

JAN 22 2008

A BILL FOR AN ACT

RELATING TO COMMERCIAL HARBORS MODERNIZATION.

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

1 SECTION 1. Act 127, Session Laws of Hawaii 2007, is amended
2 by amending section 1 to read as follows:
3 To meet the economic needs of the [~~state~~State], the harbors
4 division of the department of transportation must provide
5 suitable harbor facilities, and berthing piers, which in turn
6 ensures the efficient and timely delivery and shipment of goods
7 imported into the [~~state~~State]. Ocean surface transportation is
8 our state's lifeline. It remains the only viable means to
9 service the lion's share of Hawaii's economic needs. However,
10 Hawaii's aging commercial harbor system has not kept pace with
11 our growing economy, and Hawaii's commercial ports statewide are
12 experiencing competition for berthing rights for cargo, fuel and
13 cruise ship activities and severe congestion in harbor
14 facilities. It is recognized by the harbor users, state
15 administration, and the legislature that it is now extremely
16 critical to upgrade existing port facilities and develop harbor
17 improvements in an expedited manner. The Hawaii harbors users

1 group, a maritime transportation industry group, was formed in
2 2005 because the industry recognized that Hawaii is facing a
3 shortage of port facilities statewide. Its goal is to help the
4 state identify and prioritize Hawaii's harbor improvement needs.
5 The Hawaii harbors users group has completed research that
6 predicts that if Hawaii's harbor infrastructure is not improved,
7 the loss of real domestic product (in 2007 dollars) could amount
8 to more than \$50,000,000,000 by the year 2030. In comparison,
9 an assessment of immediate commercial harbor needs statewide is
10 estimated to cost in the range of \$850,000,000.

11 Under its statutory mandate, the harbors [~~division's focus~~
12 ~~is on~~] division focuses on essential daily management and
13 operations of the commercial harbor system rather than
14 development of new expansion opportunities. To expeditiously
15 develop critically needed harbor infrastructure improvements and
16 curtail statewide economic hardships that will occur if the
17 harbors reach maximum cargo handling capacity by the year 2011
18 as currently projected, the harbors division [~~desires to~~
19 ~~partner~~] partnered with aloha tower development corporation, an
20 entity with a development-oriented mission, statutory powers,
21 and expertise in the development of state-owned properties for
22 development of Honolulu harbor pursuant to this Act.

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

15 In consideration of the recognition by the key harbor
16 users, the administration and the legislature that extraordinary
17 means must be employed to catch up on deferred harbor
18 infrastructure development, the legislature finds that the
19 harbors division should be given further development tools to
20 accomplish the formidable task of bringing the state's
21 commercial harbors up to the standards needed to sustain
22 economic growth. The purpose of this Act is to [~~establish a~~]

1 expand the formal partnership for development of Honolulu harbor
2 between the aloha tower development corporation and the
3 department of transportation harbors division to a statewide
4 jurisdiction for the [~~development of Honolulu harbor~~
5 ~~infrastructure improvement projects.~~] implementation of the
6 commercial harbors modernization plan.

7 SECTION 2. Section 206J-2, Hawaii Revised Statutes, is amended
8 to read as follows:

9 "§206J-2 Definitions. As used in this chapter, unless the
10 context clearly requires otherwise:

11 "Board" means the board of directors of the development
12 corporation established in section 206J-4, and any successor
13 thereto.

14 "Bonds" means revenue bonds, special facilities revenue
15 bonds, notes, or other instruments of indebtedness of the
16 development corporation issued under this chapter and shall
17 include refunding bonds.

18 "Development corporation" means the Aloha Tower Development
19 Corporation established by section 206J-4.

20 "Maritime" means the administration of chapter 266 by the
21 department of transportation.

1 "Maritime Industry" means that the member of the
2 development corporation board or harbors modernization group
3 board designated as from the Maritime Industry is directly
4 involved with a harbor or off-shore mooring facility which is
5 primarily for the movement of commercial cargo, passenger and
6 fishing vessels entering, leaving, or traveling within the State
7 harbor system, or directly involved with an activity that
8 requires and is directly related to the loading, off-loading,
9 storage or distribution of goods and services by means of
10 seaborne transportation.

11 "Project" means an undertaking of work or improvement of
12 public or private real or personal property or any interest
13 therein, developed, acquired, constructed, reconstructed,
14 rehabilitated, improved, altered, or repaired by the development
15 corporation, by itself or in conjunction with qualified persons,
16 and including public facilities and, any law to the contrary
17 notwithstanding, facilities for and functionally related and
18 subordinate to maritime purposes

19 "Project cost" means the total cost in carrying out all
20 undertakings that the development corporation deems reasonable
21 and necessary for the development of a project, including but
22 not limited to the cost of studies, surveys, plans, and

1 specifications, architectural, design, engineering, or any other
2 special related services; the cost of site preparation and
3 development, demolition, construction, reconstruction,
4 rehabilitation, and improvement; the cost of financing such
5 project, including interest on bonds issued to finance such
6 project from the date thereof to the estimated date of
7 completion of such project as determined by the board; the cost
8 of an allocable portion of the administrative and operating
9 expenses of the development corporation related to the
10 development of such project; and the cost of any indemnity and
11 surety bonds, premiums on policies of insurance, legal fees, and
12 fees and expenses of trustees, depositories, and paying agents
13 for the bonds; all as the development corporation shall deem
14 necessary.

15 "Public agency" means any office, department, board,
16 commission, bureau, division, public corporation, agency, or
17 instrumentality of the federal, state, or county government.

18 "Public facilities" means streets, utility and service
19 corridors, and utility lines where applicable, sufficient to
20 adequately service developable improvements in the area, parking
21 garages, sidewalks, pedestrian ways, parks, and other community
22 facilities.

1 "Qualified person" means any individual, partnership,
2 corporation, or any public agency, possessing the competence,
3 expertise, experience, and resources, including financial,
4 personnel, and tangible resources, required for the purposes of
5 the project and such other qualifications as may be deemed
6 desirable by the development corporation in administering this
7 chapter.

8 "Real property" means lands, structures, and interests
9 therein and natural resources including water, minerals, and all
10 such things connected with land, including lands under water and
11 riparian rights, space rights, and air rights and any and all
12 other things and rights usually included within the term. Real
13 property also means any and all interests in such property less
14 than fee title, such as leasehold interests, easements,
15 incorporeal hereditaments, and every estate, interest, or right,
16 legal or equitable, including terms for years and liens thereon
17 by way of judgments, mortgages, or otherwise."

18 SECTION 3. Section 206J-5, Hawaii Revised Statutes, is
19 amended by adding one new part, to be appropriately inserted and
20 to read as follows:

21 "§206J-5.5 Partnership with department of transportation
22 for [~~Honolulu harbor~~] the implementation of the commercial

1 harbors modernization plan and the establishment of the harbors
2 modernization group. (a) Consistent with its general powers
3 under this chapter, the development corporation [~~may~~] shall
4 establish a subgroup called the harbors modernization group to
5 undertake projects for [~~Honolulu~~] the commercial harbors
6 modernization plan listed in (b) [~~and its adjacent lands,~~] which
7 are under the jurisdiction of the department of transportation.
8 Notwithstanding any provision in section 206J-17 to the
9 contrary, payments to the development corporation for its
10 administrative and operational expenses shall be made by the
11 department of transportation and deposited into the aloha tower
12 fund in a subaccount designated for the [~~particular development~~
13 ~~project~~] commercial harbors modernization plan projects. The
14 department of transportation shall delegate to the development
15 corporation the implementation of commercial harbors
16 modernization plan projects. All projects, prior to
17 implementation by the development corporation, shall be approved
18 by the director of transportation and the governor. After
19 approval by the director of transportation and the governor,
20 expending authority for the approved projects shall be delegated
21 to the development corporation.

1 ~~[(b) All appropriations for the development of Honolulu harbor~~
2 ~~by the development corporation shall be received and~~
3 ~~administered by the department of transportation. The department~~
4 ~~of transportation shall retain fiscal management and oversight~~
5 ~~of all project cost expenditures, budget, and contract~~
6 ~~approvals.]~~

7 (b) The harbors modernization group shall have
8 jurisdiction over the harbors projects listed below that shall
9 be known as the commercial harbors modernization plan
10 collectively:

11 (1) Honolulu Harbor. Development of infrastructure, expansion
12 of facilities and tenant relocations, including but not limited
13 to, the development of the new Kapalama Container Terminal;

14 (2) Kahului Harbor. Development of infrastructure, expansion of
15 facilities, tenant relocations, acquisition of lands, including
16 but not limited to, West Harbor Barge/Ferry Slip, West Harbor
17 Dredging and Breakwater, West Harbor Cruise Terminal, Pier 1
18 Fuel Line Replacement/Upgrade, East Harbor Breakwater, and Pier
19 2B Strengthening.

20 (3) Hilo Harbor. Development of infrastructure, expansion of
21 facilities, tenant relocations, acquisition of lands, including
22 but not limited to, pier 4 Interisland Cargo Terminal.

1 (4) Kawaihae Harbor. Development of infrastructure, expansion
2 of facilities, tenant relocations, acquisition of lands,
3 including but not limited to, Pier 2 Terminal and Barge
4 Improvements, Pier 2 Extension and Terminal, Pier 4 and Liquid
5 Bulk Terminals.

6 (5) Kalaeloa Harbor. Development of infrastructure, expansion
7 of facilities, tenant relocations, acquisition of lands,
8 including but not limited to, West Harbor Infrastructure, pier 4
9 dedicated fuel pier, and extension of fuel line.

10 (6) Nawiliwili Harbor. Development of infrastructure, expansion
11 of facilities, tenant relocations, acquisition of lands,
12 including but not limited to, new multi-use pier.

13 (c) For the purpose of this section the chief executive officer
14 of the development corporation shall have the power to appoint
15 officers, agents, and employees, prescribe their duties and
16 qualifications, and fix their salaries, without regard to
17 chapter 76;

18 (d) The harbors modernization group shall include additional
19 members to the development corporation board of directors for
20 the purpose of directing the planning, design, construction and
21 financing of the harbor projects identified in the commercial
22 harbors modernization plan. Should projects identified in the

1 commercial harbors modernization plan involve land disposition
2 matters, including but not limited to, land acquisition,
3 leasing, conveyance or acquisition of easements or rights-of-
4 ways, such land disposition matters shall continue to be
5 governed under chapter 171, Hawaii revised statutes, under the
6 jurisdiction of the board of land and natural resources.

7 (e) The harbors modernization group shall retain all the
8 powers of the aloha tower development corporation under sections
9 206J-5 through 206J-21.

10 (f) Six additional voting members shall, except as
11 otherwise provided in this subsection, be appointed to the
12 development corporation by the governor to comprise the harbors
13 modernization group for four year terms pursuant to chapter 26-
14 34. These members shall act and be counted in determining
15 quorum and majority only with respect to duties under the
16 harbors modernization group as described in section (d) above.
17 Quorum and majority for the harbors modernization group shall be
18 defined as a majority of members from the development
19 corporation plus four of the six members added hereinabove to
20 form the harbors modernization group. These members shall serve
21 without compensation, but each member shall be reimbursed for

1 expenses, including travel expenses, incurred in the performance
2 of their duties. These members shall consist of:

3 (1) The director of the department of budget and finance,
4 or a respective designated representative, who shall
5 serve as an ex officio voting member;

6 (2) Two public members from the maritime industry;

7 (3) The mayors of the counties of Hawaii, Maui and Kauai,
8 or their respective designated representatives, who
9 shall serve as ex officio voting members.

10 All members shall continue in office until their respective
11 successors have been appointed. The chairperson of the harbors
12 modernization group shall be the chairperson of the development
13 corporation.

14 [~~e~~](g) Subject to existing contractual and statutory
15 commitments to the department of transportation for any losses
16 in revenue under this chapter, the development corporation may
17 apply any revenues derived from commercial development projects
18 in the aloha tower project area to defray the cost of harbor
19 infrastructure improvements incurred within the state.

20 (h) Any moneys or funds under the management of the
21 harbors modernization group shall be deposited into the Hawaii

1 department of transportation harbors special fund upon the
2 repeal of this section."

3 SECTION 4. Section 171-59, Hawaii Revised Statutes, subsection
4 (b) is amended to read as follows:

5 "§171-59 Disposition by negotiation.

6 (b) Disposition of public lands for airline, aircraft,
7 airport-related, agricultural processing, cattle feed
8 production, aquaculture, marine, maritime, and maritime-related
9 operations may be negotiated without regard to the limitations
10 set forth in subsection (a) and section 171-16(c); provided
11 that:

12 (1) The disposition encourages competition within the
13 aeronautical, airport-related, agricultural,
14 aquaculture, maritime, and maritime-related
15 industries;

16 (2) The disposition shall not exceed a maximum term of
17 thirty-five years, except in the case of maritime and
18 maritime-related operations which may provide for a
19 maximum term of seventy years; and

20 (3) The method of disposition of public lands for cattle
21 feed production as set forth in this subsection shall
22 not apply after December 31, 1988.

1 For the purpose of this subsection: "agricultural
2 processing" means the processing of agricultural products,
3 including dairying, grown, raised, or produced in Hawaii,
4 "airport-related" means a purpose or activity that requires air
5 transportation to achieve that purpose or activity, and
6 "maritime-related" means a purpose or activity that requires and
7 is directly related to the loading, off-loading, storage, or
8 distribution of goods and services of the maritime industry."

9 SECTION 5. The department of transportation is authorized
10 to issue harbor revenue bonds for harbor capital improvement
11 projects authorized in section 6 of this Act and designated to
12 be financed by revenue bond funds or by general obligation bond
13 funds with debt service cost to be paid from special funds, in
14 such principal amount as shall be required to yield the amounts
15 appropriated for such capital improvement program projects, and,
16 if so determined by the department and approved by the governor,
17 such additional amounts as may be deemed necessary by the
18 department to pay interest on such revenue bonds during the
19 estimated construction period of the capital improvement project
20 for which such harbor revenue bonds are issued to establish,
21 maintain, or increase reserves for the harbor revenue bonds or
22 harbor revenue bonds heretofore authorized (whether authorized

1 and issued or authorized and still unissued), and to pay the
2 expenses of issuance of such bonds. The aforementioned harbor
3 revenue bonds shall be issued pursuant to the provisions of
4 part III of chapter 39, Hawaii Revised Statutes, as the same may
5 be amended from time to time. The principal of and interest on
6 harbor revenue bonds, to the extent not paid from the proceeds
7 of such bonds, shall be payable solely from and secured solely
8 by the revenues derived from harbors and related facilities
9 under the ownership of the State or operated and managed by the
10 department, including rents, mooring, wharfage, dockage,
11 pilotage fees, and other fees or charges presently or hereafter
12 derived from or arising through the ownership, operation, and
13 management of harbor and related facilities and the furnishing
14 and supplying of the services thereof. The expenses of the
15 issuance of such harbor revenue bonds shall, to the extent not
16 paid from the proceeds of such bonds, be paid from the harbor
17 special fund.

18 The governor, in the governor's discretion, is authorized
19 to use the harbor revenue fund to finance those projects
20 authorized in section 6 of this Act where the method of
21 financing is designated to be by harbor revenue bond funds.

1 SECTION 6. The following sums, or so much thereof as may be
 2 sufficient to accomplish the purposes designated herein, are
 3 hereby appropriated or authorized, as the case may be, from the
 4 harbor revenue bond funds for the fiscal year beginning July 1,
 5 2008 and ending June 30, 2012. The sums appropriated shall be
 6 expended by the department of transportation for the purposes of
 7 this Act. The department of transportation, as expending
 8 agency, shall delegate to the development corporation the
 9 implementation of the capital improvement projects authorized in
 10 this Act and subsequent acts, for the projects identified as the
 11 commercial harbors modernization plan. After approval of the
 12 project by the director of transportation and the governor,
 13 expending authority for the approved projects shall be delegated
 14 to the development corporation.

15 1. HMP - Kapalama military reservation improvements, Honolulu
 16 harbor
 17 design and construction for the development of a new
 18 container terminal facility

19 Design	\$26,900,000
20 Construction	\$ 3,000,000
21 Total funding	\$29,900,000

22

1 2. HMP - Kalaeloa Barbers Point harbor infrastructure
2 improvements, Oahu
3 design of utility and infrastructure improvements
4
5 Design \$ 300,000
6
7 Total funding \$ 300,000
8
9 3. HMP - Kalaeloa Barbers Point harbor fuel pier improvements,
10 Oahu
11
12 design of new fuel pier and other site related improvements
13
14 Design \$6,300,000
15
16 Total Funding \$6,300,000
17
18 4. HMP - Pier 4 interisland cargo terminal, Hilo harbor,
19 Hawaii
20 design of additional interisland cargo terminal areas
21 including a pier, yard, roadways and utilities
22

1	Design	\$13,400,000
2		
3	Total Funding	\$13,400,000
4		
5	5. HMP - Kahului harbor land acquisition and improvements,	
6	Maui	
7	purchase additional land and subsequent design of	
8	improvements for the acquired land.	
9		
10	Land	\$15,000,000
11	Design	\$ 2,000,000
12		
13		
14	Total Funding	\$17,000,000
15		
16	6. HMP - West harbor barge/ferry slip, Kahului harbor, Maui	
17	design for a new west harbor barge/;ferry slip and	
18	associated site work improvements	
19		
20	Design	\$8,000,000
21		
22	Total Funding	\$8,000,000

1

2 7. HMP - West harbor dredging and breakwater, Kahului harbor,
3 Maui

4 design for west harbor breakwater, dredging and associated
5 improvements

6 Design \$3,000,000

7

8 Total Funding \$3,000,000

9

10 8. HMP - West harbor cruise terminal Kahului harbor, Maui
11 design of a cruise terminal including paving, utilities,
12 security, and other site work improvements

13

14 Design \$3,000,000

15

16 Total Funding \$3,000,000

17

18 9. HMP - East harbor breakwater, Kahului harbor, Maui
19 design of the east harbor breakwater and related
20 improvements

21

22 Design \$3,000,000

S.B. NO. 3124

1 design and construction of terminal improvements including
2 and not limited to paving, utilities, relocation of the
3 harbor agent's office, and interim ferry improvements.

4 Design \$ 5,000,000

5

6 Construction \$21,000,000

7

8 Total Funding \$26,000,000

9

10 13 HMP - Pier 4, Kawaihae harbor, Hawaii

11 design of a multi user pier 4 and associated site work

12

13 Design \$ 9,000,000

14

15 Total Funding \$ 9,000,000

16

17 14. HMP - Multi User Pier 4, Nawiliwili harbor

18 design of new pier improvements and related site and
19 utility work.

20

21 Design \$ 300,000

22

S.B. NO. 3124

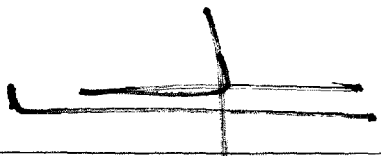
1 appropriations which are unencumbered as of June 30, 2012, shall
2 lapse as of that date.

3 SECTION 7. Statutory material to be repealed is bracketed
4 and stricken. New statutory material is underscored.

5 SECTION 8. This Act shall take effect upon approval;
6 provided that (1) This Act shall be repealed on June 30, 2016,
7 and sections 206J-2, and 206J-5.5, Hawaii Revised Statutes, is
8 reenacted in the form in which it read on the day before the
9 effective date of this Act.

10
11
12

INTRODUCED BY:



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BY REQUEST

Report Title:

Harbors; Modernization Plan; Capital improvement projects;
revenue bond

Description:

Expands the authority of the Aloha Tower Development Corporation to assist in the development of the statewide harbors modernization plan. Authorizes the Department of Transportation to issue revenue bonds to finance the harbor improvements.

JUSTIFICATION SHEET

DEPARTMENT: Department of Transportation

TITLE: A BILL FOR AN ACT RELATING TO COMMERCIAL HARBORS MODERNIZATION.

PURPOSE: This is an Omnibus bill to address the critical need for statewide upgrade and improvement of the State's commercial harbor system by developing and instituting financial and organizational capability to facilitate the construction of added berthing and infrastructure improvements for increased capacity at state commercial harbors on an expedited basis (Commercial Harbors Modernization Plan). To achieve this desired end, the bill proposes: (1) to appropriate special funds by granting to the Department of Transportation (DOT) the authority to finance identified capital improvement projects and project related costs through the issuance of revenue bonds; (2) to expand the current authorization of the Aloha Tower Development Corporation (ATDC) to assist the DOT in development of harbor infrastructure in Honolulu Harbor to a statewide authorization; (3) to authorize staffing and other related expenses for ATDC to support implementation of the statewide Commercial Harbors Modernization Plan; (4) to establish a partnership with the Department of Transportation for the implementation of the Commercial Harbors Modernization Plan; (5) to establish the Harbors Modernization Group and providing it with jurisdiction over specified harbors projects; (6) to increase the membership of the ATDC Board to a total of thirteen members by adding the Director of Budget and Finance or a designated representative; two additional new at-large public members from the maritime industry; and the mayors of the counties of Hawaii, Maui, and Kauai, or their respective designated representatives, who shall serve as ex officio voting

members. (6) to provide for a maximum term of seventy years to dispose of public lands designated for maritime and maritime-related operations (7) to Establish a sunset date on the authority for issuance of revenue bonds to cover the cost of infrastructure improvement projects; and (8) to provide the expanded ATDC authority that will exist for eight years from date of enactment.

MEANS:

Amend Hawaii Revised Statutes, Act 127, Session Laws of Hawaii 2007, Sections 206J-2, 206J-5, and 171-59, to: (1) extend the jurisdiction of the ATDC over Honolulu Harbor to a statewide jurisdiction to implement the Commercial Harbors Modernization Plan and establish the Harbors Modernization Group; (2) add additional members to the ATDC Board of Directors as described above, and provide for the Board to have authority over the projects identified in the Harbors Modernization Plan; (3) the statewide commercial harbor projects that will be undertaken by the Harbors Modernization Group; (4) specify that appropriations for the Commercial Harbors Modernization Plan shall be received by the Department of Transportation and administered by ATDC; (5) provide a maximum seventy year disposition of public lands for maritime and maritime-related operations.

JUSTIFICATION:

In April 2005, the Hawaii Harbors Task Force was initiated 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 alleviate demands for cargo and other maritime-related space needs due to increased harbor activity.

Although the Department of Transportation Harbors Division and harbor user studies forecast increases in the overall volume of cargo processed through Hawaii's commercial harbor system, current growth in harbor activity has created the need to accelerate

efforts to redevelop existing facilities and provide expansion to meet harbor needs. The Harbors Division seeks to meet this challenge in two ways: 1) focus on the development of new expansion opportunities, and 2) establish funding to develop wharfs and cargo handling terminals and other necessary improvements through increased tariffs, borrowing, and development-oriented options such as public/private partnerships, financing and restructuring options, lease arrangements, and other port financing options.

There is need for expanded and improved port facilities at state commercial harbors. 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, commercial harbors on the neighbor islands are experiencing similar capacity issues. Kahului Harbor in particular is facing a critical situation due to too few berthing piers and limitations in cargo handling areas. The Kawaihae and Hilo Harbors on the island of Hawaii are both in need of expanded cargo handling facilities to meet the growth in activity for the island due to increased growth and the need for increased ability to import and export commodities to and from the island. The port of Nawiliwili is in need of expanded fuels storage infrastructure to accommodate the island's dependence on fuel to sustain demand for surface and aviation transportation.

The passenger cruise business has become a growing source of vessel traffic in the harbor system as cruise ships use the commercial harbor system for loading and unloading passengers. The introduction of the Super Ferry for inter-island travel will place further demands for space 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 per cent of such goods are shipped into Hawaii through our commercial harbor system. Every citizen in our island State is dependent on the commercial harbors system for daily needs. Should the capacity and efficiency of state harbors be constrained, adverse statewide economic effects will be experienced with public impacts such as shortages of essential goods, delays in the delivery of goods and increased costs of goods. Failure to solve the issue of harbor expansion and efficiency will eventually limit growth of the Hawaii economy and result in higher costs for the goods and supplies brought into or transported between the islands in the State.

There is recognition by the harbor users, the administration, and the Legislature that extraordinary means must be employed to catch up on deferred harbor infrastructure development. It is proposed that the department of transportation be given further development tools to accomplish the formidable task of bringing the state commercial harbors up to standards needed to sustain economic growth.

Impact on the department and other agencies:

Under the Hawaii Harbors Project, the ATDC was tasked to work in partnership with the Harbors Division and assigned the lead to undertake efforts to develop selected infrastructure projects in Honolulu Harbor on an expedited basis. The ATDC was selected as a partner with Harbors Division 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 Harbors Division,

through the assistance of ATDC was able to: successfully recover portions of Piers 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 complete 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.

In 2007, the Legislature recognized the expedited accomplishments to date and supported the concept of providing additional infrastructure development support to the Harbors Division as evidenced by the passage of Act 127, SLH 2007, which formalized the partnership between the DOT and ATDC for Honolulu Harbor.

While the improvement projects in Honolulu Harbor are underway under the DOT-ATDC team, serious concerns abound regarding the other ports in the commercial harbor system, particularly Kahului Harbor and Kawaihae Harbor. Kahului Harbor is at capacity at this time. Kawaihae Harbor requires additional terminal improvements and earthquake damage repair.

This measure proposes to address the issues of concern by expanding ATDC's jurisdiction

statewide and providing a funding mechanism through the issuance of revenue bonds to DOT to fund major infrastructure improvements on all islands. The Harbors Modernization Program is intended to be a directed and focused one-time initiative to bring Hawaii's commercial harbors up to capacity and avoid future economic hardship on Hawaii's citizens through the efficient delivery of consumer goods while promoting the growth of the State's economy.

The Hawaii Harbors Users Group (HHUG), comprised of the major representatives of the Hawaii maritime industry, has participated in the development of a statewide modernization plan and support the initiative. HHUG recognizes that increased tariffs rates or other financing structures must be implemented to fund necessary harbor improvements. Continued coordination will ensue in support of this proposed legislation.

Staffing is essential to undertake the statewide harbors modernization plan. Expansion of ATDC's authority to other ports beyond Honolulu Harbor, will require ATDC to receive additional staffing authorizations required for the projects added to its workload. Salaries and other project related costs would be paid by revenue bonds issued for the Harbors Modernization Program. Additionally, an increase of members to the ATDC board is recommended to include members from the maritime industry and the counties.

ATDC will act as a development arm of the Harbors Division to address the harbor expansion and improvement objectives in the shortest time possible. All appropriations for the implementation of the Commercial Harbors Modernization Plan by ATDC shall be received by the department of transportation and administered by the ATDC.

GENERAL FUND: None

OTHER FUNDS: Harbor Fund

PBS PROGRAM
DESIGNATION: DOT, BED 151

OTHER AFFECTED
AGENCIES: Department of Budget and Finance
Department of Commerce and Consumer Affairs

EFFECTIVE DATE: Upon Approval.