaka'ako. They help to create new economic opportunities that strengthen and diversify our economy while supporting and helping existing businesses to grow.

Implementation of Kaka'ako's Improvement District Program

Under HCDA's ID Program, the total cost of infrastructure improvements is shared by State government, Kaka'ako property owners and public utility companies. The State pays for the greater share of the cost because the general public derives benefits from the improvements. For example, in the first four ID projects, the majority of the construction cost was for major drainage systems that run through Kaka'ako and serve the Punchbowl and lower Makiki areas. Since these drainage improvements substantially



benefit out-of-District as well as Kaka‘ako property owners, the cost is distributed accordingly, with State government paying the largest share.

As mandated by State law, Kaka‘ako’s landowners are assessed only for improvements that specially benefit them. To assist landowners in paying assessments, the Authority may arrange for the sale of assessment area bonds to provide financing for property owners who are unable to make a lump sum payment. Through this arrangement, landowners have the option of paying their assessments (with interest) in installments over a period of up to 20 years. This option is also offered to landowners in improvement district projects where there are no sale of assessment bonds.

The massive scale of the ID projects makes it imperative for HCDA to inform all affected property owners and recorded lessees of the proposed improvements prior to actual construction. This process involves individual meetings, public informational meetings and two public hearings. The entire process, from the preliminary engineering and design work to the completion of the project, typically extends over a two- to three-year period. Throughout the course of any ID project, HCDA strives to complete construction activities in an expedi-

tious and cost-effective manner, while ensuring public safety and minimizing the disruptions and inconveniences to the businesses and public. The Authority uses flyers, the HCDA newsletter and website, and informational meetings to keep merchants, residents, and landowners informed of construction activities. Traffic advisories and project updates on all of the Authority’s ongoing improvement district projects are posted at www.HCDAweb.org. HCDA staff members are also available to address questions and concerns as they arise.

Forrest Avenue Realignment (Improvement District 8)

Construction work was completed in September 2003 on the Forrest Avenue/Container Yard Reconfiguration Project. Realignment of Forrest Avenue with South Street to create a straight roadway across Ala Moana Boulevard was necessary to improve traffic flow. The realignment reconfigured the surrounding land into three parcels immediately ready for commercial development. This \$4.8 million project also required a reconfiguration of a portion of the adjacent container cargo yard. The realignment of Forrest Avenue with South Street mauka of Ala Moana Boulevard included surface roadway improvements and the relocation of existing underground sewer and water

...the recently improved Ilalo Street, together with the Ward Avenue Extension, now functions as a beautifully landscaped boulevard that is the main thoroughfare for the Kaka‘ako Waterfront.

HCDA's IMPROVEMENT DISTRICTS

FISCAL YEAR 2003-04 & FUTURE PROJECTS



IMPROVEMENT DISTRICT 8 (Forrest Avenue Realignment)

Location: Forrest Avenue
Scope: Realignment of Forrest Avenue with South Street to improve traffic flow across Ala Moana Boulevard and reconfigure the surrounding land into three development-ready parcels for commercial development. The project required a reconfiguration of a portion of the container cargo yard.
Cost: \$4.8 million
Completed: September 2003



IMPROVEMENT DISTRICT 9 (Ilalo Street Improvements)

Location: Ilalo Street, between Ahui and South Streets.
Scope: Widening and enhancements to Ilalo Street, from Ahui to South Streets; installation of new water, sewer and drainage systems; construction of new roadways; new driveways, sidewalks, curbs and gutters; and installation of new utility lines.
Cost: \$17 million
Completed: December 2003



IMPROVEMENT DISTRICT 10 (Queen Street Extension)

Location: Queen Street, between Kamakee and Waimanu Streets.
Scope: Extension of Queen Street, a new 76-foot right-of-way and improvements to the water, sewer, drainage, roadway, and electrical systems.
Cost: \$7.5 million
Completed: September 2004



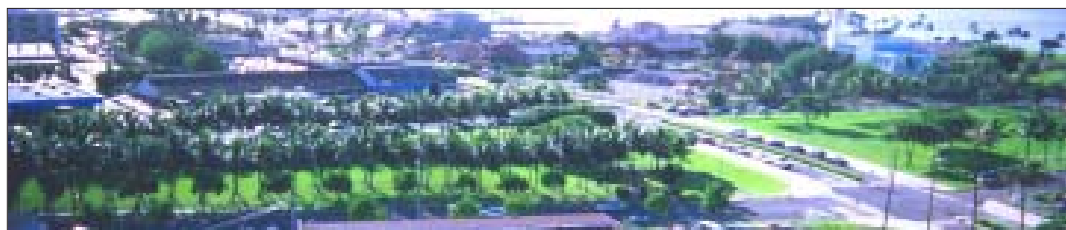
IMPROVEMENT DISTRICT 11 (Queen Street Improvements)-Pending approval by Governor

Location: Queen Street, between Ward Avenue and Kamakee Street.
Scope: Road widening/improvements and utility system enhancements.
Cost: \$15.8 million
Est. start: April-June 2005
Est. completion: Late 2006



IMPROVEMENT DISTRICT 12 (Ahui/Ohe/Olomehani Streets Improvements)

Location: Ahui Street, from Ilalo Street to Olomehani Street; Ohe Street, from Ilalo to Olomehani Streets; and Olomehani Street
Scope: Street widening/improvements/realignment and utility system enhancements.
Cost: \$15.6 million
Est. start: January-March 2005
Est. completion: Mid-2006





lines. The project also involved the relocation of container yard refrigeration lines and portable clerk offices.

**Ilalo Street Improvements
(Improvement District 9)**

With the completion of Improvement District 9 in December 2003, Ilalo Street, together with the Ward Avenue Extension, now functions as a beautifully landscaped boulevard that serves as the principal collector street and main thoroughfare for the Kaka'ako Waterfront. The improved Ilalo Street offers an attractive and comfortable pedestrian environment and will be vital to providing access to the Waterfront Park and projects such as the new University of Hawaii medical school currently under construction. The new Ilalo streetscape illustrates HCDA's aim of providing infrastructure that is functional and attractive. The widened Ilalo Street has immeasurably improved traffic circulation in the Kaka'ako Waterfront, helping to bring workers and visitors to the area, and serving as a strong encouragement for future development of the area.

**Queen Street Extension
(Improvement District 10)**

Construction work continued in the Fiscal Year on the \$7.5 million Queen Street Extension (ID-10), a new urban roadway that will enhance traffic circulation in a very dynamic and growing sector of the Kaka'ako District. Opened and dedicated in September 2004, the ID-10 project involved the construction of a new thoroughfare to extend Queen Street from Kamakee Street to Waimanu Street. The new



roadway is 76 feet wide, including 8-foot wide sidewalks, with two traffic lanes in each direction. It includes an attractively-landscaped 8-foot wide median and 23 metered parking spaces along the street curb. The project also included widening of the portion of Waimanu Street between the new roadway and Pensacola Street. Except for the widening of Waimanu Street, which was paid for by Nauru Phosphates Royalties, Inc., the cost of ID-10 is being shared by HCDA, the public utility companies, and properties benefiting from the new roadway.

**Queen Street Improvements
(Improvement District 11)**

The proposed Improvement District 11 (ID-11) Project is a continuation of HCDA's program to enhance the infrastructure to make the area safer and more functional for businesses, residents and visitors and to facilitate redevelopment by priming the land for future development. The proposed \$15.6 million project would construct improvements to Queen Street between Kamakee Street and Ward Avenue. The conditions that currently

...the Queen Street Extension (ID-10) is a new urban roadway that will enhance traffic circulation in a very dynamic and growing sector of the Kaka'ako District.

... proposed ID-11 improvements will create a safer environment for pedestrians and vehicles, with new sidewalks and metered parallel-parking stalls... Flooding after heavy rains will be eliminated with the construction of a drainage system.

exist on this portion of Queen Street are unsafe for vehicular and pedestrian traffic and not conducive for redevelopment. The roadway has no drainage system and no sidewalks from Cummins Street to Ward Avenue. Cars currently park randomly as space permits, either perpendicular or parallel to the street, and many times, hazardously encroaching into the public right-of-way. The proposed ID-11 improvements will create a safer environment for pedestrians and vehicles, with new sidewalks and metered parallel-parking stalls. The improved roadway will be clearly defined and pedestrians will not have to weave dangerously around randomly parked cars or rubbish containers to walk along Queen Street. Flooding after heavy rains will be eliminated with the construction of a drainage system. These improvements, together with the new water, sewer and underground utility systems, will allow HCDA to continue to provide redevelopment opportunities in Kaka'ako.

The first public hearing on ID-11 was held on April 7, 2004, at which time some businesses in the Project area questioned the necessity of the Project and expressed concerns about the loss of parking, increased traffic and

the assessment amounts. In response, and because the ID-11 project area has a larger number of small businesses than previous improvement districts, the Authority later approved an assessment method that reduced individual property assessments on a sliding scale. For ID-11, the State will pay for 70 percent of the project cost, with utility companies paying for 11 percent and landowners paying 19 percent. In addition, during the ID-11 construction, temporary parking will be provided for affected businesses. The second public hearing on ID-11 was held on November 3, 2004, at which time the Authority approved the project. Pending final review and approval from the Governor, construction could begin in the Spring of 2005.

Ahui/Ohe/Olomehani Street Improvements (Improvement District 12)

Continuing its effort to improve access and traffic circulation in the Kaka'ako Waterfront, HCDA is planning infrastructure improvements to: a portion of Ahui Street from Ilalo Street to the Point Panic parking lot; Ohe Street, from Ilalo to Olomehani Streets; and Olomehani Street. These improvements, which will cost approximately \$15 million, are intended to attract development of the neighboring parcels. Under this Project, new water, sewer and drainage systems will be installed and new driveways, sidewalks, curbs and gutters will be constructed on the roadways. The existing overhead utility lines and poles will be converted to new underground systems and the roadways will be attractively landscaped. The Project will also entail the realignment of Ohe Street, from Ilalo to Olomehani Streets, and the closure of Koula Street, between Ilalo and Olomehani Streets, creating a seven-and-one-half acre parcel that will facilitate the development of the Kaka'ako Waterfront. Ahui and Olomehani Streets will be widened as 50-foot wide roadways with eight-foot wide sidewalks. Ohe Street will be 60 feet wide with eight-foot-wide sidewalks and parking on both sides of the roadway. The realignment of Ohe Street will place the Childrens Discovery Center directly adjacent to the Kaka'ako Waterfront Park and create two remnant parcels that are planned to be used as parking lots to hold a total of about 90 stalls for additional park parking, bus parking and public parking. HCDA plans to start construction work on this Project in the Spring of 2005. The work is expected to take about 18 months to complete.





The Kaka'ako Waterfront

A Unique Opportunity to Create a Contemporary Urban Village and Support Growing New Industries

Work advanced in Fiscal Year 2003-04 on the redevelopment of the Kaka'ako Waterfront and Makai Area lands to create an extraordinary gathering place and contribute strongly to the Islands' economic health. The Kaka'ako Waterfront is widely acknowledged as Honolulu's last remaining crown jewel, an important area that offers exciting development potential. These waterfront lands, the majority of which are owned by the State of Hawaii, offer an unprecedented development opportunity, and HCDA is working towards transforming Kaka'ako's waterfront lands into a magnificent new public place.

When fully developed, the Kaka'ako Waterfront will provide a beautiful locale for socializing, dining, learning, rest, and recreation. It will also be the incubator for business ideas, research and breakthroughs in technology and medicine, while providing educational opportunities for students. HCDA intends that Kaka'ako's waterfront lands become a contemporary community that accommodates the lifestyles of workers in the growing industries that represent Hawaii's economic future. In this fashion, the Kaka'ako Waterfront would serve as a symbol of Hawaii's new economy—an attractive assemblage of activities, structures and



...when fully developed, the Kaka'ako Waterfront will provide a beautiful locale for socializing, dining, learning, rest, and recreation. It will also be the incubator for business ideas, research and breakthroughs in technology and medicine...



...the Kaka'ako Waterfront Business Plan ... envisions the area as a "gathering place" that should accommodate a mix of retail, recreational, commercial and residential activities.

facilities that represent the community's achievements, hopes and aspirations. The University of Hawaii's development of its new John A. Burns School of Medicine on Kaka'ako Waterfront lands promises a world-class educational and biomedical research facility that will spur future development of the surrounding parcels while providing new jobs and helping to diversify the State's economy.

A Business Plan for the Kaka'ako Waterfront

HCDA has adopted a Business Plan to establish a specific vision, mission and strategy for future development of the Kaka'ako Waterfront. In this Fiscal Year, significant advances toward implementation of the Business Plan have occurred, including laying the groundwork for the selection of a master developer for the Waterfront. The need for the Plan is critical since the imminent opening of the University of Hawaii's new medical school and biomedical research center at the Waterfront promises to serve as a catalyst for the redevelopment of Kaka'ako.

The Business Plan—as with past Kaka'ako Waterfront plans—envisions the area as a “gathering place” that should accommodate a mix of retail, recreational, commercial and residential activities. The Plan anticipates development of the Kewalo Basin area to possibly include a farmer's market-type facility with recreational and retail activities that will draw people to the area.

Another component of the Plan is the development of a major new industry in the Waterfront area. A signature icon development is also recommended. (An example of an architectural icon is the Sydney Opera House in Australia.) The overall character of the Waterfront envisioned is that of a walkable urban village with an attractive and comfortable pedestrian-friendly environment. Parking structures, containing at least 2,000-2,500 stalls, would need to be built to serve the increase in residents, visitors and employees in the area. A land use amendment to support the Plan's proposed residential units in the Waterfront began in this 2003-2004 Fiscal Year.

Current and Future Kaka'ako Waterfront Developments

University of Hawaii John A. Burns School of Medicine (JABSOM)

The University of Hawaii (UH) continued construction work for its new medical school complex in the Kaka'ako Waterfront during the 2003-04 period. In addition to significantly strengthening the UH medical school program, the \$150 million JABSOM complex is anticipated to become a significant economic engine for the State that will help create new high-tech/science-based jobs for the State, attract off-shore investment, increase research and stimulate the growth of a biotechnology industry in Hawaii. The project includes educational and biomedical research facilities on 9.1 acres strategically located in the Kaka'ako Waterfront area. The JABSOM campus is designed as a low-rise complex of buildings that will complement the adjacent Kaka'ako Waterfront Park. Extensive landscaping and on-site seating areas will be provided in a central courtyard. The first phase of the facility includes an Education/Administration Building and a Biomedical Research Building (including a child care center, fitness center and a central mechanical plant), totaling approximately 317,225 square feet. The complex is slated to open in March 2005. For the second phase, a research center and a parking structure are being planned.

Cancer Research Center of Hawaii

HCDA is engaged in exclusive negotiations with the University of Hawaii (UH) for the leasing of a 5.5-acre parcel, adjacent to JABSOM, for the development of a Cancer Research Center of Hawaii on the Kaka'ako Waterfront. The UH is seeking private developers to construct a comprehensive Center which would include both research and clinical components.

Aquarium/Marine Research Complex at the Kaka'ako Waterfront

In March 2003, HCDA entered into an agreement with KUD International LLC (KUD) for the development of an aquarium and marine research complex on about 11.5 acres of land at Point Panic on the Kaka'ako Waterfront. In an effort to create a more coordinated master plan for the Kaka'ako Waterfront, the Authority and KUD International LLC (KUD) in October 2004



...the Kaka'ako Waterfront would serve as a symbol of Hawaii's new economy—an attractive assemblage of activities, structures and facilities that represent the community's achievements, hopes and aspirations.



...the \$150 million JABSOM complex is anticipated to become a significant economic engine for the State that will help create new high-tech/science-based jobs for the State, attract off-shore investment, increase research and stimulate the growth of a biotechnology industry in Hawaii.

mutually terminated this Development Agreement. The termination will allow the site to be combined with adjacent sites for a larger and more comprehensive planned development. HCDA plans to formally solicit proposals from developers in a transparent, open, and competitive public process. The Authority will issue a Request for Proposals in early 2005 for not only the Point Panic site that the now terminated Agreement covered, but HCDA lands fronting Kewalo Basin, with an objective to develop the area as articulated and envisioned in HCDA's Waterfront Business Plan.

Parking Structure Project

Successful development of the Kaka'ako Waterfront will require that adequate and convenient parking opportunities are provided. In mid-2003, the Authority approved the expenditure of up to \$215,000 in HCDA public facilities dedication funds to initiate the process for developing the first phase of a parking structure project in the Kaka'ako Waterfront. The Kaka'ako Waterfront Business Plan proposes the development of two parking structures to accommodate the future need for parking in the waterfront area.

HCDA is currently working on a parking feasibility study that will eventually include a projection of parking needs, an analysis of market and financial feasibility, preliminary design (including environmental analysis of the site), construction cost estimates,



and a traffic study. HCDA has secured a \$20 million revenue bond authorization from the 2004 State Legislature to assist in meeting parking needs.

Honolulu Harbor Facilities

In early 2004, HCDA approved State Department of Transportation plans for a new cruise terminal facility on the Kaka'ako Waterfront, involving the renovation of the existing Pier 2 shed to create a modern, full-service passenger terminal facility. Completion of the finished terminal in 2005 will accommodate up to 2,500 passengers from a single cruise ship using an elevated concourse and gangway system.

To address security concerns in the post September 11 world, HCDA is assisting the U.S. Department of Homeland Security in providing cargo inspection facilities. HCDA is also working closely with sister agency Aloha Tower Development Corporation on its proposed Pacific Quay development as it relates to the Hawaiian Electric Company downtown power plant site and Pier 2 on the Kaka'ako Waterfront.



A New Surge of Development in Kaka'ako's Mauka Area

In the past 18 months, the Kaka'ako District has experienced a renewed surge of private sector development activity and interest, due in great part to the State's recovering economy and the State's commitment to infrastructure enhancement in Kaka'ako. The residential twin-tower Moana Pacific project on Kapiolani Boulevard, was approved by HCDA in December 2003 and began construction in September 2004. Meanwhile, the completion of the new \$7.5 million Queen Street Extension has stimulated over \$180 million in private sector residential construction in the immediate vicinity of the roadway. The Ko'olani and Hokua complexes, which were under construction during the 2003-04 period, will add 618 residential units to Kaka'ako's housing inventory. The Queen Street Extension has also prompted

General Growth Properties (which bought Victoria Ward, Limited in 2002) to unveil its plans for a \$100 million residential and retail project. The company intends to replace the Ward Village Shops and two warehouses with 165 rental apartments, a 224,000-square-foot retail center, 34,000 square feet of open space and 1,010 parking spaces.

New Parks Along Queen Street Extension

The HCDA is planning the development of over two acres of park lands along the mauka and makai sides of the Queen Street Extension. This neighborhood park will provide passive recreation space for residents and others in the area. The park will link existing and future residential towers with the surrounding commercial area and feature pathways along with other

...over two acres of park lands along the both sides of the Queen St. Extension will provide passive recreation space for residents and others in the area.



Conceptual Site Plan



Illustrations (from top to bottom):
 (1) M.K. Management, LLC's *Hokua*
 (2) KC Rainbow Development Corporation, LLC's *Moana Pacific*
 (3) Honolulu Fire Department's *Headquarters Complex*
 (4) Crescent Heights' *Ko'olani*

park amenities. The estimated construction cost of the new parks is \$2 million, which will be funded by public facilities dedication fees. Construction is planned for the 2006-07 Fiscal Year.

Developments in Kaka'ako Mauka

Major non-HCDA construction activity during the 2003-04 Fiscal Year included:

- Completion of the new \$2 million **Sub-Zero showroom** at the corner of Piikoi and King Streets.
- M.K. Management LLC's **Hokua**, a new 40-story residential and commercial complex located along Ala Moana Boulevard between the Nauru Tower and the IBM Building.
- Crescent Heights' **Ko'olani** condominium at 1189 Waimanu Street with 372 residential units.
- The 706-unit residential **Moana Pacific** project, which includes commercial/industrial space on a six-acre site at Kapiolani Boulevard and Piikoi Street.
- The City and County of Honolulu's new \$12.7 million **Honolulu Fire Department (HFD) Headquarters Complex**. Being developed on 1.6 acres of land at the intersection of Queen and South Streets, the Complex will include: a new 32,000 square foot Headquarters Building; a renovation of the historic Kaka'ako Fire Station (on South Street) into an HFD Museum; a renovation of the existing Kaka'ako Fire Station (on Queen Street); and the development of a 50-stall parking lot. The new Headquarters Building will house all administrative functions of the Fire Department. The HFD Museum will house exhibits and displays, a retail sales counter for souvenirs, a meeting room and offices. Construction will take about two years to complete.

Current Activities & Projects in the Kalaeloa District



The Kalaeloa District

The Kalaeloa Community Development District (Kalaeloa) encompasses approximately 3,687 acres of land within the former Barbers Point Naval Air Station (BPNAS) in Leeward Oahu. Kalaeloa is bounded by the Pacific Ocean and Roosevelt, West Perimeter, East Hansen, and Essex Roads and also includes four parcels within Campbell Industrial Park.

The lands within Kalaeloa are presently owned by various Federal, State, and County agencies. In 1993, the U.S. Department of Defense, through the Base Realignment and Closure process, designated BPNAS for closure. As part of the closure process, roughly 1,050 acres were retained by the Navy, 472 acres were

declared as excess and transferred to other Federal agencies and the remaining 2,165 acres were declared as surplus, making them available for conveyance to State and local government agencies. Of the land retained by the Navy, approximately 675 acres have been set aside for transfer or brokered sale to support the development at Ford Island in Pearl Harbor.

In March 1997, the State of Hawaii BPNAS Redevelopment Commission adopted a Community Reuse Plan which identified various State and County government agencies as receiving entities for the surplus land. The Reuse Plan, with its subsequent amendments in 1998 and 2000, has served as the primary

*...Kalaeloa's
redevelopment
must improve the
quality of life of
residents,
working toward
becoming a
model of
sustainability for
the island.*

...for Kalaeloa, it is important for HCDA to advance the concept of the "second city" by creating jobs and economic development while addressing local and regional community issues such as infrastructure, traffic, public transportation and essential life safety concerns.

guidance document in the conveyance of surplus lands. Since the formal closure of the BPNAS as an active naval installation in July 1999, approximately two-thirds of the surplus lands have been conveyed to the respective end users.

At present, the most prominent land users within Kalaeloa include the John Rodgers Airport, Barbers Point Elementary School, the U.S. Coast Guard Station, Hawaii Army National Guard, and Barbers Point Golf Course. Ford Island Properties (formerly Fluor Properties, LLC) manages four rental housing projects within Kalaeloa, the proceeds of which serve to aid in the redevelopment of Ford Island. Additional land users at Kalaeloa include the U.S. Veterans Administration Services, State homeless assistance projects, various commercial and light industrial businesses.

HCDA Responsibilities

Pursuant to Act 184 of the 2002 Hawaii State Legislature (SB 2702, SD2, HD2, CD1) redevelopment responsibility for the Kalaeloa Community Development District was transferred from the BPNAS Redevelopment Commission to HCDA effective July 1, 2002. HCDA assumed the responsibility for redeveloping Kalaeloa, overseeing remaining conveyances, contract administration, promulgation of administrative rules, and other responsibilities previously undertaken by the Redevelopment Commission. Act 184 also transferred the Kalaeloa Community Development Revolving Fund to HCDA and authorized HCDA to assess non-federal land users for a proportionate share of its staff and operating costs for Kalaeloa. Subsequently, the 2004 Hawaii State Legislature passed SB 2869, SD2, HD1, which became Act 188 and requires that HCDA serve as an ombudsman for issues of concern within Kalaeloa. Specifically, HCDA is to receive and follow up on complaints, proactively research and monitor problem areas and provide, on a quarterly basis, a report to the landowners in the District regarding the nature and number of complaints and inquiries on their respective properties. Implementation of this Act is to occur in Fiscal Year 2005.



Changing Site Conditions

In late Fiscal Year 2003, HCDA was informed of discussions regarding the potential of homeporting an aircraft carrier strike group at Pearl Harbor and the possibility of stationing the carrier's air wing at Kalaeloa. This potential effectively placed the conveyance of remaining properties on hold, and constrained existing landowners, such as the Department of Hawaiian Home Lands, to short-term leases pending the U.S. Department of Defense's decision on the matter. Additionally, conveyance of U.S. Navy properties held for brokerage in support of the Ford Island redevelopment was also halted pending internal Navy studies and final military decision making. Meanwhile, the existing buildings, utilities, and grounds progressively deteriorated, raising health and safety concerns from the public.

From a redevelopment perspective, the potential stationing of a carrier airwing posed a significant change in conditions from the land uses contemplated in the 1997 Community Reuse Plan. Not only are landowners within Kalaeloa affected, inasmuch as their development plans may need to change, but landowners also would have to negotiate new agreements with the U.S. Navy to allow the Navy's use of properties previously conveyed. Surrounding developments in Ko'olina, Kapolei and Ewa Beach also stand to be affected by the stationing of a carrier air wing in terms of noise, traffic, schools, and infrastructure.

Further, the approximate 675 acres of lands retained by the Navy for brokered sale are situated within Kalaeloa. Given their initial Navy-retained status, the BPNAS Redevelopment Commission was not required to include these lands as part of the 1997 Community Reuse Plan. The absence of planning for these lands also presents a change in conditions, or more specifically an information gap, within Kalaeloa that requires HCDA's attention, especially since the U.S. Navy has expressed its interest in the brokered sale of these lands as soon as possible.

In response, HCDA implemented steps in Fiscal Year 2004 to proactively address these challenges. Establishing a planning framework, securing grant funding and increasing staff capacity are among the year's highlights and are described below.



...the goals for the Kalaeloa Framework are to attract private investment to serve as an economic engine for Kalaeloa and to relate the redevelopment of the District to the surrounding community.

Kalaeloa Framework

In April 2004, the Authority approved a planning framework for Kalaeloa that outlined the key issues and actions for staff during the remainder of Fiscal Year 2004 and into Fiscal Year 2005. The Kalaeloa Framework was developed not only in light of the changes in conditions described above, but also on the premise that the Community Reuse Plan was more of a landownership plan than a community master plan that addressed economic anchors, tax revenue streams and infrastructure necessary for redevelopment. Additionally, due to the limited development that has occurred at Kalaeloa since the closure of the base, community concerns persist regarding the decay of existing structures, general area maintenance and upkeep, lack of economic activity, and proper preservation of archaeological features and endangered plants.

The goals for the Kalaeloa Framework are to attract private investment to serve as an economic engine for Kalaeloa and advance the concept of the “second city” by relating the redevelopment of Kalaeloa to the surrounding community. Additionally, it is hoped that such investment not only creates jobs and brings

about economic development, but also addresses local and regional community issues such as infrastructure, traffic, public transportation, essential life safety concerns, and natural and cultural resource protection.

U.S. Economic Development Administration Grant

In January 2004, HCDA commenced discussions with the Department of Hawaiian Home Lands (DHHL) regarding the transfer of an unencumbered, \$450,000 U.S. Economic Development Administration (EDA) grant for land use and economic planning at Kalaeloa. HCDA, recognizing its limited budget and capabilities, coordinated with DHHL and EDA to successfully transfer the grant in mid-2004. As a condition of the transfer, EDA required that HCDA provide an equal match to the Federal funds. Subsequently, HCDA secured matching funds via a general obligation bond appropriation as part of Act 41 of the 2004 Hawaii State Legislature.

HCDA intends to use the EDA grant funds to pursue economic and land use planning, technical studies, and strategic planning in



HCDA's main office and a Kalaeloa field office currently located at the State Office Building in Kapolei.

Due to administrative restrictions on the general obligation bond funds appropriated as matching funds for the EDA grant, staff positions will be funded from the Kalaeloa Community Development Revolving Fund. Given the ending balance of \$73,545, a new round of assessments for current land users is anticipated to fund HCDA's operating costs for Fiscal Year 2005.

Kalaeloa Conveyance Status

Real Property

As of June 30, 2004, about two-thirds of the surplus property at Kalaeloa had been conveyed to designated end users. This status has remained unchanged since Fiscal Year 2003. The absence of conveyances during the past 12 months is due, in part, to the potential homeporting of a carrier strike group at Pearl Harbor and the possibility of stationing the carrier's air wing at Kalaeloa. Several parcels slated for conveyance to DHHL have yet to be conveyed for this reason. Conveyances to the City & County of Honolulu have been held at the request of the City pending the completion of environmental remediation of several parcels and until a final decision on the land use is determined. Other parcels have been designated for transfer to the State Department of Transportation and the University of Hawaii. Approximately 280 acres of land remain unallocated.

Utility Licenses & Conveyance

Wastewater: The City & County of Honolulu, Department of Environmental Services executed a license with the Navy for the Kalaeloa Wastewater System effective June 1, 2003. This license allows the City to operate, maintain and repair portions of the wastewater system in Kalaeloa. The conveyance of the system is currently pending the approval of an application submitted by the City to the U.S. Department of Health and Human Services.

Water System: The City & County of Honolulu Board of Water Supply executed a license with the Navy for the water system in September 2002. As part of the agreement, the Board of Water Supply assumed the responsibility of billing services from the Navy. Conveyance of the water system was under discussion between the Board of Water Supply and the Navy, and included the lines of demarcation between the Navy-retained system and the area to be owned by the City.



Photograph courtesy of Christopher P. Becker (www.Polihale.com)



Financial Information

Hawaii Community Development Authority STATEMENT OF APPROPRIATIONS, EXPENDITURES, ENCUMBRANCES AND BALANCES For Fiscal Year Ended June 30, 2004

	PRIOR YEAR AVAILABLE FUNDS 7/1/03	APPROPRIATION	TRANSFERS	EXPENDITURES	ENCUMBERED & COMMITTED FUNDS	UNALLOTTED	AVAILABLE FUNDS	LAPSED FUNDS
OPERATING FUNDS								
ACT 200, SLH 2003	-	139,537	-	89,623	-	-	-	49,914 ^{6/}
PROJECT FUNDS								
Kaka'ako Community Development District								
ACT 216, SLH 1987	12,480	-	-	3,125	9,355	-	-	-
ACT 299, SLH 1990	2,215	-	-	-	2,215	-	-	-
ACT 296, SLH 1991	297,989	-	-	194,244	103,687	-	-	58
ACT 218, SLH 1995	113,720	-	-	82,994	30,726	-	-	-
ACT 328, SLH 1997	1,544,497	-	-	219,950	1,312,782	-	-	11,765
ACT 116, SLH 1998	1,416,372	-	-	225,120	191,252	-	1,000,000 ^{4/}	-
ACT 91, SLH 1999	9,179,065	-	-	5,488,345	3,303,016	387,704	-	-
ACT 259, SLH 2001	6,048,491	-	-	1,920,377	4,053,223	74,891	-	-
ACT 177, SLH 2002	18,557,401	-	-	955,675	16,187,526	-	1,414,200 ^{4/}	-
ACT 200, SLH 2003	-	1,312,000	-	960,826	-	27,896	323,278 ^{4/}	-
DELEGATIONS	191,229 ^{1/}	-	-	46,506	144,723	-	-	-
IMPROVEMENT DISTRICT BOND FUNDS	-	-	-	-	-	-	-	-
KAKAAKO REVOLVING FUND	35,330,419	2,821,130 ^{2/}	-	1,661,432	21,513,463	-	14,976,654 ^{5/}	-
KALAELOA REVOLVING FUND	122,966	4,224 ^{3/}	-	53,645	-	-	73,545	-
	<u>72,816,844</u>	<u>4,276,891</u>	<u>-</u>	<u>11,901,862</u>	<u>46,851,968</u>	<u>490,491</u>	<u>17,787,677</u>	<u>61,737</u>

^{1/} Funds delegated from the Office of State Planning for the Kaka'ako Waterfront.

^{2/} Variance fees, dedication fees, assessments, rents, etc. collected.

^{3/} Assessments collected and interest earnings.

^{4/} Funds were either lapsed or utilized in FY2005.

^{5/} Use of certain funds restricted by law due to source.

^{6/} Unexpended due to personnel vacancies.

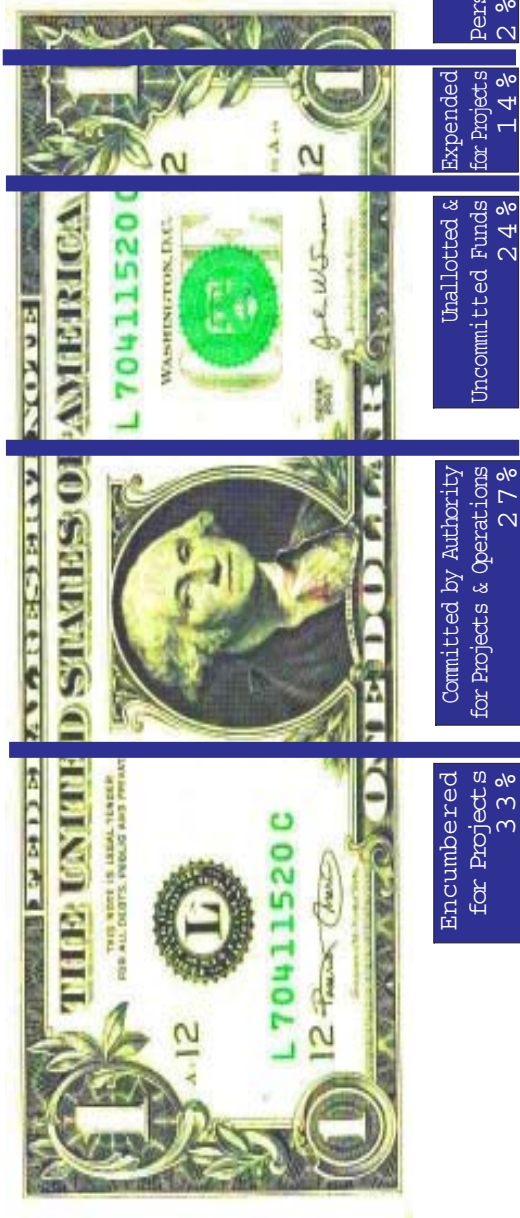


Financial Information

Hawaii Community Development Authority
STATEMENT OF EXPENDITURES
(For Fiscal Years Ending June 30, 2003 and June 30, 2004)

	June 30, 2004		June 30, 2003
	OPERATING FUNDS	PROJECT FUNDS	TOTAL EXPENDITURES
PERSONNEL & PERSONAL SERVICES	82,762	1,364,709	1,447,471
OTHER CURRENT EXPENSES	6,861	10,447,530	10,454,391
EQUIPMENT	-	-	-
TOTAL EXPENDITURES	<u>89,623</u>	<u>11,812,239</u>	<u>11,901,862</u>
			1,462,874
			16,545,651
			<u>1,053</u>
			<u>18,009,578</u>

Uses of Funds for Fiscal Year Ended June 30, 2004 (less lapsed funds)





Authority Members

Chairperson

JAMES KOMETANI

President and Principal Broker
James Kometani, Inc., Realtors

Vice-Chairperson

MICHAEL GOSHI, NCARB, AIA

Principal
Design Partners Incorporated

Secretary

PAUL KIMURA

President
City Fender & Body Services

WILLIAM J. AILA, JR.*

Harbor Agent III
Waianae Boat Harbor (DOT)

ERIC CRISPIN*

Director
Department of Planning and Permitting
City and County of Honolulu

RODNEY HARAGA

Director
Department of Transportation

MICAH KANE*

Chairman
Hawaiian Homes Commission
Department of Hawaiian Home Lands

GEORGINA K. KAWAMURA

Director
Department of Budget and Finance

GARY I. KONDO, D.D.S.

CEO and President
Hawaii Dental Group

PATRICK KUBOTA

President, NxTech Development
& Consulting LLC
(served until March 30, 2004)

JONATHAN LAI

Attorney
Watanabe Ing Kawashima & Komeiji
(served from July 1, 2004, subject to Senate
confirmation)

THEODORE E. LIU

Director
Department of Business, Economic Development
& Tourism

ALLAN LOS BANOS, JR.

Safety Coordinator/Program Specialist
Hawaii Masons Union

LORIANN LUM

Public Affairs Director
Watanabe Ing Kawashima & Komeiji
(served until June 30, 2004)

RUSS SAITO

Comptroller
Department of Accounting and General Services

EVELYN SOUZA*

Parent Community Network Center Coordinator
Makakilo Elementary School

MAEDA C. TIMSON*

Assistant Vice President, Retirement Savings Plan
First Hawaiian Bank

WARREN WEGESEND, JR., CPM

General Manager
Villages of Kapolei Association
(served from April 2004)

***Kalaeloa Member**

Executive Director

DANIEL DINELL



State of Hawaii
HAWAII COMMUNITY
DEVELOPMENT AUTHORITY



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