From:	Hogan, Steven
To:	ross.smith@hawaii.gov; susan.m.hogan@hawaii.gov; Dunn, James
CC:	Hamayasu, Toru; Miyamoto, Faith
Sent:	4/6/2010 4:20:57 PM
Subject:	RE: lost opportunity costs

Thanks, Ross. Given our conversations with HDOT-Airports Division about this subject and the status of the HNL Master Plan prior to submitting the report to you, we opted for what would generate the greatest revenue for the airport. We understand the point about the aviation function of airport property being important in serving airport tenants and other activities. We will certainly be in close contact with HDOT as we move forward, whatever the final decision. Thanks, again for the response.

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From: ross.smith@hawaii.gov [mailto:ross.smith@hawaii.gov]
Sent: Tuesday, April 06, 2010 2:16 PM
To: susan.m.hogan@hawaii.gov; Hogan, Steven; Dunn, James
Subject: lost opportunity costs

As requested at the March 17, 2010 meeting, I am providing the following comments to the lost opportunity costs.

While the intent was to compare the Aolele and Ualena alignments under the same set of circumstances, it fails to take into account the specific use that the master plan envisioned for the area.

Under the Ualena alignment, the master plan use for cargo operations, including a direct connection to the airfield, can continue albeit in a smaller footprint due to the rail crossover from Aolele to Ualena.

In the case of the Aolele alignment, the master plan use ceases to exist.

That is recognized by the calculation showing the change to industrial space, rather than airport space, has the potential to generate greater revenue.

However, simply converting airport space to industrial space and capturing a value does not address the loss of the airport function under the Aolele alignment.

There is still a need for an airport function with direct connection to the airfield, which includes cargo and possibly other activities. Since the need remains, the analysis should address how the need can be met.

Given the existing layout of the airport, a direct connection to the airfield can only be made from the area between Ualena and Aolele, Diamond Head of the Airport Center Building.

Once this is taken away, the only way to be able to make a secure connection to the airfield from outside of the boundary, without eliminating an existing airport use, will be through the acquisition of additional property. Again looking at the layout of the airport, the only potential acquisition would be if the federal government were willing to give up additional land at Joint Base Pearl Harbor Hickam.

In 1990, the airport acquired 22.883 acres from Hickam at a cost of $26.9 million or approximately $1.176 million per acre. If the airport was looking to replace the entire 12.63 acres lost to an airport use as a result of the Aolele alignment, based on the 1990 acquisition cost, that would come to approximately $14.8 million. Obviously, adjusting for the 20 year difference, even with the current economic slowdown, will result in a higher actual cost.

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