

EVALUATION  
OF THE PROPOSED  
HAWAII WORLD TRADE CENTER

A Report to the Legislature of the State of Hawaii

Submitted by the  
Legislative Auditor of the State of Hawaii

Special Study 79-4  
November 1979



## FOREWORD

During the 1979 Regular Session of the Legislature, the state administration proposed that \$8.5 million be appropriated to initiate the establishment of a world trade center and redevelopment of the Aloha Tower piers. In view of its strategic location adjacent to downtown Honolulu and its implicit high value, the Aloha Tower site has become the focus for redevelopment plans, and one such plan is the administration's proposal for a Hawaii World Trade Center.

However, the 1979 Session of the Legislature was not satisfied that adequate analysis had been conducted to justify an appropriation of \$8.5 million for implementation. Therefore, it appropriated a lesser amount for design only and directed that the appropriation not be released until the Legislature is presented with another opportunity to review the project in the 1980 Session. At the same time, the Legislature requested our office to undertake an evaluation of the administration's plans and to submit a report of our findings. This report is in response to that request.

The reader who wishes to obtain a quick overview of our findings should refer to chapters 9 and 10. In those chapters, we summarize our evaluation of the world trade center concept and the proposed redevelopment of the Aloha Tower piers.

We were assisted in this study by Dr. John Haldi, president of Haldi Associates, Inc., an economic and management consultant firm. Dr. Haldi served as our technical consultant, and we acknowledge with gratitude his contributions to this study.

We also acknowledge and express our appreciation for the excellent cooperation and assistance provided by officials of the Department of Planning and Economic Development, especially its Hawaii International Services Agency; the Department of Transportation; the Department of Land and Natural Resources; the Department of Budget and Finance; the administration's consultants, Charles R. Sutton and J. Ming Chew; the Downtown Improvement Association; and the many other public officials and private parties who were contacted during the course of this study.

Clinton T. Tanimura  
Legislative Auditor  
State of Hawaii

November 1979



## TABLE OF CONTENTS

### PART I INTRODUCTION AND BACKGROUND

<i>Chapter</i>		<i>Page</i>
1	Introduction .....	3
	Objectives of the Study .....	3
	Scope of the Study .....	3
	Framework for the Study .....	4
	Organization of the Report .....	5
2	Historical Development of the World Trade Center Concept .....	6
	1972 Site Selection Study .....	6
	1973–74 Feasibility Study .....	7
	1975–79 Feasibility Study .....	8
	Governor’s 1979 Budget Request .....	9
	Summary of the Development of the World Trade Center Concept in Hawaii .....	9
	World Trade Developments Elsewhere .....	10

### PART II THE WORLD TRADE CENTER CONCEPT

3	The Role of International Commerce in Diversifying and Expanding Hawaii’s Economy .....	13
	Summary of Findings .....	13
	Historical Development of International Trade in Hawaii .....	13
	Hawaii as a Pacific Hub .....	14
	Hawaii as a Destination for International Commerce .....	14
	Hawaii as an Origin of International Commerce .....	16
	Demand for Office Space in a World Trade Center by Organizations in Hawaii Engaged in International Trade .....	17
	Other Forms of International Commerce .....	17
	Conclusion .....	18
4	Requirements for an International Trade Program .....	19
	Summary of Findings .....	19
	Functional Requirements .....	19
	Conclusion .....	23

TABLE OF CONTENTS

<i>Chapter</i>		<i>Page</i>
5	The World Trade Center Concept: Summary of Evaluation .....	24
	International Trade Activities .....	24
	Space and Locational Requirements for Trade-Related Activities ...	25
	Relationship to the Aloha Tower Site .....	26
<b>PART III</b>	<b>PROPOSED REDEVELOPMENT OF THE ALOHA TOWER PIERS</b>	
6	Basic Considerations Underlying Redevelopment of the Aloha Tower Piers .....	29
	Summary of Findings .....	30
	Maritime Needs .....	30
	External Considerations .....	31
7	Hawaii as a Pacific Regional Headquarters for Multinational Firms .....	32
	Summary of Findings .....	32
	The Regional Headquarters Hypothesis .....	32
	Coral Gables' Experience .....	33
	The 1976 Conference on Honolulu as a Regional Headquarters Site ..	33
	Subsequent Developments .....	34
	Relationship Between the Regional Headquarters Concept and a Particular Office Building .....	35
	Conclusion .....	37
8	Major Components of the Proposed Redevelopment .....	38
	Summary of Findings .....	38
	Office Space .....	39
	Commercial Space .....	40
	A Downtown Businessman's Hotel .....	42
	Conclusion .....	43
9	Review and Evaluation of Financial Projections .....	45
	Summary of Findings .....	45
	Estimated Cash Flow .....	46
	Appropriation Request for \$8.5 Million .....	47
	Financial Failure of Increment I Analyzed .....	48
	Alleged Fiscal Benefits .....	49
	Cost of Increments II and III .....	50
	Policy Issues Pertinent to Increments II and III .....	51
	Some Financial Questions and Issues Concerning Increment I .....	52
	Conclusion .....	52

LIST OF TABLES AND FIGURES

<i>Chapter</i>		<i>Page</i>
10	Proposed Redevelopment of the Aloha Tower Piers:	
	Summary of Evaluation .....	54
	Regional Headquarters Concept Not Relevant to Site Development ..	54
	Commercial Space May Be Excessive Without	
	Major Tourist Attractions .....	54
	Feasibility of a First-Class Businessman's Hotel Is Not Established ...	55
	Complementarity, Timing, and Other Internal Considerations .....	55
	Financial Questionability .....	56
	Conclusion .....	56
<b>PART IV</b>	<b>PLANNING FOR A WORLD TRADE CENTER AND</b>	
	<b>THE ALOHA TOWER PIERS</b>	
11	Planning for a World Trade Center .....	59
	Introduction to Part IV .....	59
	The 1970 Appropriation to Study an International Trade	
	and Conference Center .....	60
	The 1972 Site Selection Study .....	60
	HISA's 1973 Proposal .....	61
	The 1973-74 Engineering Feasibility Study .....	61
	The 1975-79 Study .....	62
	Conclusion .....	62
12	Planning for Redevelopment of the Aloha Tower Piers .....	64
	Maritime Needs and Availability of the Site for	
	Redevelopment Have Not Been Adequately Studied .....	64
	Alternative Development Strategies Have Not Been	
	Properly Analyzed .....	66
	DPED's Objectives Do Not Provide an Adequate Basis for	
	Planning Redevelopment of the Aloha Tower Piers .....	67
	Premature Designation of a Developmental Agency .....	70
	Planning Mechanism for the Aloha Tower Piers .....	71
	Summary .....	72
<b>APPENDIX</b>	<b>THE NEED TO STUDY MARITIME REQUIREMENTS</b>	
	<b>AT PIERS 8-11 .....</b>	<b>79</b>

## LIST OF TABLES AND FIGURES

<i>Table</i>		<i>Page</i>
2.1	Size and Estimated Cost of the Proposed Hawaii International Trade Center .....	7
2.2	Location and Sponsorship of Existing World Trade Centers, 1976.	9
3.1	Hawaii's Balance of Payments, 1976 .....	16
6.1	Overseas Passengers Arriving at Honolulu via Ocean Travel, 1954-1978 .....	30
8.1	Proposal for Aloha Tower Complex Plaza and Hawaii's World Trade Center Distribution of Revenue Space Planned for Construction During Increment I, by Intended Use .....	39
9.1	1984 Cash Flow, Increment I of Proposed Aloha Tower Complex.	47
9.2	Estimated Costs for Aloha Tower Plaza Public Spaces, Escalated to 1983 .....	47
9.3	Estimated Costs for Renovation of Pier 11 During Increment I ..	49
12.1	Selected User Characteristics Associated with Alternative Components Suggested for Revitalization of Aloha Tower Piers	69
<i>Figure</i>		
3.1	Great Circle Routes Between San Francisco and Major Asian/Australian Ports .....	15
12.1	The Aloha Tower Piers: Maritime Issues Requiring Study and Resolution .....	73
12.2	The Aloha Tower Piers: Policy Issues to Be Resolved, Assuming Some or All of the Site is Surplus to Maritime Needs .....	74

---

PART I

INTRODUCTION AND BACKGROUND

---



## Chapter 1

# INTRODUCTION

Legislative review of the administration's budget request for Aloha Tower Plaza in the 1979 Regular Session raised serious doubts concerning funding for the project in the amount of \$8.5 million. The review found analysis of the project to be unsatisfactory. Objectives were not clearly stated, and "consideration of alternative means of development, including development by the private sector," was not undertaken.<sup>1</sup> The conference committee on the budget deferred most of the requested appropriation, and provided only \$500,000 for design. Even this appropriation was not to be allotted "... prior to the review and approval of the project by the 1980 Regular Session of the Legislature ..."<sup>2</sup>

Section 121 of the 1979 General Appropriations Act further requested the Legislative Auditor to "... review the project's feasibility and submit a report at least twenty days prior to the convening of the 1980 Regular Session of the Legislature."<sup>3</sup> This study has been prepared and is submitted in response to this request by the legislature.

### Objectives of the Study

The objectives of this study are as follows:

To evaluate the feasibility of the administration's proposed redevelopment plan for the Aloha Tower piers as contained in the report, *Aloha Tower Plaza and the Hawaii*

*World Trade Center*, submitted by the Department of Planning and Economic Development (DPED), Hawaii International Services Agency (HISA).

To recommend what further analysis may need to be conducted in order to provide the administration and the legislature with a sound basis for pursuing a course of action.

### Scope of the Study

This study reviews the development of the world trade center project from its inception through the end of the 1979 legislative session. Primary focus is an evaluation of the analysis and plans in the report, *Aloha Tower Plaza and the Hawaii World Trade Center*. Included here are assessments of the world trade concept—what a world trade center consists of, what benefits will be conferred on Hawaii, and the redevelopment of the Aloha Tower piers. The planning process utilized to

<sup>1</sup>Conference Committee Report on H.B. 1, H.D. 1, S.D. 1, 1979 Regular Session, p. 21.

<sup>2</sup>Section 121, Act 214, Session Laws of Hawaii 1979.

<sup>3</sup>*Ibid.*

develop the plan submitted to the legislature is also reviewed and evaluated. Finally, the scope of this study includes brief analyses of the maritime needs of the piers, previous studies on the world trade center project in Hawaii, the administration's proposed legislation to create an authority to oversee the development of the site, and testimony presented to the legislature on the proposed project and the authority bill.

### Framework for the Study

The world trade center proposed for the Aloha Tower site is the keystone of DPED's conceptual plan. However, for the purpose of discussion and evaluation, this study views the plan as having two major, separable aspects: (1) the world trade center as a means of promoting international trade and diversifying Hawaii's economy, and (2) the world trade center as a vehicle for completely redeveloping the Aloha Tower piers (piers 8-11). These two aspects are approached and treated separately because:

State resources can be used to expand and diversify the economy in a number of ways, including promotion of international trade. Whether done via a world trade center or through some other means, these activities should be evaluated on their own merits, regardless of whether they occur at the Aloha Tower piers or at some other location.

Piers 8-11 can be redeveloped in a number of widely varying ways. If subjected to comparative analysis, some alternatives for redevelopment might turn out to be more desirable than the proposed world trade center.

The view that the two foregoing aspects warrant separate treatment and analysis is reinforced by examination of the following objectives identified by DPED's consultants to guide development strategies:

- "1. To enhance world trade with Hawaii.
- "2. To diversify and expand the economic base of Hawaii.
- "3. To maximize financial and fiscal benefits or minimize financial and fiscal costs.
- "4. To catalyze nontrade objectives such as to beautify the waterfront, to revitalize the Aloha Tower area, to improve space utilization of the pier 8 to 11 areas, to enhance downtown Honolulu, to reinforce the aesthetics of the Capitol District Plan, to beautify the surface gateway to Honolulu and Waikiki.
- "5. To create an international identity for Honolulu as a center for world trade services, cultural interfacing, specific competences [sic], and so forth."<sup>4</sup>

The first of these objectives, the enhancement of world trade with Hawaii, can be considered a "specific" or "intermediate" objective. It is one means of achieving the general state objective of diversifying and expanding Hawaii's economic base (the second of the consultants' five objectives). The fifth objective also relates to world trade. However, the other two objectives (3 and 4) do not pertain in any direct way to world trade. Thus, the conceptual plan developed by DPED's consultants incorporates two entirely different sets of objectives.

Accordingly, the world trade center concept as a means of achieving trade-related objectives is discussed and evaluated in this report separately from the redevelopment aspect of the conceptual plan. Under this

<sup>4</sup>Department of Planning and Economic Development, Hawaii International Services Agency, *Aloha Tower Plaza and the World Trade Center*, Honolulu, March 1, 1979, p. 15.

basic approach, the focus of our study is on identifying and sorting out the basic issues pertinent to the administration's proposal and determining whether these issues have been adequately covered in the conceptual plan. These issues include the following and are covered sequentially in our study:

*With respect to the world trade center concept—*

Whether there is demand for office space in a world trade center by organizations engaged in international trade.

What the functional requirements or activities of an international trade program would be and whether there is demand for such activities as library and information services, translation services, educational offerings, a world trade club, and exhibitions.

Whether the space required by an international trade program needs to be located in an office building at the Aloha Tower site and is in consonance with the size of the building proposed.

*With respect to the proposed redevelopment of the Aloha Tower piers—*

How future maritime needs and external considerations, such as nearby land uses and Nimitz Highway, might affect the proposed redevelopment.

Whether the State's desire to attract regional headquarters of multinational firms is dependent upon the proposed redevelopment.

What the prospects might be for those redevelopment components having little to do with world trade, including general purpose office space, commercial shops aimed primarily at tourists, and a downtown hotel.

Whether the proposed redevelopment as currently conceived is likely to be financially self-supporting.

In addition to evaluating whether the foregoing issues have been dealt with adequately, the study assesses whether the planning process for (1) a world trade center and (2) redevelopment of the Aloha Tower piers has covered all of the essential factors in the proper sequence and what the basic considerations and planning framework might be if either aspect is to be pursued further.

### Organization of the Report

This report is organized in four parts. Part I includes this introductory chapter and background on historical development of the world trade center concept. Part II evaluates the role of international commerce in diversifying and expanding Hawaii's economy and the requirements and potential of the world trade center concept. Part III reviews and evaluates the proposed redevelopment of the Aloha Tower piers and includes an evaluation of financial projections. Part IV examines the adequacy of the planning process in planning for a world trade center and planning for the redevelopment of the Aloha Tower piers and presents some of the principal factors which need to be considered if further analysis and planning are to be undertaken.

## Chapter 2

# HISTORICAL DEVELOPMENT OF THE WORLD TRADE CENTER CONCEPT

This chapter presents a brief chronology of major events leading to the proposal to build a world trade center in Hawaii. The historical threads underlying this proposal date back many years, for the vision of Honolulu as a center for world trade is not new.

As early as 1854, Hawaii's finance minister reportedly recognized the potential for trade between North America and Japan.<sup>1</sup> After World War II, the reestablishment of trade between Asia, Australia, and America again fostered hopes of Hawaii's participation in increased world commerce. Governor Quinn, in the late 1950's, proposed a "free trade zone" for transshipment of goods. Realization of the East-West Center at the University of Hawaii in 1960 added support to this vision of Hawaii as a center for international interchange.

In a speech in December 1961, Governor Quinn again promoted international trade through a Pan-Pacific Center:

"... where merchants from East and West could meet, and where merchandise for sampling, display and financing would be available, free from customs entanglements. Here we could emulate our sister port city of New Orleans, where a privately operated International House carries on functions in international relations, world trade developments, publicity, and operating a library. It places the full facilities of an exclusive business club at the disposal of traders and travellers from all over the world."<sup>2</sup>

The idea of an international trade center gained further acceptance when Governor

Quinn's successor, Governor Burns, began promoting it. In 1970, at Governor Burns' request, the legislature appropriated \$100,000 for studies by the Department of Planning and Economic Development on the concept of an "International Trade and Conference Center."<sup>3</sup> The international trade center concept was first conceived as an office building, a conference and information center, and an exhibition hall. Later, as the center grew, additional space was to be provided for training, research, and scientific and technical interchange programs related to international trade. Thought was also given to accommodating the U.S. departments of Commerce and Agriculture, armed forces procurement officers, customs officials, and U.S. trade missions.

### 1972 Site Selection Study

In 1972, DPED conducted a preliminary evaluation of different sites for the proposed center.<sup>4</sup> Initially, seven locations (not including

<sup>1</sup>Department of Planning and Economic Development, Hawaii International Services Agency, *op. cit.*, p. 334.

<sup>2</sup>William Quinn, "Address to the Sugar Planters' Association," on December 5, 1961, in *Selected Addresses and Messages of William Francis Quinn*, State Archives, 1963, p. 151.

<sup>3</sup>Act 187, Session Laws of Hawaii 1970.

<sup>4</sup>Department of Planning and Economic Development, *Preliminary Site Evaluation and Recommendations for the Hawaii International Trade Center*, Honolulu, 1972.

the Aloha Tower piers) were evaluated against 11 site factors, and the site identified as "Kewalo-Mauka" ranked first. Subsequently, the Aloha Tower passenger terminals were evaluated, the rankings were revised, and Aloha Tower ranked first. The preliminary conclusion of the study was that "[t]his site [the Aloha Tower terminals] appears to offer the cheapest solution for housing the ITC [International Trade Center] in a favorable economic environment while remaining within the financial constraints set by current State fiscal policy."<sup>5</sup>

### 1973-74 Feasibility Study

Following the site selection study, the Hawaii International Services Agency (HISA) within the Department of Planning and Economic Development (DPED) was assigned the task of developing a basis for further action. In February 1973, HISA formally proposed that a study be conducted of the physical requirements and costs of establishing a Hawaii International Trade Center (HITC) at the Aloha Tower piers.<sup>6</sup>

Acting on HISA's proposal, the architectural and engineering consulting firm of Charles R. Sutton & Associates, Inc., was awarded a contract in December 1973 to evaluate (1) structural and spatial capabilities of the existing buildings, (2) the probable cost of renovating the buildings, and (3) the governmental codes which might affect the possible use of these piers for an HITC.<sup>7</sup> The consultants expanded the study's scope to include how the Aloha Tower site might relate to downtown, what support facilities might be accommodated at the piers, alternatives for the HITC complex, and parking requirements and availability in the area.

In September 1974, the consultants submitted their final report.<sup>8</sup> It concluded that existing structures at piers 8-9 were structurally sound and that renovation was feasible. A three-phase development plan was recommended. The first phase was to occur on Pier 9

and included 40,365 square feet of exhibit space; an 8,500 square foot conference center; additional areas for offices, meetings, and commercial space; and a pedestrian bridge across Nimitz Highway. The report also emphasized renovating the Aloha Tower as a visual, symbolic edifice. It was anticipated that certain supportive activities would be generated by the center and these were to be accommodated in the second and third phases.

This early plan was relatively modest in scope. The cost estimated by the consultants for the three phases is shown in Table 2.1.

**Table 2.1**  
Size and Estimated Cost of the  
Proposed Hawaii International Trade Center

Phase	Square feet	Cost
I*	122,446	\$ 3,769,240
II	86,506	3,623,300
III	41,524	2,838,800
Total	250,476	\$10,231,340

\*Phase I was also to include a pedestrian bridge (\$150,900) and exterior renovation (\$79,860).

Source: Charles R. Sutton & Associates, Inc., *Feasibility Study, Hawaii International Trade Center Located in Aloha Tower Complex*, September 1, 1974, pp. 36-44, 66-71.

<sup>5</sup>Department of Planning and Economic Development, *Aloha Tower Passenger Terminal Site Evaluation*, Honolulu, Hawaii, undated.

<sup>6</sup>Department of Planning and Economic Development, Hawaii International Services Agency, *Proposal, Hawaii International Trade Center, General Proposal, Physical Requirements and Cost Package*, Honolulu, February 1973.

<sup>7</sup>This study was funded from the \$100,000 appropriation in Act 187, Session Laws of Hawaii 1970.

<sup>8</sup>Charles R. Sutton & Associates, Inc., *Feasibility Study, Hawaii International Trade Center Located in Aloha Tower Complex*, Honolulu, September 1, 1974, 73 pp.

The 1973–74 study also described briefly an alternate development plan costing \$28,811,900. This alternative was indicative of the direction subsequent planning efforts were to take. Instead of renovation, this alternative involved complete demolition of the structures on piers 8 and 9 and construction of a new five-story building, plus a 250-room hotel. This report recommended that “the next stage of the feasibility study include financial feasibility and market analysis to determine detailed space uses and requirements prior to initiating Phases II and III.”<sup>9</sup>

### 1975–79 Feasibility Study

In 1975, DPED again engaged the firm of Charles R. Sutton & Associates, Inc., for further study of a world trade center.<sup>10</sup> Included in the scope of the study contract were the requirements for the consultant to make a preliminary analysis of alternative sites for the proposed world trade center in comparison with the Aloha Tower complex; prepare a project development schedule; develop physical criteria for alternative sites; expand the earlier structural review and analysis of the Aloha Tower complex to include piers 10 and 11; prepare schematics of alternative plans indicating renovation, demolition, replacement and new construction; analyze parking and access needs; survey demand for activities at the world trade center; investigate complementary uses; estimate project revenues and costs; investigate alternative financing, including public funding, private funding, and joint public-private arrangements; and conduct a financial analysis of the direct costs and benefits.<sup>11</sup>

Like the previous 1973–74 study, this study endorsed the Aloha Tower site, and development was likewise proposed to occur in three increments, only now encompassing piers 8 through 11 rather than being limited to piers 8 and 9, and involving demolition and total redevelopment rather than renovation of the existing pier structures. Major components included within each increment are as follows:

#### *Increment I*

- . An eight-story office building covering about half the total site reserved for the world trade center.
- . Commercial areas, shopping arcades, and a skybridge to Fort Street mall.
- . Parks and open space.
- . Major renovation of passenger terminal at Pier 11.
- . Refurbishment of Aloha Tower and a new visitor center.

#### *Increment II*

- . Doubling of the base eight-story world trade center building over most of Pier 8 plus, possibly, a 20-story office tower above the base building up to a maximum of 350 feet above ground level.

#### *Increment III*

- . A hotel of 400 to 720 rooms.
- . A completely redeveloped maritime terminal at Pier 11.

Total estimated cost of Increment I amounts to \$49,697,000. No dollar figures are cited for increments II or III. The consultant suggested that a decision to construct either of these two increments be deferred at least until Increment I is complete.

<sup>9</sup>*Ibid.*, p. 2.

<sup>10</sup>This contract for \$155,800 was funded from the balance of the \$100,000 appropriated in Act 187, Session Laws of Hawaii 1970, and partially from \$185,000 appropriated in Act 218, Session Laws of Hawaii 1974.

<sup>11</sup>Agreement for Professional Services between the Department of Planning and Economic Development and Charles R. Sutton & Associates, Inc., dated November 14, 1975, pp. 2–5.

In October 1976, the director of DPED convened a committee to advise on the plan for redeveloping piers 8–11. In September 1978, a summary report by this advisory committee entitled, *Aloha Tower Plaza and the Hawaii World Trade Center*, was published by DPED.<sup>12</sup> This report included and endorsed the conceptual plan developed by the study consultants. Among ten recommendations included in the summary report is the recommendation that “development should be undertaken soon, preferably through legislative authorization in 1979 or 1980.”<sup>13</sup>

In March 1979, HISA published, under the same title as the advisory committee’s summary report of the previous September, a somewhat lengthy technical background report.<sup>14</sup> This technical report provided considerably more detail than heretofore had been available.

### Governor’s 1979 Budget Request

In January 1979, the Governor requested the legislature to appropriate \$8.5 million financed through general obligation bonds to undertake certain components of Increment I in the 1979–81 fiscal biennium. This initial appropriation request was to cover construction costs for a number of nonrevenue areas in Increment I.<sup>15</sup>

The appropriation request did not include money for construction of the first part of the world trade center building itself, estimated to cost \$41.2 million. Instead, it was proposed that an Aloha Tower Authority be created.<sup>16</sup> This authority would either develop or oversee development of the property encompassed by piers 8–11, Irwin Memorial Park, and the Hale Awa Ku Moko Building, known formerly as the Matson Building.

### Summary of the Development of the World Trade Center Concept in Hawaii

The early 1973–74 study envisioned the project as a comparatively low-cost development

**Table 2.2**  
Location and Sponsorship of Existing World Trade Centers, 1976

Location	Sponsorship
<i>United States</i>	
1. Baltimore	government
2. Dallas	private
3. Houston	government
4. New Orleans	private (nonprofit)
5. New York	government
6. Seattle	government
<i>Foreign countries</i>	
7. Bombay	combined government and private
8. Brussels	private
9. Copenhagen	private
10. Gothenburg	private
11. Hong Kong	private
12. Kinshasha	government
13. London	private
14. Madrid	private
15. Seoul	combined government and private
16. Tokyo	private

Source: Private communication from Hawaii International Services Agency, Department of Planning and Economic Development.

<sup>12</sup>Department of Planning and Economic Development, Hawaii International Services Agency, *Aloha Tower Plaza and the Hawaii World Trade Center*, Honolulu, September 1978, 13 pp. This report will be referred to here as the “summary report”; see footnote 14, *infra*.

<sup>13</sup>*Ibid.*, p. 5.

<sup>14</sup>Department of Planning and Economic Development, Hawaii International Services Agency, *Aloha Tower Plaza and the World Trade Center*, Honolulu, March 1, 1979, 342 pp., previously cited in footnote 4 in Chapter 1 and footnote 1 of this chapter. In order to distinguish between these two reports with identical titles, hereafter in this study the longer, more detailed document will be referred to as the “technical report” and the small report will be referred to as the “summary report.”

<sup>15</sup>State of Hawaii, *Multi-Year Program and Financial Plan and Executive Budget, 1979–85*, Volume 1, p. 269. In the Governor’s introductory budget message, the appropriation request was listed as one of 13 “Areas of Concern and Emphasis” in the executive budget.

<sup>16</sup>H.B. No. 1678 and S.B. No. 1743, 1979 Regular Session.

of a world trade center. The 1975-79 study encompassed a complete redevelopment of the Aloha Tower piers. The study commissioned in 1975 thus involved a major change in concept.

Reasons for abandoning the renovation approach in favor of complete redevelopment do not appear to have been documented. Total redevelopment of the Aloha Tower piers was advocated in 1976 by the Waterfront Redevelopment Committee of the Downtown Improvement Association, and this may have contributed to the decision.<sup>17</sup> Another possible motivating factor could have been that the decline in passenger usage of the piers was even more clearly pronounced by 1975.

## World Trade Developments Elsewhere

By 1976 a total of 16 buildings in 11 countries were designated as world trade centers. Six cities in the United States had a world trade center, while no other country had more than one. Table 2.2 shows the location and sponsorship of all world trade centers existing in 1976. Inspection of Table 2.2 reveals that the majority of world trade centers have in fact been constructed by private developers.

<sup>17</sup>Downtown Improvement Association, *A Waterfront Design Concept for Honolulu Harbor*, Honolulu, April 1976.

---

PART II

THE WORLD TRADE CENTER CONCEPT

---



## Chapter 3

# THE ROLE OF INTERNATIONAL COMMERCE IN DIVERSIFYING AND EXPANDING HAWAII'S ECONOMY

In most port cities international trade can create local employment opportunities in two principal ways: (1) port-related jobs from handling imports and exports and (2) jobs arising from producing locally manufactured exports. For well over a century, Hawaii has in fact derived substantial income and employment from exports and port-related activities associated with international trade.

Prospects for further diversifying and enhancing employment in Hawaii through promotion of increased international trade are examined in this chapter. It begins by reviewing briefly the history of international trade in Hawaii. The outlook for further diversifying and expanding Hawaii's economy through international trade is then discussed. Following this, the consultant's estimated demand for space in the proposed world trade center by firms and other organizations engaged in international commerce is evaluated.

### Summary of Findings

In summary, our findings are:

1. Either as a destination for international imports or as an origin for international exports, Hawaii's prospects for expanding and diversifying its economy through a major increase of goods moving through the port of Honolulu appear to be limited.

2. The development of a world trade center will not, in and of itself, overcome Hawaii's limited potential in international trade. Moreover, as DPED's study shows, a world trade center is not likely to attract as tenants those organizations with an interest in international trade, and, therefore, the demand and requirements for space by such organizations in a world trade center are likely to be quite small.

3. Other forms of international commerce, not involving the handling of large volumes of transient cargo, offer possibilities for diversifying Hawaii's economy, but these other forms are not related to the concept embodied in the proposed world trade center.

### Historical Development of International Trade in Hawaii

Honolulu established significance as a port of call during the 19th century largely due to whaling and sandalwood trade between North America, Asia, and Europe. After sail gave way to steam, trading ships for many years required refueling on long trans-Pacific routes. Honolulu became a necessary coaling stop for these ships.

By 1900, Honolulu had become a hub of maritime activity throughout the Pacific. Opening of the Panama Canal in 1914 further increased maritime traffic in the Pacific. By the

time steamships converted to oil, Hawaii had become a flourishing center of commerce. Shipping commerce continues today with exports of local sugar and pineapple and large imports of manufactured goods.

In light of this history, it is understandable that Hawaii might see itself as a major maritime center of the Pacific and view international trade as a means of expanding and diversifying its economy.

### Hawaii as a Pacific Hub

Hawaii's mid-ocean location is often presumed sufficient in and of itself to make Honolulu a major center of trade and transshipment. Maps drawn from Mercator projections<sup>1</sup> do indeed give the impression that Hawaii lies near the "hub of the Pacific" and hence represents a likely center for commercial interchange between Asia and North America. From a navigational viewpoint, however, a Mercator map of the entire Pacific contains significant distortions.

When shortest distance routes—called great circle routes—are examined, Hawaii turns out to be more on the fringe than at the hub of major Pacific routes. As can be seen from Figure 3.1, Hawaii lies almost directly on the great circle route between the west coast of North America and Australia/New Zealand. Otherwise, Hawaii lies a considerable distance from the routes between United States west coast cities and all major Asian ports, including Yokohama, Hong Kong, Manila, and Singapore.

Cargo ships crossing the Pacific today can easily sail from San Francisco to Yokohama or even Hong Kong without having to detour for fuel.<sup>2</sup> With the cost of fuel and crews rising steeply, the detour to Hawaii adds significantly to the cost of crossing the Pacific. Advantages of a stop in Hawaii need to be significant to warrant the extra expense.

### Hawaii as a Destination for International Commerce

In and of themselves, imports do nothing to expand or diversify the economic base of Hawaii. Importing products from foreign countries instead of the mainland has no noticeable effect on the Hawaiian economy. Should imports displace locally produced products, however, local employment will of course be reduced.

DPED's technical report contains extensive references to what various mainland cities have done in the way of world trade centers.<sup>3</sup> Significantly, all mainland cities sponsoring a world trade center have a population of at least several million within their immediate environs, plus tens of millions within their multistate hinterland trading realms. Dallas, for instance, serves a hinterland so vast that it can attract one and a quarter million commercial buyers annually.<sup>4</sup>

In most major mainland ports a significant portion of port-related employment is engaged in providing services to the hinterlands. Further, the hinterlands of many major ports overlap extensively, which results in active competition between various mainland ports. On the west coast, Oakland, for instance, competes aggressively with San Francisco and to a lesser extent with Long Beach and Seattle. On the east coast, Baltimore competes with New York, Philadelphia, and Norfolk/Newport News. Cities such as Oakland, Los Angeles, Houston,

<sup>1</sup>A Mercator projection is a map projection in which the meridians are drawn parallel of each other and the parallels of latitude are straight lines whose distance from each other increases with their distance from the equator.

<sup>2</sup>Great circle routes from Asia to the mainland east coast via the Panama Canal do lie somewhat closer to Hawaii, and on such trips a stop in Hawaii might be included for refueling.

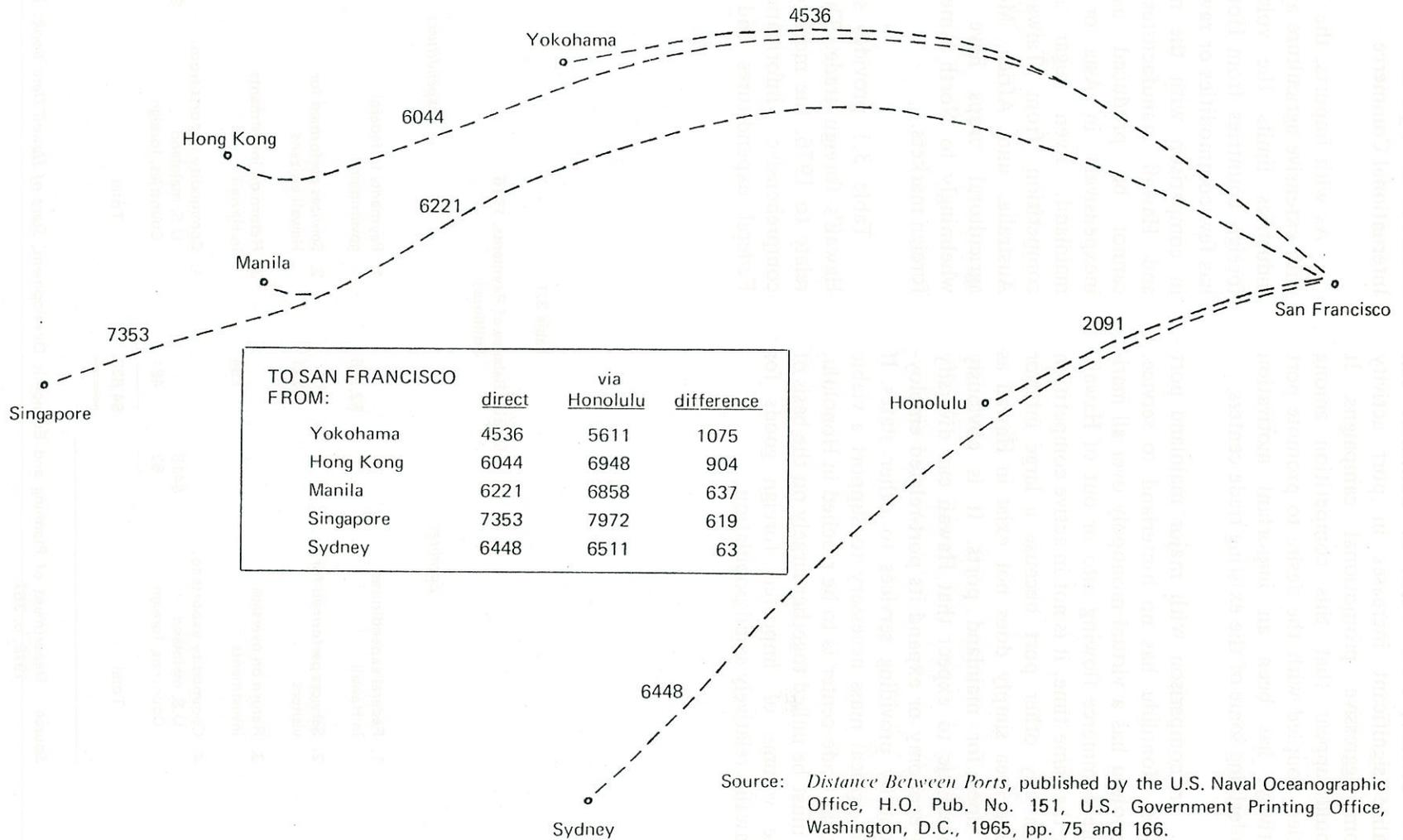
<sup>3</sup>Technical report, pp. 151-189.

<sup>4</sup>*Ibid.*, p. 162.

Figure 3.1

GREAT CIRCLE ROUTES BETWEEN SAN FRANCISCO  
AND MAJOR ASIAN/AUSTRALIAN PORTS

(distance in nautical miles)



Source: *Distance Between Ports*, published by the U.S. Naval Oceanographic Office, H.O. Pub. No. 151, U.S. Government Printing Office, Washington, D.C., 1965, pp. 75 and 166.

New Orleans, New York, or Baltimore can realize significant increases in port activity from aggressive promotional campaigns. It would appear that this competition among cities, coupled with the desire to promote port activity, has been an important motivation underlying some of the existing trade centers.

In comparison with major mainland port cities, Honolulu has no hinterland to service. Honolulu has a virtual monopoly over all maritime commerce flowing into or out of Hawaii. At the same time, it is not in active competition with any other port because a large interior trade area simply does not exist in Hawaii as it does for mainland ports. It is obviously unrealistic to expect that Hawaii can diversify its economy or expand its port-related employment by providing services to other states. If the critical mass necessary to support a viable world trade center is to be reached in Honolulu, it must be pulled together largely on the basis of the volume of imported foreign goods for Hawaii's relatively small population.

## Hawaii as an Origin of International Commerce

As with imports, the lack of a hinterland with extensive agriculture and/or manufacturing industries limits the volume of exports to foreign countries from Honolulu. Hawaii itself has few commodities or raw materials to export in comparison with the mainland or Alaska, and Hawaii manufactures few items which cannot be produced as expertly and as inexpensively in Asia or on the American mainland. Even sugar and pineapple face competition from Taiwan, the Philippines, Australia, and Africa. Moreover, these two agricultural crops have always gone overwhelmingly to North America, rather than to foreign markets.

Table 3.1 provides some perspective on Hawaii's foreign trade. The data in this table relate to 1976, the most recent year for which comprehensive information was available. Federal expenditures and tourism accounted

Table 3.1

### Hawaii's Balance of Payments, 1976 (millions)

<i>Earnings</i>			<i>Expenditures</i>		
1. Federal expenditures in Hawaii		\$2,186	1. Payments to federal government		\$1,215
2. Services performed for visitors		1,711	2. Services performed for Hawaii citizens		827
3. Return on overseas investments		254	3. Return on investments in Hawaii		345
4. Commodity exports to:			4. Commodity imports from:		
U.S. mainland	\$418		U.S. mainland	\$1,794	
Countries, foreign	63	481	Countries, foreign	877	2,671
<b>Total</b>		<b>\$4,632</b>	<b>Total</b>		<b>\$5,058</b>

Source: Department of Planning and Economic Development, *State of Hawaii Data Book: 1978*, Honolulu: 1978, p. 367.

for 84 percent of total payments into the State (\$4,632 million). Commodity exports represented only \$481 million, of which \$418 million went to the mainland while only \$63 million—or 1.4 percent of total out-of-state earnings—was derived from exports to foreign countries.<sup>5</sup> Thus, foreign exports and the number of people engaged in such export trade are relatively small. Whether they are sufficient to make viable a major office building designated as a world trade center is discussed in the next section.

### Demand for Office Space in a World Trade Center by Organizations in Hawaii Engaged in International Trade

With the preceding as background, we now turn to the estimated demand for office space by organizations having some interest in international trade. The technical report contains a market survey and analysis of demand for office space in the proposed world trade center by the following types of organizations:

- . consulars
- . customs brokers and freight forwarders
- . members of the Hawaii World Trade Association (HwTA)
- . members of Made in Hawaii Associations (MIHA)
- . steamship agencies

The technical report indicates that Hawaii had a total of 271 such organizations in 1976.<sup>6</sup> Many were not located in the downtown area, however, and therefore were not considered to be very good prospects as tenants for a world trade center located at the Aloha Tower piers. Approximately 25 percent of all 271 organizations responded to the survey. The analysis of their responses in the technical report states:

“[W]e conclude a demand for about 3,000 to 5,000 square feet of space from the most likely prospective tenants currently located in Honolulu . . . . The research revealed attitudes that Hawaii is not as important to shipping as many people believe, and is not generally shown as a major port on world shipping maps. There was a focus on Hawaii’s small market size and that most of the shipping was for local consumption. Respondents generally played down the role of Hawaii as a ‘hub’ of the Pacific for trade and commerce.”<sup>7</sup>

On the basis of our own analysis as well as a critical review of the analysis contained in pages 94–98 of the technical report, it is our opinion that the market survey was competently designed and conducted, and that the results of this survey are sufficiently reliable for the intended purpose. We concur fully with the findings and conclusions quoted above—namely, the demand for space in a first-class office building by organizations actively engaged in exporting or importing goods between Hawaii and other countries is likely to be rather small. The estimate of 3000 to 5000 square feet appears reasonable and should be accepted for planning purposes.

### Other Forms of International Commerce

The fact that major steamship routes no longer pass through Honolulu does not mean Hawaii cannot diversify its economy through an increased role in international commerce. Quite the contrary. Technological advances and increased interchange between Asia and America will create new opportunities for other types of commercial exchange.<sup>8</sup>

<sup>5</sup>Department of Planning and Economic Development, *State of Hawaii Data Book: 1978*, Honolulu, p. 364.

<sup>6</sup>Technical report, p. 96.

<sup>7</sup>*Ibid.*, pp. 97–98.

<sup>8</sup>*Business Week*, September 3, 1979, pp. 167–212, provides a stimulating discussion and exploration on likely developments over the 50-year period 1979–2029.

If Hawaii suffers from conditions not conducive to handling large volumes of transient cargo, it does not necessarily suffer those same disadvantages in areas such as: (1) exchange of technology; (2) production of entertainment and educational packages such as movies, television programs and commercials, conferences, etc.; (3) communications systems; or (4) professional services. The preceding are but a few examples of the many possibilities that might profitably be explored by appropriate public and private agencies. They are not related in any way to the concept embodied in the proposed world trade center, however. We mention them here only to note that, in the emerging post-industrial society, international commerce will take on many different forms which far transcend the more traditional trade in products and commodities.

### Conclusion

Creation of a first-class office building in the model of several mainland ports will not, in and of itself, affect Hawaii's location, nor will it overcome Hawaii's lack of (1) raw materials;

(2) a large hinterland market for imports; or (3) a large hinterland which produces raw materials, commodities, or manufactured products for export. Consequently, prospects for major expansion in the volume of goods and materials moving through the port of Honolulu do not look particularly favorable.

Increasing the volume of goods exported to foreign countries would help to diversify and expand Hawaii's economic base, but few firms engaged in exporting from Honolulu have indicated any need or desire for first-class office space at the Aloha Tower piers. Based on the study by DPED, virtually none of these firms are expected to rent space in the proposed world trade center. Since so few people engaged in international trade would occupy space in the facility, the extent to which such a facility would stimulate more exports is somewhat questionable. If Hawaii's exports are somehow to be enhanced by a world trade center, this result must presumably arise from the supportive services that would be housed together in the world trade center. These supportive services are discussed in the next chapter.

## Chapter 4

### REQUIREMENTS FOR AN INTERNATIONAL TRADE PROGRAM

This chapter reviews and evaluates the functional requirements for an international trade program as discussed in DPED's technical report. The subject is introduced by a brief discussion on the lack of precise definition as to what a world trade center is or should be.

Qualification of a building as a world trade center entails no regulations or minimum requirements, nor does any common denominator explicitly define a world trade center. Essentially, any developer who so elects can put up a building and call it a world trade center.

The technical report states that "World Trade Centers are different things in different locales. While basically they function to promote international trade, physically they consist of office buildings which house functions which facilitate international trade."<sup>1</sup> Even this broad statement has its exceptions. The privately owned Dallas World Trade Center is a trade mart rather than an office complex. The situation is summed up aptly by the statement that "a trade center is what you want it to be—there are no set criteria on what it should or should not be. Each trade center has its own unique quality . . . ."<sup>2</sup>

A major feature that distinguishes a world trade center from a general purpose office building is an international trade program. Core functions or activities of such a program usually include some or all of the following:

- . Library and information services
- . Translation services
- . An educational program
- . A world trade club
- . Exhibit space

#### Summary of Findings

1. Library and information services, translation services, and educational offerings, as part of an international trade program, would impose only modest space requirements. However, no analysis has been done on the need and demand for such activities.

2. The feasibility and financial viability of the proposed world trade club has not been established.

3. The conclusion by DPED's consultants that a convention facility in the world trade center is infeasible and that little exhibit space would be required appears to be reasonable and valid.

#### Functional Requirements

**Library and information service.** The consultants found that "[t]here appears to be

<sup>1</sup>Technical report, p. 5; also at p. 269.

<sup>2</sup>*Ibid.*, p. 267.

functions of World Trade Centers that do not generate sufficient income to offset their costs, primarily the library, information center, and educational facilities.”<sup>3</sup> Accordingly, library and information services will continue to be provided by the Hawaii International Services Agency (HISA), which maintains a small, specialized library containing various materials pertaining to international trade and commerce. These activities require only minimal space, however. HISA offices, including its library, currently occupy approximately 1000 square feet. The conceptual plan anticipates that within five years HISA offices will require three to five times more space than it presently occupies, i.e., 3000 to 5000 square feet.

The technical report recognizes that the scope of library and information services alone is not sufficient to create a distinct identity, nor would these services produce enough activity to draw many people to the Aloha Tower site. Considering only these services, the report concludes:

“Development of a World Trade Center of this scale could best be accomplished merely by having the HISA office and trade library continue to carry out its functions in a conveniently located downtown building.”<sup>4</sup>

**Translation services.** Commercial translation services typically maintain a file of people who have good command of foreign languages and who are available to work as skilled translators on a part-time basis. Translation is usually done at the client’s premises or at the translator’s home. Consequently, commercial translation services require only a modest amount of office space.

Within the context of a world trade club, translation services would presumably consist chiefly of a referral service, either to individuals or to commercial services known to be competent and responsible. This referral service would be an adjunct duty of club personnel and would require no additional office space. Since the technical report does not provide a separate estimate of the amount of office space required

for translation services, it is presumably nominal.

**Educational program.** Educational programs consisting of practical trade seminars and workshops, language courses, and intercultural relations were found available at most of the world trade centers visited. In light of this finding, the DPED consultants surveyed the supply of educational resources available on Oahu. No single educational institution capable of satisfying the total requirements for a world trade center was found. Collectively, however, it was determined that existing institutions could provide adequate staff for a “workable” world trade center educational program.

Considerable effort is needed to arrange and promote an educational program. Although not explicitly stated, this effort would presumably be provided by HISA or the world trade club, or by both organizations working cooperatively. Separate space would not be required for the educational program. Rather, rooms for seminars would be provided by the club when needed.

While the consultants surveyed the supply of educational services, they did not attempt to determine the demand for continuing education in foreign trade-related subjects. Whether the business community has experienced any gaps or unmet needs in this area was not studied, nor was any determination made of the current level of continuing education in foreign trade-related subjects. The number of firms or business people interested in and willing to pay the full cost of a continuing education program is also unknown. Consequently, the technical report does not indicate whether the proposed world trade center would, in fact, be able to conduct any kind of viable, self-supporting

<sup>3</sup>*Ibid.*, p. 153.

<sup>4</sup>*Ibid.*, p. 17.

educational program.<sup>5</sup> If the world trade center concept is to be pursued further, the demand for education in foreign trade should be studied.

**World trade club.** The technical report states that "one of the key features of the World Trade Centers visited is the Club or dining facilities."<sup>6</sup> World trade clubs were found to have different characteristics. For example, the World Trade Club at New Orleans' International House is reportedly the central theme of the center. The club provides important auxiliary functions such as the trade library, translation services, and educational services. In contrast, the Dallas World Trade Club serves mainly as a restaurant.

Since the technical report is only a conceptual plan, explicit details pertaining to the role of the club are lacking. It would appear, however, that a multipurpose club is contemplated. The private dining rooms of the Hawaii world trade club would presumably serve as small conference or meeting rooms for various purposes, including such educational activities as might take place at the world trade center. This would be consistent with the decision not to include conference space elsewhere in the building. Approximately 13,000 to 15,000 square feet of space would be required for such a club.<sup>7</sup>

Although DPED's consultants undertook a preliminary analysis concerning feasibility of a world trade club, many important questions concerning viability of the club remain unanswered. Some of the more critical questions include the following:

1. How many members are needed to make the proposed club financially viable?
2. Will membership be restricted to individuals or firms who either have an interest in world trade or who are tenants in the world trade center building?

If membership were so restricted, what is the likelihood of attracting

enough members to be financially viable?

3. Alternatively, will membership be open to any person, firm, or organization willing to pay the initiation fee and dues?

If membership is completely open, would more than a small minority of members have any interest in international trade?

Would the club find it difficult or impossible to support activities related to international trade, such as education or translation services, thereby reducing it to little more than a private restaurant?

If the club were little more than a private restaurant, what purpose would it serve?

The technical report is also silent concerning responsibility for initiating and underwriting the world trade club. While this is in keeping with the fact that the technical report is only a conceptual plan, certain financial implications need to be spelled out more clearly and in more detail for legislative review. Specifically,

1. Is the legislature or the proposed Aloha Tower Authority expected to appropriate initial "seed money" to cover capital costs of outfitting a world trade club? If so, how much?
2. Is the legislature or the proposed Aloha Tower Authority expected to underwrite

<sup>5</sup>If a subsidized educational program is contemplated, the extent of the proposed subsidy should be spelled out for legislative review and approval.

<sup>6</sup>Technical report, p. 6.

<sup>7</sup>*Ibid.*, (1) financial summary at p. 32 and accompanying memorandum at p. 31, and (2) recommended plan, pp. 55-56.

any initial operating deficits of a world trade club? If so, how much and for how long?

3. If the legislature or the proposed Aloha Tower Authority does not underwrite a world trade club, what plans does DPED have for promoting the establishment of such a club?

What is the likelihood that such a club will be established?

What indications of support does DPED have from the business community for such a club?

4. What will be the effects on the world trade center concept if no club is established? Is a club absolutely necessary in order for the proposed office building to qualify as a world trade center?

If a world trade club is to be an integral part of a state-funded world trade center, the feasibility and financial viability of a world trade club in Honolulu should be subjected to rigorous analysis.

**Exhibit space.** As discussed in Chapter 2, the 1973-74 feasibility study recommended that the Aloha Tower facilities be renovated to include 40,365 square feet of exhibit space and 8,500 square feet for convention meeting rooms. In the 1975-79 feasibility study, the need for convention and exhibit space was subjected to a fairly comprehensive market analysis.

DPED's consultants analyzed in considerable detail the economic feasibility of establishing at the Aloha Tower site a rather large exhibition hall (up to 100,000 square feet).<sup>8</sup> This analysis surveyed both the demand for and the supply of convention space throughout the entire United States. The demand analysis surveyed all conventions that require between 50 and 100 thousand square feet of space, and the supply analysis surveyed all convention centers in the United States (both

existing and under construction) that would have at least this much space available by 1980.

DPED's consultants found that (1) there probably is not sufficient demand to build such a large facility anywhere in Honolulu, and (2) if any major exhibit hall/convention facility were to be built, it should be located in the Waikiki area. The analysis concludes with the following statement:

"...[T]he drawbacks to a large convention facility at the Aloha Tower site appear overwhelming. Demand is inadequate, the market is limited, competition is substantial and growing, and the location itself is undesirable. All this, coupled with the unprofitable prospects for both operations and financing, lead us to conclude that at present a new 100,000 square foot convention and exhibition center would not be financially or fiscally feasible, and therefore not an appropriate use at the Aloha Tower site."<sup>9</sup>

In light of these findings, the recommendation in the 1973-74 study was withdrawn with the following explanation:

"... A large exhibition center was omitted from earlier plans based on studies that demand is limited and might better be served in Waikiki and in existing hotel facilities."<sup>10</sup>

The data and analysis contained in the technical report have been reviewed critically, and no grounds have been found to challenge the findings or conclusions therein. We concur fully that a large exhibition hall and convention center would be inappropriate at piers 8-11, and that no further consideration should be given this particular alternative.

As a followup to the finding that a large convention center and exhibition hall were not viable for piers 8-11, further attention was given to the amount of exhibit space that should

<sup>8</sup>Results of this analysis are contained in a memorandum at pp. 139-150 of the technical report.

<sup>9</sup>Technical report, p. 150.

<sup>10</sup>*Ibid.*, p. 53.

be included in any office development directed at international trade. Pertinent findings reported by the consultants are as follows:

"Other World Trade Centers have found that the amount of exhibit space needed for their operations has been small. Rivergate Exhibit Hall in New Orleans and the World Trade Center in New York have found the demand for large exhibit halls has been limited . . . . Although New York allocated 200,000 square feet for exhibit space in their initial plans, their current thinking is that this space will be modified and utilized as regular office space. Exhibit space in Houston, New Orleans, and Los Angeles have been very limited and have turned out to be not very profitable. As such, most of the operators interviewed indicated that the amount of exhibit space in World Trade Centers should be nominal."<sup>11</sup>

The experience of the New York World Trade Center seems particularly instructive. Initially, they allotted 200,000 square feet for exhibit space. Since the New York World Trade Center has almost 10 million square feet of total space, this works out to approximately 0.2 percent of the total square feet. This small fraction of 1 percent was apparently far too much, even for New York. On the basis of our review and analysis we find no reason to question or dispute the consultants' findings and conclusions that little or no exhibit space should be included in the proposed development.

## Conclusion

The primary purpose of most world trade centers is to promote the local port vis-a-vis competitive ports. In keeping with this concept, promotion of exports manufactured by local firms is not an immediate activity of the world trade program. Instead, the activities of such a program are designed more to facilitate the work of those engaged in international trade than to promote trade itself.

The need or demand for an expanded world trade program along the lines envisioned in the conceptual plan has not been adequately studied by DPED. There is no indication that the program would receive the minimum level of support needed to make it viable, nor does the technical report of DPED's consultants indicate whether such a program represents an effective way to diversify or expand the economic base of Hawaii. The total absence of such information makes it impossible to evaluate whether an expanded international trade program will increase Hawaii's exports in any way.

<sup>11</sup>*Ibid.*, p. 133.

## Chapter 5

# THE WORLD TRADE CENTER CONCEPT: SUMMARY OF EVALUATION

In this chapter, we summarize the more significant points made or which can be derived from the findings and discussion in the previous chapters of this part of the study: *first*, there is no evidence that the international trade activities proposed for the world trade center will help diversify or expand the economy by increasing Hawaii's trade; *second*, the demand for office space in the world trade center by organizations engaged in international trade is likely to be quite small; *third*, the size of the office building proposed for the Aloha Tower site is out of all proportion to the space needed to implement the world trade center concept as currently perceived.

### International Trade Activities

For many years, the world trade center was perceived chiefly as a large conference and exhibit center. Market research among conference directors and planners, finally undertaken in 1976, found that any conference facility should be located near the hotels where participants will be accommodated. Since most of the hotels are in Waikiki, this led DPED's consultants to conclude that the Aloha Tower site would be totally inappropriate for any kind of conference center, and to recommend that development of a conference center at piers 8-11 not be considered further.

Prior to 1976, DPED had made no systematic effort to ascertain the nature of

activities occurring at existing world trade centers. Significantly, when such an investigation was finally commissioned in 1976, it was found that no world trade center functioned as or contained a major conference center. Moreover, most world trade centers in the United States were found to have little or no exhibit space. This information led the consultants to conclude that a conference and exhibit center was not only inappropriate for the Aloha Tower site, it was also generally inappropriate for a world trade center. DPED's consultants recommended that these activities play a minor role in any world trade center development. This recommendation constitutes a significant departure from prior concepts about a world trade center in Hawaii. Nevertheless, on the basis of the data and facts contained in the technical report, we concur fully with these findings, conclusions, and recommendations.

As now perceived, foreign trade-related activities contemplated for the world trade center are linked to goods (including commodities) and maritime activities. Prospective tenants thus include international traders, customs brokers, freight forwarders, steamship companies, etc. In addition, there would be initiated or expanded various supporting services designed to facilitate international trade, and the world trade center would enable these services to be housed in one downtown location.

The feasibility studies that have been conducted to date have played a significant role in evolution of the concept. As noted in Chapter 4, however, the need for and feasibility of a private world trade club and an expanded educational program have not been adequately studied. More importantly, perhaps, there is no persuasive evidence that these services will help diversify or expand the economy by increasing Hawaii's exports. Finally, DPED has not compared the world trade center concept with other alternative ways of promoting Hawaii's international commerce. Further study is required to determine whether the world trade center concept has sufficient merit to warrant large outlays of state funds.

#### Space and Locational Requirements for Trade-Related Activities

DPED's consultants found that demand for space in a world trade center building by organizations with foreign trade-related activities, along with space needed for a world trade club and HISA offices, was relatively small. Specifically, the technical report provides the following estimate of space needed for these activities.<sup>1</sup>

HISA office and library . . . . .	3,000 – 5,000 square feet
Club, meeting, and educational rooms . . . . .	4,000 – 8,000 square feet
Other office . . . . .	4,000 – 8,000 square feet
	11,000 – 21,000 square feet

Based on the finding that foreign trade-related activities would create an effective demand for only 11 to 21 thousand square feet of space, DPED's consultants concluded:

“... [T]his scale of operations would still be insufficient to establish a clear identity for the World Trade Center. Further, it would be insufficient to create the critical mass necessary to draw a large number of non-users. As currently envisioned, the first ten years of this alternative would be of insufficient size to warrant a free

*standing facility, rather it would be better located in an existing office building in downtown Honolulu.”<sup>2</sup>*

The discussion and analysis in Chapter 3 indicate a strong likelihood that Hawaii's foreign trade will be limited chiefly to goods imported to or exported from Hawaii. This view, coupled with findings by DPED's consultants, leads us to concur that the demand for first-class office space by trade-related organizations is likely to be relatively small. Furthermore, the estimated space requirement for a world trade club, while minimal, assumes it will be a viable and self-supporting entity that would include an active educational program. As indicated in Chapter 4, this assumption may be somewhat optimistic. Additional study needs to be conducted concerning the feasibility and viability of a world trade club.

We also believe that a waterfront location for whatever functions this State might employ to assist foreign trade is not essential. Those functions—such as the library, translation service, and the world trade club—could be located in any of numerous downtown office buildings just as effectively as at the Aloha Tower site.

Finally, we believe that the world trade center concept, in and of itself, does not warrant a freestanding facility at any downtown location. When the world trade center concept is considered on its own merits, separate from the Aloha Tower site, it seems highly doubtful whether the State would purchase a downtown lot and construct a general purpose office building for a world trade center. Construction of such general purpose office space, even if the building were to become a recognized symbol and landmark, has questionable value for helping Hawaii diversify its economic base.

<sup>1</sup>Technical report, p. 20.

<sup>2</sup>*Ibid.*, p. 21, emphasis added.

## Relationship to the Aloha Tower Site

The size of the office building proposed for the Aloha Tower site is out of all proportion to the estimated space needed to implement fully the world trade center concept as currently perceived. Whether such a large office building is called a world trade center is inconsequential. What is in fact being proposed is a total redevelopment of piers 8-11 that has

little to do with the promotion of international trade.

The foregoing is not intended as a criticism of the conceptual plan itself. However, we believe that the conceptual plan for piers 8-11 needs to be judged on its own merits without regard to the world trade center concept. Part III evaluates the conceptual plan as a public works project for redeveloping the Aloha Tower site.

---

**PART III**

**PROPOSED REDEVELOPMENT OF  
THE ALOHA TOWER PIERS**

---



## Chapter 6

### BASIC CONSIDERATIONS UNDERLYING REDEVELOPMENT OF THE ALOHA TOWER PIERS

One of the proposed objectives for the development of a world trade center is "to create an international identity for Honolulu as a center for world trade services . . ." <sup>1</sup> To accomplish this objective, such a world trade center needs to be a modern, attractive, first-class building of appropriate size and scale. Yet, as noted in Part II of this study, DPED's own report indicates that trade-related functions in Hawaii are not sufficient in and of themselves to warrant a freestanding office building.

To justify a landmark building and redevelopment of a site as large as the Aloha Tower piers, far more uses than those directly related to world trade need to be housed and operated there. In 1975 a decision was made to go beyond the basic world trade center concept and to plan for redevelopment of the entire Aloha Tower site. This decision marked a notable shift in objectives. <sup>2</sup> To accommodate complete redevelopment, the conceptual plan was expanded to include a number of other components having little or nothing to do with the world trade center concept.

One nontrade component includes the "regional headquarters concept." The main thrust of this idea is to attract Pacific regional headquarters of multinational firms to Hawaii. In the context of DPED's conceptual plan such headquarters would presumably be housed in the world trade center building. Other nontrade-related components include general purpose

office space, a number of retail shops, and a hotel. These other components are evaluated in subsequent chapters of Part III of this study.

It would make little sense to evaluate the nontrade-related components in terms of their contribution to diversifying Hawaii's economy through international commerce. The consultants themselves have defined for these components several nontrade objectives, such as revitalization of the Aloha Tower area and improved space utilization of piers 8 to 11. Part III of this study therefore examines these other components on their own merits as one possible means of redeveloping the Aloha Tower piers.

Certain basic considerations bear on any plan to redevelop piers 8-11. These considerations underlie any site plan and need to be taken into account when assessing or evaluating DPED's proposed conceptual plan. They include (1) provision for future maritime use of the piers and (2) various external considerations beyond the control of DPED or any other state agency that might have responsibility for planning redevelopment of the Aloha Tower piers. These external considerations include factors such as nearby land uses and the effect of Nimitz Highway as a physical barrier.

<sup>1</sup>Technical report, p. 15.

<sup>2</sup>The rationale for this complete change in approach has not been explicitly stated. For further discussion on this point, see Chapter 11, *infra*.

## Summary of Findings

Generally, we find that factors basic to the proposed redevelopment of the Aloha Tower piers have not been adequately analyzed. Specifically, we find that:

1. Redevelopment of the Aloha Tower piers, if such a project is to be undertaken, is allowed, constrained, or otherwise influenced by future maritime needs for piers 8–11. While use of the piers has been declining in recent years, the trend is not conclusive, even over the short term. Future maritime traffic must be forecasted and planned for before any rational scheme for redevelopment can be pursued. Yet, no such definition of future maritime needs for piers 8–11 has been established.

2. External factors, such as land uses nearby the proposed redevelopment of the Aloha Tower piers or whether Nimitz Highway presents a real problem in uniting the rest of downtown Honolulu to the proposed redevelopment (even with the proposed elevated pedestrian walkways), have not been analyzed to any degree of precision.

### Maritime Needs

Historically, the principal use of piers 8–11 has been as a maritime passenger terminal. The decline of regular passenger service to Honolulu is shown in Table 6.1. This decline has resulted in extensive underutilization of the passenger facilities at these piers.

Although steamships are no longer able to provide regular passenger service on a profitable basis, the overseas cruise business has continued operating on a modest scale that is apparently profitable. A few overseas cruise ships are scheduled to call at Honolulu, and these ships will need to be accommodated during their brief stay in port. There have also been reports that changes in federal law will make it possible for more cruise ships to be resurrected and to

Table 6.1

Overseas Passengers Arriving at Honolulu via Ocean Travel, 1954–1978

Year	Arriving Passengers	Year	Arriving Passengers
1954	48,017	1967	79,530
1955	55,407	1968	74,620
1956	57,586	1969	64,817
1957	85,383	1970	45,256
1958	84,080	1971	45,315
1959	82,345	1972	40,069
1960	83,495	1973	26,355
1961	83,027	1974	21,749
1962	83,406	1975	16,735
1963	82,121	1976	16,413
1964	77,361	1977	13,985
1965	75,765	1978	7,584
1966	78,454		

Source: Hawaii Visitors Bureau, *Annual Research Report*, 1967, 1970, 1978, p. 16 (1967), p. 4 (1970), and p. 5 (1978).

resume service, including one or more ships with prospects of using Honolulu as a home port for cruises.<sup>3</sup> Also, as discussed in the appendix, plans have been made to resume interisland hydrofoil service on a modest scale during the last half of 1981. Hence there is also prospect for continued use of the passenger facilities at the SeaFlight terminal at Pier 8. At the same time, the extent of such future maritime use is rather uncertain.<sup>4</sup>

The Department of Land and Natural Resources has given the Department of Transportation (DOT) control over the entire Aloha Tower site for maritime use. DOT in turn requires that any plan for redeveloping the piers give top priority to maritime needs, as

<sup>3</sup>“All aboard and full speed ahead,” *The Honolulu Advertiser*, September 23, 1979, p. D-1.

<sup>4</sup>See Chapter 12 and the appendix for further discussion concerning planning for future maritime passenger needs.

defined by DOT. However, the extent of these needs and how they would affect the proposed redevelopment of the Aloha Tower site remain uncertain.

### External Considerations

**Nearby land uses.** In 1968 the plan for downtown Honolulu by Victor Gruen Associates placed the core of downtown in the Hotel Street and Fort Street area. Since then, however, the downtown building boom has largely been makai of Hotel Street, with some of the most prestigious new buildings located close to the waterfront. Redevelopment in a mauka direction has not enjoyed as marked a success, at least if measured by the amount of commercial and office space constructed.

Residential development in the makai part of downtown Honolulu has moved slowly. Harbor Square, the one large condominium constructed near piers 8-11, has, however, commanded excellent prices. This indicates that the area could support uses other than office buildings.

These external factors would appear to be rather favorable to major redevelopment of piers 8-11. Other office or condominium developments near the waterfront would further justify more intensive use of the Aloha Tower piers. The relatively unobstructed views would likely make the site desirable for offices, condominiums, or high-rise buildings for other possible uses.

**Nimitz Highway.** The extent to which Nimitz Highway creates a barrier—both real and psychological—is a potentially troublesome external factor that must be considered carefully both in designing and evaluating any redevelopment proposal. Whether one or two elevated crosswalks could successfully bridge this barrier is unknown. If this barrier can be eliminated or substantially reduced, people on piers 8-11 would become regular patrons of downtown shops and restaurants. Similarly, downtown office workers, especially those near the waterfront, would patronize shops on the piers. Such two-way impacts could do much to improve the vitality of business activities in both locations.

On the other hand, it is quite possible that Nimitz Highway will be formidable enough to keep the two commercial areas distinctly separated. Activities at Aloha Tower would then need to be mutually supporting and somewhat self-contained, rather than contributing to a mutually beneficial synergism with the rest of downtown.

The divisive nature of Nimitz Highway between downtown Honolulu and the Aloha Tower piers is recognized in the technical report. Although other cities are known to have constructed pedestrian walkways and malls as urban links, the report, however, contains no discussion concerning the success or applicability of experiences elsewhere. Consequently, the barrier effect of Nimitz Highway remains a matter of conjecture.

## Chapter 7

# HAWAII AS A PACIFIC REGIONAL HEADQUARTERS FOR MULTINATIONAL FIRMS

The possibility that Honolulu might become a major regional headquarters center for multinational firms became a topic of serious discussion in 1976. This was around the time when DPED's consultants were finishing their conceptual plan, and they elected to include "the regional headquarters concept" as a major redevelopment component.<sup>1</sup> In 1977, pursuit of this idea received official sanction from both the administration and the legislature. As a result, the State now has considerable experience and insight not available to DPED or its consultants in 1976.

This chapter evaluates the regional headquarters potential for Honolulu and its relationship to redevelopment of the Aloha Tower piers.

### Summary of Findings

In summary, our findings are:

1. State efforts to attract regional headquarters of multinational firms to Honolulu appear to be based on a reasonable assessment of Honolulu's potential to overcome the competition from other cities, and there is no reason why such efforts should not be exerted.

2. The inclusion of the regional headquarters concept as an integral component of the proposed world trade center is not warranted, however. Experience to date indicates

that the regional headquarters concept has no relevance to construction of any particular office building, whether it is at the Aloha Tower piers or elsewhere. It is unrealistic to assume that a single office building, whether it is a world trade center or something else, will entice firms to locate their regional headquarters in that particular building. Other factors, such as cost, location, convenience, and amenities, are far more important.

### The Regional Headquarters Hypothesis

Professor Howard Perlmutter of Wharton School, University of Pennsylvania, Philadelphia, and Ken Smith, director of community development for Coral Gables, were the two professionals invited to address a 1976 conference on Hawaii as a regional center.<sup>2</sup> The concept of developing Honolulu as a regional headquarters site for multinational corporations appears to be rooted in Professor Perlmutter's "Global Industrial System" thesis. Practical application can be found in the success Coral Gables, Florida, has had in attracting the Latin

<sup>1</sup>Technical report, Alternatives V, VI, VIII, and X at pp. 21, 24, 26, and 28, respectively.

<sup>2</sup>The conference was convened to explore the "... feasibility of establishing Hawaii as a site for Asia-Pacific Headquarters companies." See "Foreword" to *Hawaii as a Regional Center*, University of Hawaii, College of Business Administration, and State of Hawaii, Department of Planning and Economic Development, Hawaii International Service Agency, August 1976.

American regional headquarters of many major firms.

Briefly, Professor Perlmutter hypothesizes that historical trends, firm commitments by businesses and governments, plus the inevitable growth of multinational corporations will significantly change the ordering of cities. A new order is expected to emerge. "World cities" will be centers for global business and industrial activities. "Regional cities" will be subunits of the larger world cities and will serve needs of their specific regions. The technical report, summarizing Professor Perlmutter's presentation to the conference, lists the following criteria for regional cities:

- . A place where people in the region feel comfortable visiting.
- . A center of information pertaining to other parts of the region.
- . A center for financial, legal, and marketing services.
- . A crossroads where people can meet to negotiate, discuss, and make decisions. In this context it could also be an interface between regions such as North America and Latin America, or the United States and the Pacific Basin.
- . The site of regional headquarters for a number of multinational companies.
- . A critical mass of the above characteristics so that it functions as a regional city.<sup>3</sup>

### Coral Gables' Experience

The experience of Coral Gables is illustrative. In 1963 the city found that Standard Oil of New Jersey (now Exxon Corporation) had its Latin American headquarters in Coral Gables. The firm had determined that Coral Gables, in addition to having excellent community amenities, also had the best air traffic

connections to Latin America outside of New York. Those responsible for Latin America had determined that the office did not need to be in New York or downtown Miami, since Coral Gables' suburban setting provided everything required and in a more pleasant environment.

Realizing that this model made considerable sense, the city decided to initiate a systematic, long-term promotional effort to induce other companies to relocate their Latin American offices in Coral Gables. The city's efforts began in 1964. Not until 1967, when Dow Chemical Company relocated there, did the city's efforts bear any fruit. By 1971, seven years after their initial efforts, the city began to realize some significant activity. As of 1976, 53 multinational corporations had located their regional headquarters in Coral Gables.

It was estimated that these 53 offices employed approximately 2000 persons, had an annual payroll of about \$25 million, and leased a total area of around 300,000 square feet. This works out to approximately 40 persons and 6,000 square feet of office space per regional headquarters.

### The 1976 Conference on Honolulu as a Regional Headquarters Site

In light of Coral Gables' experience, the regional headquarters was thought by many conference participants to have significant potential toward diversifying Hawaii's economy and reducing its reliance on tourism. It was envisioned that the State would realize significant gains through spillover effects in support facilities.

Conference participants viewed Honolulu as having a number of desirable attributes, as well as some liabilities. There was occasional disagreement as to what was an attribute or a

<sup>3</sup>Technical report, p. 227.

liability. What some considered to be a liability, others considered to be an attribute. For example, time zone differences were considered by some to be a liability. However, an executive in Honolulu can discuss business with both New York and Tokyo during the same business day. Following is a list of attributes and liabilities as viewed by the participants of the conference:

#### *Attributes*

- . Friendly people
- . Good employees available
- . Interracial compatibility
- . Similarities to the Asian culture
- . English as a language
- . Political stability
- . Good banking facilities
- . Good telephone communications
- . Information capabilities—to assess extemporaneously the political risk throughout the Pacific; and to assess the markets
- . Good passenger transportation
- . Good restaurants and hotels
- . Good place to convene people

#### *Liabilities*

- . Distance from everywhere/isolation from mainland
- . Time zone differences
- . Gross income tax/high taxes
- . High prices/nonavailability of houses

Poor primary and secondary educational facilities<sup>4</sup>

Honolulu's ability to compete as a site for regional headquarters will be determined not only by its own attributes and liabilities but also by competition from other cities. While the conference gave little attention to the competing cities, David Heenan, Dean of College of Business Administration, University of Hawaii, in final summation, briefly discussed the major competing Asian cities. He stated:

"...[T]he competition has got to be in its weakest stage and it may get weaker based on possible tax changes. Tokyo and Hong Kong... are pricing themselves out of the market. We are now hearing for the first time of expatriates and their families who are rejecting assignments overseas. The quality of life is so deadly in both areas.... In the next 20 years, this quality of life dimension will be even more important. Manila, as Admiral Vasey mentioned, is making a move for this kind of business but it is under martial law.... Singapore, in many respects, is the most viable competitor. But with the U.S. withdrawal from Southeast Asia, ... people who are coming back are less optimistic on Singapore as a long-term competitor in some of these dimensions."<sup>5</sup>

The conference ended with no major conclusions or recommendations for further work in this area. It would appear, though, that most participants saw the development of Honolulu as a regional headquarters site for multinational companies as a viable alternative for diversifying the Hawaii economy.

#### Subsequent Developments

The 1977 State Legislature proposed the establishment of an office of the Pacific Basin Business Center "...to seek out companies which have or will have Asian-Pacific or American-Pacific offices in an effort to have such companies locate their offices in

<sup>4</sup>*Hawaii as a Regional Center, op. cit.*, pp. 44–52.

<sup>5</sup>*Ibid.*, p. 56.

Hawaii . . . .”<sup>6</sup> The regional headquarters concept received further support through establishment of the Governor’s Committee for Hawaii as a Regional Center. Formed in June 1977, the committee was “. . . to explore the concept of Hawaii as a major center for regional headquarters of multinational corporations doing business with countries of the Pacific Basin and to organize a community effort to attract such firms to help diversify Hawaii’s economy . . . .”<sup>7</sup>

In January 1978, DPED engaged Burton W. Roberts and George A. Myers as consultants to work with the governor’s committee and undertake implementation of this concept. In November 1978, the consultants submitted to the Tenth Legislature a progress report on their project.<sup>8</sup> At that time, the consultants had contacted a number of companies through marketing trips to major cities in the Far East (Tokyo, Hong Kong, Singapore, and Manila) and to the eastern part of the United States. In addition, significant numbers of other companies were contacted by mail. Through these efforts the consultants had gained considerable experience and insight into the requirements needed to attract Pacific regional headquarters to Honolulu.

The consultants state that “there no longer is any question that Hawaii can become the Regional Center of the Pacific.” The high costs in some Far East locations, particularly in Japan, will continue to be a problem to these multinational companies. They further indicate that about 80 percent of the American families do not make good cultural adjustments to these countries, which result in some costly problems. However, they felt that the main selling point should be on the basis of financial savings to the companies that decide to locate their regional offices in Hawaii. One company estimated an annual saving of \$650,000 by relocating to Hawaii from their Far East location. Finally, they concluded that the question of Hawaii’s success as a regional center for the Pacific area is just a question of time.<sup>9</sup>

## Relationship Between the Regional Headquarters Concept and a Particular Office Building

As indicated at the outset of this chapter, the conceptual plan in the technical report includes the “regional headquarters concept” as an integral component of the Hawaii World Trade Center. It is generally acknowledged that Pacific regional headquarters of multinational firms would ship no manufactured products into or out of Hawaii. Consequently, there would be little interchange or synergy between regional headquarters and firms such as customs brokers, freight forwarders, or steamship agencies. Despite this obvious lack of complementarity, the technical report contains no critical discussion about the relationship of the regional headquarters concept to either the world trade center concept or a world trade center office building.

Significantly, participants in the conference on Hawaii as a regional center never mentioned immediate proximity (i.e., in the same building) as a significant locational factor in attracting other multinational companies. Nor was a “prestigious” office building considered an important factor. The successful Coral Gables experience, to the extent it applies to Hawaii, appears to have been achieved without the city becoming involved in construction of any special or general purpose office buildings. The concept of a regional information center

<sup>6</sup> Act 10, Session Laws of Hawaii 1977. In a subsequent special session the legislature appropriated \$150,000 to inaugurate the Pacific Basin Trade Center.

<sup>7</sup> Agreement for Consultant Services for the Pacific Basin Trade Center, between the Department of Planning and Economic Development, State of Hawaii, and Burton W. Roberts, February 14, 1978.

<sup>8</sup> Department of Planning and Economic Development, Hawaii International Services Agency, *Report to the Tenth Legislature on House Resolution No. 35, H.D. 1, Requesting a Progress Report and Recommendation for Legislative Action from the Governor’s Committee for Hawaii as a Regional Center*, Honolulu: November 1978.

<sup>9</sup> *Ibid.*, pp. 5–13.

where numerous people know what is going on in other parts of the region has considerable merit, but the geographic boundaries of the "regional information center" remains unclear. It may be a portion of the city or it may well be the entire city itself.

Associating the regional headquarters concept with a particular office building also appears to be unique to the proposed Hawaii World Trade Center. One of the consultants to the Hawaii regional center project indicated that no other world trade center or single office building, as far as he knew, had attempted to promote itself as a regional headquarters complex. He further considered the idea to be infeasible because each company selects its office space for different reasons—e.g., costs, location, design of the building and office layout, building amenities and resources, availability of parking, view, convenience to home and other activities. He indicated that it is impossible to determine which factors would be of greatest significance since preferences will differ with each company.<sup>10</sup>

Experience to date reinforces and confirms these general views. For example, one major company that relocated its regional office to Honolulu is in a suburb over ten miles from downtown. Since management felt that they did not need to be in the downtown area, the company chose a site located conveniently close to their homes. A second company rented space about a half mile from downtown because of the building design and office layout. On the basis of these experiences, it seems unrealistic to assume that a single office building could successfully attract a significant amount of this particular type of office user.

If the State were to incorporate a regional headquarters concept as an official part of a world trade center building, a number of policy questions arise immediately. First is whether only conforming uses—those engaged in international trade or regional headquarters of multinational companies—will be allowed to maintain offices in the building. Taking the

Coral Gables experience into consideration, it is probable that even a successful promotional program will leave the center with low occupancy for a long "incubation" period. Coral Gables' program took about seven years to develop, and individual regional headquarters are not, on average, major users of office space. During this period, would the building be kept deliberately empty in anticipation of arriving regional headquarters?

A second policy concern arises if a successful promotional campaign is waged and some multinational firms do relocate their regional headquarters to Honolulu. That concern relates to how the State would induce the various regional headquarters to move into the world trade center building instead of other attractive office buildings downtown and elsewhere that might have available space. What incentives would the world trade center use to attract regional headquarters? Would the State actively subsidize large multinational corporations by offering them attractive rents considerably below market value? If so, would these incentives represent unfair competition to private enterprise? Yet, if low rent or other inducements are not offered, then clearly there can be little assurance that many regional headquarters will locate in the world trade center.

Until these important policy questions are given full and adequate analysis, it is premature to consider the "regional headquarters concept" as a meaningful, functional component of the Aloha Tower complex. Furthermore, active promotion of the regional headquarters concept should not become wedded to construction of an office building at piers 8–11. To do so would render a strong disservice to what is otherwise a highly promising concept.

<sup>10</sup>From an interview with George A. Myers, Co-Executive Director, Hawaii Regional Center of the Pacific, August 9, 1979.

## Conclusion

To summarize the conclusion of this chapter, the regional headquarters concept appears to have considerable merit on its own rights. At the same time, a clear understanding of the concept, coupled with actual experience to date, indicates that it has no relevance what-

soever to construction of any particular office building, either at the Aloha Tower piers or elsewhere. Discussion of the regional headquarters concept as an integral component of any conceptual plan for redevelopment of the Aloha Tower piers is dysfunctional and only serves to cloud the issues.

MAJOR COMPONENTS OF THE

would be required by requested activities. It might be possible to utilize office towers without regard to their location in international trade, but this would dilute and make the world trade concept largely irrelevant.

2. The commercial space (22,000 square feet) proposed is far more retail space than office towers in the world trade center would need or be able to support. While DPH's consultants envision the development of retail stores which would attract tourists, it is not likely that retail shops alone would succeed. This plan, on the other hand, gives the existence of other major tourist shopping areas. Possible tourist attractions such as a medical museum, exhibit, a visitor center, and other such activities are provided in the conceptual plan, but neither cost nor space estimates are provided.

3. The construction of a downtown hotel is recommended for a later increment and relating to the business traveler is fraught with risk and uncertainty, even if it were finally established to be feasible, a hotel at the Aloha Tower site could easily be prescripted by the establishment of a hotel tower in downtown Honolulu.

Technical report # 13. See Chapter 13 for further discussion of these alternatives.

In order to justify redevelopment of the Aloha Tower piers, the conceptual plan to include uses that have little or no relationship to world trade. Major activities include:

General purpose office space  
Commercial shops, since primarily as tourists

A downtown hotel  
This chapter contains a general review and evaluation of the above components of the proposed redevelopment.

In addition to office space, shops and hotel, the site would also be developed to include over six acres of parking spaces and open space, plus extensive parking facilities. The objective of these non-trade components is to beautify the waterfront, to revitalize the Aloha Tower area, to improve space utilization on the pier 5 to 11 area, to enhance downtown Honolulu, to reduce the amount of the Capitol District Plan to beautify the entrance gateway to Honolulu and Waikiki.

## Summary of Findings

1. The office space (118,000 square feet) proposed for the first increment of the world trade center far exceeds the space that

## Chapter 8

### MAJOR COMPONENTS OF THE PROPOSED REDEVELOPMENT

In order to justify redevelopment of the 15 acres encompassed by the Aloha Tower piers, the consultants expanded their conceptual plan to include uses that bear little or no relationship to world trade. Major activities include:

- . General purpose office space
- . Commercial shops, aimed primarily at tourists
- . A downtown hotel

This chapter contains a general review and evaluation of the above components of the proposed redevelopment.

In addition to office space, shops, and a hotel, the site would also be redeveloped to include over six acres of parks, plazas, and open space, plus extensive parking facilities. The objectives of these nontrade components are "to beautify the waterfront, to revitalize the Aloha Tower area, to improve space utilization of the Pier 8 to 11 areas, to enhance downtown Honolulu, to reinforce the aesthetics of the Capitol District Plan, to beautify the surface gateway to Honolulu and Waikiki."<sup>1</sup>

#### Summary of Findings

1. The office space (128,200 square feet) proposed for the first increment of the world trade center far exceeds the space that

would be required by trade-related activities. It might be possible to attract office tenants without regard to their interest in international trade, but this would dilute and make the world trade concept largely irrelevant.

2. The commercial space (52,000 square feet) proposed is far more retail space than office tenants in the world trade center would need or be able to support. While DPED's consultants envision the development of retail shops which would attract tourists, it is not likely that retail shops alone would successfully draw on the tourist trade, given the existence of other major tourist shopping areas. Possible tourist attractions such as a nautical museum, exhibits, a visitor center, and other such activities are mentioned in the conceptual plan, but neither cost nor space estimates are provided.

3. The construction of a downtown hotel, to be considered for a later increment and catering to the business traveler, is fraught with risk and uncertainty. Even if it were firmly established to be feasible, a hotel at the Aloha Tower site could easily be preempted by the establishment of a hotel elsewhere in downtown Honolulu.

<sup>1</sup>Technical report, p. 15. See Chapter 12 for further discussion of these objectives.

## Office Space

As indicated in Table 8.1, approximately 128,200 square feet of office space is proposed for the initial increment of the world trade center building. This is far in excess of the space that might be required for trade-related activities, but it is in keeping with the consultants' finding that most world trade centers are in fact little more than major office buildings.

Table 8.1

Proposal for Aloha Tower Complex  
Plaza and Hawaii World Trade Center  
Distribution of Revenue Space Planned for  
Construction During Increment I, by Intended Use

	Square feet	Distri- bution (%)
Office space (including club) . . . . .	128,200	64.5
Commercial space <sup>1</sup> . . . . .	52,200	26.3
Courtyard/exhibit area . . . . .	8,200	4.1
Restaurant . . . . .	7,500	3.8
Conference center . . . . .	2,500	1.3
Total . . . . .	198,600	100.0

<sup>1</sup>32,200 square feet of this space is located in the world trade building, and 20,000 square feet is at Pier 11.

Source: Derived from technical report, Table 8, p. 314.

The conceptual plan recommends that the world trade center building be constructed in two increments, rather than all at once. The first portion of the building, to be erected during Increment I, would have eight stories and represent approximately half of the base world trade center building. Construction of the balance would occur under Increment II. For the second increment the summary report provides two alternatives:

- (A) The second portion of the base world trade center building at eight stories in height.

- (B) The eight-story base building of Alternative A plus 20 stories of office tower up to a maximum of 350 feet above ground level.

Alternative A would add approximately 200,000 square feet of space, and the office tower in Alternative B would provide approximately 300,000 square feet of additional office space. In support of this proposal to construct an office building that could ultimately grow to 700,000 square feet, the consultants analyzed the demand for office space in downtown Honolulu.<sup>2</sup>

This analysis estimated that, on the average, downtown Honolulu would be able to absorb approximately 300,000 to 350,000 square feet of office space each year. On the basis of the data provided in the technical report, the consultants' estimate of the demand for office space appears reasonable for 1976, the time when it was made. Moreover, subsequent real estate developments in downtown Honolulu would appear to be consistent with and confirm the consultants' estimate.<sup>3</sup>

The relevance of this demand analysis is not altogether clear. It depends critically on whether office space will be rented on a first-come, first-served basis, or whether lessees will be restricted to firms engaged in international trade. If prospective tenants are to be screened, with those not engaged in international trade considered "unacceptable," then the project may be extremely slow to fill up. If renters are accepted without regard to their interest in international trade, it is possible that the office space would be rented within a reasonable period of time. Without any restriction on tenants, however, it is possible, even likely, that the far greater number of tenants would be those with virtually no interest whatsoever

<sup>2</sup>Technical report, pp. 75-93.

<sup>3</sup>"A boom-or a bust-in office space?" *Hawaii Business*, Vol. 24, No. 10, April 1979, pp. 44-58.

in international trade. As between these two rental policies, one makes economic viability of the project questionable, while the other makes the world trade concept almost irrelevant to the proposed redevelopment.

**Observation on design.** In general, our evaluation has not attempted to critique or appraise the merits of the architectural design. Major concern has been on the demand analysis and needs contentions contained in the technical report published by DPED, including economic viability of the project. In this regard, however, there are two particular design aspects of the conceptual plan which, in our opinion, may have an adverse financial impact on the project.

*First*, office floors in the proposed world trade center building will be somewhat deeper than is customary in most office buildings. When fully constructed, the portion of the building at the makai end of the pier would measure approximately 225 feet in one direction by 260 feet in the other. These distances are equal to 75 and 90 percent of the length of a football field, respectively. Floors would thus contain large areas of interior space with no view, and some of the space would be far removed from windows or daylight. A similar comment is applicable to that portion of the trade center planned for the mauka end of the pier. Rather than maximizing the amount of space with desirable water views, the design in the conceptual plan appears to minimize such views. Our concern is that these vast areas of interior space could adversely affect rentability of the office floors.

*Second*, on two of the four floors designated for office use, the conceptual plan calls for a setback and public roof deck, where visitors are presumably free to walk around and enjoy the harbor view. Such visitors can also peer into the offices, which might be disruptive to both privacy and office routine. During evenings, weekends, and holidays, these roof decks could also present a security problem, both to people on the roof decks and to property inside the offices. The wisdom and

advisability of this particular design feature appear at least questionable. Not only could these roof decks adversely affect rentability of the office space, they could also increase the cost of construction.<sup>4</sup>

## Commercial Space

As shown in Table 8.1, Increment I of the conceptual plan includes 52,200 square feet of commercial space, which amounts to 26 percent of the total revenue space. This is far more retail space than office tenants in the world trade center building would need or be able to support.<sup>5</sup> This imbalance is recognized by DPED's consultants, who envision the retail stores as being primarily for tourists. DPED's consultants reason that Hawaii's tourism industry is a form of world trade; hence, stimulating tourism to the State and increasing the amount of visitor expenditures would enhance Hawaii's world trade. Thus, the consultants envision developing retail outlets that would display goods from other countries. The consultants state that "[s]uch outlets would . . . provide opportunities for the visitors to shop on an international scale."<sup>6</sup> This aspect of the project obviously does nothing to diversify the State's economy. In fact, to the extent that it were to be successful, it would further increase dependence on tourism.

In order to make a large portion of the retail space viable for tourist shops, a fairly large number of tourists would have to be

<sup>4</sup>Construction cost for the roof decks was included in the \$8.5 million appropriation request for public spaces.

<sup>5</sup>The first phase of the new Grosvenor Center is reported to have 274,000 square feet of office space and 16,700 square feet of retail space. Retail thus represents only 5.7 percent of the total space at Grosvenor Center. The new Waikiki Trade Center, with 22.7 percent of its leasable area devoted to a two-level shopping center, is described as "decidedly retail heavy." See "A boom—or a bust—in office space?" *Hawaii Business*, *op. cit.*

<sup>6</sup>Technical report, p. 8.

attracted to the Aloha Tower complex. They would have to be attracted out of Waikiki, past Ala Moana Shopping Center, and past the attractions at Kewalo Boat Basin and the Ward Warehouse. Exactly what is supposed to attract tourists is not stated. The technical report makes passing mention about the possibility of adding facilities which might be of interest to tourists, such as a nautical museum, exhibits, a visitor center, and other such activities.<sup>7</sup> Along these lines, the possibility of including a new aquarium was discussed in testimony before the House.<sup>8</sup> The conceptual plan does not, however, provide any space for a museum, aquarium, or any other major tourist attraction, nor is the expense of any such activity included in the cost estimate for the project.<sup>9</sup>

The Aloha Tower itself, with only one small elevator, has limited capacity to handle visitors. The only tourist attraction planned for the world trade center building are the roof decks on the fifth, seventh, and eighth floors. Otherwise, the world trade center is a general purpose office building, which cannot be considered much of a tourist attraction. Thus, without a large additional expenditure for tourist attractions not now included in the conceptual plan, it appears that the major tourist attraction planned for Increment I would be the retail stores themselves.

In the absence of a feature or facility with strong interest for tourists, the attraction of just a few retail stores and restaurants appears highly questionable, even if a heavy foreign flair is added. A similar theory of drawing people to the downtown area was tested with the Cultural Plaza development. With reference to the Cultural Plaza, the technical report in 1976 anticipated that "normal demand will result in the space being absorbed in approximately one to two years."<sup>10</sup> With the benefit of three additional years' experience, the weakness and vulnerability of this theory have now been exposed. The Cultural Plaza is almost as empty now as it was three years ago. As *Hawaii Business* magazine recently observed, "The retail complex that was supposed to have

enriched the center's eleemosynary backers has instead drained them of cash and after just four years, the dream is gone, the project has failed, and the Cultural Plaza is for sale."<sup>11</sup>

In the event the first increment of development cannot attract a sufficient number of tourists to support the 52,000 square feet of retail space included in the conceptual plan, some stores might attempt to cater to downtown workers and local business interests. But such developments, where they do occur, raise other questions and uncertainties. For instance, stores with merchandise aimed chiefly at local office workers would have little appeal for tourists and would dilute any "critical mass" of retail space designed to provide a varied shopping experience for tourists. The following matters are all highly speculative: the demand for retail space catering to downtown workers; whether local workers could be attracted across elevated crosswalks; and the ability of stores at piers 8-11 to compete with other downtown stores. These issues have not been sufficiently studied to draw any firm conclusions.

In conclusion, it is our assessment that, without significant attractions of proven year-round interest to tourists, the conceptual plan for commercial space may be fatally flawed. Commercial space far in excess of that which

<sup>7</sup>The arrival, departure, or presence of ocean liners at Pier 11 may serve as a tourist attraction on those 10 to 15 days a year when cruise ships are in port. For the remaining 350 to 355 days a year, however, some other attraction will be necessary.

<sup>8</sup>Testimony by John P. Craven, Marine Affairs Coordinator, regarding H.B. 1678, The Aloha Tower Authority, February 24, 1979.

<sup>9</sup>The request for \$8.5 million did include \$1.1 million for a visitor center. What this visitor center would consist of, what purpose it would serve, and future operating costs of this visitor center were not stated.

<sup>10</sup>Technical report, p. 8.

<sup>11</sup>"The Tragedy of the Cultural Plaza," *Hawaii Business*, Vol. 24, No. 10, April 1979, p. 87.

can be supported by other components planned for the site will not revitalize the Aloha Tower area, nor will it enhance downtown Honolulu. It is also doubtful whether excessive commercial space represents improved space utilization of the pier 8 to 11 areas. More rigorous analysis needs to be made of the economic feasibility of the commercial space. Such analysis should address the issue of whether high-cost tourist facilities might subsequently become necessary in order to justify and bail out the extensive commercial space planned for Increment I.

### A Downtown Businessman's Hotel

The possibility of constructing a hotel at the Aloha Tower piers was discussed with a number of knowledgeable people by DPED's consultants. They also explored different hotel concepts, ranging from a "training hotel" to a first-class hotel. The concept of a training hotel reportedly did not receive wide support. Those interviewed by the consultants felt that any hotel constructed at this site should be first-class.

DPED's consultants did not conduct their own survey of demand for downtown hotel space. Instead, they relied upon other private surveys which were made available to them.<sup>12</sup> The consultants' critique pointed out that no financial feasibility analysis was included in the studies which it reviewed. These studies indicated a demand for 300 to 500 rooms, with achievable rates of about \$29 single occupancy and \$33 double occupancy (1976 dollars).

At the same time, the consultants estimated that rates in a new first-class hotel would have to range upwards from \$40 a room (1976 dollars) in order for a hotel venture to be profitable. Apparently no data were available on the demand for first-class hotel rooms with sufficient rates (i.e., \$40 and up, in 1976 dollars) to make a first-class hotel economically feasible. The technical report further notes that hotels in the Waikiki area are only three to four

miles from downtown, and the many restaurants and other attractions in Waikiki act as a powerful magnet for overnight visitors, especially those willing to pay first-class rates. The technical report appropriately points out that economic feasibility of a downtown hotel has not been established and is somewhat tenuous. Accordingly, it recommends that definitive plans for a hotel at Pier 11 be deferred until the third increment of development, at some as yet unspecified time.

Subsequent to the investigation by DPED's consultants, the Downtown Improvement Association commissioned Travel Marketing, Inc., (TMI) to explore possible demand for a major downtown Honolulu hotel property.<sup>13</sup> This study was completed in August 1978. Similar to the technical report, TMI found that some demand probably exists for a centrally located, moderate-size hotel, designed to service the business traveler. The TMI study indicated that on the one hand it should be a first-class hotel, yet on the other hand rates should be within reach of the per diem traveler, approximately \$8-10 less than comparable Waikiki hotels. From an economic perspective, these two conditions are a contradiction in terms. Government employees traveling on per diem, for example, do not normally find it possible to stay in first-class hotels. A quality restaurant was also felt to be essential. Unlike the technical report, which found that an ocean view would probably be necessary to obtain the necessary minimum rates, TMI reported that a waterfront site was not necessary.

The TMI report did not contain a financial analysis; hence economic feasibility was not

<sup>12</sup>A summary of these interviews and a critique of the feasibility studies which were reviewed is contained in the technical report at pp. 118-132. Discussion of a hotel in the context of a world trade center development is at pp. 9-11 of the report.

<sup>13</sup>Travel Marketing, Inc., *Honolulu Downtown Improvement Association*. A marketing study to determine buyer demand for a major downtown Honolulu hotel, August 1978, p. 1.

assessed. Findings in the TMI study regarding potential room rates and market demand appear similar to previous studies. Thus the assessment in the technical report appears to be correct and confirmed by the more recent 1978 study which we reviewed.

In addition to the analysis in the technical report and the 1978 TMI study, since 1976 a number of potential sites for a downtown hotel have become available. Significantly, in each instance a private investor concluded that at least one other use of the land represented a better investment. In no instance have any private investors actually put up their own money for development of any downtown hotel—luxury or otherwise. These repeated negative assessments by private investors reinforce the opinion that the technical report may, if anything, be overly optimistic about the economic feasibility of a first-class hotel in the downtown area.

Despite the negative indications discussed above, it is of course possible that a new downtown hotel does represent an economically viable undertaking. With this in mind, it is also conceivable that some private investor will build a new hotel before such a project could be initiated at the Aloha Tower site. The Downtown Improvement Association has endeavored to promote a hotel in the downtown area for several years.

In September 1979, Honolulu's Department of Housing and Community Development, with approval of the City Council, invited developers to submit proposals for a city-owned lot of approximately 40,000 square feet at Bethel and Hotel streets. Interested parties have until December 28, 1979 to submit development plans. According to *Pacific Business News*, "City officials are believed to have a downtown hotel in mind for the site."<sup>14</sup> Whether a new hotel will in fact be proposed is not known. Our interest in this possibility is to point out that if a 300- to 500-room hotel should be built at some other downtown location, the market would almost surely be

preempted for many years to come. Downtown Honolulu does not appear able to absorb new hotel rooms at the same rate as it is able to absorb office space and condominiums. To our knowledge, no study has indicated that sufficient demand exists for two downtown hotels.

The proposal for a first-class downtown hotel thus appears fraught with risk and uncertainty. Such a hotel may not be feasible at all. Alternatively, if it is feasible, the conceptual plan for the Aloha Tower site may easily be preempted.

### Conclusion

General purpose office space at piers 8–11 would appear to be commercially viable, especially if such space were to capitalize on the unobstructed water views that the site enables.

It is also conceivable that the Aloha Tower site, with its waterside location and proximity to Waikiki, would be a reasonable place to develop major tourist attractions, if this course of action is considered desirable. The conceptual plan provides neither space nor budget for any such attractions, however, and an office building plus a few retail shops and restaurants are not likely to create a credible tourist attraction. In the absence of such attractions, the commercial space included in the conceptual plan may be excessive in terms of what the site and the other components planned for the site can support.

A large, first-class businessman's hotel might help support some of the retail tourist shops planned for Increment I. The technical report indicates, though, that such a hotel is not economically feasible at this time. Given

<sup>14</sup> "City opts for hotel at corner of Hotel–Bethel," *Pacific Business News*, Vol. 17, No. 16, September 10, 1979, p. 1.

the large number of hotels in Waikiki and the possibility that a downtown hotel may be constructed at some other location, a hotel may not become feasible for another 15 to 30 years,

if then. These considerations give rise to further reservations concerning viability of the relatively large amount of commercial space planned for Increment I.

The proposal for a first-class downtown hotel thus appears fraught with risk and uncertainty. Such a hotel may not be feasible at all. Alternatively, if it is feasible, the conceptual plan for the Aloha Tower site may easily be preempted.

### Conclusion

General purpose office space at piers 8-11 would appear to be commercially viable, especially if such space were to capitalize on the unobstructed water views that the site enables.

It is also conceivable that the Aloha Tower site, with its waterside location and proximity to Waikiki, would be a reasonable place to develop major tourist attractions. If this course of action is considered desirable, the conceptual plan provides neither space nor budget for any such attractions; however, and an office building plus a few retail shops and restaurants are not likely to create a credible tourist attraction. In the absence of such structures, the commercial space included in the conceptual plan may be excessive in terms of what the site and the other components planned for the site can support.

A large, first-class businessman's hotel might help support some of the retail tourist shops planned for Increment I. The technical report indicates, though, that such a hotel is not economically feasible at this time. Given

In addition to the analysis in the technical report and the 1978 TMI study, since 1976 a number of potential sites for a downtown hotel have become available. Significantly, in each instance a private investor concluded that at least one other use of the land represented a better investment. In no instance have any private investors actually put up their own money for development of any downtown hotel—luxury or otherwise. These repeated negative assessments by private investors reinforce the opinion that the technical report may, if anything, be overly optimistic about the economic feasibility of a first-class hotel in the downtown area.

Despite the negative indications discussed above, it is of course possible that a new downtown hotel does represent an economically viable undertaking. With this in mind, it is also conceivable that some private investor will build a new hotel before such a project could be initiated at the Aloha Tower site. The Downtown Improvement Association has endeavored to promote a hotel in the downtown area for several years.

In September 1979, Honolulu's Department of Housing and Community Development, with approval of the City Council, invited developers to submit proposals for a city-owned lot of approximately 40,000 square feet at Bethel and Hotel streets. Interested parties have until December 28, 1979 to submit development plans. According to Mayor Business Ayea, "City officials are believed to have a downtown hotel in mind for the site." Whether a new hotel will in fact be proposed is not known. Our interest in this possibility is to point out that if a 300- to 500-room hotel should be built at some other downtown location, the market would almost surely be

14. City plan for hotel at corner of Hotel-Bethel streets. Business Week, Vol. 17, No. 16, September 10, 1978, p. 1.

## Chapter 9

### REVIEW AND EVALUATION OF FINANCIAL PROJECTIONS

DPED's consultants state that basic strategies underlying development of the conceptual plan were guided by the following objective: "To maximize financial and fiscal benefits or minimize financial and fiscal costs."<sup>1</sup> This chapter reviews the financial projections for the proposed Hawaii World Trade Center and Aloha Tower Plaza, and evaluates the financial outlook in terms of the above objective.

By way of overview, DPED's consultants found that their conceptual plan failed by a substantial margin to be financially self-supporting:

"[A] preliminary financial analysis indicated that the project could not support private sector financing costs, and therefore would not likely be undertaken by the private sector. As a result, the alternative evaluated assumed that the entire project would be developed by the public sector using State funds and financed through the issuance of State general obligation bonds."<sup>2</sup>

This finding, in our opinion, constitutes the most important financial issue deserving careful legislative scrutiny. The following sections review the more salient points concerning the project's expenses, revenues, and cash flow, as estimated by the consultants.

#### Summary of Findings

In general, we find that the data presented in DPED's technical report indicate that the proposed redevelopment is not financially feasible, in that it would not be financially self-supporting. Specifically, we find that:

1. Increment I of the proposed project will have a cumulative negative cash flow of some \$8.2 million by the year it is in operation and is projected to have an annual negative cash flow in excess of \$1.5 million for many years thereafter.

2. The initial \$8.5 million appropriation request by the administration for the construction of public spaces will not enable the project to become self-supporting thereafter. Even with the revenue-generating space alone, there would be an annual negative cash flow exceeding \$1 million.

3. The alleged fiscal benefits (property taxes, general excise taxes, corporate income taxes, new employees, future leasehold interest, and impact on nearby properties) associated with the proposed redevelopment in DPED's technical report are external benefits which would be realized by the State only indirectly and should not be considered receipts of the project itself. Such external benefits should be totally disregarded in any financial evaluation of the proposed redevelopment.

4. If, as proposed, Increment I is to be financed through the issuance of state general obligation bonds, there is the contingent eventuality that increments II and III would likewise need to be financed through state

<sup>1</sup>Technical report, p. 15.

<sup>2</sup>*Ibid.*, p. 308.

bonds. The extent to which state financing would be required for increments II and III is not known at the present time but should be determined.

### Estimated Cash Flow

**Expenses.** The consultants were working only with a conceptual plan, not with detailed specifications. Cost estimates based on such preliminary plans are necessarily subject to some degree of uncertainty. Taking this factor into account, construction costs appear to have been estimated on a reasonable basis for the circumstances prevailing at the time. Resultant cost estimates appear adequate for the purposes for which they were intended. Accordingly, we have no major reservations about the estimated construction cost for Increment I.

**Revenues.** Two major assumptions underlie the revenue projections. *First*, all revenue space would command the going rate for comparable space in downtown Honolulu; e.g., commercial space was assumed to rent for a substantial premium over office space. *Second*, all revenue space would be 100 percent occupied within a relatively short period after completion of the building. This second assumption presumes that office space would be rented on a first-come, first-served basis, implying that few occupants would have any interest whatsoever in international commerce.<sup>3</sup>

Construction planned for Increment I would provide 615 parking stalls plus 198,600 square feet of revenue space. Distribution of the revenue space is shown in Chapter 8, Table 8.1. As indicated in Chapter 8, we have certain reservations concerning (1) the rentability of expansive areas of interior office space with relatively few exterior offices; (2) the effect of public walkways and viewing areas on rentability of the exterior offices; and (3) whether the commercial space planned for Increment I will be economically viable without additional major tourist attractions. These reservations deserve additional study, but they

are not critical to our major conclusions concerning financial feasibility of the project.

Our financial concern regarding office space is that the aforementioned limitations may cause the space to sit vacant for longer than anticipated or require concessions in rent. Sooner or later tenants can usually be found for all first-class office space in downtown Honolulu. Because of the separation caused by Nimitz Highway, however, a critical mass of office tenants may be needed before other facilities such as the club, restaurant, or certain commercial areas become financially viable. A substantial lag in renting office space could thus exacerbate problems with other parts of the project, which would worsen the cash flow situation.

**Cash flow.** It was assumed that construction of Increment I would be complete and all space fully occupied by 1984. The 1984 cash flow estimated by the consultants is shown in Table 9.1. As shown at the bottom of this table, cumulative net cash outflow at the end of 1984 would amount to \$8.2 million, with continuing net cash outflow (including debt service) in excess of \$1.5 million for many years thereafter.

This estimate of net cash outflow is valid only for direct state sponsorship of the entire project. As indicated previously, the financial analysis assumed that the entire \$50 million would be financed with general obligation bonds issued at 5 percent interest.<sup>4</sup> Revenue bonds, which do not appear feasible, would require a higher interest than G.O. bonds. Were the private sector to assume responsibility for any part of the project, the estimated net cash outflow would be considerably greater because

<sup>3</sup>See our discussion in Chapter 8 concerning implications of different rental policies.

<sup>4</sup>There may be some question whether the 5 percent interest rate assumption is reasonable. The State's \$75 million general obligation bond issue of July 1, 1979 sold at an average net interest cost of 5.7261 percent.

Table 9.1  
1984 Cash Flow  
Increment I of Proposed Aloha Tower Complex  
(thousands of dollars)

	Public open spaces, viewing areas (1)	Com- mercial revenue generat- ing spaces (2)	Total (3)
Total construction cost . . . . .	\$8,491	\$41,206	\$49,697
Cash flow out			
Operating expenses . . . . .	289	1,415	1,704
Debt service <sup>1</sup> . . . . .	681	3,307	3,988
	970	4,722	5,692
Cash flow in			
Operating revenues . . . . .	83	3,674	3,757
Net cash flow . . . . .	-\$ 887	-\$ 1,048	-\$ 1,935
Cumulative net cash flow, project initiation through 1984 . . . . .			-\$8,218

<sup>1</sup>Assumes 20-year financing at 5 percent interest. This is the amount necessary to pay for the construction cost shown at the top of each column.

Source: Technical report, Table 1, page 32, and Table 10, page 317. These tables in the technical report assumed that the project would be initiated in 1979, and Increment I would be complete and fully occupied by 1984.

of higher private sector financing costs. The financial analysis in the technical report concludes appropriately with the following statement:

“Thus, once the project achieves full operation in 1984, even with lower financing costs from public funding, the project would operate at a financial loss. Had the project been based upon private sector financing cost, losses would be even greater. Therefore, it is unlikely that the private sector would be willing to undertake the project.”<sup>5</sup>

### Appropriation Request for \$8.5 Million

A request for \$8.5 million for public spaces at Aloha Tower was submitted to the 1979 Legislature. This request was for 11 specific components of Increment I. Details are shown in Table 9.2.

It needs to be clearly recognized that an appropriation of \$8.5 million will not launch the project and enable it to become self-supporting thereafter. All available data indicate that \$8.5 million for public spaces is the first of many installments. Nowhere is there any indication that \$8.5 million would enable the balance of Increment I to be undertaken either by the private sector or by an independent authority using revenue bond financing.

Column 2 of Table 9.1 is especially significant. This column isolates cash flow for the commercial space. As shown there, this space would cost over \$41 million to construct. Estimated revenues from the commercial space reflect the assumption that all such space is fully rented at fair market value. This assumption clearly reflects the maximum revenues which the commercial space is capable

Table 9.2  
Estimated Costs for Aloha Tower Plaza  
Public Spaces, Escalated to 1983  
(thousands of dollars)

New gallery at Pier 11 . . . . .	\$ 328
Refurbish gallery at Pier 11 . . . . .	63
Pedestrian bridge to Fort Street Mall . . . . .	264
Demolish Pier 9 Mauka . . . . .	125
State's portion of HWTC building <sup>1</sup> . . . . .	2,384
Visitor center adjacent to Aloha Tower . . . . .	1,127
Aloha Park (level 1) . . . . .	76
Irwin Park . . . . .	346
Remodel Aloha Tower . . . . .	1,264
Aloha Tower Plaza (level 3) . . . . .	2,019
Planning and design . . . . .	495
Total . . . . .	<u>\$8,491</u>

<sup>1</sup>Includes part of 10,000 square foot corridor/arcade outside building on level 3; 10,400 square foot roof deck on level 5; 2,800 square foot roof deck on level 7; and 12,000 square foot roof deck on level 8.

Source: Technical report, “Summary of Financial Analysis,” tables 1 and 2, pp. 32, 33.

<sup>5</sup>Technical report, p. 316.

of generating, yet these revenues are not sufficient to cover operating expenses and debt service of just the commercial space. The negative cash flow from the commercial space alone exceeds \$1 million.

Consequently, the inescapable conclusion is that state funding of the public spaces, in the amount of \$8.5 million, will still not enable the revenue space in the project to be self-supporting. If the commercial revenue space had to bear higher interest costs applicable to revenue bonds or the private sector, debt service and the cash shortfall would be even greater than the amounts shown in column 2 of Table 9.1.

Thus, every indication is that the entire project will require complete financing by G.O. bonds. Unless DPED can clearly establish that no further state financing will be required, the legislature should consider the initial appropriation request of \$8.5 million for demolition and construction as only the first installment on the total estimated construction cost of approximately \$50 million for Increment I.

### Financial Failure of Increment I Analyzed

As DPED's report itself shows, the financial outlook for the conceptual plan is fatally flawed. Moreover, from an economic perspective, the financial projections present a strange paradox. Redevelopment of such desirable space ought to be quite profitable, yet even the most optimistic assumptions do not enable the project to be self-sustaining. Specifically, a commercial office building is charged a comparatively low rent for the extremely valuable ground which it occupies;<sup>6</sup> it is assumed to be 100 percent financed at a low 5 percent interest cost; all rentable space is assumed to be fully occupied at going market rates; and the project still produces a large negative cash flow.

The financial result clearly fails to meet the stated objective of maximizing financial

benefits or minimizing financial cost. The State could save considerable expense either by converting all unutilized land at the Aloha Tower to open space, or simply by leaving it in its present condition (i.e., landbanking the site). This paradoxical situation has prompted us to analyze further the reasons for financial failure of Increment I.

One reason, proffered by DPED, is that the project includes \$8.5 million for developing parks, plaza, and other public spaces envisioned in the plan. As indicated in the preceding section, however, an appropriation of \$8.5 million would still leave the commercial revenue spaces with a large negative cash flow. Thus, there exist additional reasons for financial failure of Increment I.

Maritime use constitutes a second major source of extensive costs without compensating cash flow. As indicated in Chapter 6, DOT reserves large areas for exclusive maritime use.

**Pier 9.** One immediate consequence of DOT requirements is that 60,000 square feet of new construction at Pier 9 are reserved for maritime use. This occurs despite the fact that only 13 and 11 passenger ships are scheduled to call at Honolulu during 1979 and 1980, respectively.<sup>7</sup> If the estimated cost for new steel and concrete construction is \$70 per square foot, over \$4 million will be spent at Pier 9 for maritime facilities with virtually no foreseeable use.

**Pier 11.** A somewhat similar situation prevails at Pier 11. Total expenditures designated for renovation of Pier 11 are shown in Table 9.3. As shown there, another \$3.5 million expenditure is planned to improve the

<sup>6</sup>The consultants charge the project with \$100,000 a year to compensate bondholders for maritime revenues foregone as a consequence of the proposed development.

<sup>7</sup>See Chapter 12 and the appendix for further discussion on the need to determine future maritime needs.

**Table 9.3**

**Estimated Costs for Renovation of Pier 11  
During Increment I  
(thousands of dollars)**

	<i>Plan- ning &amp; design</i>	<i>Con- struc- tion cost</i>	<i>Total cost</i>
<b>Revenue space:</b>			
Commercial area (20,000 sq ft) . . . . .	\$121	\$1,909	\$2,030
Parking - 165 stalls . . . . .	115	1,820	1,935
Subtotal . . . . .	236	3,729	3,965
<b>Space for maritime use:</b>			
Remodel Pier 11 . . . . .	180	2,855	3,035
Pier 11 addition . . . . .	24	411	435
Subtotal . . . . .	204	3,266	3,470
<b>Public space:<sup>1</sup></b>			
New gallery . . . . .	20	328	348
Refurbish gallery . . . . .	4	63	67
Subtotal . . . . .	24	391	415
<b>Total . . . . .</b>	<b>\$464</b>	<b>\$7,386</b>	<b>\$7,850</b>

<sup>1</sup>Included in cost of public spaces shown in Table 9.2.

Source: Technical report, Table 6, p. 311.

accommodations for those cruise ships that may continue calling at Honolulu.<sup>8</sup>

Revenues from parking facilities at Pier 11 will just cover the cost of providing such facilities. The resulting economic effect is that 20,000 square feet of commercial space must carry the cost of improving the space reserved for maritime use. In other words, in order to obtain 20,000 square feet of commercial space at Pier 11, the conceptual plan will spend \$2.0 million directly, plus another \$3.5 million of indirect expenditures for improvements to maritime space. Prorating the total cost of \$5.5 million over the 20,000 square feet of commercial space works out to a cost of over \$270 per square foot (1976 dollars). This is somewhat high, even at 1979-80 price levels, and helps indicate why the revenue-generating space in the conceptual plan is not financially self-supporting.

Planned expenditures for Pier 11 during Increment I seem large both in terms of expected maritime use and also in view of the fact that some, perhaps most, of the structures on Pier 11 may need to be demolished during Increment III. Such large expenditures in the face of demolition make economic sense only if the redevelopment is at least 15 to 20 years in the future.

**Alleged Fiscal Benefits**

Viability of a commercial venture is usually judged on its ability to be financially self-supporting in terms of discounted net cash flow. Cash flow projections for Increment I clearly fail that test. In an effort to help justify state underwriting of a public works project that is essentially a commercial venture, DPED's consultants claim that the State will realize fiscal benefits from the following sources:

- . Property taxes
- . General excise taxes
- . Corporate income taxes
- . New employees
- . Future leasehold interest
- . Impact on nearby properties

These fiscal benefits are external to the project's cash flow, and would not be realized by the developing agency. They can therefore be described as "external benefits" or "external economies" which are realized by the State only indirectly, rather than as receipts of the project itself. Use of these external or indirect benefits to justify commercial redevelopment from public funds is spurious for a number of reasons.

*First*, fiscal benefits from general excise and corporate income taxes are calculated on the basis of gross tax receipts from the

<sup>8</sup>The annual cost of these improvements is approximately \$280,000 per year (20 years at 5 percent). At 10 to 15 ships per year, this works out to between \$18,500 and \$28,000 per ship. On average, a cruise ship remains in port about 16 hours.

redeveloped site less tax receipts realized from existing facilities. Including such taxes as a benefit from the State's investment implicitly assumes that, if an office building is not constructed at piers 8-11, an equivalent amount of office space would not be constructed anywhere else in Hawaii. In view of the rate at which office buildings are being constructed in Honolulu, this assumption is clearly fallacious and unwarranted. If one assumes that private sector development would satisfy the demand or need for 200,000 square feet of office space elsewhere, then all items such as additional general excise and corporate income taxes would clearly accrue to the State in any event, and without any drain on the public fund.

*Second*, calculating fiscal benefits by comparing (1) gross tax receipts from the proposed development with (2) current tax receipts does absolutely nothing to establish that the proposed conceptual plan is better than other alternative development plans. At best, taking account of these alleged fiscal benefits only indicates that some redevelopment may be better than simply leaving the site as it is. At worst, inclusion of fiscal benefits can do harm in the context of planning for redevelopment of a site like piers 8-11. Specifically, once fiscal benefits are included in the calculation, the next step is to maximize such benefits. This, in turn, leads inevitably to overdeveloping the site far beyond what private developers would be allowed to do.

*Third* is the matter of principle. Inclusion of these external benefits in all cost-benefit analyses by state agencies could "justify" a wide variety of essentially uneconomic projects. Adoption and repeated use of this kind of cost-benefit analysis by the State would enable it to become the leading developer in Hawaii, ultimately replacing the private sector. The question of whether external benefits should be used to justify public works projects is not new. It has been the subject of a lengthy debate in connection with development projects by the U.S. Corps of Engineers and the Department of the Interior. The outcome of this debate,

succinctly, is that the U.S. Office of Management and Budget now requires that external benefits similar to those listed above be *excluded* from all benefit-cost calculations used to justify projects.<sup>9</sup>

*Fourth*, if external economies are to be displayed and considered, then intellectual honesty requires that external *diseconomies* also be displayed and considered. No effort has been made to look for or examine such diseconomies. Among others, these would include the increased traffic congestion that the project would generate.

In conclusion, external benefits, described in the technical report as fiscal benefits, should be totally disregarded in any financial evaluation of the conceptual plan.

### Cost of Increments II and III

DPED's consultants did not provide any financial analysis for increments II and III because these increments are deferred for an indefinite period of time and are considered too tenuous to warrant such analysis. The decision not to conduct comparable financial analyses of increments II or III is explained as follows: "Since the magnitude and type of subsequent uses will depend upon the success of the initial facilities in creating new or additional demands, they cannot be estimated accurately at present."<sup>10</sup> We are in general concurrence with DPED's consultants that detailed financial analysis would be premature at this stage of planning.

At the same time, DPED's consultants have determined that Increment I can be

<sup>9</sup>See "Principles and Standards for Planning Water and Related Land Resources," *Federal Register*, Vol. 38, No. 174, Part III, September 10, 1973, p. 24778. Also available from Water Resources Council, Washington, D.C. (1973). The U.S. Office of Management and Budget's instructions are based on this publication.

<sup>10</sup>Technical report, p. 299.

financed only through issuance of state G.O. bonds. Were this to occur, an important precedent might be established for financing the balance of the project. To the extent that G.O. bond financing of the entire project is at least a contingent eventuality, the legislature should require DPED to prepare and submit an authoritative estimate of the maximum cost of increments II and III—i.e., a gross estimate for the largest alternatives envisioned in the conceptual plan. In this way the legislature would at least have an indication of the extent to which future G.O. bond financing might be required.<sup>11</sup>

### Policy Issues Pertinent to Increments II and III

Executing Increment I in accordance with the present plan will raise some difficult issues for increments II and III. During Increment I the architectural design calls for “half a building” to be constructed over half of the entire space tentatively designated for office buildings. Creating half of one building, instead of a self-contained office building over a smaller portion of the site is one important factor that will make the subsequent decision process difficult.

The adverse financial picture is another important factor. Looking ahead, the decision whether to proceed with increments II and III will appropriately “depend upon the success of the initial facilities” built during Increment I. The decision to proceed will be a difficult one, since data from DPED’s report indicate that Increment I is virtually sure to be something of a financial disaster, even with low interest rates from state financing. Some issues which the legislature may wish to consider are as follows:

Since the revenue space planned for Increment I will operate at an annual deficit and require an annual subsidy, how is success of Increment I to be measured?

— Since subsequent increments depend upon success of the initial facilities, what criteria will be used to determine whether and when increments II or III should be built?

If the State finances the first half of the proposed office building, is it practical for the second half to be financed by the private sector? Or does the plan for half a building lock the State into financing the entire project?

The Hawaii World Trade Center proposed for Increment I represents approximately half of an eight-story base building.

— What is the wisdom of constructing “half a building”?

— Does the staging proposed in the conceptual plan permit the developer to learn from and cure or overcome any design errors that might become evident after Increment I is complete?

— Or does construction of “half a building” essentially preclude subsequent change and improvement in design concept? In other words, if Increment I were to be built as now conceived, to what extent does its location and design limit flexibility and require future development according to the design now contemplated for Increment II?

What is the commercial value of the land and air space at the Aloha Tower complex?

— In view of the failure of the project to generate positive cash flow, is the Aloha Tower site in fact as valuable as it would appear to be?

<sup>11</sup>The director of DPED is reported to have testified that total cost of the complete project, in 1976 dollars, could approximate \$200 million. Depending on inflation and the time required to complete all three increments, the total cost of the complete project, in future dollars, could easily range between \$400 to \$700 million.

- Is the financial failure attributable to characteristics of the conceptual plan, or characteristics of the Aloha Tower site?

For that portion of the site which has been set aside for commercial development, does the conceptual plan represent optimum use and highest return?

- If not, by how much does it deviate?
- If so, how can the legislature be reasonably assured of this?

If the private sector could prepare its own plan for that portion of the site set aside for commercial use, would it be willing to undertake all expenses of development without subsidy or further cost to the State?

- If so, then what causes the conceptual plan to have such a large negative cash flow when it is fully occupied?
- If not, couldn't the State save money by redeveloping the entire site for public use, such as a public park?

If the legislature approves subsidization of the revenue-producing facilities for Increment I, does this establish a precedent for further subsidizing similar facilities planned for increments II and III?

- If so, what is the maximum annual subsidy contemplated for these additional increments?

### Some Financial Questions and Issues Concerning Increment I

Even if the analysis contained in the technical report is accepted without reservation, the financial outlook is not optimistic. Quite the contrary. The consultants have explicitly warned that the project will have to

be entirely funded by G.O. bonds, and that a large portion of the debt service will have to be repaid from the general fund.

Moreover, we have previously expressed certain reservations concerning the timing and amount of revenues that might be realized if the project were to be executed as now planned. Should these reservations have any merit, the outlook is even worse. This rather grim outlook raises a number of issues which the legislature may wish to review.

What is the maximum subsidy that may be required by Increment I?

- Once the legislature is committed and the project is initiated, is there any practical way to limit the extent of the deficit and the required level of subsidization?
- Has DPED any specific contingency plans or proposals to recommend in this regard?

In view of the forecast that the project's cash flow will not be sufficient to meet operating costs and annual debt service requirements, is it reasonable to expect that an authority will be able to issue revenue or G.O. reimbursable bonds?

If an authority cannot issue revenue or G.O. reimbursable bonds, will the State issue G.O. bonds on its behalf?

- Should the State issue G.O. bonds for what is essentially general purpose office and commercial space?

### Conclusion

The financial evaluation of the proposed redevelopment should be approached from the perspective that it is essentially a commercial venture. As such, the redevelopment should meet the test of financial feasibility, i.e., it

should at least be financially self-supporting. Our conclusion is that Increment I of the project fails to meet that test by a wide margin even under the most optimistic conditions and

projections. Continuing government support is the most likely eventuality if the proposed redevelopment along the lines recommended by DPED's conceptual plan is implemented.

Chapter 10

## PROPOSED REDEVELOPMENT OF THE ALOHA TOWER PIER

### SUMMARY OF EVALUATION

multinational firms may have considerable merit, but it has little apparent connection with the world trade center concept or re-development of the Aloha Tower site.

There is no indication, either in the technical report or elsewhere, that multinational firms are attracted to a city because of a particular office building. However, many not even represent the most desirable location for such headquarters. Two major firms known to have relocated in Honolulu did not choose downtown office space. Therefore, it would make no sense to keep space in a world trade center building vacant in the hope that some multinational corporations might someday elect to transfer their regional offices to Honolulu and the Aloha Tower pier.

#### Commercial Space May Be Excessive Without Major Tourist Attractions

Increment I of the conceptual plan provides commercial space of some 22,000 square feet. This much exceeds the amount of space office tenants within the site can support. Tourists are apparently expected to come in large numbers and take up the slack. However, it is felt quite unlikely that what is going to draw tourists to pier 8 to 11--and away from the abundance of retail outlets in Waikiki, Ala Moana Shopping Center, and the Ward Waterhouse.

Part III has examined DPED's proposal as a project for redeveloping piers 8-11. The focus has been on the individual components contained in the plan, complex structures and connectivity between the components, and financial projections and implications. This chapter highlights the most salient findings and conclusions contained in the previous chapters of the study, but efforts to extract regional headquarters of multinational firms have little to do with the world trade center concept or redevelopment of the Aloha Tower pier. Current commercial space in the proposed development is excessive, and it is uncertain how tourists would be attracted. While the feasibility of a downtown hotel on the site has not been established and in any event could only be predicted by private development elsewhere in the downtown area, compatibility and timing of the proposed redevelopment have not been adequately studied, and Increment I of the proposed redevelopment is not financially feasible, and it is not known what the public financial contribution would be for supplemental increments.

#### Regional Headquarters Concept Not Relevant to Site Development

Hawaii has undertaken an effort to attract regional headquarters of multinational corporations--much in line with the precedent set by Coast Cities. Revisit. This effort to attract

## Chapter 10

# PROPOSED REDEVELOPMENT OF THE ALOHA TOWER PIERS: SUMMARY OF EVALUATION

Part III has examined DPED's proposal as a project for redeveloping piers 8-11. The focus has been on the individual components contained in the plan, complementarities and compatibility between the components, and financial projections and implications. This chapter highlights the most salient findings and conclusions contained in the previous chapters of this part of the study: *first*, efforts to attract regional headquarters of multinational firms have little to do with the world trade center concept or redevelopment of the Aloha Tower site; *second*, commercial space in the proposed redevelopment is excessive, and it is uncertain how tourists would be attracted; *third*, the feasibility of a downtown hotel on the site has not been established and, in any event, could very easily be preempted by private development elsewhere in the downtown area; *fourth*, complementarity and timing of the proposed redevelopment have not been adequately studied; and *fifth*, Increment I of the proposed redevelopment is not financially feasible, and it is not known what the public financing implications would be for subsequent increments.

### Regional Headquarters Concept Not Relevant to Site Development

Hawaii has undertaken an effort to attract regional headquarters of multinational corporations—much in line with the precedent set by Coral Gables, Florida. This effort to attract

multinational firms may have considerable merit, but it has little apparent connection with the world trade center concept or redevelopment of the Aloha Tower site.

There is no indication, either in the technical report or elsewhere, that multinational firms are attracted to a city because of a particular office building. Downtown may not even represent the most desirable location for such headquarters. Two major firms known to have relocated to Honolulu did not choose downtown office space. Therefore, it would make no sense to keep space in a world trade center building vacant in the hope that some multinational corporations might someday elect to transfer their regional offices to Honolulu and the Aloha Tower piers.

### Commercial Space May Be Excessive Without Major Tourist Attractions

Increment I of the conceptual plan provides commercial space of some 52,000 square feet. This surely exceeds the amount of space office tenants within the site can support. Tourists are apparently expected to come in large numbers and take up the slack. However, it is left quite unclear just what is going to draw tourists to piers 8 to 11—and away from the abundance of retail outlets in Waikiki, Ala Moana Shopping Center, and the Ward Warehouse.

Certain memoranda discuss the tourist attraction of arriving and departing ocean liners, but these activities occur at odd hours on only 10 to 15 days a year. Museums are also mentioned in the report, but neither space nor budget is provided for such activities. An aquarium and nautical museum were discussed in hearings in the House of Representatives, but these remain even more nebulous. Aloha Tower, although holding some amount of nostalgia for local residents, is unlikely to attract many tourists on its own, nor can Aloha Tower accommodate many tourists at one time. To build tourist shops without any tourist attractions may invite a repetition of the unsuccessful Cultural Plaza experience.

If it is hoped that commercial space on piers 8-11 would augment retail outlets in the downtown area several blocks away, the report is deficient in substantiating how that desired effect might be achieved. The effect of Nimitz Highway as a barrier is acknowledged in the report, but no analysis is provided to help ascertain whether an elevated crosswalk over Nimitz would effectively bridge this barrier. The effect of commercial outlets at the piers on downtown business might be more divisive than synergistic. This possibility does not appear to have been considered or studied, despite the important role retail activity plays in the conceptual plan for redeveloping piers 8-11.

#### **Feasibility of a First-Class Businessman's Hotel Is Not Established**

Analysis of the proposed hotel at Pier 11 is similarly deficient. The technical report itself states that a first-class hotel was not economically feasible in 1976. On the other hand, if a single downtown hotel should be feasible, or is considered feasible by some private investor, a hotel at the Aloha Tower site may easily be preempted by a private development elsewhere in the downtown area.

Despite the high degree of uncertainty involved, DPED's only alternatives for Pier 11 are hotel towers of different heights and numbers of rooms. There is no evidence in the technical report that attention has been given to a contingency plan or alternative uses for this portion of the site.

#### **Complementarity, Timing, and Other Internal Considerations**

Because the Aloha Tower site is located across Nimitz Highway, the technical report recognizes that uses and activities included in the development must meet certain minimum requirements of critical mass, complementarity, and mutual compatibility. The technical report discusses the possibility—or hope—that the proposed mix of activities will, when the development is complete, have synergy. The report contains no analysis showing that such synergy will in fact exist, and no consideration is given to the possibility that the proposed mix of uses, instead of being synergistic, may be mutually incompatible and self-defeating.

Size of the initial increment, timing, and staging of development represent another major problem area not adequately studied. Recent development in nearby downtown has been mostly in the direction of the waterfront. It is thus conceivable that complete redevelopment of the entire Aloha Tower site could be undertaken at one time. Such an approach would, however, require a plan incorporating components for which there is immediate and substantial demand, such as condominiums and high-rise office space.

On the other hand, if redevelopment of the entire site is to be spread over many years, as proposed, then a number of special internal considerations require further study. For instance, the first increment must at least be of sufficient size to enable a basic mix of self-sustaining services to be provided. As indicated previously, the large amount of commercial space planned for Increment I may be ill-

advised, at least until the other increments are constructed. Completion date for a hotel, which might help and justify the retail space, is highly problematical, however.

### Financial Questionability

As currently planned, Increment I of the project is not financially self-supporting. An appropriation of \$8.5 million for those portions of the project designated as "public spaces" would not make the balance of Increment I self-supporting, even if it were to be 100 percent occupied at going-market rents. Requests for future appropriations appear to be built into the initial proposal.

Neither the technical report nor related testimony gives any indication concerning the economic feasibility of subsequent increments. Yet, legislative approval of the initial request for appropriations would, in effect, commit the State to an ill-defined, largely uncertain future with likely subsequent outlays from public funds. The magnitude of these outlays is unreckoned, but potentially large.

### Conclusion

On the basis of the preceding findings, we reach the following conclusions regarding the conceptual plan formulated by DPED's consultants and submitted by DPED to the legislature.

1. Authorization of demolition and construction, as envisioned under the present conceptual plan, is quite premature.

2. It is equally premature to create an independent authority to implement a conceptual plan that is deficient on a number of important issues. Far more needs to be determined and evaluated before either the preceding step or this step is taken.

3. Planning for the complete redevelopment of piers 8-11 would require much further work even if the present conceptual plan of DPED were pursued. Before that proposal can be recommended for this valuable site, far more definitive work is essential on the following issues:

- What maritime activities should continue at piers 8-11? Could those maritime uses be served equally well elsewhere?
- What community problems mandate redevelopment of piers 8-11?
- What objectives specifically should take priority?
- What alternative ways might resolve the problems and fulfill the objectives?
- What agency or organization should have responsibility for planning and implementing redevelopment at piers 8-11?

The conceptual plan is deficient with respect to these important issues. Studies on the above issues should be undertaken as part of a systematic planning process. The entire conceptual plan should be reconsidered and reformulated to take full account of the results of these studies. The planning process and further steps are discussed in Part IV of this study.

---

PART IV

PLANNING FOR A WORLD TRADE CENTER AND  
THE ALOHA TOWER PIERS

---



## Chapter 11

### PLANNING FOR A WORLD TRADE CENTER

#### Introduction to Part IV

Parts II and III of this study focused on the plan for the proposed Aloha Tower Plaza and Hawaii World Trade Center as contained in the summary and technical reports published by DPED. Part IV examines adequacy of the planning process that led to and culminated in the proposal submitted to the 1979 legislature.

A governmental planning process encompasses all of the following activities:

1. Identifies needs to be met or problems to be resolved by government
2. Defines the goals toward which government efforts will be directed
3. Develops and clarifies the objectives to be sought
4. Establishes identifiable measures or indicators of success
5. Identifies alternative means (the resources and strategies) by which the objectives may be attained
6. Compares the distribution of costs and benefits for the various alternatives
7. Recommends the alternative strategy which provides optimal public benefits in terms of

the goals and objectives sought as against trade-offs incurred<sup>1</sup>

In the course of carrying out these planning steps, a good process requires considerably more than *pro forma* exercises. Ideas must be subjected to a searching inquiry which probes the subtle as well as the obvious, and transforms raw ideas and suggestions into refined recommendations. Merely going through the motions will not suffice. An exacting process is required. Part IV evaluates against this standard the sequence of planning activities which led to the plan contained in DPED's summary report.

Although the evaluation is necessarily retrospective, the principal concern of Part IV is with future planning activities. The purpose is to focus on lessons from the past so that the planning process itself can be improved. This review of the planning process also identifies for legislative attention certain critical issues which did not surface from the preceding evaluation of the project itself.

To the extent possible, the organization of chapters 11 and 12 follows the organization of parts II and III. Chapter 11 examines the planning process as it relates to promotion of a functional world trade center entity, and Chapter 12 reviews adequacy of the process

<sup>1</sup>Legislative Auditor, State of Hawaii, *State Capital Improvements Planning Process*, June 1968, pp. 11-14.

in terms of planning for redevelopment of the Aloha Tower piers. It is recognized that only one planning process was involved. Planning for the world trade center, both as a functional entity and as a keystone of the proposed redevelopment, often took place concurrently. Better insight and perspective are provided, though, by analyzing the two aspects separately.

### The 1970 Appropriation to Study an International Trade and Conference Center

In 1970 the administration requested and the legislature appropriated \$100,000 to DPED for the purpose of preparing “[d]evelopmental plans for an International Trade and Conference Center, *including market demand analysis, site planning and design, cost and sources of funds determination.*”<sup>2</sup> [Emphasis added.]

A program narrative developed two years later, at the time the State was entering the programming, planning, budgeting system, described the activities that DPED intended to accomplish with this appropriation as follows:

- “defining the short and long term functions of a Hawaii Pacific Trade Center;
- “specifying the services which the center must provide;
- “determining a feasible site;
- “producing an architectural design;
- “*determining the demand for the Center’s services;*
- “determining the Center’s managerial requirements and start-up and operating costs.”<sup>3</sup> [Emphasis added.]

The planning sequence shown in the program narrative innocuously listed demand and feasibility analysis after site selection and

architectural design. Subsequent events followed the program narrative.

### The 1972 Site Selection Study

Following the 1970 appropriation, the first documented effort to emerge from DPED was a site selection study, conducted in 1972. For the purposes of selecting a site, DPED presumed that the proposed center should include (1) a conference and information center and (2) an exhibition hall, even though neither of these functions existed at the time. These two components required the largest amount of floor space in the proposed facility.

DPED’s subsequent 1976 survey of conference managers revealed that few would ever hold a conference three miles from the hotels where participants would be housed.<sup>4</sup> The same basic information could almost surely have been obtained as readily in 1972 as it was in 1976. The survey, finally conducted in 1976, exposed the magnitude of DPED’s error in selecting a site without adequate demand or feasibility analysis.

A major shortcoming at this early stage of the planning process was DPED’s failure to analyze the need or validity of the proposed components and functions. Such a study would have identified at the outset the basic needs to be met by government. In view of the amorphous and unsubstantiated nature of the asserted needs, the 1972 site study was clearly premature. DPED omitted what should have been an obvious first step.

<sup>2</sup>State of Hawaii, *The Executive Budget for the Fiscal Year 1970–71, Part II, the Capital Improvements Program Fiscal Years 1970–71 Through 1975–76*, p. 51.

<sup>3</sup>State of Hawaii, *Program Narratives*, January 18, 1972, p. 6.

<sup>4</sup>See Chapter 4 for a discussion of the demand for a convention center at the Aloha Tower site.

## HISA's 1973 Proposal

In 1973, the error of premature site selection was compounded when HISA proposed that DPED fund an architectural survey and preliminary design for renovation of existing facilities at the Aloha Tower piers. This proposal is interesting in at least two respects. One is the matter-of-fact description of (1) a Pacific Center for International Interchange, (2) an International Institute for Development & Trade, and (3) a Pacific Clearinghouse. These agencies were supposedly to constitute major activities in the proposed International Trade and Conference Center. No mention was made of the fact that these impressive-sounding institutions neither existed nor were officially proposed for funding when a center was being designed to house them.

Another interesting feature of this proposal is a listing of ten "goals" (actually objectives or possible programs) of the International Trade and Conference Center. These were:

- "Expand transpacific trade
- "Expand Hawaii as a transshipment/distribution center
- "Increase Hawaii's exports of goods and services
- "Further develop research and development industries in Hawaii
- "Establish Hawaii as a Pacific headquarters center for public and private companies and organizations
- "Further develop Hawaii's light industries (textiles, food processing, etc.)
- "Establish Hawaii as a center for certain types of science and technology (oceanography, astronomy, sea farming)
- "Establish Hawaii as a high-level conference-meeting center

"Further develop tourism to include creative leisure facilities and activities

"Establish Hawaii as a prime international training center."<sup>5</sup>

Despite this impressive list, HISA's proposal does not discuss how they would be advanced by construction of a trade center, nor does it examine alternative ways of achieving any of the various objectives listed. Objectives must be related to alternative ways of achieving the missions of government, or else the planning process is almost sure to be deficient.<sup>6</sup>

The objective of attracting Pacific regional headquarters to Hawaii provides a good illustration of the need to examine critically the relationship between objectives and alternatives. In Chapter 7, this idea was seen to have substantial merit, with public resources able to promote and further this objective in a number of ways. Construction of an international or world trade center is *not* one of the ways, however. A similar situation prevails with regard to many of the other nine objectives of HISA's proposal.

Had HISA related its goals and objectives to the project it was proposing, the trade center would have been defined more sharply. This failure to relate goals and objectives to project proposals (alternatives) is a fundamental, recurring problem in the planning process of HISA/DPED with respect to the proposed project.

## The 1973-74 Engineering Feasibility Study

In 1973 DPED hired an architect to study the structural, electrical, and mechanical features of facilities at the piers and ascertain feasibility of renovating the building for a trade center. On the assumption that renovation was

<sup>5</sup>DPED, HISA, *Proposal, Hawaii International Trade Center*, p. 4.

<sup>6</sup>For further discussion of this general topic, see Legislative Auditor, *op. cit.*

feasible, the architect was also to provide a preliminary plan indicating possible layout of facilities within the site.

DPED restricted this study to physical aspects of the buildings and the site. No matter how well executed, such a study could not have been expected to advance ideas and thoughts concerning the world trade center concept. The result was predictable: it helped refine thoughts concerning the type of buildings planned for the Aloha Tower piers. By giving almost exclusive priority to physical site planning over any analysis of the need for services aimed at fostering international trade, DPED set the stage for the almost complete metamorphosis which was to occur.

### The 1975-79 Study

In 1975, five years after the legislature appropriated \$100,000 for "development plans for an International Trade and Conference Center, *including market demand analysis . . .*," DPED finally entered into a contract to investigate feasibility of the functions and activities to be housed in the proposed trade center. The feasibility studies by DPED's consultants were generally credible, and probably as good as could have been expected. From the viewpoint of a rational planning process, it is unfortunate that basic feasibility was studied only after the world trade center had already become a convenient reason for general redevelopment of the waterfront.

When DPED and its consultants found that there was no need for a conference center, earlier space allocations for expansive conference rooms and exhibition halls disappeared. Also gone were all references and allusions to those nonexistent institutions which were to have formed the core of the originally proposed center.

A paradox then emerges. The plan for a world trade center increases into a large-scale public works project, while the amount of space

required for world trade center functions decreases. The principal reason for initially selecting the Aloha Tower site—because it was the most economical site to develop, involving only renovation of existing facilities—is abandoned in favor of a redevelopment project that would ultimately cost many times as much. The proposed office building continues to carry the title of World Trade Center, even though space for the world trade function has become a rather insignificant part of a much larger concept.

The ease with which the focus of the project changed reflects the lack of clarity about basic needs and the fundamental goal which was supposed to be pursued, about objectives related to the goal, and about alternative means of achieving those objectives. At no stage did the planning process adhere to fundamental precepts. Consequently, the entire emphasis easily shifted from creating a world trade center as a function to redeveloping a site for purposes no longer related to broadening Hawaii's economic base. For want of a rigorous planning process, the world trade center concept readily became incidental to other interests.

### Conclusion

The first lesson from this review is that major goals should be sharply and clearly defined early in the project. Subsequent planning efforts should then expand on these major goals. Although world trade served as the focus of this planning process, the larger and perhaps the more appropriate problem is how to expand Hawaii's narrow economic base.<sup>7</sup>

The second lesson is that the needs to be met by government should also be identified carefully and critically at the outset of a project. Nonexistent functions should always be sub-

<sup>7</sup>Chapter 226, HRS, establishes diversification of Hawaii's economy as a major goal of state government.

jected to searching feasibility and demand analysis before proceeding with planning for implementation and operation.

Our findings in Chapter 4 indicated that feasibility of a world trade club and demand for an educational program in international trade have yet to be studied. If these ideas have merit and would help expand and diversify Hawaii's economy, DPED should pursue them in their own right. Similarly, if Honolulu has a gap in availability of translation services, DPED should study how to overcome or ameliorate this problem. Clarification of these matters would further refine the world trade center concept. Such studies, moreover, would fall naturally in DPED's area of competence.

Our review in Part II noted certain reservations over the viability of international trade in

commodities ever becoming a significant factor in Hawaii. Other forms of international interchange might offer more opportunity to capitalize on Hawaii's location, climate, ethnic mix, and life-styles. The discussion of HISA's 1973 proposal in this chapter listed a number of possible ways to pursue diversification of the economy, such as (1) further research and development industries in Hawaii, (2) establish Hawaii as a center for certain types of science and technology, or (3) establish Hawaii as a prime international training center. Other possibilities might include emphasizing Hawaii's international potential in communications, processing of information, and technical interchange. DPED should aggressively search out and study alternative ways of expanding and diversifying Hawaii's economy, consistent with the guidelines set out in Chapter 226, HRS.

## PLANNING FOR REDEVELOPMENT OF THE ALOHA TOWER PIERS

In 1975 DPED undertook (1) to study feasibility of the world trade center concept and (2) to plan the complete redevelopment of all four piers at the Aloha Tower. Once it was established that the world trade program required so little space, nontrade considerations and objectives came to dominate planning for this project. In short, redevelopment became an end in itself. DPED's planning process failed to recognize the situation for what it was. In consequence, DPED's planning suffered from the following defects: it failed to raise the right questions in the correct sequence; it did not analyze alternative development strategies; it did not clearly define needs and goals; and it did not relate goals and objectives to alternative ways of achieving its objectives.

This chapter reviews what factors need to be taken into account, what pitfalls should be avoided, and what the general planning approach might be should the legislature decide that further planning efforts for redevelopment of the Aloha Tower piers be pursued.

### Maritime Needs and Availability of the Site for Redevelopment Have Not Been Adequately Studied

Before DPED developed its plan encompassing all four piers, availability of the site should have been the subject of an explicit study. This basic step has never been taken. It is still a prerequisite, and should therefore

receive top priority in further planning efforts directed at redeveloping the Aloha Tower piers.

Availability involves two major issues, (1) future maritime requirements and (2) whether to landbank any "surplus" not needed for maritime use. Planning for redevelopment should proceed only after both issues have been settled. The following sections elaborate on these two issues.

**Future maritime needs.** As discussed in Chapter 6, DOT requires that any plan for redevelopment give priority to maritime needs. In brief, DOT plans to retain, for an indefinite future, exclusive control over much of the prime pier space.

It should be clearly understood that DOT's requirements have not been based on any systematic study of the future outlook for maritime use of piers 8-11. Our investigation has been unable to uncover any such study, and DOT disclaims having conducted any such study.<sup>1</sup> Moreover, DOT has at no time pro-

<sup>1</sup>As part of our review of the entire planning process, DOT's contribution to the refinement of plans for piers 8-11 was also examined. Throughout the period 1975-78, when planning for redevelopment of piers 8-11 had been underway, we could find only one study effort by DOT directed at these piers. That study, by a firm specializing in landscape design, made no effort to assess future maritime needs. A broad study of maritime passenger needs, encompassing both the harbor and Kewalo Basin, has been neglected.

vided DPED with any written explanation of the rationale underlying its setback requirements.

All four Aloha Tower piers have deep-draft berths. The longest passenger ships afloat can dock at piers 10–11. Facilities at these piers have good access to ground transportation, and can handle large numbers of maritime passengers at one time. These capabilities enable future maritime needs to claim high priority over the piers, provided future levels of activity warrant reserving this valuable site for maritime purposes. The piers have been grossly underutilized during the late 1970's, but the more important issue concerns the outlook for the next 20 years—and that is not altogether clear.

Several factors make the future level of maritime passenger operations somewhat ambiguous. Certain pending developments might restore a high level of passenger activity at these piers,<sup>2</sup> with traffic congestion from such activity precluding anything except minor redevelopment. On the other hand, failure of the developments to materialize, coupled with continued low level of operations, might enable the few remaining maritime activities to shift to other piers. Such a move would make feasible more intensive redevelopment than that proposed in DPED's conceptual plan.

As will be discussed subsequently in this chapter, a major DPED goal is to revitalize the Aloha Tower site. Maritime planning, if it is to be in harmony with this goal, should be directed at either revitalizing passenger use of these piers, or—if revitalization is deemed neither feasible nor desirable—shifting the few remaining maritime functions elsewhere.

The space now preempted by DOT for 10–15 ships a year has a rather high value if put to alternative uses. This should be taken into account when planning future maritime use. Commercial value of the entire Aloha Tower site in 1979 probably ranges between \$30–\$50 million.<sup>3</sup> Total redevelopment proposed by DPED could cost as much as \$200 million (in

1979 dollars). Chapter 9 discussed the financial burden that DOT's requirements have on the proposed project.<sup>4</sup> In the absence of any study of future maritime needs, however, it is not clear whether DOT's requirements are excessive. If redevelopment of the Aloha Tower piers is to be pursued, future maritime use should be studied in a manner appropriate to a potential \$200–\$250 million development.

The appendix discusses the scope of an appropriate study, including more detailed descriptions of those factors which could lead either to substantial revitalization or complete abandonment of maritime traffic at the Aloha Tower piers. The issue is sufficiently important and complex to deserve far more study than it has received to date.<sup>5</sup>

**Landbanking and preservation of future options.** A study of future maritime requirements might well show that most or all of the Aloha Tower site is surplus to DOT's needs. Such a finding does not lead to an inevitable conclusion that it should be redeveloped for private use.

<sup>2</sup>It has been reported, for example, that Honolulu might be the home port for one or more cruise ships. See the appendix for further discussion of this possible development.

<sup>3</sup>In January 1978, DPED's consultants estimated that undeveloped land at the Aloha Tower piers had a commercial value of \$60 per square foot. When developed, it was estimated that the land would be worth \$100 per square foot. See technical report, p. 323.

<sup>4</sup>See Table 9.3, *supra*, and the discussion in the accompanying text.

<sup>5</sup>DOT, in cooperation with DPED, has been reported to be conducting a multiphase planning study that includes (1) estimating the capacity of the waterborne transportation system; (2) preparation of marketing and planning strategies by which the State and its parts may realize the indicated cargo and passenger potentials and assure the necessary capability; and (3) investigation of an interisland ferry network through a study of passenger demand and its service requirements, vessel technology, and essential port facility needs. See *Transportation Program Memorandum* submitted to the Tenth State Legislature, January 1979, pp. 21–22. Phase I of this study is scheduled for completion in November 1979. The extent to which this study will address future maritime use of piers 8–11 is not known.

Whether this valuable site should be preserved for other public uses first needs to be investigated thoroughly. The agency responsible for this part of the planning process is not altogether clear, but goals and priorities in the State Planning Act<sup>6</sup> should be used to guide such investigation.

Both DLNR and DPED should give careful thought to future state requirements, including agencies other than DOT, and to considerations such as the need for urban recreation and open space in downtown Honolulu during the next 50 years.<sup>7</sup> Landbanking the Aloha Tower site would preserve the future options.

Agencies responsible for state-owned land and long-range planning should strive to establish and protect legitimate long-term public needs from the forces of immediate redevelopment. At the same time, redevelopment should not be foreclosed by those who would preserve the site principally on the basis of emotion or nostalgia. Future options that argue for landbanking should represent meaningful possibilities. The legislature, acting in its oversight capacity, may ultimately wish to inject itself into the decision whether to landbank or develop the site.

### Alternative Development Strategies Have Not Been Properly Analyzed

For purposes of this discussion, a development *strategy* represents a basic mix of uses or components. A strategy permits some variation in size of individual components, provided the uses and activities are essentially the same. Thus DPED's conceptual plan—while it allows the proposed office building and hotel to be larger or smaller, depending on circumstances—represents only a single development strategy. An alternative strategy would incorporate different components and uses. The technical report contains no analysis or discussion of any alternative strategy.

Between November 1975 and October 1976, DPED's consultants completed the bulk of their analysis, including their "conceptual plan." This plan included a scale model which can be assembled and disassembled to demonstrate different increments of the proposed project.

In early 1977, several months after DPED's consultants had completed their basic work, a subcommittee of DPED's Citizens Advisory Committee raised the issue of alternatives. The subcommittee suggested the following components for inclusion in alternative strategies: residential condominiums, waterside restaurants, a maritime museum, concert hall and theater.<sup>8</sup> These and other alternatives were discussed at a total of three meetings, after which the subcommittee endorsed the design work already accomplished by DPED's consultants. No further consideration appears to have been given to alternative strategies, either by the subcommittee or by DPED's consultants.

Throughout the planning process, DPED's planning activities appear to have been focused on a predetermined course, rather than searching for alternative strategies that might yield a better plan. Different uses, including but not limited to those of DPED's subcommittee, need to be examined thoroughly. The process for planning redevelopment of the Aloha Tower piers was deficient in not analyzing any alternative strategies. Far superior strategies may exist.

<sup>6</sup>Section 226-11, HRS. The issue of organizational responsibility for the planning process is discussed later in this chapter.

<sup>7</sup>Central Park in New York and Golden Gate Park in San Francisco were both planned with the distant future in mind.

<sup>8</sup>Minutes of the Functions Subcommittee, technical report, p. 256.

## DPED's Objectives Do Not Provide an Adequate Basis for Planning Redevelopment of the Aloha Tower Piers

Since the world trade concept does not require anything like a 200,000 square foot office building, justification for redeveloping the Aloha Tower piers rests almost totally on "non-trade" objectives. Six such objectives provided in the technical report are to:

- 1. Improve space utilization of the Pier 8 to 11 areas
- 2. Revitalize the Aloha Tower area
- 3. Enhance downtown Honolulu
- 4. Beautify the surface gateway to Honolulu and Waikiki
- 5. Beautify the waterfront
- 6. Reinforce the aesthetics of the Capitol District Plan<sup>9</sup>

Priorities are not assigned to these objectives, nor does the report discuss how they relate to the conceptual plan. Objectives should play a vital role in any planning process. Because the preceding objectives are stated in rather general terms, and because their role in the planning process is unclear, the remainder of this section contains a somewhat detailed critique of this particular facet of the planning process.

**Improved space utilization.** This objective relates directly to the Aloha Tower piers, but no attempt is made to clarify what it means, or to develop alternative ways of improving space utilization. Without clarification, this objective is so broad as to be almost meaningless. The following discussion interprets this objective and illustrates the sort of clarification that is required.

The existing pier structures, although grossly underutilized, preclude any other use. Virtually any other use, including conversion of

the entire area into a public park, would appear to be consistent with this broadly stated objective of improved space utilization.

In the context of proposed redevelopment, and coupled with the objective of revitalizing the area, "improved space utilization" presumably means that the site should be more intensively developed—i.e., average density or the number of square feet of space covering the ground should be increased. If increasing the density is indeed what this objective is intended to imply, two related issues require refinement.

*First*, what should be the average "coverage factor"—i.e., the ratio of total floor space to available ground space?

*Second*, given a coverage factor, should redevelopment opt for high-rise buildings with extensive setback and open space, or should the same density be achieved with low-rise buildings spread out over a large amount of ground area? Preservation of views from street level, particularly down Fort and Bishop streets, argues for high-rise buildings with spacious setback and astute positioning. Preservation of water views above street level—e.g., from nearby buildings—argues for low-rise buildings spread over more of the site.

DPED's technical report contains no objectives or discussion relating to these important issues.

**Revitalization of the Aloha Tower piers.** This objective would convert the Aloha Tower area into a "people place." It could presumably be achieved by any use that increases the number of people who frequent piers 8–11. The only uses that conflict with this objective are (1) continued restriction to nothing more than

<sup>9</sup>Technical report, p. 15.

infrequent maritime activity, (2) landbanking, or (3) conversion of the entire area into a public park designed for nonintensive use.<sup>10</sup>

This objective is too general. Several factors need to be defined more precisely, such as timing, numbers, and types of people desired in any revitalization of piers 8–11. To illustrate, consider the types of people. Should revitalization focus on uses that would draw tourists and visitors to the area, or should revitalization be based chiefly on nontourist uses—i.e., people who work or live downtown?

Or consider the question of timing. Should revitalization seek to attract people on weekdays only, or seven days a week? Should revitalization aim at daytime use only, or encourage uses that would increase nighttime activity in the downtown area? Should revitalization focus on uses that will draw people during rush hours, or encourage uses that draw people chiefly during nonrush hours?

Different types of uses and activities will obviously result in entirely different patterns of revitalization. More specific objectives are necessary to sort out the wide range of alternatives which are feasible for this site. A framework for comparing objectives with alternatives is discussed further in connection with the stated objective of enhancing downtown Honolulu.

**Enhancement of downtown Honolulu.** This is an interesting objective, because it can be defined only in terms of factors internal to Honolulu but external to the site. At the same time, this objective is not peripheral. It pertains directly to activities or uses planned to occur on the Aloha Tower site. To refine and hone this objective so that it will take on operational significance requires knowledge about the particular aspects of downtown that need enhancement—or amelioration.

Downtown Honolulu, like the downtown area of many cities, suffers from overutilization of the infrastructure between 7:00 a.m. to

6:00 p.m. on weekdays, with commensurate underutilization during evenings, weekends, and holidays. The problems are well-known: traffic congestion during rush hours; a shortage of parking space on weekdays; and overcrowding of restaurants at lunch, with corresponding underutilization at dinner. These problems are illustrative only, and are in no way intended as an exhaustive listing or analysis.

As indicated previously, a variety of different activities and uses would improve space utilization at and revitalize the Aloha Tower piers. In terms of enhancing downtown Honolulu, the issue is: Will different uses add to or detract from existing strengths, and will they aggravate or ameliorate existing problems?

Table 12.1 illustrates the process of refining general goals into more specific objectives that can be used to compare and sort out alternatives. The columns represent user characteristics that could be embodied in specific objectives. Specific components shown in the rows of this table are limited to those alternatives suggested by DPED's Citizen's Advisory subcommittee. The bottom of the table includes additional alternatives X, Y, and Z to indicate that this is by no means an exhaustive list of possible uses for the Aloha Tower piers. An assiduous search for alternative components and alternative strategies has yet to be conducted.

The body of Table 12.1 reflects widely varying characteristics of different uses. Since every use shown in Table 12.1 is consistent with revitalizing and improving space utilization at the Aloha Tower site, *the objective of enhancing downtown Honolulu becomes absolutely critical to sorting out alternative development strategies.* A number of uses would complement the underutilized infrastructure by bringing people to the

<sup>10</sup>This objective is clearly prejudicial to the issue of whether to landbank or redevelop the site. It is thus a "redevelopment objective" and assumes that a *prior* decision has been made to redevelop the site.

Table 12.1

Selected User Characteristics Associated with  
Alternative Components Suggested for Revitalization of Aloha Tower Piers

<i>Components<sup>1</sup></i>	<i>Principal type or user<sup>2</sup> (1)</i>	<i>Days used (2)</i>	<i>Hours when used (3)</i>	<i>Percent of users re- quiring on-site parking (4)</i>	<i>Users drive to and from site during a.m./p.m. rush hours (5)</i>
Passenger ship terminal . . . .	V	Occasional	Early a.m.; late p.m.	None	No
SeaFlite ferry . . . . .	V/R	All week	All day	Moderate	Few only
Other marine uses (e.g., local cruise boats) . .	V	All week	Daytime & evening	Small	No
Retail shops . . . . .	V/R	5 - 7 days <sup>3</sup>	Daytime	?	No
Waterside restaurants . . . . .	V/R	5 - 7 days <sup>3</sup>	Daytime <sup>4</sup>	Small	No
Office building (world trade center) . . . .	R	Weekdays	8:00 a.m. - 5:00 p.m.	100%	Yes
Residential condominiums . .	R	All week	24 hrs. a day	100%	No
Hotel . . . . .	V	Weekdays, chiefly	24 hrs. a day	Some	No
Maritime museum . . . . .	V	All week	10:00 a.m. - 4:00 p.m.	Moderate	No
Concert hall/theater . . . . .	R	Occasional	Evenings	100%	No
Other uses - X . . . . .	?	?	?	?	?
Other uses - Y . . . . .	?	?	?	?	?
Other uses - Z . . . . .	?	?	?	?	?

<sup>1</sup>Source: Technical report, p. 257.

<sup>2</sup>V and R stand for visitors and residents, respectively.

<sup>3</sup>The viability of retail shops and restaurants on Saturday and Sunday will depend on other activities and uses at the site.

<sup>4</sup>Whether restaurants will find it profitable to remain open at night may depend on other uses and activities at the site.

area on nights and weekends. A good planning process will conduct analysis adequate to determine which alternative strategies would most enhance downtown.

**Beautify the airport-Waikiki route.** If taken literally, this particular objective extends far beyond piers 8-11. Much of the airport-Waikiki route may be unappealing to visitors. In comparison with many other places along that trip, though, the structures at piers 8-11 are not especially offensive, hidden nicely as they are behind the trees and greenery of Irwin Park. Areas needing beautification seem far worse elsewhere. This objective cannot be interpreted literally, since DPED's technical report clearly had no intention of studying alternative ways of beautifying any other part of the airport-Waikiki route.

An objective such as "beautify the airport-Waikiki route" does little to help formulate or sort out better alternative redevelopment strategies for the Aloha Tower piers. If anything, such an objective is dysfunctional and diversionary. It clearly is not intended as a major objective in its own right, to be pursued beyond the boundaries of piers 8-11.

**Beautify the waterfront.** If interpreted literally, this objective applies to the waterfront of the entire harbor. Comments similar to those concerning the objective of beautifying the airport-Waikiki route are also applicable to this objective. In short, DPED's planning process was concerned only with the Aloha Tower piers, not with other portions of the waterfront. Alternative ways of beautifying other parts of the waterfront should have

been considered irrelevant and distracting to the focus of this planning process. Consequently, this objective is not intended to be interpreted literally.

Correct interpretation of this objective means "beautify piers 8-11." No further guidance is given. When comparing alternative strategies, it is not clear how one determines which alternative is more beautiful and which is less beautiful. DPED's failure to present and compare alternative strategies is no solution to this issue, nor does such failure make this objective any more relevant to the planning process.

**Reinforce aesthetics.** The objective of "reinforcing aesthetics of the Capitol District Plan" does not, as stated, appear to have any operational significance for planning redevelopment of the Aloha Tower site. Is it intended to imply a height restriction? Setback requirements? Preservation of certain views? Some form of general limitation on the density of use? Or is it merely intended to imply that any redevelopment of the piers should be aesthetically pleasing? Questions of this type are not intended to deny the importance of aesthetics, or to reduce aesthetics to nothing more than quantification and measurement. Major aesthetic considerations are undeniably qualitative. Nevertheless, if this objective is intended to guide or be relevant to development planning at the Aloha Tower site, it needs to be amplified and made more specific.

**Summary.** This section has critiqued DPED's nontrade objectives for redeveloping the Aloha Tower piers. Some are peripheral and of doubtful relevance. Others are more relevant, but are stated so broadly as to be equally applicable to almost any redevelopment strategy. These broad statements need to be refined into more specific objectives capable of sorting out the many alternative strategies which could be used to redevelop piers 8-11. The planning process also needs to examine carefully any inconsistencies, conflicts, and trade-offs among these objectives. In short, objectives need to be analyzed critically and in greater depth.

This evaluation has been limited to the nontrade objectives contained in DPED's report. Other plausible objectives can also be formulated for redeveloping the Aloha Tower piers. The fact that our critique is limited to DPED's objectives should not be construed as an endorsement of these particular objectives over others which might be suggested at some future time.

### **Premature Designation of a Developmental Agency**

Some major policy issues concerning Aloha Tower piers remain to be settled. Most important, perhaps, is the question of whether the piers should be redeveloped for private use, or landbanked for public use at some future time. Other issues concern the goals of redevelopment, including how best to enhance downtown Honolulu, and the role of the private sector should redevelopment be authorized.

The legislature should address key policy issues before assigning any agency responsibility for detailed design and implementation. Such action of designating a developmental agency would significantly bias the planning process in two ways. First, the fact that the legislature authorized design and implementation would in itself indicate that redevelopment is expected. Second, once an agency is assigned responsibility for design and implementation, all subsequent planning will almost surely be directed at justifying redevelopment, not examining objectively whether redevelopment should occur.

During the 1979 legislative session DPED proposed that a new Aloha Tower Authority be given all further responsibility for the proposed world trade center project. This proposal was submitted because HISA, which has had primary responsibility for the project, felt they lacked adequate expertise or staff to continue overseeing such a large project. HISA is probably correct in its **self**-assessment.

The conclusion that an authority represents the most timely and desirable vehicle for continued planning is a *non sequitur*, however. Redevelopment of the piers would be necessary for the survival of such an authority. An authority, more than any other agency, would bias the planning process and completely exclude nondevelopment alternatives. It might also limit private sector options and participation.

Authorities have advantages and disadvantages. A principal advantage lies in their ability to implement decisions and take actions effectively. Authorities can be structured to bypass steps normally required in governmental processes and to be made immune from certain governmental restrictions such as zoning. Their independence also helps overcome any jurisdictional conflicts between state agencies.

While expedient, authorities are also prone to certain disadvantages. First, as already mentioned, they introduce a bias into the planning process. Second, they often limit their activities to those public concerns which enhance their independent financial position, and over time they grow increasingly unresponsive to other public concerns. Third, undoing a decision to establish an authority is always quite difficult.

Creation of an authority should therefore be considered carefully and evaluated thoroughly before such a step is taken. Planning and policy decisions are required at this stage, not implementation. The proposal for an Aloha Tower Authority is quite premature. At the same time, the absence of an authority raises the all-important questions of what mechanism will be used to develop plans for piers 8-11.

### Planning Mechanism for the Aloha Tower Piers

The appropriate planning mechanism for the Aloha Tower piers presents a problem. Traditional state planning agencies such as

DPED bear the title of planning, but deal in general policy level considerations and are neither staffed nor oriented toward actual land use development.

The Department of Land and Natural Resources manages state lands. Its experience has been limited, however, to parks, natural resource projects, and other related situations where commercial considerations and economic returns are not normally predominant factors.

The Department of Accounting and General Services develops state facilities with public purposes, such as government office buildings, public service buildings, and schools. Like DLNR, it has no experience in commercial development for private enterprise.

The Department of Transportation has traditionally had jurisdiction over the Aloha Tower piers. However, DOT has neither the mission nor planning expertise to develop a site other than for transportation-related purposes.

None of the agencies noted above has complete authority, expertise, or experience to take the lead in redeveloping public piers for commercial use by the private sector. Clearly, a void exists within state agencies to plan this type of redevelopment. The fact that such a void exists is not intended as a criticism of any agency, nor should it be unexpected. The plain fact is that the State has not been faced with this type of planning situation and has not needed such a planning capability.

The Kakaako district faced the State with a somewhat similar problem that was resolved by creating the Hawaii Community Development Authority (HCDA). Of all state agencies, HCDA's expertise perhaps comes closest to that needed to plan for the Aloha Tower piers. At the same time, HCDA is not necessarily the appropriate agency to develop a plan for the Aloha Tower piers. First, as a technicality, jurisdiction of HCDA runs from Piikoi to Punchbowl streets, and does not include the Aloha

Tower piers. Second, HCDA has yet to prove its ability or effectiveness in this type of planning situation. Third, the director of that authority has expressed a preference to concentrate the entire efforts of his agency on Kakaako, which has many major problems and challenges to be resolved.

A planning capability for dealing with the Aloha Tower piers needs to be created, either within an existing agency or in a new organization. This capability could be created on an *ad hoc* or permanent basis. If no similar planning situations are anticipated, an *ad hoc* approach would be appropriate. Specific recommendations concerning an appropriate agency or planning mechanism are beyond the scope of this report.

### Summary

The conceptual plan submitted to the 1979 Legislature by DPED has little to do with diversifying the economy through promotion of international trade. In essence, it represents a plan to turn a major portion of the Aloha Tower piers into a combination of public park and private commercial uses—office building, retail, and hotel. This chapter has therefore evaluated and compared the planning process which has taken place with the process one would expect if redevelopment had been pursued as an end in itself.

Viewed from this perspective, the planning process has been found to be deficient in a number of ways.

First, neither DOT nor DPED has any documentation on the all-important question concerning future maritime needs and availability of the piers for redevelopment.

Second, alternative development strategies have not been investigated or analyzed.

Third, objectives of redevelopment, referred to as "non-trade" objectives, are

stated in such extremely general terms that they provide no basis on which to appraise or evaluate alternative strategies.

The fact that alternative strategies were not considered or examined does not in any way overcome the failure to provide more specific objectives. In consequence of these shortcomings, the planning process is judged to have been inadequate for the extensive redevelopment which DPED has proposed.

Additional planning effort, which asks the right questions in the proper sequence, should be pursued. This evaluation has attempted to provide a basic framework to guide such additional planning effort. The major planning considerations covered in this chapter are summarized in figures 12.1 and 12.2. These figures indicate the major issues requiring study and resolution.

Figure 12.1 shows the important maritime issues that need to be addressed. DOT has no study which shows whether piers 8–11 can or should be restored as a hub of maritime passenger activity (one distinct possibility). Nor does DOT have any study of whether all maritime passenger activities can be satisfactorily accommodated elsewhere (another distinct possibility). The legislature should satisfy itself that future maritime needs have been adequately assessed before authorizing any further site planning.

Figure 12.2 is in essence a continuation of Figure 12.1. That is, assuming that a major portion or all of the site can be considered surplus to future maritime use, Figure 12.2 reflects subsequent issues that need to be addressed. First and foremost, the legislature should satisfy itself that the site, with its unique characteristics, is surplus to all other future public needs which might arise. If redevelopment for the benefit of the State and the affected community, downtown Honolulu, is considered appropriate, the legislature should endeavor to see that responsibility is assigned to an adequate planning mechanism. This could

Figure 12.1

THE ALOHA TOWER PIERS:  
MARITIME ISSUES REQUIRING STUDY AND RESOLUTION

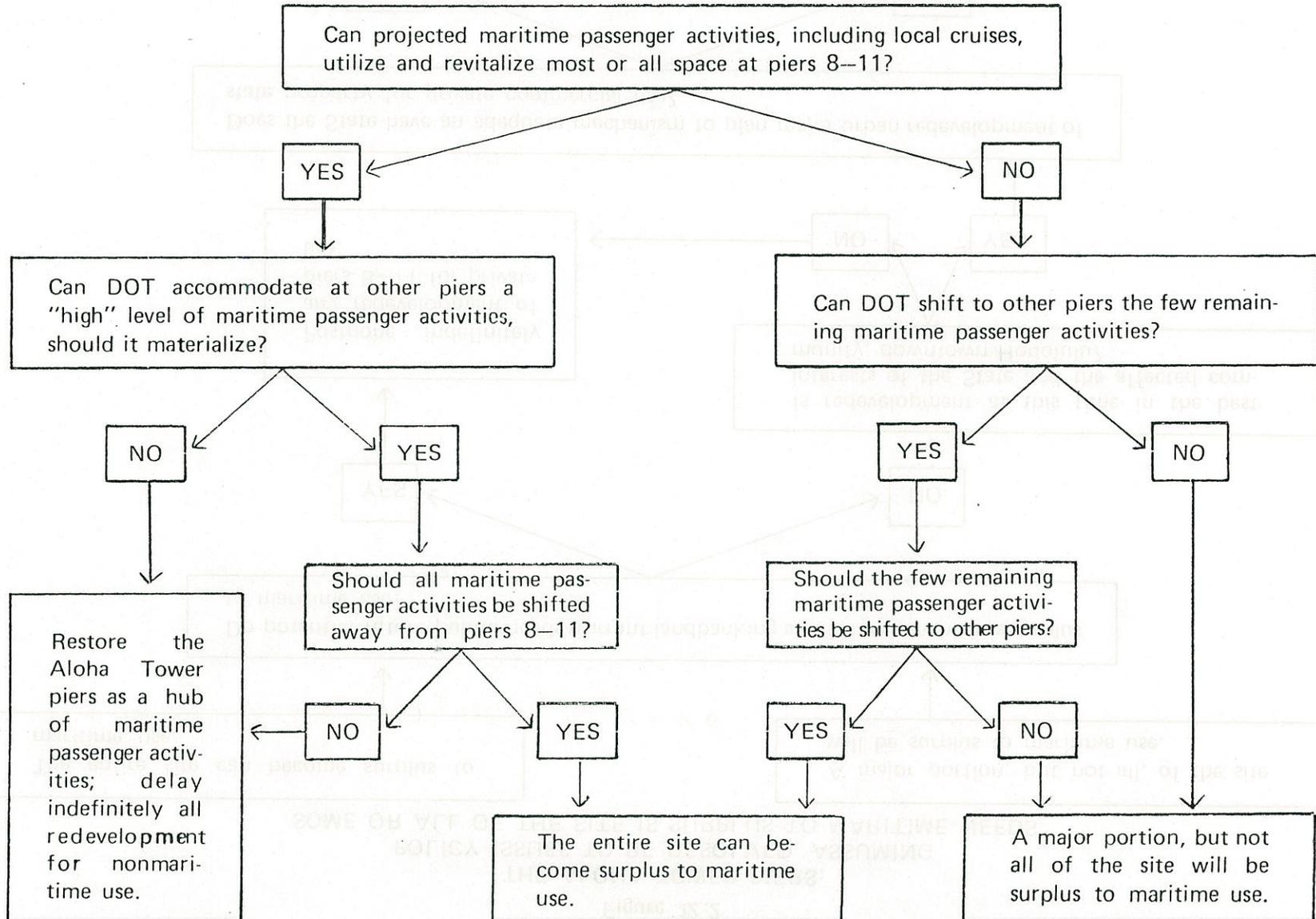
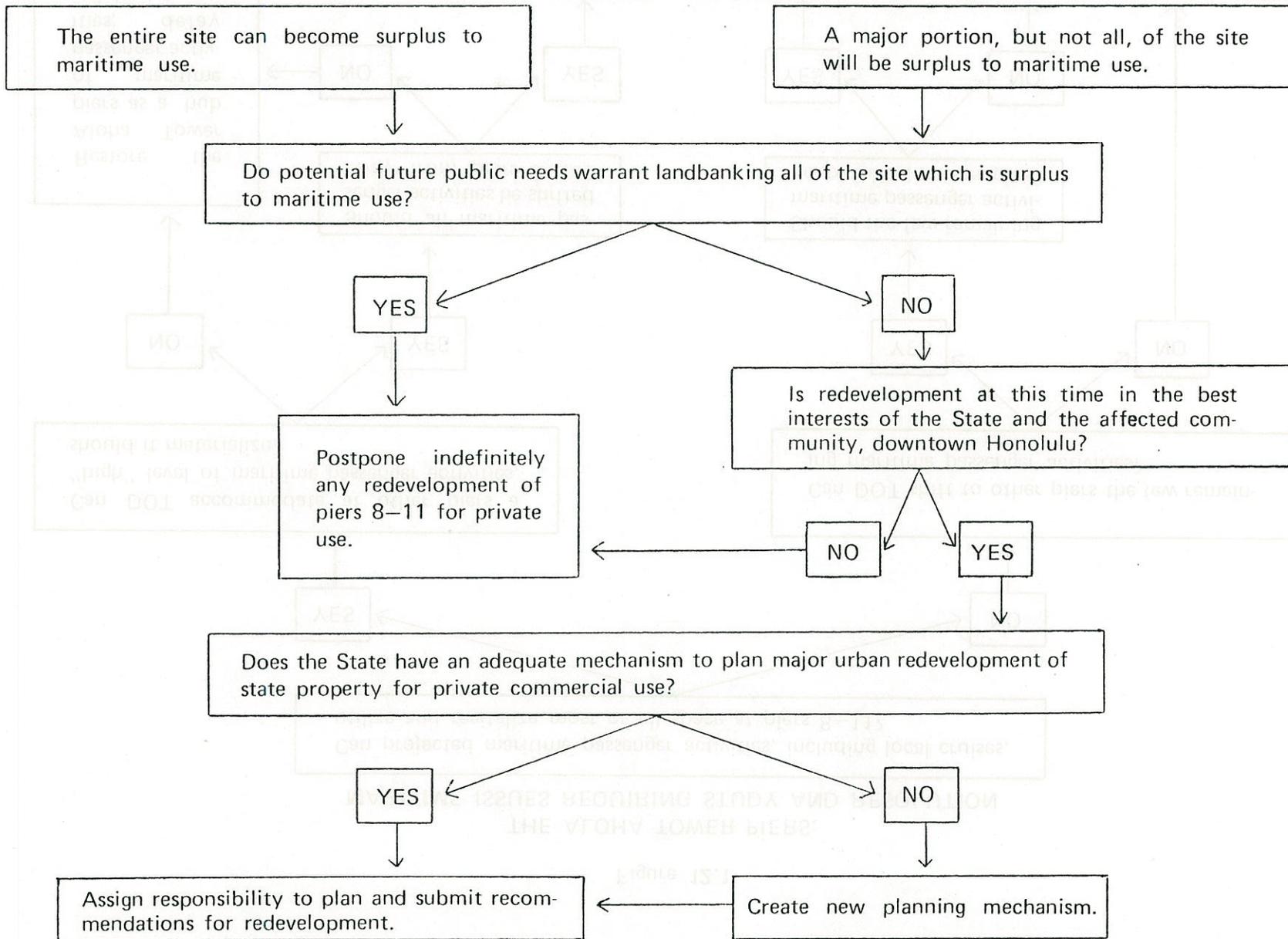


Figure 12.2

THE ALOHA TOWER PIERS:  
POLICY ISSUES TO BE RESOLVED, ASSUMING  
SOME OR ALL OF THE SITE IS SURPLUS TO MARITIME NEEDS



be an existing state agency or a new organization created specifically for the Aloha Tower piers.

Any subsequent planning effort should be specifically charged with investigating the advantages and disadvantages, as well as the benefits and costs of alternative development strategies. Goals and objectives of redevelop-

ment should be explicitly stated. The extent to which different redevelopment strategies achieve stated objectives should also be displayed for legislative review.

In sum, adherence to an adequate planning process throughout will most assuredly result in better recommendations for legislative consideration.



---

**APPENDIX**

---



## APPENDIX

### THE NEED TO STUDY MARITIME REQUIREMENTS AT PIERS 8-11

The need to study and plan for future maritime passenger activities at the Aloha Tower piers is discussed briefly in Chapter 12. As indicated there, such a study would be a highly desirable, perhaps necessary, prerequisite to any redevelopment plan for the piers. This appendix has two major purposes. The first is to elaborate on the reasons why such a study and plan are considered important, and the second is to indicate the scope and the type of considerations that ought to be included.

#### *Why Such a Study is Important*

A study of maritime needs is important for a number of reasons. For one, maritime passenger operations have high priority because of the site's special characteristics: (1) piers 8-11 all have deep-draft berths, (2) piers 10-11 are capable of accommodating the largest passenger ships operating today, (3) support facilities capable of handling large numbers of passengers are readily available, and (4) existing facilities have good access to ground transportation.

A second reason is the high value which the piers would have in other uses. If the piers were located in a relatively undesirable location and had little value for other uses, there would be considerably less need for a study. The piers could simply be allowed to stand idle, in a reserve or standby capacity. The fact is, however, the value of the Aloha Tower piers is quite high because the site can be productively utilized for a wide variety of purposes. The extensive space required by the Department of Transportation (DOT) would impose a heavy cost on any redevelopment plan. These requirements should be studied to see whether they, and the cost which they impose, can be reduced.

Yet a third reason for a systematic study and comprehensive plan concerns alternative ways of providing for passenger activities. If the harbor were overcrowded, with all other piers over-utilized, and if DOT had no other place where it might berth passenger ships, there would be less need for an in-depth study. DOT would have almost no choice but to preserve its options at piers 8-11. As will be discussed subsequently, however, DOT does have some important options and alternatives which warrant careful consideration.

The highly ambiguous outlook for future maritime passenger operations is a fourth important reason for conducting a study and developing a comprehensive plan. Discontinuance of regularly scheduled passenger service, along with the interisland hydrofoil service, has left the Aloha Tower piers virtually deserted since January 1978. If the current low level of utilization were almost certain to continue, the need for a study would be greatly reduced. The 20-year outlook is some-

what more ambiguous, however. Various private sector developments now pending or in an advanced discussion stage, coupled with other possible actions which DOT could take, might conceivably restore a high level of maritime passenger activity to the Aloha Tower piers. Only if these private sector developments fail to materialize can maritime passenger activities be expected to continue at the low level experienced recently.

For the preceding reasons, a critical assessment of future maritime needs, coupled with a comprehensive plan for accommodating these needs, is an important prerequisite in determining future utilization of the Aloha Tower piers. DOT's current decision to reserve all piers for marine passengers has not been substantiated by any reliable study of future passenger needs and alternative pier uses.

To sum up, planning for future maritime passenger needs is too important and too complex a matter for it to be neglected. This appendix covers some of the more important issues which ought to be considered in a comprehensive plan for maritime passenger needs. While the discussion concerns maritime passenger activities, the underlying focus is on alternative ways of fully utilizing and revitalizing piers 8–11, including redevelopment for nonmaritime uses. For this reason the discussion is structured around two alternative schemes for the future utilization of the Aloha Tower piers:

- Restore and revitalize maritime passenger activity at the Aloha Tower piers to the fullest extent possible

or

- Abandon maritime passenger activity at the Aloha Tower piers by shifting the few remaining activities to other locations, thereby making the entire site available for total redevelopment into other uses.

#### *Alternative Piers for Passenger Use*

Comprehensive planning activities always need to examine carefully alternative possibilities. Simply to indicate that such alternatives do exist, one other feasible way of accommodating maritime passengers is discussed here in this appendix. Other even better alternatives may also exist.

*Possible use of piers 2 and 3.* New facilities under construction at Sand Island will accommodate Matson cargo operations which have for many years been located at piers 2 and 3. After the new Sand Island facilities are complete, Matson will vacate piers 2 and 3. Current administration plans are to relocate the Foreign Trade Zone (FTZ) there. Piers 2–3 might also serve as a backup or reserve capacity for cargo operations.

The extent to which the FTZ will utilize the berths at piers 2–3 is far from clear. The FTZ currently functions chiefly as a warehousing operation, not as a transshipment center. Its purpose in being at the piers would seem primarily to obtain cheap warehouse space, not pier bulkheads. If this is the case, occasional cruise ships could possibly share piers 2 and 3 with FTZ.

*Effect of a cargo harbor at Barbers Point.* A new cargo harbor is another possible development which would affect planning for maritime passenger activities in Honolulu Harbor. If and when a harbor at Barbers Point is developed, cargo capacity of the State's piers will be greatly increased. Such a development would reduce the need to retain piers 2 and 3 in Honolulu Harbor for backup cargo operations after Matson relocates to Sand Island. If it can be predicted that Barbers Point harbor will cause the berths at piers 2 and 3 to be vacant and unused, it might be feasible to transfer a substantial level of maritime passenger activities to piers 2 and 3. A comprehensive harbor plan should examine such possibilities closely. The plan to redevelop the Aloha Tower piers for other uses makes such a study timely.

### *Factors that Could Lead to Revitalized*

#### *Maritime Use of Piers 8-11*

A review of pending developments and proposals in the private sector indicates that maritime passenger activity could be substantially enhanced in the not-too-distant future. Implications of these proposals for the Aloha Tower piers should be studied in conjunction with related activities for which DOT has planning responsibility—e.g., Kewalo Boat Basin.

*Cruise ship business.* Legislation passed by Congress would enable five older passenger ships to be registered under the United States flag for use in domestic and international cruise business. The five ships are the S.S. *United States*, *Independence*, *Santa Rosa*, *Mariposa*, and *Monterey*. Various groups of private investors have announced tentative plans to buy and renovate these ships for service in the Pacific. There has even been public discussion that Honolulu might serve as the home port for some or all of these ships.<sup>1</sup> If all five ships begin serving Honolulu as a major port of call, the Aloha Tower piers would again become the hub of maritime activity.

Each ship is quite large. The S.S. *United States* can accommodate up to 1200 passengers. Should plans for any one of these ships materialize, the Aloha Tower piers would be utilized far more extensively than they have been during 1978-79. Such usage would not only revitalize the piers, it might even be incompatible with the traffic flows created by a major office building development. To illustrate, if on some weekday 1200 fly-and-cruise passengers were to embark from Honolulu for a South Pacific cruise, it is likely that parking facilities and streets near the piers would be subjected to substantial congestion.

Since DOT has no plan for berthing major passenger ships at any location other than the Aloha Tower, the most "optimistic" maritime scenario needs to be defined. Traffic patterns and congestion under this scenario then need to be carefully reviewed in conjunction with any

<sup>1</sup>"All aboard and full speed ahead," *The Honolulu Advertiser*, September 23, 1979, p. D-1; "Hawaii cruises await Carter signature," *The Honolulu Advertiser*, November 3, 1979, p. A-5. At the time of the preparation of this report, the bill authorizing the five passenger liners to resume operations was awaiting President Carter's approval. The ships had not been allowed to engage in domestic service without special legislation because at one time, they were owned by a foreign firm or operated under a foreign flag after being built with federal subsidies to make them competitive in international trade. See also "Liners sail to House OK," *The Honolulu Advertiser*, October 31, 1979, p. A-3.

planned redevelopment.<sup>2</sup> The pier's location across Nimitz Highway and the general shortage of parking space in downtown Honolulu make too much revitalization a distinct possibility which needs to be considered. A development that creates and compounds recurrent massive traffic jams opposite the Aloha Tower would do little to enhance downtown Honolulu.

**Interisland hydrofoil service.** A local entrepreneur is committed to resume interisland hydrofoil service in Hawaii with one boat. Service is scheduled to commence in 1981. If the initial service is successful, this entrepreneur plans to order additional boats and expand the number of points served and the frequency of service. He has also indicated an intention to investigate possible intransland passenger service between Pier 8 and places such as Hawaii Kai. Such service, if it is economically feasible, would presumably be designed to accommodate rush hour commuters.

The lease between the State and the new operator gives him rights to all former SeaFlite facilities until 2010. The possibility that interisland hydrofoil service will be successfully reestablished implies that Pier 8 might again be extensively utilized. Should future success warrant an expansion of the hydrofoil fleet to four, five, or six boats, most or even all of the bulkhead at Pier 8 could be required to meet this demand.

The following calculation illustrates the potential for revitalizing Pier 8. Capacity of the new hydrofoil craft will reportedly exceed 250 passengers. Should service grow to four departures and four arrivals daily, with an average of 150 passengers on each arriving or departing boat, Pier 8 would have 600 departing and 600 arriving passengers each day. This works out to approximately 430,000 passengers a year.<sup>3</sup>

**Kewalo Basin.** Although developments pertaining to overseas cruise ships and hydrofoils lie totally beyond DOT's control, DOT does have some control over and planning responsibility for the intransland cruise business centered at Kewalo Boat Basin.

The draft of DOT's State Transportation Plan recognizes that Kewalo Boat Basin is seriously overcrowded due to growth in the number of local cruise boats berthed there.<sup>4</sup> Yet a third possible way to revive marine passenger use of the Aloha Tower piers would be to berth a number of these vessels at piers 8 or 9. At least one commercial cruise vessel, the *Royal Prince*, already berths at adjacent Pier 7 and ferries approximately 2000–3000 people monthly to Pearl Harbor from there. A comprehensive study of maritime passenger needs should give attention to the overcrowded facilities at Kewalo Basin and how best to accommodate commercial cruise vessels, including the possible use of the Aloha Tower piers.<sup>5</sup>

<sup>2</sup>Important factors to consider are the frequency of arrivals and departures, the number of passengers which the ships can accommodate, and whether Honolulu will be an origin and termination point, or merely a port of call.

<sup>3</sup>The prior SeaFlite operation achieved only 260,000 passengers in its best year.

<sup>4</sup>Department of Transportation, *Draft State Transportation Plan*, report published in response to Act 179, SLH 1975, requiring the DOT to prepare a new Statewide Transportation Plan and submit it to the legislature in its 1978 session; also published in response to Act 100, SLH 1978, requiring functional plans to be prepared in conformance to the State Plan (undated).

<sup>5</sup>One approach would be to keep at Kewalo Boat Basin those boats that go chiefly in the direction of Waikiki/Diamond Head, and shift to the harbor those boats that go in the direction of Pearl Harbor.

**Maritime revitalization: summary and conclusion.** Should some or all of the maritime developments discussed in this section take place within five to seven years, by the mid- to late-1980's the Aloha Tower piers would again see a high level of passenger activity. On peak days it is conceivable that as many as 3000 to 5000 passengers might be arriving and departing, with perhaps many hundreds of friends and visitors greeting or seeing those passengers off. The possibility that such a high level of traffic might eventuate needs to be carefully studied. In addition, any redevelopment plan (including the one which is the focus of this study) should be evaluated to ascertain whether it is fully compatible with such a high level of maritime traffic.

### **Factors that Would Enable Maritime Use of the Aloha Tower Piers to be Abandoned or Shifted to Other Pier Sites**

The preceding section has discussed potential developments which might restore a high level of maritime passenger activities to piers 8-11. Key elements were seen to depend upon the private sector, over which DOT and the State have little control. Consequently, even if enhanced maritime passenger traffic were the preferred way of revitalizing and utilizing the piers, it is by no means clear whether the State has that option.

This section discusses those factors and economic trends which make it desirable for the State to contemplate shifting all maritime passenger activities elsewhere, thereby enabling the entire Aloha Tower site to be redeveloped for other uses. Ample precedent exists for converting entire pier areas to nonmaritime use. The City of Baltimore, for instance, has shifted all maritime activities away from the inner harbor. Restoration of the waterfront around Baltimore's inner harbor is not based on maritime activities. San Francisco, with many underutilized piers, has converted all of Pier 39, near Fisherman's Wharf, to restaurants and shops. The adjacent pier has also been turned into a tourist attraction, with the old sailing ship *Balclutha* permanently moored there.

Honolulu has similarly converted piers 5 and 6 to accommodate the *Falls of Clyde* and the *Oceania*. Any effort to make the area between piers 4 and 17 an integral part of downtown Honolulu should investigate and weigh carefully the possibility of redeveloping all of piers 8-11 for nonmaritime use. A conceptual plan unencumbered by extensive setback requirements for maritime use would almost surely be different from, and superior to, the conceptual plan evaluated in this study.

***Decline in overseas passenger ships.*** Tentative plans to restore the S.S. *United States*, *Independence*, *Santa Rosa*, *Mariposa*, and *Monterey* as cruise ships was mentioned in the preceding section of this appendix. A realistic planning outlook should recognize and take into account that all of these ambitious plans could fail to materialize. The extensive renovation necessary to restore these ships to service is not expected to commence before 1980, if then, and there is no certainty that all or any of these ships will in fact be restored. Substantial money and extensive time will be required before any of these ships can be returned to service.

Even if these ships are renovated and returned to service as major cruise ships, there is no assurance that they will attract a sufficient volume of passengers to remain in transpacific cruises for any length of time. Hawaii is far removed from all other destinations in the Pacific, and the major trend in pleasure cruises has been towards areas where ships can put into a different port each day, such as the Mediterranean or Caribbean. This trend has been so pronounced that many cruise ships built during the 1970's have high freeboard/shallow draft construction especially designed for Mediterranean or Caribbean conditions, e.g., areas with relatively calm seas and shallow harbors. The design of these new ships is not well-suited for rough conditions like those sometimes encountered in transpacific crossings.

Finally, even if the S.S. *United States*, *Independence*, *Santa Rosa*, *Mariposa*, and *Monterey* are restored, and even if they are successful in the short run, the long-term outlook for a high level of cruise ship activity in Honolulu is still quite pessimistic. International trends in the cruise industry will almost surely affect future passenger business in Hawaii, and they therefore need to be carefully examined. For example, our initial survey shows that, worldwide, only 28 passenger ships have been built during the 1970's. In comparison with prior decades this represents a marked drop in ship construction, with 48 and 50 ships built in the 1950's and 1960's, respectively.<sup>6</sup> On the average, the newer ships are also smaller.<sup>7</sup> Thus the worldwide fleet of passenger ships is still shrinking.

Significantly, no entrepreneur has proposed building a new ship for the Pacific cruise business. The S.S. *United States* cost \$72 million to build in 1952. It is reportedly being bought for \$5 million, with an additional \$31 million planned for its renovation, for a total capital expenditure of \$36 million. A brand-new ship of comparable size would almost surely cost hundreds of millions of dollars in the 1980's. When the five ships which are hoped to service Hawaii are finally retired from service, the chances of their being replaced with new ships seem rather remote.

Interisland hydrofoil service. As discussed in the preceding section of this appendix, the hydrofoil service might in several years grow to the point where each day hundreds, or even thousands, of arriving and departing passengers would utilize Pier 8. At the same time, it must also be recognized that at the very earliest such a development will require several years to materialize, if then.

The plain fact is, future SeaFlite operations embody a wide degree of uncertainty. The operation may have marked success or limited success or it may fail. If the piers had no alternative uses, planning for such different outcomes would not be difficult. Under conditions where improved space utilization and revitalization are desired goals, however, DOT needs to develop contingency plans for dealing with various outcomes. Shifting local cruise boats from Kewalo Basin to Pier 8 is one possibility. At the same time, DOT may have a better solution for alleviating

<sup>6</sup>*Steamboat Bill*, Steamship Historical Society of America, Inc., Vol. 35, No. 4, Winter 1978, pp. 223-227.

<sup>7</sup>*Ibid.* Size and capacity of passenger ships are also declining as the very large liners built in the 1950's and 1960's are retired. The average gross tonnage (grt) of ships built in the 1970's is 15,953 grt and the average passenger capacity is 557. Ships built in the 1950's averaged 17,249 grt and 610 passengers.

the crowded conditions at Kewalo Basin. If DOT does have a better solution for Kewalo Basin, and if DOT does not have any contingency plans for alternate use of Pier 8 (should the hydrofoil operation not succeed), consideration should also be given to releasing all of Pier 8 for redevelopment to other uses.

**Maritime abandonment of piers 8–11: Summary.** Over a 20-year planning horizon, DOT has, or can surely develop, alternative ways of handling maritime passenger activities in Honolulu Harbor. Abandoning most or all maritime use of piers 8–11, which does not appear to have been considered, would enable far bolder thinking about redevelopment. This is not to indicate that such a step is favored or preferred. What is advocated is that maritime revitalization and maritime abandonment both be given thoughtful and even-handed analysis.

## Conclusion

Planning for maritime passenger activities in Honolulu involves a number of difficult issues. The discussion in this appendix neither minimizes the complexities involved, nor does it prejudge the outcome of any such study. Rather, the purpose there is to motivate such a study.

The nonavailability of any systematic study on the issues discussed in this appendix makes decisions on pier use and planning for future developments at the Aloha Tower site very tenuous. In light of the amount, type, and value of space at the Aloha Tower piers, it does not seem unwarranted for the legislature to require the Department of Transportation to study and report on the maritime needs, uses, and potentials of piers 8–11.

Such a study would establish a much firmer basis for any subsequent redevelopment planning that may occur. It seems premature to plan for other facilities and expensive renovation of passenger terminals without such information.

