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BOARD MEETING ALOHA TOWER DEVELOPMENT CORPORATION

February 24, 2010

9:30 a.m.

**TOPA Financial Center, Bishop Street Tower
700 Bishop Street, Suite 1701
Honolulu, Hawaii 96813**

MINUTES OF MEETING

ATDC BOARD MEMBERS PRESENT: Jason Okuhama – Vice-Chair
Robert Shore - DBEDT
Russell Tsuji – DLNR
Neal Otani

ATDC BOARD MEMBERS EXCUSED: Sidney Quintal – Chairperson, C & C of
Honolulu
Michael Formby - DOT

HMG BOARD MEMBERS PRESENT: Ian Birnie – Hawaii County
Ed Enos Jr.
Gary Heu – Kauai County
Georgina Kawamura – B&F
Gary North

HMG BOARD MEMBERS EXCUSED: Mahina Martin – Maui County

ATDC STAFF PRESENT: Sandra Pfund, Tom Otake, Deidre Harrison, Chris
Sadayasu, Dung Vo, Dana Yoshimura, Derek
Fujikami, Shari Ikeda

OTHERS PRESENT: Sumner Howard, Wayne Higa, Bob Loy

LEGAL COUNSEL PRESENT: Gregg Kinkley, Deputy Attorney General

A. CALL TO ORDER

Vice-Chair Okuhama called the meeting to order at 9:41 a.m., and thanked everyone for attending the meeting. Ms. Pfund introduced the DBEDT designee, Mr. Robert Shore from the READ division.

B. APPROVAL OF MINUTES

1. Regular Meeting of January 27, 2010

Vice-Chair Okuhama asked if there were any changes to the meeting minutes; there were none.

A motion was made by Director Tsuji and seconded by Director North to adopt the minutes from the January 27, 2010 meeting. A vote was taken and the motion passed unanimously.

C. REPORT OF THE CHIEF EXECUTIVE OFFICER

Ms. Pfund referred to her written report in the Board packet and highlighted key matters of concern.

1. Administration and Financial Reports

Ms. Pfund reported that the HMG Secretary candidate, Margaret Toba, has accepted the position and will be starting work next week.

Ms. Pfund briefed the Board on the ATDC financial report.

2. Media Reports

Ms. Pfund referred to the media articles in her written report.

3. Aloha Tower Project Area and Complex

Ms. Pfund reported that various cruise ships have been in port, visiting during the winter and helping to bring business to the Aloha Tower Marketplace (ATM).

Ms. Pfund asked if there were any questions; there were none.

D. ITEMS FOR INFORMATION

1. Harbors Modernization Plan

a. Administrative Reports

Ms. Pfund reported that she has given two informational presentations on the progress of the agency at meetings for the Pier 38 Fishing Village Board and Hawaii Ocean Safety Team (HOST). The Pier 38 Fishing Village Board was interested in updates on the Pier 35 project, and particularly, impacts to the Ala Kawa Street entrance. Staff will keep

them apprised as the project moves along. HOST participants were favorably inclined with the material presented, and they were pleased that the agency is working with the U.S. Coast Guard to meet maritime security requirements as projects are designed and constructed.

Ms. Pfund asked Director Enos to give some information on the coral mitigation issue. Director Enos referred to Director North. Director North remarked that HHUGs is concerned about delays in the permitting of projects due to coral mitigation, and mentioned the DOT-Harbors Hilo project which has been held-up for (22) twenty-two months due to this issue. HHUGs has formed a sub-committee to study the matter and educate itself, and work with the U.S. Army Corps of Engineers so that future projects can avoid delays. This is a large, sensitive issue across the country, and has had impacts in Guam.

Director Birnie commented that there has been successful work with the transplant of coral in Kawaihae Harbor. Director North responded that it is not possible to just dig up the coral, the coral must be replaced.

Director North commented that the coral mitigation has been so successful in Kawaihae that it is creating an overabundance issue. A letter has been sent from State Representative Evans to U.S. Representative Hirono asking for federal help with this matter.

Director Kawamura questioned what type of authority mandates this matter. Directors Tsuji and North responded that it is federal law. Ms. Pfund remarked that it is federal law more than State DLNR, and the permit is issued by the federal government. Director North commented that it is the U.S. Army Corps of Engineers who works with NOAA on these matters. Director Enos commented that State agencies are following the federal mandates.

Director Enos made a comment about P&M Marine and Pier 35, regarding their proposed move next to UH Marine. There may be access and security issues, so Director Enos suggested that ATDC staff contact Mr. Charlie Pierce.

Ms. Pfund reported that DOT-Harbors won a federal grant for \$24.5 million for Pier 29 work. Director North remarked that this is a significant award, as there were 1500 grant applications and Guam did not receive any award and neither did some other states.

Director Shore asked if this was part of the ARRA federal grants program. Ms. Pfund responded in the affirmative, and referred to Item C in the Board packet, a list of federal grants that various states had received.

b. Project Updates

Ms. Pfund introduced Mr. Fujikami, ATDC Project Manager to present the HMG status update report.

i. Kapalama Container Terminal – Honolulu Harbor

Mr. Fujikami reported that projects are moving forward. The Pier 35 Site Improvements still have drainage ditch issues; the consultant's options are being reviewed with DOT-Harbors.

Ms. Pfund commented that Director Formby is considering budgetary concerns. One option is to keep the open drain, but that may infringe on the PASHA area. Various options will be discussed with DOT-Harbors.

Mr. Fujikami reported that a Notice to Proceed (NTP) was issued to Pacific Architects for design services. The Environmental Assessment (EA) for Pier 35 is being renegotiated. The contract for Relocation of Tenants is being reviewed by the Attorney General's (AG) office.

The consultant, KAI Hawaii is working on the NPDES for the demolition of existing structures at KMR. Ms. Pfund remarked that Building 924 is empty, has structural concerns and is programmed for demolition.

Mr. Yoshimura reported on the relocation of the UH-METC, and that there are some issues at Pier 35 that still need to be resolved before the move can be made. The land documents for BLNR are prepared, and are awaiting completion on the other issues before presentation to BLNR, as one is dependent on the other.

Mr. Fujikami reported that the EA at KMR will be done by consultant Belt Collins. Ms. Pfund remarked that the consultant has agreed to the form of the contract, and she is working with Harbors on the processing the contract through Harbors.

ii. Piers 23-28 Development Plan – Honolulu Harbor

Mr. Yoshimura reported that work continues on the development plan for Piers 23-28, to move Pacific Shipyards to Pier 23. Staff and the consultant visited Kalaeloa Harbor to study the option of moving Pacific Shipyard there, however, conditions there are

limited. Staff met with the KPFF grain conveyor consultant for the grain ship.

iii. Pier 39 – Honolulu Harbor

Mr. Fujikami reported that the Pier 39, Young Brothers shed is demolished and gone. The contract allows for (75) days to remove the structure and install lighting pedestals and return to install the light poles. The project is on schedule. Photos were provided of the demolition progress.

iv. Piers 12-15, Honolulu Harbor

Mr. Fujikami reported that the fee proposal was over budget and is being negotiated with the consultant.

v. Hana Harbor – Maui

Mr. Yoshimura reported that staff and consultants attended community and stakeholders meetings. Photos were provided of the site. At the meetings there were three major community concerns: (1) address the emergency situation if the roads are closed, (2) use of the pier for recreation, and (3) getting the boat ramp repaired. DOT-Harbors is working to address security concerns at the pier: by erecting a gate to secure the pier, posting safety signage, and installing a steel plate to cover a large hole in the pier. The consultant's early assessment is that the pier is adequate for pedestrian use, but not for vehicular usage. The boat ramp repair falls under DLNR. Follow-up meetings will be held in Hana on either March 11 or 18 with hui groups, Hana Ranch, and Maui county.

Director Kawamura asked if the boat ramp repair is on the DOBAR list of scheduled improvements. Mr. Yoshimura responded in the affirmative, and remarked that the bids on the project were too high. The project was budgeted at \$3 million, but the bids came in at \$4.5 million due to a revetment wall that needs repair as well. DOBAR is working with DOT-Harbors to share the project costs. Director Tsuji commented that the DLNR administrator for boating is working with DOT-Harbors Deputy Director Formby on this matter.

Director Kawamura asked if there will be other meetings that are overall meetings, rather than the small group meetings that are currently scheduled. Mr. Yoshimura replied in the affirmative, that

after the small group meetings, there will be large overall meetings.

Director Kawamura asked if Senator English or Representative Carroll were present at the meetings. Mr. Yoshimura responded in the negative; that they had to decline due to legislative business. Ms. Pfund commented that Senator English and Representative Carroll suggested the Hana community small-group meetings first, with respect to the sensitivity of the community and the issues. She also spoke with Representative Carroll about positive community sentiment, potential immediate fixes and CIP for the larger projects.

Vice-Chair Okuhama asked if there was any negative feedback at the meetings. Mr. Yoshimura responded in the negative and remarked that the meetings went well and they had a very open reception by the community. There was concern at the meetings that they do not want a commercial harbor and charter boats using the pier.

Director Enos remarked that the Board's concern is about the community's view of possible commercial usage of the pier. Mr. Yoshimura commented that all attendees at the meetings are opposed to commercial usage of the pier. There is no support for the pier improvements for a barge if it brings in commercial usage.

Director Birnie remarked that LSVs would not use the pier, as they would go up on the beach. Ms. Pfund remarked that in Kawaihae the water is shallow at the shore, then has a deep drop-off. Director Birnie remarked that the U.S. Army Corps of Engineers created it that way to accommodate the LSVs.

Director Enos commented that there are weather issues in Hana that would hamper a barge in the pier area.

vi. Kahului Harbor – Maui

Mr. Yoshimura reported that the next meeting for the Kahului Development Plan and Land Acquisition is on March 3, 2010. Ms. Pfund commented that Hawaiian Cement stated that it does not have the funds to relocate.

Director Tsuji asked if there is legal basis for the move. Ms. Pfund responded in the affirmative, as Hawaiian Cement is on a month-to-month lease that is revocable and that DOT-Harbors had informed Hawaiian Cement approximately 5 years ago that it

should begin plans for relocation. The meeting on March 3 will also cover Parcel B and its feasibility for use.

vii. Kawaihae Harbor – Big Island

Mr. Yoshimura reported that the Kawaihae Harbor Development Plan draft contract is in final review, covering the gate area, fence and access point. Ms. Pfund remarked that it also covers moving the DOT-Harbors office.

Mr. Fujikami reported that the Notice to Proceed (NTP) for the Pier 2 Development Project has been issued to consultant Wesley Segawa & Associates. Director Birnie asked if the office would be a trailer or permanent office. Mr. Fujikami responded that it is currently a trailer, but hopefully a permanent site in the future.

Director Enos asked about the gate entrance to the harbor. Mr. Fujikami responded that at the Master Plan meeting, traffic concerns were a top priority, as long lines of vehicles entering the harbor queue up creating traffic disruptions along the highway. Separating the recreation side from the commercial side was also discussed. Director Birnie commented that there is also the security issue to keep recreational users out of the commercial area.

Director Enos asked Director Tsuji about DLNR plans to create a separate perimeter road. Director Tsuji responded that the Chair of DLNR and Mr. Underwood met with Director Formby and that the project is held-up by the coral mitigation issue, and the dire financial situation at DLNR.

Mr. Yoshimura reported that staff investigated a report of complaints by the public regarding the off-loading of ordinance that lasts for a few days, rather than one day. The Harbor Master advised that it is a scheduling issue, and that one day it may be the Army off-loading, and the following day it might be the Marines. So the military is complying with the one day rule, it just might be different branches of the military using the facility for consecutive days in a row. There were also complaints that no advance notice is given to the public, and the response was that the military does not want to issue public notice regarding ordinance movement for security reasons.

Director Enos commented that there was one instance that the area was closed off on a holiday weekend, and upon investigation it was determined that it was an error on the part of the military and they apologized for that. Director Birnie commented that the military

only off-loads what it can haul away in the same day, then the LSV goes back off-shore until the next day. There is no ordinance storage at Kawaihae Harbor.

Director Enos commented that public access to the area is a huge issue. Mr. Yoshimura remarked that DOT-Harbors had a productive public meeting at Kawaihae with the consultant, SSFM and is aware of the public access issues. Director Birnie commented that for over (20) twenty years the public has been told they could use the coral flats area until the Master Plan goes into effect, then public access to the area will be cut-off.

viii. Hilo Harbor – Big Island

Mr. Fujikami reported on two projects: Pier 4 and Kumau Street. The NTP for Pier 4 was issued last month, and the draft contract for the consultant for Kumau Street is being worked on and should go over to DOT-Harbors at the end of this week.

Director Enos commented that the conceptual drawing of the new Pier 4 lacks adequate space in relation to the YB Pier 3, for the fuel ship that goes in once a month. Director Birnie commented that he had brought that to their attention a long time ago. There is an issue with the distance to the closest lease property, so they asked that the pier be slid over a couple hundred feet so the same size ships could be accommodated safely.

(Director Kawamura departed at 10:46 a.m.)

Mr. Fujikami remarked that the final conceptual plans were sent to DOT-Harbors and YB for review and they were approved. Director Birnie commented that there is no negative impact to the DOT-Harbors engineers or YB, but this issue does impact the fuel barges.

Director Enos commented that the Statewide Fuel Plan does address this matter and there were some items in the study that are missing from these conceptual drawing plans, so the Fuel Plan should be reviewed again and necessary changes made to the plans. The fuel tanker can only go into dock, so changes do need to be made. There are issues that also may affect the cruise ships as well. Director North remarked that the fuel ships, cruise ships, and harbor pilots should review the plan and approve it as well.

Vice-Chair Okuhama remarked that he would move to Item D.3 and then Item D.2 as there are some directors who may need to leave soon.

2. Legislature 2010 – Updates on Legislation Affecting ATDC, including but not limited to SB2942, HB2961, SB2676, HB2523, GM226, HB2737 and HCR47

Mr. Sadayasu referred to the written report in the Board packet.

Mr. Sadayasu reported that GM226 for Director Enos' second term was approved at a public hearing and the measure will go to the full Senate for confirmation. HB2523 to approve the settlement with Kenneth H. Hughes, Inc., as well as companion bill SB2676, are moving well. SB2676 has been revised with technical amendments recommended by LRB. Ms. Pfund commented that the amendments are not substantive.

Mr. Sadayasu reported that the agency is tracking HB2737 relating to the disposition of public land funds to the General fund, and asked Director Tsuji for his comments, as some of it relates to DLNR. Director Tsuji commented that one of the sites listed is the Sand Island Industrial Park, and that revenue from the Sand Island Industrial Park currently funds much of the rest of the DLNR divisions, so to have those funds go to the General fund really affects their department.

Ms. Pfund commented that this bill also affects Pier 60, and HCR 47, the development of Keehi Industrial Lots. Staff had been working on this project and was attempting to follow DLNR models for land development and lease, but DOT-Harbors advised not to, so therefore HCR 47 was proposed and staff is following that resolution.

Director Enos inquired about the status of the La Mariana restaurant and other businesses involved. Ms. Pfund reported that Keehi Industrial Lots are on month-to-month leases but the leases at the Sand Island Business Association are long-term.

Director Enos commented that this is significant, as the leases for these tenants affect the relocation of tenants in other parts of the harbor that ATDC is working on.

Director Tsuji commented that he has also been following this resolution. Ms. Pfund asked if the amended bill had changed the wording "may sell" to "shall sell". Director Tsuji responded that the wording was amended to "shall sell" with some examples listed.

Mr. Sadayasu reported that SB2942 SD2 to repeal ATDC was heard on February 22, 2010 and revised to remove the exemption from Chapter 103(D) Procurement.

Director Tsuji commented that at the hearing, there were many questions involving staffing. Ms. Pfund responded that all language involving staff was deleted from the bill, and there are concerns about the continuation of the program and contracts that are already in place.

Vice-Chair Okuhama asked if there is no staff, how will work get done on the projects. Director Tsuji remarked that if staff will not be transferred, hiring will depend on how quickly DOT-Harbors is able to move on that.

Ms. Pfund commented that she is concerned about contracts that are in place now, and how they will be affected if a transition occurs. Director North remarked that HHUGs position is that the present staff needs to be transferred, and perhaps HHUGs needs to reiterate that position.

Director Tsuji asked where SB 2942 will go in the House. Ms. Pfund responded that the triple referral is to the Committees on Water Land, Transportation and Finance.

Vice-Chair Okuhama asked about language regarding general funds for consultant services; is that in lieu of staff moving and what about the involvement of MARAD. Ms. Pfund remarked that those details need to be determined.

Ms. Pfund reported that there is another bill staff is following, SB 2626, which is worded to prevent cronyism by not allowing consultant contract hires to do jobs that civil servants do. Mr. Sadayasu remarked that it is unclear how this will affect things, but staff is monitoring it.

Vice-Chair Okuhama asked Ms. Pfund to please keep the Board apprised of the status of legislative bills affecting the agency.

Ms. Pfund commented that there are many bills relating to the budget deficit, and asked Director Shore for any comments that READ may have. Director Shore responded that his division is watching resort bills and tax-credit bills, to jump start employment. These bills are not moving right now, but after cross-over it is anticipated more bills will be scheduled for hearing.

2. ATDC Draft Strategic Plan Update Including Comments Received During the Public Commentary Phase

Ms. Pfund introduced Mr. Otake to report on the Draft Strategic plan. Mr. Otake reported that based on opposing public input, the draft plan will be revised to delete the item pertaining to the relocation of Irwin Park.

Mr. Otake described the need to support and enhance the commercial viability of the marketplace and sufficient parking is a factor. Other issues involve transit oriented development as the rail stops go in, and the take-down of the HECO power plant which is a long-term goal. Another PAG meeting will be held.

Ms. Pfund clarified the proposal that would fill in Piers 7 and 8 area, and commented that the area would still retain pier frontage to accommodate the ships that are currently berthed there. Mr. Otake stated that this item would involve further study by the U.S. Army Corps of Engineers and would also need to be reviewed for feasibility and viability. Marine security issues would also need to be reviewed.

Ms. Pfund asked if any public members in attendance would like to comment. Mr. Howard asked what was the opposition to move Irwin Park if it is replaced with a like-kind park at the waterfront. Mr. Otake responded this is due to the park's site specific historical designation and value.

Mr. Loy commented that there have already been court challenges to the park that have been defeated, and that the park retains a historic landscape in Downtown. Ms. Pfund remarked that it was never the intent of the Draft Plan to eliminate the park, but rather to exchange the park site with the Piers 5 and 6 site by mutual agreement. The intent was for a mutually agreeable exchange. Mr. Loy commented that there was a clear response from the beginning against moving the park that is not negotiable to the parties involved.

Mr. Howard inquired if the rail station will be on Irwin Park property. Ms. Pfund responded in the negative, that it would be on the HECO site.

Director Enos commented about an eminent domain case in Connecticut; would that be something to consider in the far-range future. Mr. Loy said that is so far in the future and may never happen. Director Tsuji commented the case involving Irwin Park was a state case not involving eminent domain.

Ms. Pfund remarked that there were several meetings held and attempts to reach out to the public before the draft plan was released, and that Ms. Matson was not present at any of those meetings despite communications made. Ms. Pfund noted that Ms. Matson has been an active and supportive member of the PAG and more effort will be made to ensure that she is able to participate in future scheduled meetings.

(A recess was called at 11:45 a.m. to 11:51 a.m. The HMG Directors were dismissed.)

F. EXECUTIVE SESSION

Ms. Pfund, Mr. Sadayasu, Mr. Otake and Ms. Harrison were requested to be present for the Executive Session.

- 1. Pursuant to section 92-5(a)(4), HRS, to consult with ATDC's attorneys on questions and issues pertaining to ATDC's powers, duties, privileges, immunities and liabilities regarding the Mediation proceedings with AHI ALOHA ASSOCIATES, LLC.**

The Board entered into Executive Session at 11:52 a.m. and reconvened at 12:39 a.m.

G. ADJOURNMENT

A motion was made by Director Otani and seconded by Director Tsuji to adjourn the meeting at 12:40 a.m. A vote was taken and the motion passed unanimously.

Respectfully submitted,

/Sandra Pfund/
Recorder