

REPORT OF THE CHIEF EXECUTIVE OFFICER

November 29, 2006

1. Administration

A. Personnel

1. Mr. Thomas Otake began work on November 1, 2006 as ATDC's Development Director/Special Assistant.

B. Fiscal Year 08-09 Budget

Budget & Finance has completed its budget decisions and made its recommendations to the Governor. The ATDC is not seeking any additional funding to its operating budget or any Capital Improvement Project (CIP) funding. However, we continue to pursue Administration approval of a legislative "big idea" to formalize the partnership between ATDC and DOT for continuation of harbor infrastructure development projects. Both DOT and DBEDT have separately proposed the idea to the Administration's executive policy and budget staff and the response has been positive. Deputy Attorney General Gregg Kinkley has drafted statutory language for review.

The Hawaii Harbors Users Group (HHUGS) is in support of the partnership and is promoting the concept to the Legislature.

2. Project Reports

A. New World Diver's Inc. (NWD)

On October 25, 2006, the ATDC Board of Directors approved a six-month extension of time to complete the financial commitments to proceed with construction. NWD continues to secure its financial commitments. The EB5 application was approved by DBEDT.

B. Hawaii Harbors Project (HHP)

1. Sand Island Expansion Project

The final form of the lease to Matson for 9.6 acres of the 30-acre parcel, recently acquired by Executive Order, is complete and signed off by legal and DOT Harbors. The documents are with Matson for execution.

2. Kapalama Military Reservation (KMR)

A. All consultants are currently engaged in respective projects. Current activities include:

- (1) **Fung Associates**, architects, were selected to complete a historical review and documentation of the KMR site. A draft report entitled *Historic Architectural Survey of Former Kapalama Military Reservation and Hawaiian Dredging Sites* was completed in September and submitted to the State Historic Preservation Division (SHPD) for review in draft form. SHPD has approved the report for finalization. The report and required photo documentation are being finalized for submittal to SHPD at the end of November.

The Governor approved additional funding to include historical documentation of two buildings that were part of the KMR complex in the Young Brothers cargo yard. Fung Associates has included these buildings for the final report.

- (2) **JWD** presented its fourth progress report on November 16 and 17, 2006. Harbor users such as Horizon Lines, YB, Hawaii Stevedores, Matson and Island Movers participated in the development planning. Development plans were finalized for the pier frontage, access point/gates and offsite traffic plan, including a phasing plan to permit some interim warehouse use until full build out of the cargo terminal becomes necessary. An order of magnitude cost estimate of \$238 million was presented. Martin and Associates, financial sub-consultants, provided financial analysis and alternatives. JWD will return for its next round of meetings in January 2007. A presentation by JWD to the Governor's Office is being planned to advise the Administration on the development cost implications to implement the project.
- (3) **Belt Collins** finalized its facilities assessment of the UH Marine Center. The second phase will involve feasibility and cost estimates to construct a new

facility at a relocation site, which has yet to be finalized.

Focus will continue on the relocation of the three major tenants (UH Marine Center, Island Movers and Pacific Shipyard) along the KMR pier frontage.

B. Island Movers and Relocation of LCL Cargo Handling from Piers 1 & 2

A five-year lease has been executed for the core facility at Island Movers.

3. Piers 1 & 2 – CFS#2 Shed Demolition and Lighting Upgrades

Bid opening occurred on October 26, 2006. A total of five (5) bids were received ranging from \$5.3 – \$6.2 million. Budget for the project is \$2.4 million. The project is to proceed under a component package and inclusive of value engineering adjustments. Construction is targeted to start in January 2007.

4. Young Brothers - Demolition of Pier 40 Shed, Assessment of Lighting Adequacy and Environmental Assessment and Cost Estimates for the Future Demolition of the YB Administration Buildings.

Governor Lingle approved an allotment release of \$600,000 for project funding. A design engineer has been selected. The Pier 40 shed must be cleared of occupancy by February 15, 2007 to commence construction.

Demolition of the Pier 40 Shed must be completed by April 30, 2007 pursuant to the Memorandum of Agreement between DOT Harbors and YB that set forth conditions imposed on DOT in order for YB to continue LCL cargo service.