



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**
KA 'OIHANA HO'OMOHALA PĀ'OIHANA, 'IMI WAIWAI
A HO'OMĀKA'IKĀ'I

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DTS# 202312071056RE

December 12, 2023

The Honorable Ronald D. Kouchi,
President and Members
of the Senate
Thirty-Second State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

The Honorable Scott K. Saiki,
Speaker and Members of the
House of Representatives
Thirty-Second State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

For your information and consideration, I am transmitting a copy of the Department of Business, Economic Development, and Tourism's Report on the 2023 Aloha Stadium Annual Report, as required by Section 206E-226, Hawaii Revised Statutes. In accordance with Section 93-16, Hawaii Revised Statutes, I am also informing you that the report may be viewed electronically at: <http://dbedt.hawaii.gov/overview/annual-reports-reports-to-the-legislature/>.

Sincerely,

James Kunane Tokioka

Enclosure

c: Legislative Reference Bureau



2023 ALOHA STADIUM ANNUAL REPORT



HAWAII STATE
LEGISLATURE
REGULAR SESSION 2023

This report satisfies Hawaii Revised Statutes Section 206E-226.

MISSION

To meet the challenge of providing a first-class arena where the dreams of our young people can be realized through participation in sporting and other special events, where the spirit of achievement can be nourished by the thrill of competition, and where families can gather to share their cultural diversity with pride and a feeling of Aloha.

VISION FOR THE NEW ALOHA STADIUM ENTERTAINMENT DISTRICT (NASED):

NASED will be a vibrant, community-centric mixed-use district, anchored by a new sports and entertainment venue, that celebrates Hawaii's culture and embodies the aloha spirit for the community and visitors alike.

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2023 HIGHLIGHTS

In Fiscal Year 2023, the Stadium Authority (Authority) implemented actions necessary to assure long-term financial solvency of its overall operation. With the stadium bowl closed to spectator-attended events, and a recent reduction in force, the Authority shifted from a traditional service-oriented operation to one with a primary focus on the NASED project planning, while still putting effort and resources on revenue generation by promoting various uses in the existing parking lot. The Aloha Stadium Swap Meet and Marketplace (Swap Meet) was, first and foremost, the priority recurring event that generated significant revenue necessary to support and sustain stadium operations and assure financial solvency on a long-term basis. Furthermore, the Authority utilized its land for many other uses, including long-term storage with several private entities, daily parking for construction companies, and a wide variety of events, including several concerts ranging from 8,000 to 12,000 spectators, the 50th State Fair, the Holiday Lights show and a Megabon event, to name a few.

The NASED project underwent a “reset” in early 2023.

After months of due diligence, Governor Green found that the former two-project approach, while sensible under the previous funding paradigms, required the State to assume an unacceptable amount of risk regarding ongoing funding. A new, single integrated project approach was proposed that would have one developer design, build, operate and maintain the new Aloha Stadium as one of the focal points of the NASED project. The expectation is that the developer will invest their own funds alongside the already appropriated funding by the State to ensure a better-quality stadium than what the State could build using only its own funding. For this investment and long-term maintenance guaranty, the developer will gain development rights to the surrounding land and use revenue from the developments to fund ongoing stadium operating and maintenance costs. The overall goal with this approach is to transfer the responsibility of long-term funding and cost overruns to the private sector, minimizing the risk of financial burden on Hawaii taxpayers. This new approach required legal and financial due diligence, including a market-sounding process to better inform the procurement. This work began in June of 2023 and was completed in November 2023. Part 1 of the request for proposals (RFP) was published in December 2023.

NOTABLE PERFORMANCE MEASURES, EXPECTED OUTCOMES, AND RECENT RESULTS:

With Governor Ige signing into law Act 248, SLH 2022 (Act 248) on July 7, 2022, a revised financing plan was made available to NASED. Act 248 provided \$350 million of general obligation bond funding (for the Capital Improvement Program (CIP)) and \$50 million of general funds, of which \$49.5 million is available to support NASED, for a total of \$399.5 million.

Under the State's current proposed plan, from the \$399.5 million appropriated in 2022, approximately \$350 million will be provided to the NASED developer as the State's contribution to the initial design and construction of the new Aloha Stadium. The developer would then obtain and use its own separate funds and/or financing to provide an enhanced stadium (over and above what could be delivered using only the value of the State contribution). Revenue earned by the developer from these developments and revenue earned from the operation of the stadium would then be used to pay for stadium operations and long-term capital maintenance), as well as paying back any private financing obtained by the developer. The remaining \$49.5 million from the Act 248 appropriation will be held by the State as a contingency and to fund project management and construction management costs.

Based on the foregoing, the following are the State's goals for the NASED project:

- To establish and maintain a productive, mutually beneficial, and long-term partnership with the Master Developer, where both are diligently pursuing the achievement of the NASED vision.
- To deliver an integrated, mixed-use, live-work-play-thrive district.
- To ensure that the new Aloha Stadium is fit for its intended purpose, maintained to a suitable standard, and returned to the State in a prescribed condition after the specified period, with no State payment obligations related to the operation and maintenance of the new Aloha Stadium prior to its return to the State.
- To ensure that after a specified period, the new Aloha Stadium is returned to the State in a prescribed condition, that is marketable and attractive for events, and that from this point in time, ground rents payable to the State are sufficient to fund the ongoing operation and maintenance of the stadium.
- To ensure that the new Aloha Stadium continues to be a community asset.
- The State expects to have little or no financial liability to the Master Developer outside of contractually scheduled payments for the initial design and construction of the new Aloha Stadium.
- To maximize the scope of the new Aloha Stadium by granting the Master Developer the right to develop, operate and retain revenues from the leasing and operation of the entirety of the NASED project site, which revenues will be used to fund increased or enhanced stadium scope (initially) and/or stadium upgrades (in the future). In doing so, the State anticipates that the Master Developer will be able to deliver, operate and maintain a new Aloha Stadium that is of greater scope and higher quality than the State would otherwise be able to fund using its currently appropriated funding.

PERFORMANCE GOALS

PAST YEAR PERFORMANCE RELATED TO NASED

- September 23, 2022, the Programmatic Environmental Impact Statement (PEIS) was published and accepted by Governor David Ige. The 60-day challenge period ended on November 22, 2022.
- October 18, 2022, the Stadium Authority received fee title for stadium properties via a transfer from the Department of Land and Natural Resources, per Act 146, SLH 2021.
- May 2023, a new procurement approach was launched with the objective to transfer the responsibility of long-term funding and cost overruns to the private sector, minimizing the risk of financial burden on local taxpayers.
- June 2023, a market sounding process was initiated with an initial market report published in August 2023. [Market Report Link](#)
- November 2023, a second request for information (RFI) was issued to clarify remaining questions and confirm the procurement approach was sound.
- December 14, 2023, Part-1 of the request for proposals (qualifications phase) was published.





ONE-YEAR GOALS

- Evaluate Part-1 of the request for proposals (qualifications phase) and establish a shortlist of Priority Listed Offerors (PLO's) by April 2024.
- Begin the proposals phase of the procurement no later than June of 2024 with the PLO's using a progressive procurement process.
- Evaluate and select one Preferred Offeror and initiate a discussion phase by Fall 2024 with the goal of reaching contract execution by June 2025.
- Establish a project team by Fall 2024 that will take over the daily management of the project from DAGS once the contract is executed.

FIVE-YEAR GOALS

- The new sports and entertainment facility will be fully operational (goal is for opening by Fall 2028).
- The first phase of mixed-use development will also be complete by Fall 2028, inclusive of much needed housing along with a retail corridor connecting the Skyline station to the new stadium.

ACTION PLAN

1

Through the progressive procurement process, develop a synergistic and professional working relationship with the Preferred Offeror team to ensure a coordinated and consistent understanding of the logistical scope of work, and to ensure other activities (Swap Meet) can co-exist during and after the initial construction phase.

2

Legislatively pursue resource requirements necessary to allow for expedited development of the property, inclusive of infrastructure funds or new tools for financing infrastructure projects (tax-increment financing (TIF)).

3

Implement a continuous monitoring and evaluation program to ensure efficiency and effectiveness of services procured.

MEASURE OF SUCCESS

Two key measures for achieving the 2028 stadium opening are the release of the proposals phase of the RFP no later than Summer 2024, and a subsequent contract execution no later than Summer of 2025. Any delay in these two steps could ultimately delay construction.

BUDGET IMPACTS

Price escalation. The longer the project is delayed, the more costly it becomes, resulting in loss of scope for the new stadium (what you could build for \$350M in 2017 is very different than what you can get today for the same amount).

The Authority will require a ceiling increase to expend the \$49.5M that was appropriated in FY2022 and deposited into the Stadium Development Special Fund. Without access to these funds, the NASED project will not be financially feasible, and the new stadium will not be constructed.

For answers to common questions about NASED, please visit:
<https://nased.hawaii.gov/quickfactsfaqs/>

Stadium Administration

Chairman, Brennon Morioka

Vice-Chair, Eric Fujimoto

Kau'i Burgess

John Fink

Michael Imanaka

Claire Tamamoto

James Kunane Tokioka, DBEDT Director

Michael Yadao

David, Lassner, ex-officio, President of the University of Hawaii

Keith T. Hayashi, ex-officio, Superintendent of Education

Ryan G. Andrews, Stadium Manager

Chris J. Sadayasu, Deputy Manager

