

REPORT OF THE CHIEF EXECUTIVE OFFICER

July 30, 2008

A. Administration

1. Administrative & Financial Reports

a. Establishment of the Harbors Modernization Group (HMG)

- i. New Office Space. Pursuant to the Board's approval on May 28, 2008 to lease new office space, a memo dated June 3, 2008 was submitted to the DAGS Comptroller for his approval to begin negotiations on new office space, focusing on an office in the TOPA Tower. DAGS Leasing Division has completed lease documents on behalf of ATDC for lease of an office space of 5,085 square feet in the Bishop Tower, Suite 1701. The lease documents are currently with the Attorney General's Office for review.

Terms of the lease include beneficial occupancy for the months of August and September, with rent payable from October 2008. Monthly rent will approximate \$16,000/per month inclusive of CAM. Rent will be allocated between ATDC and the Harbors Modernization Group (HMG) based on the number of positions allocated to each program.

TOPA Tower has further agreed to permit use of office cubicles, desks and chairs as part of the lease arrangement at not cost to ATDC. As a result, ATDC will not be required to buy any additional furniture or fixtures at this time.

Staff has initiated a telecom request through DAGS ICSD for installation of phone and data lines at the new office. Installation of such lines is on the critical path for ATDC to begin occupancy of the new office.

Other expenses related to the new office space include moving costs and purchase of additional computers and printers for the HMG. A new lease for an additional copy machine is also proposed.

- ii. New Position Descriptions. Meetings were held with DBEDT Administrative Services Office and the Department of Human Resource Development (DHRD) on establishment of a functional statement, new organizational chart and positions for the HMP.

A memo dated June 30, 2008 was transmitted to the Director of Budget and Finance for approval of a reorganization plan for ATDC. The reorganization plan includes a new organizational chart to establish additional staffing positions and a new functional statement to describe the added duties resulting from HMG. **(Exhibit A)**

New position descriptions have been prepared and are being reviewed by DBEDT Personnel.

Hiring of staff is pending approval of the reorganization plan, position descriptions and Governor's approval to establish and fill positions.

- iii. Coordination on Funding Delegations with DOT. Meetings have been initiated with DOT to establish procedures for funding delegation, including identification of compliance requirements for accounting and financial reporting.
- iv. Establishment of the HMG Board. Senate Bill 3227 (Act 200, Session Laws of Hawaii 2008), establishes the HMG Board as consisting of the Mayors of the counties of Hawaii, Maui and Kauai, or their designated representatives, the Director of Budget and Finance and two public members from the maritime industry to be appointed by the Governor.

The Mayors of the counties of Hawaii, Maui and Kauai have designated representatives to serve on the HMG Board as follows:

- (1) Hawaii – Ian Birnie, Hawaii Harbormaster
- (2) Maui – Mahina Martin, Community Relations and Communications Director for Mayor Charmaine Tavares
- (3) Kauai - Lani Dianne Hiyane Nakazawa, Executive Assistant to the Mayor

Governor Lingle transmitted letters on July 8, 2008 to the Mayors, acknowledging the designated representatives. **(Exhibit B)**

The Governor is currently reviewing possible candidates from the maritime industry for appointment to the HMG Board.

b. Media Reports

- i. On June 20, 2008, Governor Lingle signed Senate Bill 3227 into law as Act 200, Session Laws of Hawaii 2008. **(Exhibit C)**

A signing ceremony, organized by DOT Harbors staff, was held at Kahului Harbor. Senator Roz Baker, Senator Kalani English, Representative Joe Souki and many members of the Hawaii Harbors Users Group were in attendance. News articles covering the event include:

- (1) “New law clears way to upgrade ‘lifelines’”, Honolulu Advertiser, June 21, 2008. **(Exhibit D)**
- (2) “Signing clears way for harbor program”, The Maui News, June 21, 2008 **(Exhibit E)**

B. Project Reports

1. Aloha Tower Complex

a. Piers 5 & 6 – Hughes Development – Demand for Arbitration

i. Depositions were completed as follows:

- a. Michael Pang (real estate consultant for Hughes) 5/27/08
- b. Steven Chee (ATDC appraiser) 6/3/08
- c. Stephen Stadlbauer (ATDC appraiser) 6/3/08
- d. Paul Cool (ATDC appraiser) 6/4/08
- e. Jon Pang (ATDC Special Legal Counsel) 6/5/08
- f. Karl Heyer (Hughes real estate sales consultant) 6/5/08
- g. Melissa Pavlicek (ATDC Chairperson) 6/6/08
- h. Tim McMonagle (Hughes development/construction consultant) 6/9/08
- i. Sid Quintal (ATDC Director) 6/10/08
- j. Michael Formby (ATDC Director) 6/12/08
- k. Jason Okuhama (ATDC Director) 6/12/08
- l. Ronald Hirano (former ATDC Executive Officer) 6/12/08
- m. Don Carp (Hughes - Pankow Construction Vice-President) 6/13/08
- n. Kenneth Hughes – Texas Deposition 6/17/08
- o. Tom Otake (ATDC staff member) 6/17/08
- p. Chester Koga (ATDC – RM Towill planning consultant) 6/17/08
- q. Tim Slaughter (employee of Hughes) 6/18/08
- r. Jorg Mast (partner of Hughes) 6/18/08
- s. Pam Stein, Esq. (attorney for Hughes on the project documents) 6/19/08
- t. Daniel Healy (Royalton, real estate investment firm and potential financier for the project) 6/20/08
- u. Leslie Love (Freemont, potential financier for the project) 6/23/08

- v. Ken West (Freemont, potential financier for the project) 6/24/08
- w. James Magowan (Hughes investment capital broker) 6/25/08
- x. Jim Lyon (former ATDC Boardmember) 6/27/08
- y. Allan Dowsett (Hawaii friend and confidant of Hughes) 7/2/08
- z. Dan Orodener (former ATDC Acting Executive Director) 7/3/08
- aa. Richard Ragatz (Hughes consultant on fractional ownership condominiums) 7/7/08
- bb. Jeff Stone (ATDC witness regarding Hughes development concept) 7/9/08
- cc. David Louie (former ATDC Chairperson) 7/10/08
- dd. David Callies (UH Law Professor and Hughes expert witness) 7/11/08
- ee. Sanford Murata (ATDC Expert Witness) 7/18/08
- ff. Phil Russell (ATDC Real Estate Consultant) 7/24/08

- ii. Special legal counsel has prepared the attached calendar, which shows the remaining deposition schedule and the arbitration schedule. **(Exhibit F)**
- iii. Karin Holma, Esq., will update the Board on the status of the arbitration case in Executive Session.
- iv. Deposition transcripts are becoming available as they are completed. Board members are asked to contact staff if they wish to review the depositions.

b. Aloha Tower Marketplace (ATM)

The Investigative Committee met with AHI Aloha Associates under Rule 408 on June 17, 2008. A report on the meeting will be provided under Executive Session.

c. Update of the Aloha Tower Project Area Development Plan and Rules

The New Opportunities Investigative Committee met with RM Towill Corporation on June 18, 2008. A status on current conditions was discussed and a schedule of meetings to gather information was tentatively set. A presentation to the ATDC Board is planned for August 2008.

RM Towill also conferred with the City & County Department of Transportation Services (DTS) regarding the mass transit project and potential transit stops that would affect the Aloha Tower Project Area.

On June 26, 2008, a meeting was held with the Bishop Museum to discuss the status of the Maritime Museum at Pier 7.

d. Public Advisory Group

The Public Advisory Group (PAG) was convened on July 3, 2008. A presentation was made by RM Towill Corporation on existing conditions and new opportunities for the Aloha Tower Project Area. The PAG was provided an update on the Piers 5 & 6 Project and discussion was held regarding the groups interest in expanding its advisory role to the greater project area.

2. Harbors Modernization Plan Projects

a. Sand Island Expansion Project

Relocation Site for the University of Hawaii Marine Center

The UH Marine Center has conceptually agreed to bifurcate operations by placing small craft and educational programs on DOT controlled lands adjacent to the Marine Education Training Center (METC) on Sand Island. Belt Collins has finalized the conceptual plans and a facility report. Discussion on land disposition matters has been initiated with UH and DLNR.

High security large research vessel operations are slated for relocation to Pier 34/35. A supplemental contract with DMJM Harris for conceptual site planning of Pier 34/35 and development of a lease template has been executed. The Governor has released \$195,000 in funding for the project.

DMJM Harris conducted planning sessions on July 9-11, 2008, involving all stakeholders. Data regarding the site was collected and planning options will be formulated. The next meeting is scheduled for late August 2008.

b. Keehi Industrial Lots – Sand Island, Pier 60

A Request for Proposals (RFP) was issued for the proposed redevelopment of the 20-acre site, which is comprised of reclaimed land. The RFP includes the planning, design, development, construction, operation and maintenance of an industrial park complex to provide opportunities for maritime or maritime-related uses.

An Evaluation Committee consisting of ATDC and DOT staff has made a selection recommendation to the DOT Director. Upon approval, staff will seek approval of the selection before the Board of Land & Natural Resources, and then enter into exclusive negotiations on a development agreement and lease.

c. Kapalama Container Terminal

The DOT, B&F and the Governor approved all of our requests for allotment releases to fund various projects to further development of the Kapalama Container Terminal. Attached is the status of the requests. **(Exhibit G)**

d. Hana Harbor

A meeting was held with Senator Kalani English on July 16, 2008 regarding planning for Hana Harbor. Meetings were also held with DOT Harbors and DLNR to collaborate on the planning effort.