



ALOHA TOWER DEVELOPMENT CORPORATION

79 S. Nimitz Highway, Honolulu, Hawaii 96813-4898 | (808) 587-3651

IN REPLY REFER TO: ATDC 20-0005

David Y. Ige

Governor

Derek J. Chow

Chair

January 6, 2020

The Honorable Ronald D. Kouchi,
President and Members of the Senate
Thirtieth State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

The Honorable Scott K. Saiki, Speaker
and Members of the House of
Representatives
Thirtieth State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

For your information and consideration, I am transmitting a copy of the 2019 Aloha Tower Development Corporation's Annual Report as required by Section 206J-19, Hawaii Revised Statutes. In accordance with Section 93-16, Hawaii Revised Statutes, I am also informing you that the report may be viewed electronically at <https://hidot.hawaii.gov/library/reports/reports-to-the-legislature/>.

Sincerely,

DEREK J. CHOW
Chairperson, Aloha Tower Development
Corporation, and Deputy Director, State of
Hawaii, Department of Transportation

2019 Aloha Tower Development Corporation Annual Report

This Report is Prepared and Submitted
Pursuant to Section 206J-19, Hawaii Revised Statutes

Submitted by

**The Department of Transportation,
Harbors Division**

December 26, 2019

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On behalf of the Aloha Tower Development Corporation (ATDC) Board of Directors and staff, I am pleased to present ATDC's 2019 Annual Report.

I assumed the role as ATDC Chairperson upon my appointment as the Deputy Director for the Department of Transportation, Harbors Division in January 2019. I am excited to further the development opportunities for which ATDC is responsible.

There is much opportunity to improve and expand the activities and services offered at the Aloha Tower Marketplace (Marketplace). The main objective of ATDC is to revitalize the Aloha Tower complex, which includes the Marketplace, and to enhance the experiences of both Hawaii residents and visitors from around the world.

The restoration of Irwin Park is now in the design phase. This will transform the park back to an outdoor recreational and botanical area. Construction, which will result in the elimination of parking spaces, will be accomplished in two phases beginning in 2021.

Business development within Piers 10 and 11 are being evaluated. We believe that with additional business ventures and activities, the area will attract business clientele during the workday as well as the evenings and weekends.

One of the biggest limitations for the Marketplace to support greater business and commercial activities has always been the lack of parking. We are evaluating parking alternatives at Piers 5/6. We believe there is an opportunity not only to provide more parking for the Marketplace, but also to serve the downtown business communities as employees pay high prices for parking in downtown buildings or park far away. In addition to parking, a multipurpose commercial facility will enhance the Marketplace as it offers many more choices for patrons. As mitigation for environmental impacts that will be caused by the construction of the wharfs associated with the Harbors Division's Kapalama Container Terminal modernization project, corals will be transplanted to waters fronting Pier 5. There is opportunity to make this a future attraction for education and science, and should be incorporated into the multipurpose commercial facility.

Our Hawaii Pacific University (HPU) neighbor continues to provide great educational opportunities to our post-secondary learners. HPU, who possesses the master lease for the Marketplace, has brought in new merchants that diversify the activities in the area. It continues to maintain the Marketplace so that it remains welcoming to patrons and students alike. In 2019, HPU began holding its commencement ceremony on the plaza fronting the Aloha Tower. Additionally, it regularly holds community events such as concerts and open markets.

All the above and more will be exciting to see as the area transforms once again into a gathering place for our community.

I look forward to an exciting 2020 as our efforts continue to revitalize the Marketplace and surrounding areas.

DEREK J. CHOW
Chairperson

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.

BOARD OF DIRECTORS

Pursuant to Section 206J-4, Hawaii Revised Statutes (HRS), the board shall consist of five voting members:

Chairperson

Department of Transportation, Harbors Division, Deputy Director;

The Director of the Department of Business, Economic Development and Tourism, or the director's designee;

The Chairperson of the Board of Land and Natural Resources, or the chairperson's designee;

One member appointed by the Senate President; and

One member appointed by the Speaker of the House of Representatives.

ALOHA TOWER COMPLEX AND PROJECT AREA

ATDC has the statutory mandate of redeveloping, renovating, and/or improving the Aloha Tower Complex and Project area. The objective is to integrate development components within the area that will stimulate and enhance the commercial aspects and social events in the downtown business district. At the same time, ATDC seeks to transform the waterfront's urban core into a "people place" while being fully aware of and complementary with the demands of Honolulu Harbor's important maritime activities. In addition, new development in the area together with the infusion of capital in construction projects will further stimulate the local economy and provide many new jobs.

It is believed that there is great opportunity to revitalize the Marketplace with additional attractions that will help transform the area to a gathering place that it once was and even beyond.

Through innovative financing and agreements, ATDC will take advantage of partnerships with private developers that can advance the objectives of ATDC. While none of these agreements have been made, discussions are ongoing with interested developers and attractions.

The City & County of Honolulu's rail transit project is anticipated to result in increased visitor access to the Marketplace. While it seems that the rail project may still be some years away, the Honolulu Authority for Rapid Transportation (HART) has initiated conversations with ATDC and the Harbors Division.

The ATDC Development Plan and the Hawaii Administrative Rules for the Aloha Tower Complex and Project Area were originally adopted in 1992 and reflected the full scope of the master plan originally envisioned for the area. Since then, numerous variables have changed, probably most notable is the occupation of the Marketplace by the HPU, not to mention the disposal of abandoned vessels in the area as well as greater security requirements.

A 2050 Honolulu Harbor Master Plan is now under development and includes revitalization concepts for the Marketplace and surrounding areas. These concepts consider maritime uses, commercial opportunities, needs of the adjacent business district, and cultural history of the area.

ALOHA TOWER MARKETPLACE

Hawaii Lifestyles Retail Properties, LLC, a wholly owned subsidiary of HPU, took over the Marketplace in 2011. The upper levels of the Marketplace are used for student housing. The lower levels are a mixture of classrooms, school activities centers, restaurants, and retail not necessarily associated with the university.

HPU manages all retail spaces within the Marketplace, which includes securing tenants, executing lease agreements, maintenance and security.

It is thought that two of the main challenges that limit attraction to the Marketplace are crossing the busy Nimitz Highway from downtown, and the lack of parking.

The planned HART rail station near the Marketplace includes an elevated crossing that connects the rail station to each side of the highway. This should be a welcomed feature, though the rail station schedule is unknown at this time, that will provide a safer connection between downtown and the Marketplace.

The Honolulu Harbor Master Plan, which will be completed in 2020, will address the concept for a multipurpose commercial facility at Piers 5/6. Parking is intended to be an integral part of this facility that will accommodate the needs of the Marketplace as well as the downtown business district. This facility may also include commercial and retail space, as well as an educational area showcasing the coral transplantation area that is a mitigation requirement for the Kapalama Container Terminal project. This multipurpose commercial facility will enhance the Marketplace by becoming another attraction to residents and visitors to the area.

Cruise ships currently utilize Pier 11, which is adjacent to the Marketplace. While some passengers patronize stores and restaurants in the Marketplace, most passengers participate in day trips to sightsee around the island, especially the North Shore areas, stroll through Waikiki, or shop at the Ala Moana Center. Passengers disembark and re-embark in mass numbers through the Pier 11 cruise terminal. This causes traffic congestion as buses, shuttles, and taxis line up on the Marketplace roadways.

In the past, the Marketplace struggled with leasing to businesses and attracting patrons, mainly because of its adjacency to high cost harbors property that drove the cost up, yet limit patronage. For example, when cruise ships occupy Pier 11, the Marketplace area becomes congested with passengers vying for ground transportation for their day trip activities, thus preventing local patrons from accessing businesses. If the Marketplace were to cater to cruise passengers, the Marketplace would receive no business revenue without any passengers when cruise ships are not in port.

The occupation by HPU of the Marketplace provides an alternative way of partially overcoming these challenges. Using the Marketplace for student housing and education activities does not rely on a steady flow of patrons to retail and commercial businesses.

ATDC will continue to strive to create a destination attraction which offers an experience other centers cannot duplicate. Efforts will continue with creating a self-sustaining center to reduce operating inefficiencies and expenses and working toward keeping with the trend to preserve Hawaii's limited resources and create renewable alternatives. The expansion of the center could include one-of-a-kind unique attraction, beautiful waterfront dining, a scientific/education center focused on the protection of marine resources, access to the restored Irwin Park, and affordable parking.

The Marketplace was intended as a festival marketplace and a visitor attraction on Honolulu's bustling commercial harbor, adjacent to a historic icon, the Aloha Tower. In 2020 and 2021, the Marketplace will be actively developing revenue-generating features to the limited waterfront.

WATERFRONT DEVELOPMENT

The ATDC is authorized under its enabling statute, Chapter 206-J, HRS, to plan, develop or redevelop lands located seaward of Nimitz Highway between Piers 4 and 12.

In 2011, the Harbors Modernization program was transferred from ATDC to the Harbors Division. ATDC maintained the development of the Marketplace complex.

FINANCIAL INFORMATION

Statement of Appropriations, Expenditures, Encumbrances and Balances for Fiscal Year Ending June 30, 2019.

Appropriations (Budget)	\$1,842,173
ALOHA TOWER FUND	
Beginning Cash Balance	\$2,253,423
Revenues	\$1,014,655
Expenditures	(\$616,814)
Encumbrances	
END OF YEAR BALANCE	\$2,651,264