



LINDA LINGLE
Governor
MELISSA PAVLICEK
Chairperson
SANDRA PFUND
Chief Executive Officer

ALOHA TOWER DEVELOPMENT CORPORATION

600 Fort Street, Pier 10 Terminal, 2nd Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Website: www.alohatower.org

Telephone: (808) 586-2530
Fax: (808) 586-3046
E-mail: atdc@alohatower.org

BOARD MEETING ALOHA TOWER DEVELOPMENT CORPORATION

February 28, 2007

**No. 1 Capitol District
250 S. Hotel Street
DBEDT Conference Room 436
Honolulu, Hawaii 96813**

MINUTES OF MEETING

BOARD MEMBERS PRESENT: Melissa Pavlicek - Chairperson
Sidney Quintal - Vice-Chairperson, C & C of Honolulu
Glenn Okimoto – DOT
(designee for Barry Fukunaga, Interim Director)
Robert Masuda – DLNR
Ted Liu – DBEDT (arrived at 12:15 p.m., departed at
1:24 p.m.)
Mark Anderson – DBEDT
(designee for Theodore E. Liu, Director)
Jason Okuhama
Neal Otani

ATDC STAFF PRESENT: Sandra Pfund, Tom Otake, Deidre Harrison

OTHERS PRESENT: Jon Pang, Carol Hopkins, Sumner Howard, Andrew
Gomes, Michelle Matson

LEGAL COUNSEL PRESENT: Gregg Kinkley, Deputy Attorney General

A. CALL TO ORDER

Chair Pavlicek called the meeting to order at 12:02 p.m.

B. APPROVAL OF MINUTES

Regular Meeting of January 31, 2007

Chair Pavlicek called for a motion to adopt the Meeting Minutes for the meeting held on January 31, 2007. Director Anderson moved to adopt the minutes, and was seconded by Director Quintal. The motion passed unanimously.

Item D.1. was taken out of order and addressed as the first item for discussion on the agenda.

D. ITEMS FOR INFORMATION

1. Status Report on the UC URBAN Project at Piers 5 and 6

Due to numerous inquiries by various outside parties regarding the status of the project, Chair Pavlicek wished to recap for the record, the actions taken to date and the current status of the UC URBAN project for Piers 5 & 6. She stated that in September 2002, an RFP was issued for the Piers 5 & 6 project; and Kenneth Hughes, Inc. was selected as the most likely to develop the project, negotiations ensued, and in 2004, a Development Agreement was signed.

Chair Pavlicek commented that ATDC has received some criticism for moving too quickly, as well as criticism for moving too slowly, on various actions pertaining to this project. She noted that ATDC has tried to achieve a balance and be diligent in its purpose to develop Piers 5 & 6.

Chair Pavlicek stated that ATDC is currently in negotiations for a more detailed Component Development Agreement, and the developer has expressed frustration over the length of time being taken to complete this process; some of the time taken in this process has been towards investigating two issues at the request of the developer:

1. Sale of the land in fee-simple – this is not statutorily possible. ATDC spent months investigating this possibility and other alternatives with the Office of the Attorney General.
2. Variance application for the project – this was not an appropriate measure, and again, ATDC spent months investigating this possibility. It was determined that a Project Eligibility and Rule Modification were the appropriate measures to take, and a public hearing was held on December 12, 2006 after a required public notice period.

Chair Pavlicek commented that progress seems to be occurring as quickly as is prudent, despite comments from the developer that progress is moving slowly, and she chose to make these statements in this public meeting to clarify any perception to the contrary.

Director Anderson commented that an extension has been granted to complete the Component Development Agreement in six (6) months, or as soon as possible. Chair Pavlicek noted that at every turn of events, the ATDC Board has been in support of the project and continued with negotiations; there is no reason to believe the developer does not want to do so either, so we should continue to move forward.

Director Okimoto asked whom the ATDC staff has been negotiating with and if cooperation is being extended. Ms. Pfund replied that staff has been meeting with the developer's legal counsel, Mr. James Stubenberg, Esq. Mr. Kenneth Hughes was last here in person in July 2006. Director Quintal asked if Mr. Stubenberg is the right person to be meeting with. Ms. Pfund replied that some issues are legal issues and Mr. Stubenberg is handling those, and some are business issues and these are being channeled to Mr. Hughes through Mr. Stubenberg.

Ms. Pfund stated that in July 2006, the board approved the conceptual project and charged staff to negotiate a component development agreement and ground lease. She noted that the level to which conditions to the conveyance of property rights would be attached depended on how far along the project has progressed; in this case the project is at the conceptual level so staff is attempting to negotiate conditions and terms in order to provide documents as soon as possible. She noted that the developer would like to proceed quickly to the ground lease, which conveys property rights before expending additional money towards more detailed plans.

Chair Pavlicek commented that ATDC needs to maximize the return for the state on this project and should the developer be unwilling to negotiate the details of the project, the process slows.

Director Masuda commented that prudent progress has been made on the project, and that ATDC has a special duty to proceed in a certain way, leading the public process as stewards for the state. He noted that an example of that progress is the formation of the Public Advisory Group (PAG). Director Masuda remarked that the project is moving along and progress is being made in a timely manner.

Director Masuda commented that he had seen a news report a few months ago on the Pacific Quay project that showed the project encompassing more than the Piers 5 and 6 area. Chair Pavlicek replied that there had been bigger project plans initially, but that at this time the project authorization is limited to Piers 5 and 6.

Director Anderson commented that so far, good effort has been made by establishing a negotiating team of ATDC staff, and they should continue with their efforts.

Director Anderson inquired about whom to contact if board members receive any communications on the project. Chair Pavlicek replied that any inquiries should be referred to Ms. Pfund, who in turn will refer them to Mr. Kinkley.

In closing, Chair Pavlicek commented that this summary and recap on the project status was in response to the rising level of commentary as a result of the developer's remarks that ATDC is moving too slowly on the project.

Chair Pavlicek requested Ms. Pfund to present her Information Report. Ms. Pfund referred to the report in the Board packet and highlighted the following key matters of concern.

Ms. Pfund reported that Mr. Kinkley and Mr. Pang are negotiating the draft documents and have held three (3) meetings with the developer's attorney, Mr. Stubenberg.

(Director Liu arrived at 12:15 p.m.) Director Pavlicek gave a brief overview of the meeting thus far.

Director Liu inquired about how the ATDC can negotiate a lease without detailed residential, commercial information from the plans. Ms. Pfund replied that the July 2006 submittals by the developer were conceptual and general information. The information gathered has been at the request of the ATDC staff, but some items are not updated and new information has not been submitted.

Director Liu remarked that it is clear that the board wants the project to proceed with public support and understanding, and more information is needed to perform that function.

Director Liu commented that issues and conditions of the project need to be built into a development agreement before entering into the ground lease. The board agreed to a six (6) month extension to July 25, 2007, and time is passing.

Ms. Pfund reported that the Public Advisory Group (PAG) has received the developer's conceptual drawings and would like more detailed information, at this time, there is not much for the PAG to comment on.

Ms. Michelle Matson, PAG member, remarked that there are questions from the PAG and is it appropriate for them to comment on guidelines to the developer. Chair Pavlicek advised that we are now in the process of working through legal issues, and later the input from the PAG will aid the board.

Ms. Pfund reported that the PAG meeting minutes are included in the board packet; concerns of the group were reported, as well as their desire for more detailed information. Chair Pavlicek remarked that the directors might want to attend PAG meetings. Ms. Pfund replied that Director Otani was present at the group's February meeting.

Director Otani reported that the PAG members are well-qualified representatives and seem familiar with land usage around the Piers 5 & 6 area. He noted that PAG members seem in support of the project.

Chair Pavlicek asked for any public comments. Mr. Sumner Howard commented to "keep up the good work", and advised that he had spoken with Mr. Michael Chu, PAG member who commented that nothing is really happening with the group yet due to lack of substantive information.

Ms. Matson commented that the PAG is looking at harbor use and has some questions that may be answered at their next meeting tomorrow, March 1, 2007.

Director Masuda remarked that the recommendations and questions from the PAG are very important on this project.

Mr. Andrew Gomes asked how the Aloha Tower Marketplace project happened, if there was a development agreement before the lease. Mr. Kinkley replied that a lease was entered into with many suppositions that did not occur, so with lessons learned from that project, we are proceeding in negotiations with the present developer.

C. REPORT OF THE CHIEF EXECUTIVE OFFICER

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

1. Legislative Proposal

Ms. Pfund reported on the ATDC-DOT-Harbors partnership bills to develop harbor infrastructure. Senate Bill 1361 was amended to restrict ATDC's work to Honolulu Harbor only. House Bill 250 would permit ATDC's involvement statewide. Both bills are alive and will cross over to the other side for further consideration.

Director Liu asked why the restriction to Honolulu Harbor only. Ms. Pfund replied that some legislators feel that ATDC was established for the area only and the "Aloha Tower" name is something of a misnomer if work is being performed out of the Honolulu jurisdiction. She also noted that the word "development" in the ATDC name could have negative images on the Neighbor Islands to those opposed generally to development.

2. Hawaii Harbors Project (HHP)

Ms. Pfund reported that the Piers 1 and 2 project is progressing with the shed and tower demolished and site work in progress. The Pier 40 project is proceeding with the demolition of the shed.

F. EXECUTIVE SESSION

Chair Pavlicek asked for a motion to move into Executive Session. Director Otani moved and Director Okuhama seconded a motion to enter into Executive Session. The motion passed unanimously.

Mr. Kinkley, Mr. Otake, Ms. Pfund, Ms. Harrison and Special Legal Counsel Jon Pang were requested to be present for the Executive Session.

- 1. Discussion and Deliberation Regarding ATDC's Rights and Responsibilities Under the Development Agreement Relative to the Proposed UC Urban Project, Pursuant to Section 92-5(a)(4), Hawaii Revised Statutes**
- 2. Discussion and Deliberation Regarding the Status of Negotiations Under the Mediation Proceedings with AHI ALOHA ASSOCIATES, LLC Pursuant to Section 92-5(a)(3) and 92-5(a)(4), Hawaii Revised Statutes**

The Board entered into Executive Session at 12:45 p.m. and reconvened at 1:25 p.m.

(Director Liu departed at 1:24 p.m.)

G. ADJOURNMENT

There being no further business, Chair Pavlicek asked for a motion to adjourn the meeting. Director Anderson moved and Director Otani seconded the motion for adjournment. The motion passed unanimously and the meeting was adjourned at 1:26 p.m.

Respectfully submitted,

 /Sandra Pfund/
Recorder