H.B. NO. 3202

A BILL FOR AN ACT

RELATING TO COMMERICAL HARBORS MODERNIZATION.

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

SECTION 1. Act 127, Session Laws of Hawaii 2007, is amended by amending section 1 to read as follows:

To meet the economic needs of the [~~state~~]State, the harbors division of the department of transportation must provide suitable harbor facilities, and berthing piers, which in turn ensures the efficient and timely delivery and shipment of goods imported into the [~~state~~]State. Ocean surface transportation is our state's lifeline. It remains the only viable means to service the lion's share of Hawaii's economic needs. However, Hawaii's aging commercial harbor system has not kept pace with our growing economy, and Hawaii's commercial ports statewide are experiencing competition for berthing rights for cargo, fuel and cruise ship activities and severe congestion in harbor facilities. It is recognized by the harbor users, state administration, and the legislature that it is now extremely critical to upgrade existing port facilities and develop harbor improvements in an expedited manner. The Hawaii harbors users

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

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

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

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

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

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

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

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

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

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

"Maritime" means the administration of chapter 266 by the 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

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

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

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

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

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

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

"§206J-5.5 Partnership with department of transportation for [~~Honolulu harbor~~] <u>the implementation of the commercial</u>

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

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

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

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

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

(3) Hilo Harbor. Development of infrastructure, expansion of facilities, tenant relocations, acquisition of lands, including 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

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

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

(2) Two public members from the maritime industry;

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

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

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

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

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

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

"§171-59 Disposition by negotiation.

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

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

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

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

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

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

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

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

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

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

Design	$26,900,000
Construction	$ 3,000,000
Total funding	$29,900,000

2. HMP - Kalaeloa Barbers Point harbor infrastructure improvements, Oahu

design of utility and infrastructure improvements

Design	$ 300,000
Total funding	$ 300,000

3. HMP - Kalaeloa Barbers Point harbor fuel pier improvements, Oahu

design of new fuel pier and other site related improvements

Design	$6,300,000
Total Funding	$6,300,000

4. HMP - Pier 4 interisland cargo terminal, Hilo harbor, Hawaii

design of additional interisland cargo terminal areas including a pier, yard, roadways and utilities

Design	$13,400,000
Total Funding	$13,400,000

5. HMP - Kahului harbor land acquisition and improvements, Maui
purchase additional land and subsequent design of improvements for the acquired land.

Land	$15,000,000
Design	$ 2,000,000
Total Funding	$17,000,000

6. HMP - West harbor barge/ferry slip, Kahului harbor, Maui
design for a new west harbor barge/;ferry slip and associated site work improvements

Design	$8,000,000
Total Funding	$8,000,000

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

design for west harbor breakwater, dredging and associated improvements

Design	$3,000,000
Total Funding	$3,000,000

8. HMP - West harbor cruise terminal Kahului harbor, Maui

design of a cruise terminal including paving, utilities, security, and other site work improvements

Design	$3,000,000
Total Funding	$3,000,000

9. HMP - East harbor breakwater, Kahului harbor, Maui

design of the east harbor breakwater and related improvements

Design	$3,000,000

Total Funding $3,000,000

10. HMP - Pier 2 improvements, Kahului harbor, Maui
design of improvements to the pier including strengthening, bollard replacement, dredging, and environmental permitting

Design $ 500,000

Total Funding $ 500,000

11. HMP - Kawaihae harbor development plan, Hawaii
development plan for improving new terminal cargo facilities at Kawaihae harbor

Plans $ 500,000

Total Funding $ 500,000

12. HMP - Pier 2 terminal improvements, Kawaihae harbor, Hawaii

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

Design	$ 5,000,000
Construction	$21,000,000
Total Funding	$26,000,000

13 HMP - Pier 4, Kawaihae harbor, Hawaii

design of a multi user pier 4 and associated site work

Design	$ 9,000,000
Total Funding	$ 9,000,000

14. HMP - Multi User Pier 4, Nawiliwili harbor

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

Design	$ 300,000

1 Total Funding $ 300,000

2

3 15. HMP - Construction management support, statewide

4 construction consultant services during construction of

5 harbor modernization plan projects at harbor facilities

6 statewide

7

8 Construction $2,400,000

9

10 Total Funding $2,400,000

11

12 16. HMP - Harbors division capital improvement program staff

13 cost, statewide Costs related to wages and fringes for permanent

14 harbor modernization plan project funded positions

15

16 Planning $1,735,000

17

18 Total Funding $1,735,000

19 The appropriations made for capital improvement projects

20 authorized by this act shall not lapse at the end of the fiscal

21 biennium for which the appropriation is made; provided that all

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

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

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

INTRODUCED BY: Calvin K.Y. Say

BY REQUEST

JAN 22 2008

H.B. NO. 3202

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.

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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

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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

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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.

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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,

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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

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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.

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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.