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ALOHA TOWER DEVELOPMENT CORPORATION

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BOARD MEETING ALOHA TOWER DEVELOPMENT CORPORATION

December 19, 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
Neal Otani
Ted Liu – DBEDT
Jason Okuhama
Michael Formby
- BOARD MEMBERS EXCUSED:** Laura Thielen – DLNR
- ATDC STAFF PRESENT:** Sandra Pfund, Tom Otake, Deidre Harrison, Shari Ikeda
- OTHERS PRESENT:** Paul Sheriff, Barry Fukunaga, Georgina Kawamura,
Karen Holma, Esq., Mike Carroll, Esq., Sumner
Howard, Kirt Pruyne, Ray Ramones, Kenneth Teramoto,
Ku'uhaku Park, Michelle Matson
- LEGAL COUNSEL PRESENT:** Gregg Kinkley, Deputy Attorney General

A. CALL TO ORDER

Chair Pavlicek called the meeting to order at 2:05 p.m.

Chair Pavlicek welcomed members of the public, and asked for their understanding as the Board amends the order of agenda items.

Chair Pavlicek called for a motion to amend the order of the agenda to first discuss legal matters in Executive Session pertaining to ACTION Item D.2. Director Quintal moved to amend the order of the agenda, and was seconded by Director Okuhama. The motion passed unanimously.

EXECUTIVE SESSION

Chair Pavlicek asked for a motion to move into Executive Session. Director Liu moved and Director Quintal seconded a motion to enter into Executive Session. A vote was taken and the motion passed unanimously.

Mr. Kinkley, Ms. Pfund, Mr. Otake, Ms. Ikeda and Ms. Harrison were requested to be present for the Executive Session, as well as Ms. Holma, Esq. and Mr. Carroll, Esq., special legal counsel to ATDC.

- 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 2:07 p.m. and reconvened at 2:34 p.m.

B. APPROVAL OF MINUTES

Regular Meeting of November 13, 2007

Chair Pavlicek called for a motion to adopt the Meeting Minutes for the meeting held on November 13, 2007. Director Liu moved to adopt the minutes, and was seconded by Director Okuhama. The motion passed unanimously.

Chair Pavlicek took a moment to thank Ms. Pfund for the email she sent to directors regarding the presentation by the Governor of the Harbors Modernization Program at a press conference, and to thank Ms. Pfund and Mr. Formby for their attendance at that press conference.

C. REPORT OF THE CHIEF EXECUTIVE OFFICER

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

Ms. Pfund reported that staff has met with Apollo Investments and West Trust, owners of Aloha Tower Marketplace (ATM) and discussed plans to increase parking in a design that would be similar to the original parking plans when ATM was first built.

Ms. Pfund reported that packets have been prepared and are being distributed for the Keehi Industrial Lots –Sand Island, Pier 60, Request for Proposals (RFP).

Ms. Pfund further reported that Mr. Formby will present a Powerpoint presentation on the Harbors Modernization Plan later in the meeting. Mr. Barry Fukunaga, Governor’s Chief of Staff, Ms. Georgina Kawamura, Director of the Department of Budget and Finance, and Ku’uhaku Park from the Hawaii Harbors Users Group, will be present for questions and comments .

D. ITEMS FOR ACTION

1. Discussion and/or Action to Terminate the New World Divers (NWD) Development Agreement and Component Lease

Mr. Otake reported that numerous and generous extensions of time have been granted to NWD to fulfill the final pre-development condition, which is evidence of financial commitment by a lender or investors to construct the project under the development agreement. At this time, NWD has not met the condition. ATDC staff recommends that the ATDC Board of Directors authorize staff to terminate the NWD Development Agreement and Component Lease.

Mr. Otake commented that informal discussions with Apollo Investments have occurred on the possibility of NWD locating its project at ATM. Mr. Sheriff commented that much of the financial budget for the project has been for facilities, and that perhaps the new discussion with Apollo can lead to new possibilities for future development.

Chair Pavlicek remarked that she appreciates Mr. Sheriff’s efforts and honesty, and will consider future endeavors. Director Liu remarked that he appreciates Mr. Sheriff’s entrepreneurial drive and efforts. Mr. Sheriff commented that he has enjoyed working with the ATDC Board.

Chair Pavlicek asked for a motion to terminate the New World Divers Development Agreement and Component Lease. Director Liu moved to terminate the New World Divers Development Agreement and Component Lease, and Director Okuhama seconded the motion. The motion passed unanimously.

2. Discussion and/or Action to Authorize Special Deputy Attorney General to Proceed with Choice of Arbitrator

Chair Pavlicek called for a motion that the ATDC Board of Directors authorize special legal counsel to begin the process of stipulating to the selection of an arbitrator in the matter with Kenneth H. Hughes, Inc. (KHH). Director Quintal moved and Director Liu seconded the motion to stipulate to the selection of an arbitrator in the matter with KHH. The motion passed unanimously.

(Director Liu departs at 2:45 p.m.)

(C.) RETURN TO REPORT OF THE CHIEF EXECUTIVE OFFICER

The Board returned to this agenda item for a Powerpoint presentation of the Harbors Modernization Plan (HMP)

Director Formby gave a brief introduction of the HMP, and reported that DOT-Harbors Harbors' focus is on the operation and maintenance of the state's harbors, which over the years has created a lag in infrastructure improvements that harbor users have noted. Since it is difficult for DOT-Harbors to focus on infrastructure development and expansion while essential operation and maintenance of the harbors are ongoing, collaboration with ATDC on a task force, known as the Hawaii Harbors Projects (HHP), was developed to work on infrastructure in Honolulu Harbor. He noted that the task force has proven very successful. Due to the success of the HHP, an expanded collaboration with ATDC to cover commercial harbors statewide has been proposed under the HMP. Implementation of HMP would involve expanding the ATDC Board to create a sub-group of directors who would be HMP members.

Ms. Pfund reported that legislation is currently in draft form, and the expansion of the ATDC Board was patterned after Hawaii Community Development Authority (HCDA), with their Kalaehoa jurisdiction. ATDC would continue with its current directors, and a sub-group of 4 new directors would be added to oversee HMP matters only. The HMP sub-group would include one member from each neighbor island county, and one member with maritime experience. The next board member appointed after current expiration would be a member with maritime experience.

Ms. Pfund continued and reported that funding for projects would be through revenue bonds issued and authorized to DOT, and funds would then be transferred to ATDC for the projects. Currently, DOT-Harbors is overseen by the Department of Land and Natural Resources (DLNR) for approval of leases and other land disposition items, and the proposed legislation would transfer that authority to the ATDC HMP Board. The funding of the revenue bonds would include a budget for additional staffing and project

related costs for ATDC. The HMP funds would be authorized at one time for \$842.1 million for the entire program, with yearly appropriations for each year's projects.

Mr. Formby remarked that ATDC would become the development arm for DOT-Harbors, and HMP would conclude in 2016, upon completion of the projects.

Chair Pavlicek asked what the role of the ATDC Board would be during the HMP. Mr. Formby replied that the ATDC Board would provide long-range guidance and ensure that policies are on track, and that the ATDC CEO would provide day-to-day management of the projects with the assistance of ATDC retained project managers. Ms. Pfund responded that there will also be a need for private partners to manage the construction projects. The project managers would be on each island and provide day-to-day construction management.

Chair Pavlicek asked what the ATDC Board's role during the legislative process would entail. Ms. Pfund replied that the ATDC CEO would testify at the legislature and be in communication with the Board and keep them apprised.

Director Quintal asked what happens to HMP when the current governor's term expires. Mr. Formby replied that there is early buy-in at the legislature for the project, and that the bill is under joint sponsorship.

Mr. Formby began the Powerpoint presentation. Hard copies of the presentation were included in the ATDC Board packet.

(Mr. Fukunaga, Ms. Kawamura, Mr. Park, and Ms. Matson arrived at 3:20 p.m.)

Mr. Fukunaga remarked that HHUG's members put aside their competitive interests for the good of harbors development, and support of the HMP. This project is a new approach to the problem of harbors infrastructure improvements, with an alignment of different departments in collaboration with each other.

Chair Pavlicek inquired about funding for the project. Ms. Kawamura replied that DOT-Harbors has special funding from the state, not from the general fund, so they may borrow monies on their own. DOT-Harbors will develop a new tariff schedule to pay the debt service from the bonds they borrow.

Chair Pavlicek inquired about the ATDC Board's role in the funding process. Ms. Kawamura replied that ATDC will be acting as the agent for development of the plans and projects in HMP, and that DOT-Harbors will provide the funds for those projects. Mr. Fukunaga remarked that this is a daunting task being undertaken, as these are working harbors.

Chair Pavlicek asked if the next administration will continue the project. Mr. Fukunaga replied that this is not a partisan project, and that it should be far enough along that the next administration will continue with it. Mr. Fukunaga remarked that the project is well supported by HHUGs, and that maritime industry support is essential. The HHP project and its success ~~has~~have given credibility to a successful partnership between ATDC and DOT-Harbors.

Chair Pavlicek asked if there were any questions from the Board. Director Okuhama asked what the revenue bond impact would be to the consumer. Mr. Fukunaga replied that there will be a small incremental increase in the cost of goods. Mr. Fukunaga and Ms. Kawamura both remarked that there will be more of an economic cost to the consumer to do nothing, and to not implement this program, and explained how inefficiencies in the processing of cargo would more significantly impact the cost of goods to the consumer.

F. ADJOURNMENT

There being no further business, Chair Pavlicek asked for a motion to adjourn the meeting. Director Formby moved and Director Okuhama seconded the motion for adjournment. The motion passed unanimously and the meeting was adjourned at 3:45 p.m.

Respectfully submitted,

 /Sandra Pfund/
Recorder