



David Y. Ige
Governor

Derek J. Chow
Chair

ALOHA TOWER DEVELOPMENT CORPORATION

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IN REPLY REFER TO: **ATDC 21-0014**

December 9, 2020

The Honorable Ronald D. Kouchi,
President and Members of the Senate
31st State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

The Honorable Scott K. Saiki, Speaker
and Members of the House of
Representatives
31st 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 2020 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
Chairman, Aloha Tower Development
Corporation, and Deputy Director, State of
Hawaii, Department of Transportation

2020 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 9, 2020

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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 2020 Annual Report.

When we submitted last year's report in December 2019, the ATDC was benefitting from a strong partnership with Hawaii Pacific University (HPU), whose subsidiary Hawaii Lifestyle Retail Properties LLC manages Aloha Tower Marketplace (Marketplace), and was responding to preliminary inquiries regarding additional development in the complex area. As such, ATDC was anticipating 2020 to be a year of great opportunity. However, within a few months, such optimism would fade as the world would soon understand the devastating impacts of the global pandemic now known as COVID-19.

So much has changed since the beginning of this year, and with the dynamic rise and fall of COVID-19 cases in Hawaii, the ATDC has done its best to meet its mission in the face everchanging policies and restrictions.

A downturn in the economy has created fiscal constraints for most, if not all, of Hawaii's state agencies. ATDC and the Department of Transportation, Harbors Division are no exceptions. In the face of tight budgets, planned projects have been reprioritized. For example, last year we reported on the planned restoration of Irwin Park and anticipated construction to transform the park back into a recreational and botanical area beginning in 2021. Given the circumstances, the phased project will need to be moved to an indeterminant time much further into the future.

Despite setbacks in 2020, the ATDC continues to believe in the revitalization of the Aloha Tower Complex and Project Area, which includes improving and expanding the activities and services offered at and near the Marketplace. Furthermore, interest in the development of Piers 9, 10, and 11 remains strong as ATDC has recently received formal interest from a business entity seeking to develop an art exhibition near Aloha Tower.

Our HPU neighbor has experienced its own setbacks this year. From tenants who were unable to pay their rent to not knowing if students were going to return for a fall semester, HPU has worked closely with the ATDC to ensure we are able to move forward together during these distressing times.

As the end of 2020 draws near, we at the ATDC are optimistic once again. With a steadfast partner in HPU and renewed interest in the area, we are looking forward to 2021.



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

The Deputy Director of the Department of Transportation, Harbors Division;

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 President of the Senate; and

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

ALOHA TOWER COMPLEX AND PROJECT AREA

ATDC is statutorily mandated to redevelop, renovate, and/or improve 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.

A 2050 Honolulu Harbor Master Plan, which was to be completed in 2020, remains under development due to delays created by COVID-19. While the final plan will not be ready for public dissemination for several more months, it will propose revitalization concepts for areas designated for non-maritime use, such as the Aloha Tower Complex and Project Area. More specifically, the plan will consider commercial opportunities, needs of the adjacent business district, and cultural history of the area. Additionally, the plan will provide concepts for a multipurpose commercial facility at Piers 5 and 6. Parking is intended to be an integral part of this facility and 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 that is a mitigation requirement for the Kapalama Container Terminal project. This multipurpose commercial facility may enhance the Marketplace by becoming another attraction to residents and visitors to the area.

In November 2020, ATDC received a letter formally expressing interest in commercial development at Piers 9, 10, and 11. Details of the development will likely be presented to the ATDC Board in 2021. ATDC is excited by this potential development interest in the area and hopes such a project will encourage the public to rediscover the beauty of Aloha Tower and Honolulu Harbor.

With cruise ships having to adopt changes in policies and protocols for enhanced health and safety measures resulting from the COVID-19 pandemic, cruise ship operations in the United States are not likely to resume sailings until after the spring of 2021. At this time, it is unknown as to whether the existing Pier 11 cruise terminal will be adequate to meet requirements imposed on the cruise industry by federal agencies without considerable investment by the State of Hawaii and/or the cruise industry.

ALOHA TOWER MARKETPLACE

Hawaii Lifestyle Retail Properties LLC, a wholly owned subsidiary of HPU, assumed the rights to the Marketplace in 2014. 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 merchants. HPU manages all retail spaces within the Marketplace, which includes securing tenants, executing lease agreements, maintenance and security.

With a stay-at-home order issued by Governor David Ige in March 2020, HPU was required to cease all in-person instruction and shifted all of its curriculum online. While the university was able to successfully transition its students from the classroom to remote learning, the stay-at-home order mandated the closure of non-essential businesses that were operating at the Marketplace. At that time, this included the closure of nearly all of the Marketplace's merchants. As a result of these mandated closures, HPU experienced a decline in rental income and parking revenue. Furthermore, HPU was required to cancel planned events that led to further loss of income and revenue.

Due to these economic challenges, HPU, requested for rent relief. Without a force majeure clause in the lease and with no authorization for complete abatement in the Governor's emergency proclamations, the ATDC denied HPU's request. Despite the fiscal challenges, HPU continued to remit lease rent payments and remains as a strong partner for the ATDC and is committed to improving the area for our community.

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 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, 2020

Appropriation Ceiling (Budget)	\$1,842,173
ALOHA TOWER FUND	
Beginning Cash Balance	\$2,651,264
Revenue	\$843,946
Expenditures	(\$612,500)
Encumbrances	\$0
END OF YEAR BALANCE	\$2,882,710