

JAN 22 2007

A BILL FOR AN ACT

RELATING TO ALOHA TOWER DEVELOPMENT CORPORATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. In order for the harbors division of the
2 department of transportation to meet the economic needs of this
3 State, suitable harbor facilities must be provided to assure the
4 efficient and timely delivery of goods imported into the State
5 by shipping. Hawaii's aging commercial harbor system has not
6 kept pace with our growing economy, and it is now critical to
7 upgrade existing port facilities and develop harbor improvements
8 in an expedited manner. Under its statutory mandate, the
9 harbors division is focused on essential daily management and
10 operations of the commercial harbor system rather than
11 development of new expansion opportunities. In order to achieve
12 the development of critically needed harbor infrastructure
13 improvements in an expedited manner, the harbors division
14 desires to partner with Aloha Tower Development Corporation, an
15 entity with a development oriented mission, statutory powers, and
16 expertise in the development of state-owned properties, to
17 prioritize development of harbor infrastructure in order to

1 curtail statewide economic hardships that will occur if the
2 harbors reach maximum cargo handling capacity by the year 2011
3 as currently projected.

4 The harbors division is additionally stymied by the lack of
5 funding necessary to develop costly wharfs and cargo handling
6 terminals and the ability to consider development oriented
7 financing options such as public or private partnerships under
8 its traditional structure, but Aloha Tower Development
9 Corporation is empowered to do such things. A partnership with
10 the Aloha Tower Development Corporation, which has jurisdiction
11 over a portion of Honolulu Harbor, can also assist the harbors
12 division by providing financial support from its limited
13 commercial development along the downtown urban waterfront.
14 Revenues generated from commercial development are proposed to
15 be directed towards the funding of commercial harbor system
16 infrastructure improvements.

17 SECTION 2. Chapter 206J, Hawaii Revised Statutes is
18 amended by adding a new section to be appropriately designated
19 and to read as follows:

20 "§206J- Projects with state agencies. (a) Consistent
21 with its general powers under this chapter, the development
22 corporation may undertake projects for commercial harbors, as

1 that term is defined in section 266-1, under the control or
2 jurisdiction of the department of transportation.
3 Notwithstanding any provision in section 206J-17 to the
4 contrary, payments to the development corporation for its
5 administrative and operational expenses shall be made by the
6 department of transportation and deposited into the Aloha Tower
7 fund, in a sub-account designated for the particular development
8 project.

9 (b) Authorization for funding and participation of the
10 development corporation in projects under this section, and
11 additional position authorizations within the development
12 corporation therefor, shall be subject to legislative approval
13 on a project by project basis. Such approval shall include the
14 addition of a new part to this chapter for each project
15 undertaken under this section, bearing the title of the
16 development project and setting forth the terms, conditions, and
17 any other limitations on the participation of the development
18 corporation that the legislature may enact.

19 (c) If the legislature approves a commercial harbors
20 project to be developed by the development corporation, all
21 appropriations therefor shall be received and administered
22 through the department of transportation. The department of

S.B. NO. 1361

1 transportation shall retain fiscal management and oversight of
2 all project cost expenditures, budget, and contract approvals.

3 (d) Subject to existing contractual and statutory
4 commitments to the department of transportation for any losses
5 in revenue under this chapter, the development corporation may
6 apply any revenues derived from commercial development projects
7 in the Aloha Tower project area to defray the cost of harbor
8 infrastructure improvements incurred within the State."

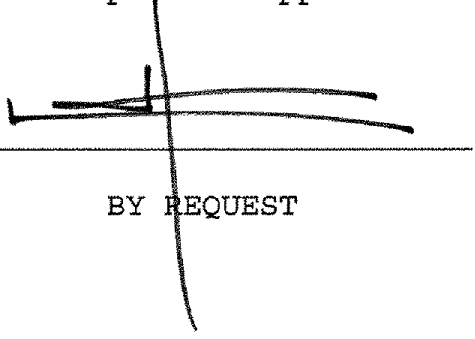
9 SECTION 3. New statutory material is underscored.

10 SECTION 4. This Act shall take effect upon its approval.

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INTRODUCED BY: _____



13

BY REQUEST

JUSTIFICATION SHEET

DEPARTMENT: Business, Economic Development, and
Tourism

TITLE: A BILL FOR AN ACT RELATING TO ALOHA
TOWER DEVELOPMENT CORPORATION.

PURPOSE: To establish a formal partnership
between the Aloha Tower Development
Corporation (ATDC) and the department
of transportation - Harbors Division
(DOT-H) that will allow ATDC to assist
the DOT-H in the development of
selected harbor infrastructure projects
on an expedited basis to meet the
critical demand for harbor expansion
and upgrades.

MEANS: Add a new section to Hawaii Revised
Statutes chapter 206J.

JUSTIFICATION: In April 2005, the Governor's Office
initiated the formation of the Hawaii
Harbors Task Force to respond on a
priority basis to pressing demands for
infrastructure improvements in Honolulu
Harbor. This short-term arrangement
was undertaken to pursue measures to
address the need for space for cargo
and other maritime-related uses due to
increased harbor activity.

Although DOT-H and harbor user studies
anticipated increases in the overall
volume of cargo processed through
Hawaii's commercial harbor system,
actual growth in harbor activity has
occurred at a faster rate than
projected, requiring the State to
accelerate efforts to implement
projects to redevelop existing
facilities and provide expansion for
harbor use. The DOT-H is hampered in
meeting this development objective in

two ways: (1) the harbors division is focused on essential daily management and operations of the commercial harbor system rather than development of new expansion opportunities, and (2) lack of funding to develop costly wharfs and cargo handling terminals, which require consideration of development-oriented options, such as public/private partnerships, that are currently not options under the traditional structure of DOT-H.

There is presently a looming shortage of port facilities in Honolulu Harbor. Reserve capacity for foreign cargo is near depletion and capacity for domestic cargo in Honolulu Harbor is anticipated to be reached sometime around the year 2011. Beyond Honolulu Harbor, many of the commercial harbors statewide are experiencing similar capacity issues. Kahului Harbor in particular is facing critical capacity issues with the lack of adequate berthing piers and cargo handling areas.

Other maritime industries will also be negatively impacted by the lack of adequate expansion space and aging facilities in the commercial harbor system. The passenger cruise business has become a major source of vessel traffic in the harbor system as cruise ships use the commercial harbor system for off-loading and loading passengers. The introduction of the Super Ferry for inter-island travel will place further demands on the harbor system.

Impact on the public: The State of Hawaii imports approximately 80 percent of all of its goods into the State, and of that percentage, 98 percent of such goods are shipped into Hawaii through our commercial harbor system. Every

citizen in our island state is dependent on the harbors for daily life. Should the capacity of state harbors be constrained, adverse statewide economic effects will be experienced such as shortages of essential goods, delays in the delivery of goods, and increased costs. Failure to resolve the issue of harbor expansion will eventually limit growth of the Hawaii economy.

Impact on the department and other agencies: Under the Hawaii Harbors Project, ATDC was tasked to work in partnership with the DOT-H and assigned the lead to expedite implementation efforts to develop selected infrastructure projects in Honolulu Harbor. ATDC was selected to partner with DOT-H due to its compatible mission, statutorily-established jurisdiction within Honolulu Harbor, and experienced staff in the development of state-owned property.

In the short period since the Hawaii Harbors Project was initiated, the DOT-H, through the assistance of ATDC was able to: successfully achieve recovery of Pier 1 and 2 maritime lands; introduce improvements to alleviate congestion at Pier 1 in Honolulu Harbor; acquire expansion areas at Sand Island to alleviate space requirements for Matson Terminals; develop additional cargo storage areas at the former Kapalama Military Reservation (KMR); undertake a redevelopment initiative to improve operating conditions at the Young Brothers, Ltd. interisland barge company aimed at alleviating congestion to permit continued operation of less than container load service; and begin the development plan on the KMR Container Terminal expansion project. These

successful accomplishments have demonstrated the feasibility of continuing and expanding the effort to focus on projects of major significance at selected ports throughout the State in order to assure the adequacy and availability of suitable commercial harbors to meet the needs of Hawaii's communities.

The Hawaii Harbors Project is currently staffed with two development managers whose salary costs are offset against the ground rent owed by ATDC to DOT-H for the Aloha Tower Marketplace. Authorization for the two positions under the pilot project will lapse at the end of fiscal year 2006-2007 unless the positions are reauthorized for the fiscal year 2008-2009 biennium budget.

Staffing is essential to undertake priority development projects for DOT-H. Due to the importance of providing immediate improvements at Kalaeloa Harbor, Oahu and Kahului Harbor, Maui, the DOT-H seeks assistance from ATDC to assume the lead in the development of infrastructure improvements at these two locations. Should the Legislature deem it appropriate for ATDC to expand its authority to other ports beyond Honolulu Harbor, additional staffing authorizations will be required for each project added to ATDC's workload.

ATDC will act as a development arm of the DOT-H to improve its ability to achieve its harbor expansion and improvement objectives in the shortest time possible. Project design and construction funding will continue to be appropriated through the DOT-H and all development project costs, including salary costs, will be funded by DOT-H. DOT-H will retain fiscal management oversight of all project

cost expenditures, budget, and contract approvals.

GENERAL FUND:

None

OTHER FUNDS:

Aloha Tower Fund

PPBS PROGRAM
DESIGNATION:

BED 151

OTHER AFFECTED
AGENCIES:

Department of Transportation

EFFECTIVE DATE:

Upon approval.