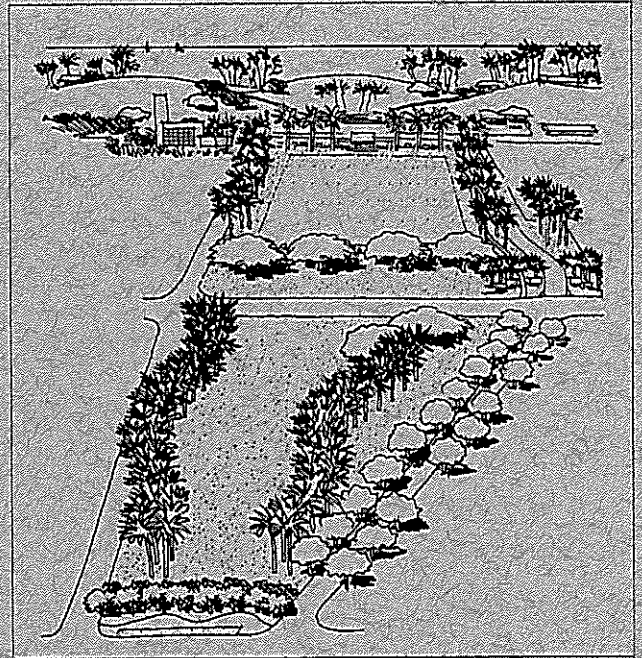


HAWAII
COMMUNITY
DEVELOPMENT
AUTHORITY



1997
ANNUAL
REPORT

LETTER TO THE GOVERNOR



The Honorable Benjamin Cayetano
Governor
State of Hawaii

Dear Governor Cayetano:

We are pleased to present to you the Hawaii Community Development Authority's (HCDA) Annual Report for the 1996-97 Fiscal Year. The Kakaako District has come a long way since the Authority was created in 1976 to bring about the redevelopment of this valuable, but deteriorating, urban area. The HCDA's goal for Kakaako, which is as relevant today as it was 21 years ago, is to create a vibrant and attractive urban neighborhood in Kakaako. We are happy to report that Kakaako is well on its way to becoming an exciting new residential and business community, with the public amenities to meet the needs of Hawaii's people. The Authority's accomplishments thus far have touched the lives of many, many people. The agency's success is due, in great part, to the contributions and cooperation of the State administration, lawmakers, and many individuals, agencies and groups in both the public and private sectors.

During the 1996-97 Fiscal Year, the HCDA continued to make significant headway toward attaining its goals for Kakaako. HCDA's ambitious program to dramatically improve the roadways and utility systems in Kakaako continued. These improvements are working to create a better quality of life for businesses and residents, while making future development of the District possible. While infrastructure improvements on Kamakee Street continued, the HCDA also began construction on the Kakaako Makai Gateway. This project will create a grand, scenic entrance to the Kakaako Waterfront Park and provide six acres of new park space. Planning for major infrastructure improvements was also initiated to facilitate development of Kakaako's Makai Area lands and redevelopment of the Kewalo Basin waterfront area.

During the 1996-97 Fiscal Year, the HCDA also progressed with work on a new comprehensive development strategy for Kakaako's Makai Area and waterfront lands. Development of the 227 acres—the majority of which are State-owned—in Kakaako Makai will bring a wealth of outstanding social and economic benefits to Kakaako and the State at large. The HCDA is working to create a beautiful and exciting place for residents and visitors at Kakaako Makai. The leasing of State Makai lands for private development will also strengthen the State economy and create new business and employment opportunities. Clearly, the development of Kakaako Makai represents one of the most important and unprecedented opportunities for the State of Hawaii.

The following pages summarize the accomplishments and activities of the HCDA during the past fiscal year. Although much has been achieved, there is further work that needs to be done to attain the HCDA's goals for Kakaako. Therefore, the continued support and participation of the many individuals and groups who believe in Kakaako's value and future is vital.

Respectfully yours,

A handwritten signature in cursive script that reads "Lynne A. Waters".

Lynne Waters
Chair
Hawaii Community Development Authority

HAWAII COMMUNITY
DEVELOPMENT AUTHORITY
1997 ANNUAL REPORT

A report covering the period of
July 1, 1996 - June 30, 1997

TABLE OF CONTENTS

Introduction
Page 1

Current Developments
in the Kakaako District
Page 4

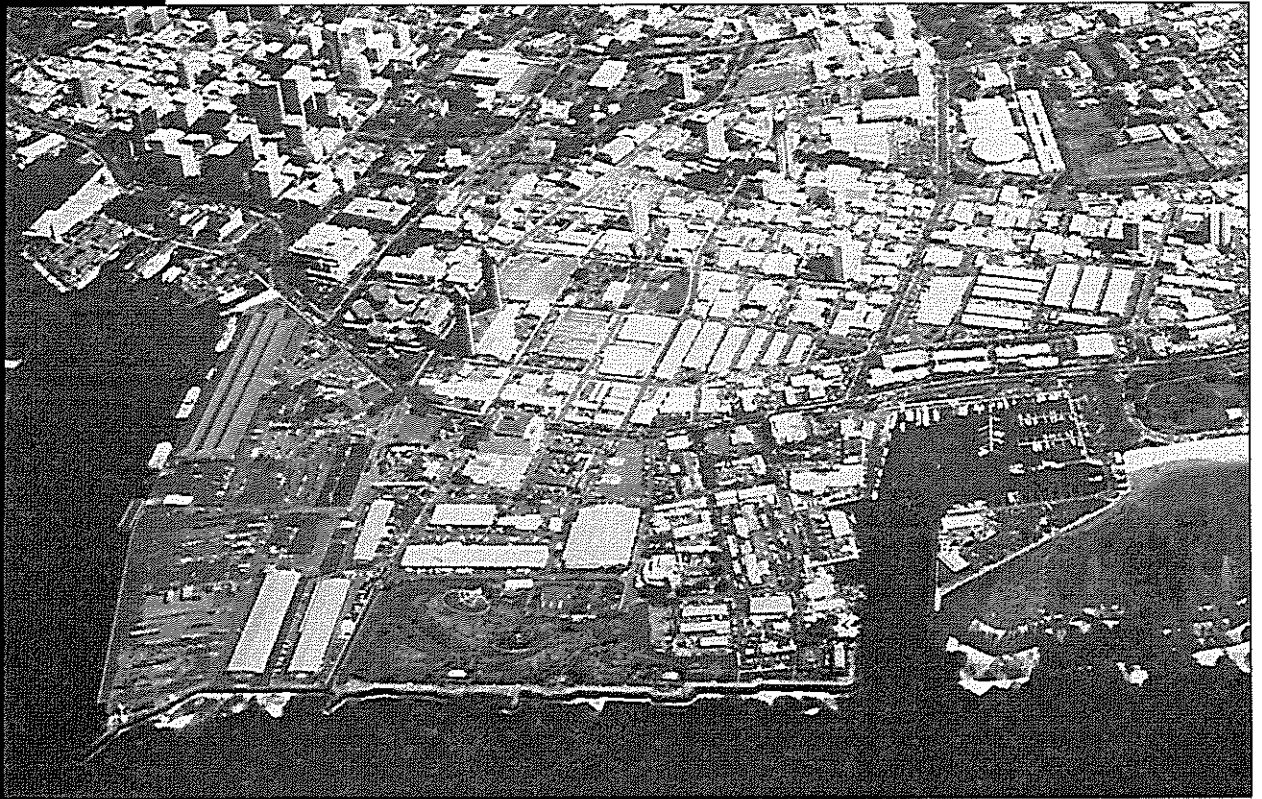
HCDA's Improvement
District Program
Page 6

Kakaako Makai/
Waterfront
Development
Page 10

Financial Information
Pages 15-16

On the cover:
A rendering of the
Kakaako Makai Gateway Project

INTRODUCTION



The Hawaii Community Development Authority (HCDA) was created by the 1976 State Legislature to plan for and revitalize urban areas in the State which lawmakers determined to be in need of timely redevelopment. These areas, designated as "Community Development Districts", are judged to be underused, run-down or in danger of becoming further deteriorated. Moreover, these districts have the potential of greatly fulfilling the needs and desires of Hawaii's people and contributing to the economic well-being of the State.

The Legislature designated the Kakaako area as the HCDA's first Community Development District in 1976, recognizing its potential for increased growth and development and its inherent economic importance to Honolulu as well as the State. Lawmakers found that Kakaako was underdeveloped and underutilized relative to its central location in urban Honolulu, and they saw that the District was at risk of becoming a seriously blighted area. Additionally, the Legislature foresaw that the redevelopment of Kakaako would offer tremendous opportunities to address the need for more housing, parks, open areas, and new commercial and industrial space in the urban core.

The Kakaako Community Development District currently includes: 670 acres of land bounded by Piikoi, King, Punchbowl Streets and Ala Moana Boulevard; the stretch of waterfront from Kewalo Basin to Pier 4 in Honolulu Harbor; and the Hawaiian Electric power plant site in downtown Honolulu. Today, the District is largely composed of retail and commercial businesses, wholesale and semi-industrial companies, and single and multi-family residences.

To be capable of carrying out the legislative mandate, the HCDA is empowered as a unique and innovative agency with comprehensive planning, development and financing responsibilities. The HCDA has the ability to supplement traditional community renewal methods and to stimulate and coordinate public and private sector community development efforts.

Following an intensive five-year planning process, the Kakaako Community Development District Plan was adopted by the HCDA in 1982. This Plan and associated rules serve as a basis for guiding both public and private development activities in the revitalization of Kakaako. The Plan was subsequently amended to include the Kakaako



waterfront area and is currently comprised of two Plan documents—Mauka Area Plan and Makai Area Plan. These serve as the basis for guiding both public and private development activities in the revitalization of Kakaako.

HAMAKUA

In 1993, the Legislature designated the Hamakua region as a new Community Development District to plan for the long-term economic stability of the area and to address the critical needs of the community as a result of the closure of the Hamakua Sugar Company. In doing so, the Legislature broadened the purpose of HCDA to allow the agency to redevelop community development districts in all areas throughout the State rather than only in urban areas. While \$1 million was initially appropriated to fund, in part, the formulation of a Hamakua Community Development District Plan, the 1994 Legislature reallocated these funds for specific services and projects to provide immediate relief to the Hamakua community. Funds were not set aside for HCDA to administer this redevelopment effort or to develop a community district plan. This action has effectively relieved HCDA of its responsibility to redevelop Hamakua.

BARBERS POINT NAVAL AIR STATION

The 1997 State Legislature established the Barbers Point Naval Air Station Redevelopment Commission to serve as the local redevelopment authority for property at Barbers Point that has been declared surplus as a result of a Federal base realignment and closure process. The Legislature assigned the staff of the HCDA to assist the commission in its redevelopment activities. Since that time, the HCDA has provided advisory support and assistance to the commission in initiating infrastructure studies for the Barbers Point Naval Air Station.

HCDA ORGANIZATION

The HCDA is established as a public corporate entity attached to the Department of Business, Economic Development & Tourism for administrative purposes. The HCDA's board of directors is composed of 11 voting members from the private and public sectors who oversee the HCDA operations and establish policies to implement the legislative objectives. Four members are ex-officio, voting members from the following State

departments: Accounting and General Services; Budget and Finance; Business, Economic Development & Tourism; and Transportation. The Governor appoints four members at large and three are appointed by the Governor from names submitted by the Council of the county in which a community development district is situated. The HCDA Executive Director serves as the chief executive officer and is appointed by the Authority members. The HCDA staff includes personnel from several professional fields including planning, engineering, development, finance, relocation, public information and administrative services.

A HISTORICAL PERSPECTIVE OF KAKAAKO

From the early settlement of the area by ancient Hawaiians and the integration of seamen and whalers, to its residential nature and latter industrialization, Kakaako has undergone major dramatic changes over the past century.

In the 1800s, Kakaako was called "Kookau Kuku", which translates as "Where the Lights Were Lighted". Kakaako has come a long way from being a swampland or submerged under water. This area was filled, developed and redeveloped over the years. From the early 1900s until World War II, Kakaako was an important and thriving community of residents with an array of businesses, schools, churches, a movie house, public parks and other uses typically found in larger neighborhoods. By 1940, Kakaako's population had reached about 5,000 residents. However, rezoning of the area in the early 1950s caused a rapid decline in the residential population as other neighborhoods formed in Honolulu and manufacturing and industrial activities moved into Kakaako. In the ensuing years, Kakaako changed from a residential neighborhood to a primary industrial area, and finally to an economic center of varied commercial and service activities.

Prior to the creation of the HCDA, Kakaako had remained relatively underutilized and underdeveloped. It had gained a certain notoriety for its deteriorating melange of streets, utilities and sprinkling of ramshackle structures. State lawmakers were concerned about the efficient use of existing urban lands in Hawaii, and they recognized Kakaako's potential to become an economically and socially viable community providing a range of public benefits.

In creating the HCDA, the Legislature set directions for Kakaako's revitalization and development. They envisioned a mixed-use district where residential, commercial, industrial and public uses would coexist compatibly. Lawmakers also



believed it important to respect and support the present functions of Kakaako as a major economic center. The Legislature believed Kakaako could provide:

- improved infrastructure and public facilities;
- increased housing opportunities for all segments of the community;
- increased business (commercial and industrial) opportunities;
- increased economic activity; and
- increased public recreation and open space.

HCDA'S GOALS FOR KAKAAKO

The HCDA's overall mission is to ensure that the Kakaako District is invigorated and established as a dynamic urban neighborhood that accommodates an exciting mix of people with a wide spectrum of activities and commerce. The goal is create a conveniently located community that is attractive and safe. As envisioned in the Kakaako development plan, the District will represent the best of Honolulu's destiny—a bustling residential and business center during the day and an exciting place for leisure activities at night. The HCDA is working to ensure that the Kakaako District accommodates and encourages a combination of open space and parks with well-planned commercial, industrial and residential development, including affordable housing.

Public and private sector investment in Kakaako is generating new retail establishments and office space, a variety of restaurants and entertainment, and infrastructure to provide the services, growth opportunities and quality of life that are distinguishing Kakaako as the ideal urban neighborhood. Kakaako is once again becoming a vibrant and cohesive community buoyed by the people that live and work here. To ease traffic congestion and make Kakaako a safer and more attractive environment, the HCDA is improving roadways, constructing new sidewalks and increasing opportunities for public parking. In Kakaako's Makai lands, the HCDA is providing acres of new park lands and open space, making miles of shoreline accessible to residents. With a new proactive strategy to develop new cultural, educational, recreational, and entertainment facilities, along with new commercial and business opportunities, Kakaako Makai is destined to become a premier gathering place for residents and visitors.



REGULATORY FUNCTIONS

Since the adoption of the Kakaako Plan in 1982, the HCDA has performed regulatory functions to ensure that any development occurring in the District meets the provisions of the Kakaako Plan. The HCDA regulates planning, land use, zoning and development of land within the Kakaako District. The Plan includes specific requirements and restrictions relating to height, density, building setbacks, front yards, open space, view corridors, streetscapes, landscapes and tower footprints. Additionally, the Plan contains schemes for transportation, open space and recreation, public facilities, infrastructure and relocation. The HCDA processes permits for major planned development projects as well as for smaller (base zone) developments and building renovations.

...THE KAKAAKO DISTRICT
...ACCOMMODATES AND
ENCOURAGES A
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INCLUDING
AFFORDABLE HOUSING...



CURRENT DEVELOPMENTS IN THE KAKAAKO DISTRICT



During the 1996-97 Fiscal Year, the HCDA processed approximately 165 permits for smaller scale projects. Construction on several major planned development projects commenced or continued during the past fiscal year. Waldron Ventures' 1133 Waimanu Street affordable housing project was completed in mid-1996. This project was developed to satisfy the HCDA's reserved housing requirements for Nauru's 404 Piikoi Street project. The 1133 Waimanu Street complex includes 282 units (130 one-bedroom and 152 two-bedroom affordable apartments) in a 26-story residential building and a parking structure containing 311 parking stalls. A public lottery was held to determine the prospective buyers for 264 units in the 1133 Waimanu complex. The one-bedroom units were priced from \$146,000 and the two-bedroom apartments started at \$173,000.

Construction work on The Myers Corporation's One Archer Lane project began in mid-1996 at 801 South King Street. This \$42.5 million fee-simple residential condominium was specifically designed and priced to attract "a broad cross-section of middle-income buyers seeking high quality housing within the urban core," according to its developer. This complex will offer 331 one- and two-bedroom residences and approximately 33,000 square feet of commercial/industrial space in the first two floors of the building. One Archer Lane was originally conceived as the reserved housing component of the proposed Symphony Park luxury condominium project. However, changing economic conditions resulted in a fee simple middle-market condominium project for the One Archer Lane site. The project is expected to be completed in early 1998.

The Nauru Phosphate Royalties (Honolulu) Inc. began construction on the Hawaiki Tower project in late 1996 across from the Ala Moana Shopping Center. Hawaiki Tower, the next phase of the 404 Piikoi Street project, is a 46-story, 427-unit residential commercial condominium. This \$97.9 million complex will include 1,034,720 square feet of building space, and commercial/retail space at grade level. The project's estimated construction completion date is March 1999.

In October 1996, the HCDA granted approval to POSEC Hawaii Inc.'s request to develop the Emerald Tower—a residential, commercial and industrial complex at the Diamond Head Makai corner of Kapiolani Boulevard and Ward Avenue in Kakaako. This complex would have included 178 residential units planned for the "mid-market" group and approximately 29,300 square feet of commercial and industrial space. However, the developer decided not

to proceed with the Emerald Tower project, and changed its development concept for the project site. By mid-1997, POSEC Hawaii Inc. was planning to request the necessary HCDA approvals to develop a senior congregate living facility that would include a skilled nursing facility. Preliminary plans called for a complex with 186 residential units, 33 beds in the skilled nursing facility, and 240 parking spaces.

KAKAAKO'S RESIDENTIAL COMMUNITY

Today Kakaako is clearly emerging once again as a lively and diverse residential community of people from all walks of life. Undoubtedly, this could not have happened without the State's commitment to, and aggressive pursuit of the development of, affordable housing in Kakaako. To date, more than one-half of the housing units constructed in Kakaako under HCDA's guidance have been affordably priced units. The HCDA has developed, through alliances with other government agencies and the private sector, a total of about 1,100 affordable residential units in two family rental projects, three senior citizens rental projects, and a for-sale condominium project. (See HCDA affordable residential projects chart at right.)

To satisfy the needs for affordable housing and a new elementary school facility in Kakaako, the HCDA will be studying the feasibility of pursuing a mixed-use development on the site of the former Pohukaina School in Kakaako. The 1997 State Legislature appropriated \$250,000 to the HCDA for the planning and design of a new elementary school on the 6.8-acre site bounded by Pohukaina, Keawe and Halekauwila Streets and Mother Waldron Park. The site offers a central location and the potential to accommodate the Kakaako neighborhood's needs for affordable rental housing, a new elementary school, parking and improvements to Mother Waldron Park. The HCDA staff has developed a scope of work for the feasibility study and school schematic design with input from the Governor's Special Assistant on Housing, the Housing Finance and Development Corporation, the Department of Education and the Department of Accounting and General Services. The Department of Education has pointed out the need for a new elementary school in the near future as housing development continues in Kakaako. HCDA's preliminary evaluation indicates that, in addition to the new elementary school, approximately 100-150 residential units could be built on the Pohukaina site. In the months ahead, the HCDA will be conducting a feasibility study and coordinating issuance of Request for Development Proposals for the school and housing components of the project at

the former Pohukaina School site.

ENCOURAGING DEVELOPMENT IN KAKAAKO

During the past year, the HCDA continued to review and make important changes to Kakaako District regulations to encourage and facilitate increased development activities in Kakaako and to support economic development in the State. Recently adopted changes have been designed to activate the street environment for pedestrians, provide better public open space and recreation areas, and encourage development through the use of incentives. Kakaako's industrial requirements were replaced with an incentive program intended to encourage the development and retention of industrial activities by allowing developments providing industrial space to receive a density bonus. The program requiring developers to dedicate or pay fees for public facilities that include parks, playgrounds, community service centers and schools was redesigned, permitting a reduction to the fee without the loss of public benefits. The new open space and yard rules work to invigorate Kakaako by directing activity to the street level through incentives that promote commercial activities and public uses.

A temporary waiver of the affordable housing fee that developers of housing projects in Kakaako normally pay and bonuses for assisted living housing projects have also been instituted by the HCDA. The twelve-month waiver of the reserved housing cash in lieu fee that developers of housing projects in the Kakaako District normally pay will facilitate redevelopment efforts by providing incentives that encourage timely new development activity. Under the waiver, developers must start construction of projects smaller than 200,000 square feet within 18 months of the permit approval, and complete it within a three-year time frame. For projects larger than 200,000 square feet, the developer must begin construction within two years of the permit approval and complete it with a four-year period. Developers must also submit their permit application within 12 months of the waiver's effective date.

New rules were also adopted to provide incentives for the development of certain community services such as nursing facilities, assisted living administration functions and related ancillary facilities in assisted living projects in Kakaako's Mauka Area. The HCDA has recognized the broad need for certain community services in Kakaako. The demand for assisted living facilities is expected to grow substantially due to recent trends in demographics and social services. The HCDA's new rules are an attempt to meet this demand in Kakaako.

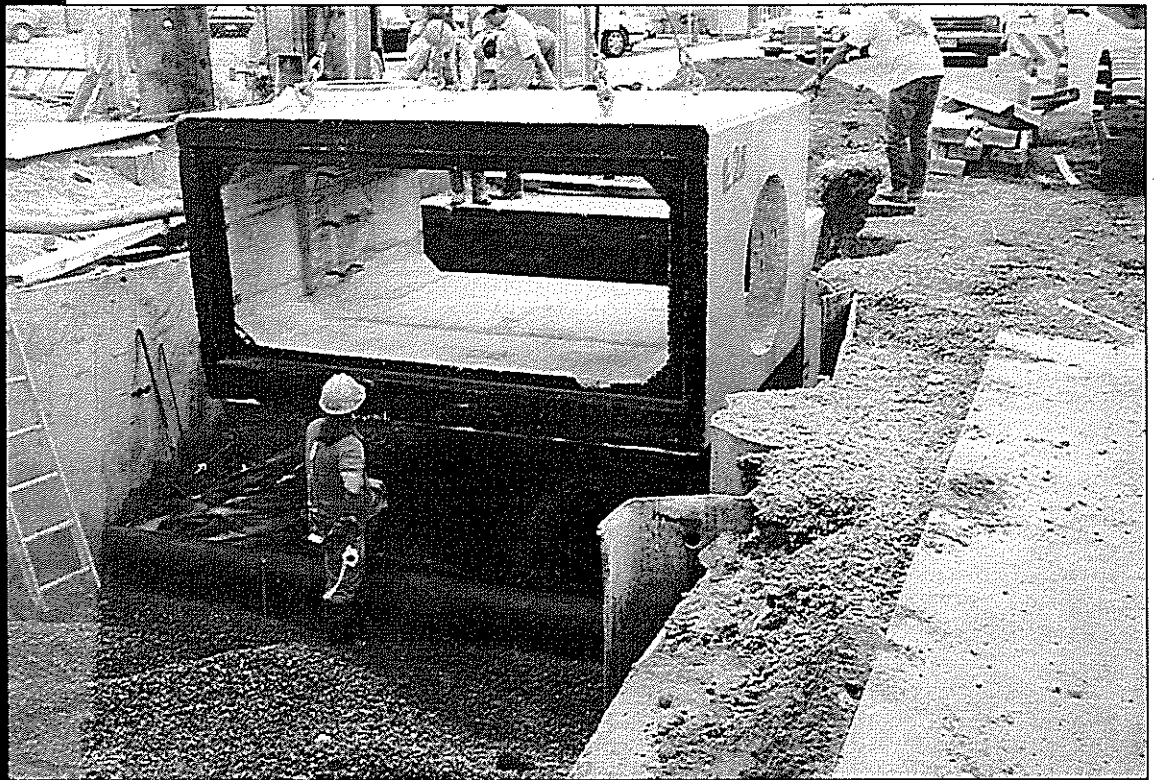


HONUAKAHA

HCDA AFFORDABLE HOUSING PROJECTS AND PUBLIC FACILITIES	
Project	Units
KAMAKEE VISTA Mixed-Use Family Rentals	225
POHULANI Mixed-Use Senior Rentals	262
NA LEI HULU KUPUNA Senior Rental Housing	75
KAUHALE KAKAAKO Mixed-Use Family Rentals	258
HONUAKAHA Affordable Senior Rentals & For-Sale Condominiums	243
HONUAKAHA SENIOR CITIZENS/COMMUNITY CENTER	6,800 sf



IMPROVEMENT DISTRICT PROGRAM



DRAINAGE IMPROVEMENTS IN KAKAAKO BENEFIT OUT-OF-DISTRICT AS WELL AS KAKAAKO PROPERTY OWNERS.

For many years, the Kakaako District had borne the burden of deteriorating and inadequate infrastructure systems, a great portion of which was installed over 75 years ago. In many areas of the District, streets were unimproved, narrow and deluged by flooding during times of heavy rainfall. Some streets in Kakaako were afflicted with a lack of sidewalks, pedestrian walkways and haphazard, illegal parking. In addition to being an eyesore, a threat to public safety and a general nuisance to the District's businesses, residents and visitors, the inadequate infrastructure has been a serious roadblock to the development of new projects in Kakaako.

The HCDA initiated its Improvement District (ID) Program to deal with this serious problem. Roadways and utility systems are essential elements for any community to function and grow. A community's infrastructure system must be in good operating condition and be able to accommodate the present and future needs of its residents, businesses, landowners and visitors.

Anyone passing through Kakaako since 1986 has probably become aware of the scale and extent of infrastructure improvements being

undertaken in the District. HCDA's Improvement District Program is accomplishing the systematic improvement of Kakaako's network of streets and utilities. The ID Program is being employed to reconstruct and/or widen streets with new curbs, gutters, pavement and sidewalks. Drainage, sewer and water systems are being repaired and expanded. Telephone, electric and cable television systems are also being expanded and moved underground to improve the Kakaako street environment. To date, the HCDA has completed three Improvement District Projects and a fourth project was nearing completion by the close of the 1996-97 Fiscal Year. (See chart in this section for a summary of each project.)

Infrastructure improvements completed by the HCDA thus far have dramatically improved the performance and capabilities of the area's roadways and utilities. Roadways have been reconstructed and are now safer and can accommodate both present and future traffic and pedestrian flow. Sidewalks, curbs, pavement and gutters have been installed in areas where previously there were none.



HOW IMPROVEMENTS ARE FINANCED

State government, Kakaako property owners and the public utility companies share the total cost of infrastructure improvements under the HCDA's ID Program. Government pays for the greater share of the cost because the general public derives the benefits of the improvements. For example, a major public cost involves improvements to the drainage system. In the first four ID projects, the majority of the construction cost was for major drainage systems that run through Kakaako and serve the Punchbowl and lower Makiki areas. Since these drainage improvements benefit out-of-District as well as Kakaako property owners, a substantial amount of the cost cannot be assessed on the properties within Kakaako.

Kakaako's landowners are assessed only for improvements that specially benefit them. In implementing each improvement district project, the Authority typically arranges for the sale of assessment area bonds to provide financing for property owners who are being assessed. Through this arrangement, landowners have the option of paying for their assessments in installments over a period of up to 20 years with interest.

The massive scale of the ID projects makes it imperative for the HCDA to inform all affected property owners and recorded lessees of the proposed improvements prior to actual construction. This process involves individual meetings, a public informational meeting and two public hearings. The entire process, from the preliminary engineering and design work to the completion of the project, typically extends over a three- to four-year period.

Throughout the course of any ID project, the HCDA strives to complete construction activities as expeditiously as possible, while ensuring public safety and minimizing the disruptions and inconveniences to the businesses and public to the greatest extent possible. HCDA staff responds to problems on a case-by-case basis as they occur. The Authority uses flyers, the HCDA newsletter, informational meetings and a construction hotline to keep merchants and landowners informed of construction activities.

IMPROVEMENT DISTRICT 4 (ID-4)

The HCDA continued construction on ID-4 during the 1996-97 Fiscal Year. This project involves infrastructure improvements on Kamakee Street, between Kapiolani Boulevard and Queen Street. Similar in nature to the previous improvement district

HCDA IMPROVEMENT DISTRICT PROJECTS

IMPROVEMENT DISTRICT 1

Location: About 100 acres bounded by Punchbowl, King, Cooke, Queen, South & Auahi Streets, and Ala Moana Boulevard.
 Work: Improvements to roadways, drainage, sewers, water systems and undergrounding of electric, telephone and CATV lines.
 Cost: \$35.2 million
 Completed: September 1988

IMPROVEMENT DISTRICT 2

Location: About 110 acres bounded by Keawe, Auahi, Coral, Pohukaina, Cooke and Ilalo Streets to the ocean.
 Work: Improvements to roadways, drainage, sewers, water systems and the undergrounding of electric, telephone and CATV lines.
 Cost: \$36.7 million
 Completed: October 1990

IMPROVEMENT DISTRICT 3

Location: About 60 acres involving portion of Cooke Street, Kapiolani Boulevard, Halekauwila, Keawe, Coral, Victoria & Curtis Streets.
 Work: Improvements to roadways, drainage, sewers, water systems and the undergrounding of electric, telephone and CATV lines.
 Cost: \$42.4 million
 Completed: October 1993

KEWALO BASIN IMPROVEMENTS

Work: Improvements to Kewalo Basin access, interior roadways, grade-separated promenade, bus lanes, parking.
 Cost: \$2.4 million
 Completed: August 1995

IMPROVEMENT DISTRICT 4

Location: Kamakee Street (from Kapiolani Boulevard to Queen Street)
 Work: Improvements to roadways, drainage, sewers, water systems and the undergrounding of electric, telephone and CATV lines.
 Cost: \$12 million
 Est. completion: November 1997

IMPROVEMENT DISTRICT 5 (KAKAAKO MAKAI GATEWAY)

Location: Cooke Street (between Ala Moana Boulevard and Ilalo Street); block bounded by Ala Moana Blvd., Cooke, Ilalo and Ohe Streets and block immediately Makai of Ilalo Street and Ewa of Ohe Street
 Work: Improvements to roadways, drainage, sewers, water systems and the undergrounding of electric, telephone & CATV lines; development of two-acre passive park & four-acre play field.
 Cost: \$6.7 million
 Est. completion: Early 1998

IMPROVEMENT DISTRICT 7 (KAMAKEE STREET EXTENSION)

Location: Kamakee Street, between Auahi Street and Ala Moana Boulevard
 Work: Realignment of Kamakee Street and creation of a four-way signalized intersection at Ala Moana Boulevard and Ala Moana Park Road.
 Cost: \$11 million
 Est. start: Fall of 1998
 Est. completion: June 2000

KAKAAKO MAKAI ROAD IMPROVEMENTS

Location: Ward Avenue, Ilalo Street, Punchbowl and South Streets
 Work: Extension of Ward Avenue to Ilalo Street, widening of Ilalo Street, creation of new extensions to Punchbowl and South Streets; installation of new water, sewer and drainage structures; construction of new roadways; new driveways, sidewalks, curbs and gutters; installation of new utility lines.
 Cost: \$36.3 million
 Est. start: Mid-1998
 Est. completion: Late 2000



projects, ID-4 construction work includes the installation of drainage, water, sewer and roadway improvements, and the undergrounding of existing overhead utility lines. The project is scheduled for completion in November 1997.

Several new measures were employed in ID-4 to reduce the impacts to businesses and alleviate the consequences of construction noise, dust and difficult access on day-to-day operations. To assist ID-4 area businesses, the Authority allowed the deferral of assessments until two years after the start of construction to assure property owners that construction work will be substantially completed before any assessments are collected.

Construction activities are being closely monitored and phased during ID-4 to minimize disruption to businesses. To the greatest extent possible, the more complicated work is concentrated on one segment and one side of the street at a time. Installing sidewalks and pavement on a block-by-block basis minimizes dust in the area and allows businesses partial use of the improvements while construction is taking place. The HCDA worked with ID-4 area businesses, residents and permitting agencies to phase construction work during "non-standard" hours, generally between 12 noon and 9:30p.m. on weekdays. By beginning construction work at mid-day, merchants are allowed to operate in a fairly normal fashion during the morning hours, without construction equipment on the roadways. The HCDA staff is present in the project area on a daily basis to serve as a liaison between the Authority and businesses, and to deal with problems on an individual basis. Through in-the-field and one-to-one

contact, the HCDA is better able to keep merchants and residents informed of pending roadway and utility system improvements as they are scheduled to occur in their area.

IMPROVEMENT DISTRICT 5 (KAKAAKO MAKAI GATEWAY PROJECT)

In February 1997, the HCDA started construction work on the Kakaako Makai Gateway Project (also known as Improvement District 5)—a major public works undertaking that will create an attractive six-acre park and serve as a visible "gateway" to the Kakaako Waterfront Park. ID-5 is a very important component of HCDA's plans to transform Kakaako's Makai Area and waterfront into a world-class center of activities to be enjoyed by Hawaii's families and visitors.

The Kakaako Makai Gateway will form a dramatic view corridor from Ala Moana Boulevard to the waterfront. Large landscaped lawns and play fields will provide space for recreational and social activities, and offer many other exciting possibilities that will contribute to the active and attractive people-oriented place planned for Kakaako's Makai Area. The \$6.7 million project will substantially enhance the roadway and utility systems on Cooke Street, between Ala Moana Boulevard and Ilalo Street, and provide direct access into the Kakaako Waterfront Park.

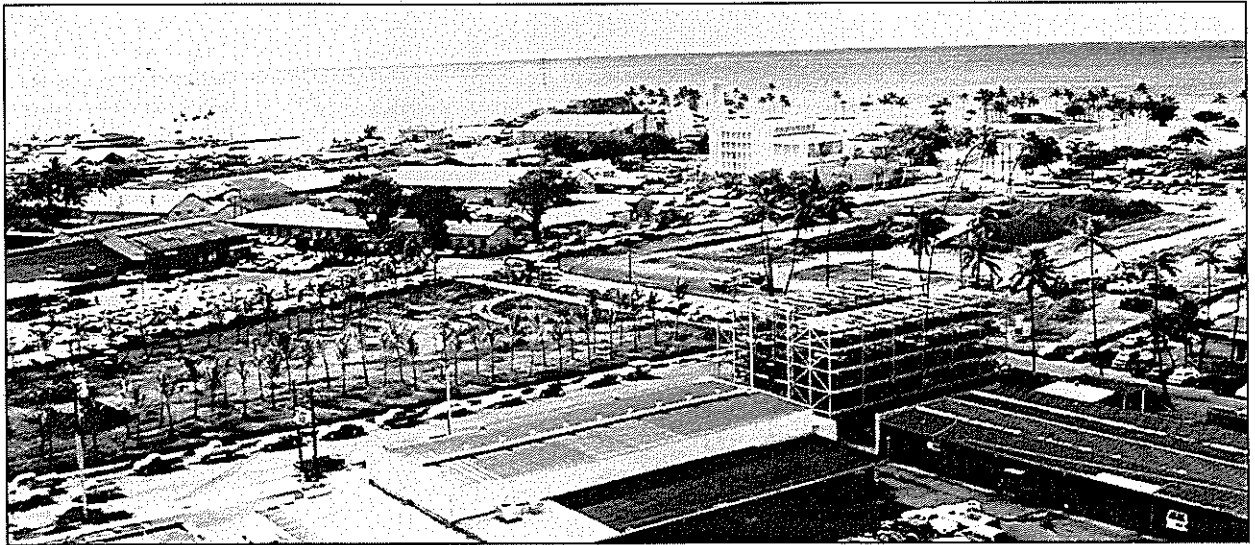
The Kakaako Makai Gateway Project will enhance the redevelopment potential of the area. Along Cooke Street, new water, sewer, and drainage systems will be installed. New driveways, sidewalks, walkways, curbs, gutters and street lights will be constructed, and existing



overhead utility lines will be relocated underground. A two-acre passive park is being developed on the block bounded by Ala Moana Boulevard, Cooke, Ilalo and Ohe Streets. The project also includes the development of a four-acre playing field with a comfort station on the block immediately Makai of Ilalo Street and Ewa of Ohe Street. The Kakaako Makai Gateway is scheduled for completion in the first quarter of 1998.

IMPROVEMENT DISTRICT 7 (KAMAKEE STREET IMPROVEMENT)

The 1997 State Legislature appropriated \$11.1 million in Capital Improvement Project (CIP) funds to the HCDA to fund the realignment and infrastructure improvements to a portion of Kamakee Street, from Queen Street to Kewalo Basin. This project will complete the installation of the last major drainage system in the Mauka portion of Kakaako. It will realign Kamakee Street (between Auahi Street and Ala Moana Boulevard) and create a four-way signalized intersection at Ala Moana Boulevard and Ala Moana Park Road. This project will improve traffic circulation through the Kakaako District and create a direct link between Ala Moana Beach Park and Kakaako. By the close of the 1996-97 Fiscal Year, the HCDA had begun design work for ID-7 improvements. Construction is slated to begin in the fall of 1998.



CONSTRUCTION ON
THE KAKAAKO MAKAI
GATEWAY PROJECT

KAKAAKO MAKAI ROAD IMPROVEMENTS

To facilitate development of Kakaako's Makai Area lands and redevelopment of the Kewalo Basin waterfront area, the HCDA is proceeding with the extension of Ward Avenue and Punchbowl and South Streets into Kakaako Makai. The 1997 State Legislature appropriated \$36.3 million to the HCDA to construct a new roadway and infrastructure improvements by extending Ward Avenue to Ilalo Street, widening Ilalo Street and creating new

extensions to Punchbowl and South Streets. The project could also include improvements to Ahui Street, between Ilalo and Olomehani Streets. Proposed improvements will include: the installation of new water, sewer and drainage structures; construction of the new roadway; new driveways, sidewalks, curbs and gutters; and the installation of new utility lines. Infrastructure in this area is inadequate or nonexistent and improvements are required to support development of the Kakaako Makai Area.

In the coming months, the HCDA will conduct public hearings and proceed with design work for the Kakaako Makai road improvements. If all approvals are obtained, construction on the Ward Avenue extension phase of this project could begin in mid-1998. Construction on the Punchbowl/South Street extension phase of this project could start by October 1998, and the Ilalo Street phase could begin in mid-1999.



KAKAAKO MAKAI WATERFRONT DEVELOPMENT

KAKAAKO MAKAI INCLUDES 227 ACRES OF
LAND BELOW ALA MOANA BLVD, FROM
KEWALO BASIN TO ALOHA TOWER.



In terms of the extraordinary social and economic benefits it can reap for the Kakaako District and the people of Hawaii, the development of Kakaako District's Makai lands and waterfront is surely one of the State's most exciting and significant projects. Kakaako Makai is a special place where the harmony of land and ocean offers an unquestionable treat to the human soul. It provides a place where islanders and visitors can enjoy the serene beauty and tranquility of lands centrally located, but tucked away from the urban cacophony. No less important, Kakaako Makai provides the means to accommodate the expanding recreational and cultural needs of Honolulu's

residents, as well as serving the maritime and economic requirements of the State.

Kakaako Makai includes 227 acres of land below Ala Moana Boulevard, from Kewalo Basin to Aloha Tower. Many factors contribute to the value of Kakaako's Makai lands. A substantial portion (200 acres) of the land is owned and controlled by the State of Hawaii. It contains an abundant, scenic stretch of ocean frontage and is centrally located between downtown Honolulu and Waikiki. Kakaako Makai could provide substantial amenities through the development of civic, cultural and recreational facilities. The HCDA is working to create an attractive and vibrant people-oriented place and a world-class

waterfront at Kakaako Makai. The Makai lands also give the public an opportunity to realize financial rewards through the leasing of lands for private development.

The HCDA would like to preserve and enhance the natural environment in Kakaako Makai to the greatest extent possible. Special attention will be given to the waterfront, the tropical landscape and the Hawaiian lifestyle. For people who visit or work in the area, the Authority envisions a beautiful environment with tree-shaded walkways, bikepaths, promenades, parks, open space, public gardens and urban squares, and active areas for recreation, cultural activities, shopping, waterfront restaurants and entertainment.

During the 1996-97 Fiscal Year, the HCDA worked to finalize a new plan that will set strategies to attain its goals for Kakaako Makai. The revised Kakaako Makai Area Plan will be completed in early 1998. The Authority is also planning to construct state-of-the-art infrastructure and public facilities to make development of the Makai Area possible. The HCDA also initiated work on a new Supplemental Environmental Impact Statement (SEIS) for the Makai Area. The new SEIS is necessary because the Authority is revising the Makai Area Plan and Rules, which will involve changes from assumptions established in the existing 1994 Makai Area SEIS. The new SEIS will assess the impact of allowing maritime industrial uses to continue at Fort Armstrong and the redistribution of density as a result. As an element of the SEIS, the HCDA is completing work on a Makai Area Traffic Study to gauge the possible traffic and roadway impacts that may occur with development and improvements in Kakaako Makai.

PLANNING A STRATEGY FOR KAKAAKO MAKAI

With the State's challenging economic climate, the Makai Area affords an opportunity to identify and locate new business sectors for the State that can best utilize the available land, add scope and diversity to the State's economy, and help finance planned public amenities. A total of 5.7 of the 7.5 million square feet of building area allowed in the Makai Area are on State-owned lands. A proactive approach will be required to achieve full absorption of this considerable amount of building area.

In setting strategies for Kakaako Makai, the HCDA is identifying suitable anchor uses that will provide direct public benefits and support new

MAKAI AREA PROJECTS

KEWALO BASIN PARK

A five-acre scenic shoreline park located in Kewalo Basin. Includes a pedestrian promenade, observation areas, trellised picnic area, reconstructed seawall, comfort station and shower facilities and a new net shed. Completed in 1990.

KAKAAKO WATERFRONT PARK/PHASE I

Thirty acres of passive recreational park space built on a former landfill site. Includes contoured rolling landscaped mounds, a scenic pedestrian promenade spanning the length of the park, comfort stations and picnic areas, five oceanfront observation areas, a community amphitheater, and two protected water access points. Completed in 1992.

KEWALO BASIN HARBOR & PARK IMPROVEMENTS

Improvements facilitate and enhance access, traffic circulation and parking within the Kewalo Basin harbor area. Includes a pedestrian promenade along the Mauka and Diamond Head pier face. Completed in July 1995.

CHILDREN'S DISCOVERY CENTER

HCDA completed remediation and structural stabilization of the former Kewalo Incinerator for use as a children's museum. The Children's Discovery Center (CDC) is continuing the extensive construction work, additional structure work, tenant improvements, exhibits fabrication and landscaping work. HCDA's work was completed in September 1995. The CDC is expected to be opened in mid-1998.

KAKAAKO MAKAI GATEWAY PROJECT

Creation of a scenic gateway to the Kakaako Waterfront Park and an attractive six-acre park. Also involves infrastructure improvements on a portion of Cooke Street, including roadway, drainage, sewer and water systems enhancements and relocation of electric and telephone lines underground. The project also includes a two-acre passive park and a four-acre play field. Completion scheduled for first quarter of 1998.

ALA MOANA SEWAGE PUMP STATION PROJECT

HCDA has issued a request for development proposals for the historic Ala Moana Sewage Pump Station. The HCDA is seeking a viable development concept that would revitalize and unify the historic buildings into a public activity area that will create cultural opportunities, as well as new jobs, tax revenues and other economic benefits. HCDA will select a development proposal in September 1997.



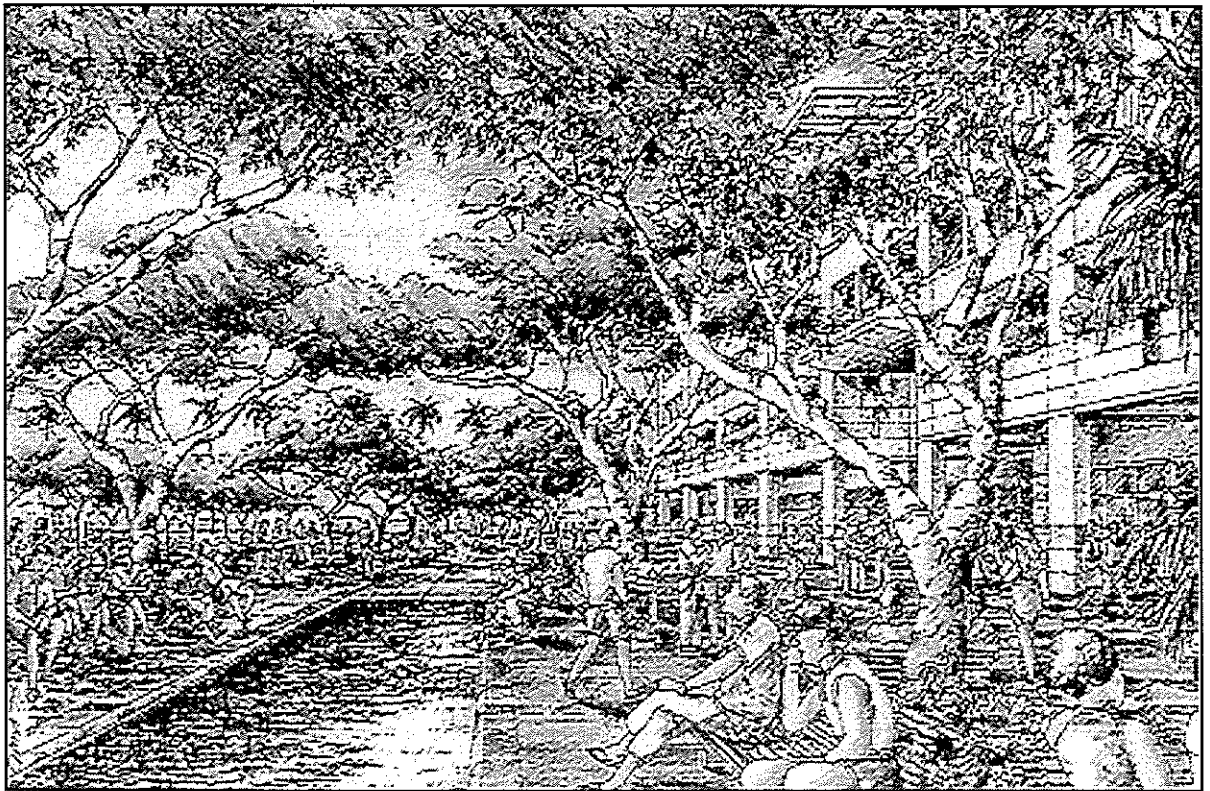
economic development. The tourism and technology sectors appear to have the potential to absorb a considerable amount of space and would be compatible with the location and context of the Makai Area.

Specific projects that appear most suitable would be attractions that appeal to both local residents and tourists. A correct mix of attractions would enhance the civic and public infrastructure of Kakaako and would bring local residents into the Makai Area, creating a critical mass to support other economic activities such as restaurants and retail. Educational and entertainment attractions, focusing on Hawaii's unique cultural heritage and natural environment, would have appeal for both local residents and tourists.

Other uses that could be suitable for Kakaako Makai include office space for high technology research and development firms that have expressed an interest in expanding into Hawaii. A niche market for high-tech office space has been

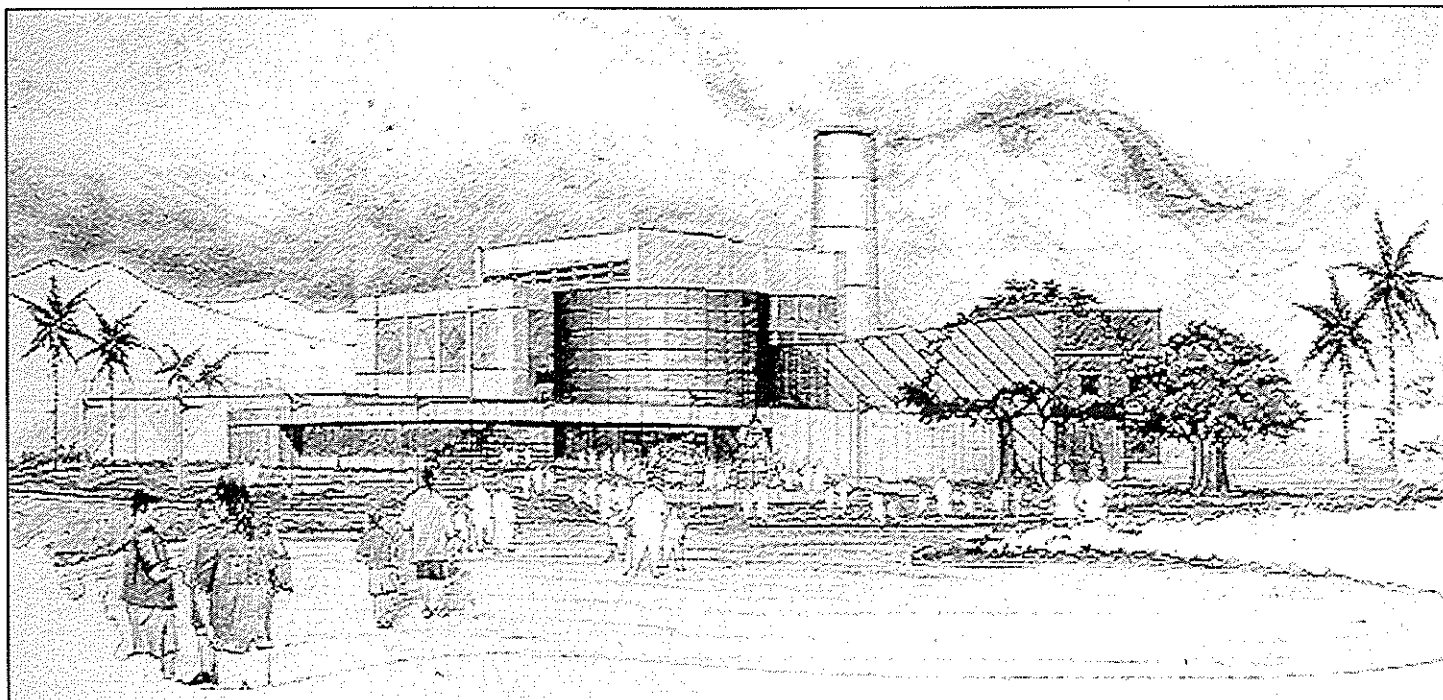
identified as holding promise for Hawaii's economy and the Makai Area. Recently, two Japanese companies have opened Hawaii offices for research and development of software and it appears possible that others in this category could be attracted to Hawaii if proper support and infrastructure were available. HCDA will be researching the concept of establishing a high-tech park in Kakaako Makai. The area offers an excellent location that is central and attractive, with generous recreational amenities. The provision of infrastructure and other requirements to attract high technology firms to the area will also be explored.

The existing, 30-acre Kakaako Waterfront Park, in concert with the Kakaako Makai Gateway being constructed, will provide active and passive recreation space, spectacular ocean views, and a positive context for other future attractions. Continued enhancement of the Park is expected to add landmark water features, sculptures and public gardens. The Kakaako Waterfront Park has broad



A MIX OF ATTRACTIONS WOULD ENHANCE THE CIVIC AND PUBLIC INFRASTRUCTURE OF KAKAAKO AND WOULD BRING LOCAL RESIDENTS INTO THE MAKAI AREA, CREATING A CRITICAL MASS TO SUPPORT OTHER ECONOMIC ACTIVITIES SUCH AS RESTAURANTS AND RETAIL.





AN ARTIST CONCEPT RENDERING
OF THE CHILDREN'S DISCOVERY
CENTER

appeal to both tourists and local residents and will be an asset as the HCDA pursues other types of development.

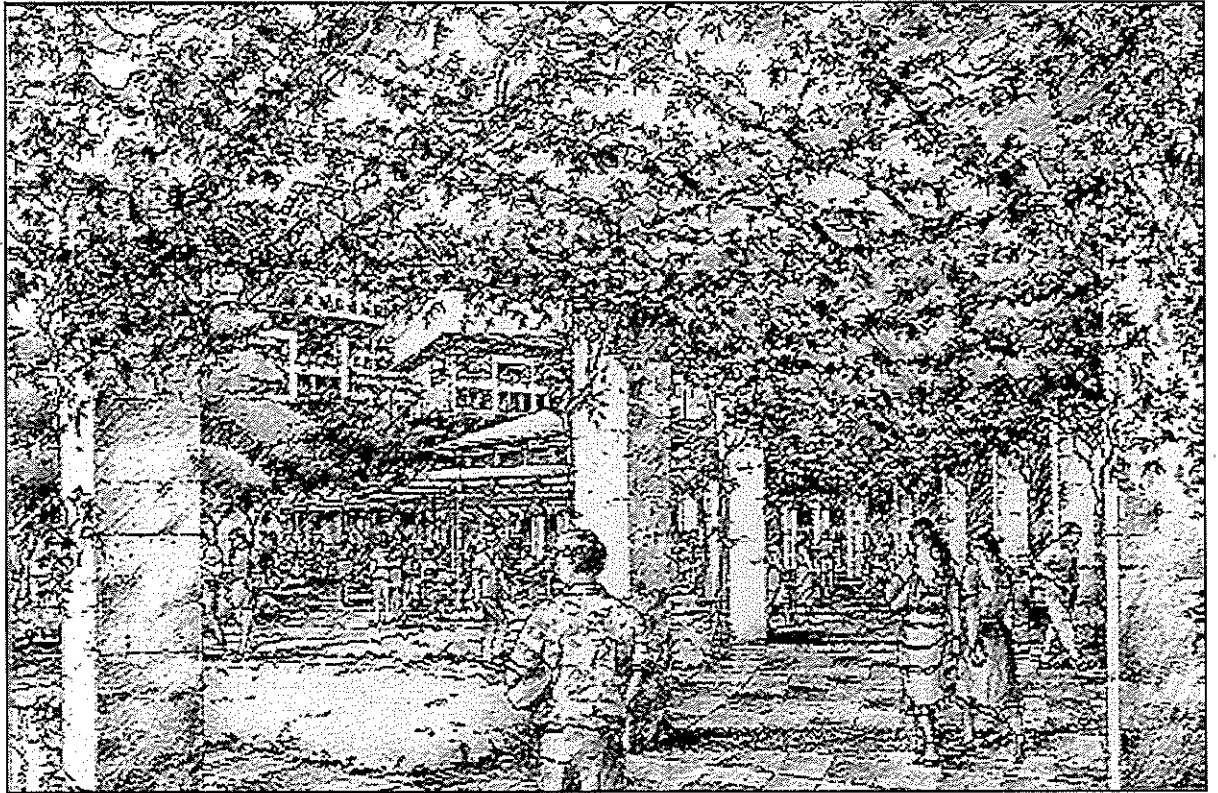
Groundbreaking for the Children's Discovery Center (CDC) was held in August 1996. Fronting a prime corner of the Kakaako Waterfront Park, the CDC will be another key attraction in Kakaako Makai, offering interactive exhibits that teach children about culture, science and technology. For this facility, the HCDA completed remediation and structural stabilization work on the former Kewalo Incinerator for leasing to the CDC to be used as a children's museum. The CDC is completing the renovation of the 17,000 square foot structure and the addition of 20,000 square feet of new construction. Funds are now being raised for the Center's exhibits and start-up operations. Once these are in place, the new facility will be opened to the public.

In mid-1997, the HCDA issued a request for development proposals for the former Ala Moana Sewage Pumping Station in the Makai Area. The former Ala Moana Sewage Pump Station site currently contains three historic structures built in 1900 and 1938. The station was Honolulu's first waste disposal facility and the historic buildings were

placed on the National Register of Historic Places in 1978 because of their historic and architectural significance. In issuing the request for proposals, the HCDA is seeking a viable development concept that would revitalize and unify the historic buildings into a public activity area. The HCDA will select a developer based on the project's ability to generate activity, as well as new jobs, tax revenues and other economic benefits.

A world-class aquarium facility is another attraction that the HCDA is considering. The natural environment of Hawaii's oceans could be presented in an aquarium complex that could be a major visitor attraction as well as an educational resource for Hawaii's residents. The HCDA will conduct a study to verify costs and assess the financial feasibility and drawing power of a world-class aquarium in Kakaako Makai. The Authority will look at the possibility of combining the aquarium facilities with other adjacent institutions, such as Look Laboratory, the National Marine Fisheries Service, and the Pacific Biomedical Research Center, to create a campus of ocean science facilities. In addition to enhancing the attraction and funding potential, this could also create a climate where ocean-related business development is promoted.





FOR THE PEOPLE WHO VISIT OR WORK IN KAKA'AKO MAKAI, THE HCDA ENVISIONS A BEAUTIFUL ENVIRONMENT WITH TREE-SHADED WALKWAYS, BIKEPATHS, PROMENADES, PARKS, OPEN SPACE, PUBLIC GARDENS AND URBAN SQUARES, AND ACTIVE AREAS FOR RECREATION AND CULTURAL ACTIVITIES.

In the months ahead, HCDA will consider other possible attractions that would further the theme of education and entertainment, appealing to both local residents and tourists. These include:

- A venue that focuses on Hawaiian music and Hawaii's cultural heritage, similar in nature to New Orleans' Preservation Hall. This facility could present the history of Hawaiian music with performances, a museum of musical instruments and sales of recordings. This

Hawaiian music hall concept was initiated by the Department of Business, Economic Development and Tourism and has been well received by the public and local entertainers, many of whom have been struggling recently due to the reduction of Waikiki venues.

- A children's theatre, a facility that could be operated by the Honolulu Theatre for Youth.
- A children's play area, which could include interactive water features and imaginative play areas.





FINANCIAL INFORMATION

HAWAII COMMUNITY DEVELOPMENT AUTHORITY STATEMENT OF APPROPRIATIONS, EXPENDITURES, ENCUMBRANCES AND BALANCES FOR FISCAL YEAR ENDED JUNE 30, 1997

	PRIOR YEAR AVAILABLE FUNDS 7/1/96	APPROPRIATION	TRANSFERS	EXPENDITURES	ENCUMBRANCES	ALLOTMENTS	UNALLOTTED	FUNDS	LAPSED
OPERATING FUNDS									
ACT 287, SLH 1996	-	121,756	-	115,123	-	-	-	147,992	6,633
PROJECT FUNDS									
Kakaako Community Development District									
ACT 264, SLH 1982	-	-	-	-	-	-	-	-	-
ACT 301, SLH 1983	-	-	-	927	396	-	-	1,008,400	-
ACT 300, SLH 1985	1,323	-	-	4,005	55,288	-	-	519	963
ACT 216, SLH 1987	60,256	-	-	-	-	-	-	-	15,517
ACT 316, SLH 1989	15,517	-	-	-	-	-	-	-	-
ACT 299, SLH 1990	34,128	-	-	-	34,128	-	-	-	-
ACT 296, SLH 1991	1,029,507	-	-	147,640	741,185	-	-	-	140,682
ACT 300, SLH 1992	-	-	-	-	-	-	-	-	-
ACT 289, SLH 1993	6,058,540	-	-	4,021,734	1,888,814	-	-	147,992	-
ACT 252, SLH 1994	9,136,450	-	-	3,895,885	4,232,165	-	-	1,008,400	-
ACT 218, SLH 1995	3,050,278	-	-	535,759	-	2,514,000	-	519	-
ACT 287, SLH 1996	-	2,050,000	-	1,203,141	99,687	297,080	-	450,092	-
DELEGATIONS	814,464	-	-	98,895	715,569	-	-	-	-
IMPROVEMENT DISTRICT BOND FUNDS									
REVOLVING FUND	18,715,673	5,588,673 1/	(257,000)	4,376,163	1,495,220	-	-	18,175,963	-
	<u>38,916,136</u>	<u>7,760,429</u>	<u>(257,000)</u>	<u>14,399,272</u>	<u>9,262,452</u>	<u>-</u>	<u>2,811,080</u>	<u>19,782,966</u>	<u>163,795</u>

1/ Variance dedication fees assessment fees etc collected



FINANCIAL INFORMATION

HAWAII COMMUNITY DEVELOPMENT AUTHORITY STATEMENT OF EXPENDITURES (For Fiscal Years Ending June 30, 1996 and June 30, 1997)

	JUNE 30, 1997		JUNE 30, 1996	
	OPERATING FUNDS	PROJECT FUNDS	TOTAL EXPENDITURES	TOTAL EXPENDITURES
PERSONAL SERVICES	112,491	1,378,280	1,490,771	1,737,802
OTHER CURRENT EXPENSES	2,632	12,872,209	12,874,841	22,736,797
EQUIPMENT	-	33,660	33,660	-
TOTAL EXPENDITURES	<u>115,123</u>	<u>14,284,149</u>	<u>14,399,272</u>	<u>24,474,599</u>

AUTHORITY

MEMBERS

(JULY 1, 1996-

JUNE 30, 1997)

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Production Director
KGMB-9 TV

Vice Chairman
BRIAN MINAAI
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Takeyama & Sullivan
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Executive Director
JAN YOKOTA





STATE OF HAWAII

HAWAII
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