

# Seawater A/C plan gets \$17M financing

## Downtown Honolulu project will complete design phase

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A seawater air-conditioning project with the capacity to cool half of downtown Honolulu's central core has secured the \$17 million in capital needed to carry it through the rest of its design phase.

This is good news for the local engineering firms that have been working on the project off and on for the past eight years, as well as companies that stand to benefit from \$200 million in construction contracts. The first such contract — for construction management — was recently put out to bid.

"We have the final equity in and we are really ramping up all activities," said **Anders Rydaker**, chief operating officer for Honolulu Seawater Air Conditioning, the project developer.

The recently raised capital consists of investors from Hawaii and the Mainland, as well as Europe, and is the essential funding needed to carry the project on to completion, Rydaker said. By supporting the completion of the design work, company executives can issue requests for proposals for the construction phase, which is expected to break ground around October, and begin finalizing contracts with downtown building owners for purchase of the air conditioning.

In addition to the recently issued RFP for construction management, the company plans to issue RFPs throughout the summer for construction of the seawater piping, tunneling, cooling station and distribution piping.

The air-conditioning project will draw cold seawater from five miles off Oahu's southern coast into a cooling station located on Ala Moana Boulevard. After the seawater passes through heat exchangers, it will be dispensed through a network of distribution pipes to downtown buildings.

The project, with a total estimated cost of \$250 million, is expected to create 1,500 jobs, 900 of which are directly tied to the construction industry. Executives of Honolulu Seawater Air Conditioning plan to fund the construction phase with 20 percent equity and 80 percent loans, including special-purpose revenue bonds and taxable debt. Once the contracts for construction are awarded and contracts with building owners are finalized, company executives can take out the loans and raise the equity, Rydaker said.

While the project's design was almost complete prior to securing the recent financing, difficulty raising the rest of the capital had caused progress to slow.

**Joel Yuen**, president of Honolulu-based [InSynergy Engineering](#), an engineering firm that is being paid more than \$1 million to design the cooling station, said work had been on hold for nine months, but had just recently started up again with news of the funding.

"We're very eager to have this project constructed and built," he said.

While such projects can take several years to develop, the downtown project, which was initiated in 2003 and will be the first of its kind in Hawaii, ground to a near halt during the economic recession.

"This process is always much longer than any developer wants," said **Dale Jensen**, a project engineer at [Makai Ocean Engineering](#), which has almost completed the design of the underwater piping. "Usually they come in with a lot of optimism. But financing is always an issue and environmental permits are always an issue. And, with the world's greatest financial crisis right in the middle of this, you can excuse a year or two just on that."

Executives of 15 downtown office buildings and companies had provided letters of intent to sign up as customers, comprising about 75 percent of the system's capacity. Rydaker declined to name the potential customers, but [Hawaiian Electric Co.](#) is among them.

He said service is expected to begin in June 2013. The 25-year contracts provide steady customer rates below the cost of electricity provided by HECO, with an escalator tied to inflation.

"The rule of thumb is that about 40 percent of a [commercial] building's electric bill is for air conditioning," Rydaker said.

The project will displace up to 14 megawatts of electricity on HECO's electric grid.

While downtown commercial buildings may be getting a break on their electric bills, downtown traffic may not fare as well.

"Everything is positive about this project except for the traffic disruptions," Rydaker said. "It's a one-time thing, but something that has to be done for sure. We're going to work at night to try to minimize the effect as much as possible."

He said other engineering firms working on the project include Honolulu-based [R.M Towill Corp.](#) and Yogi Kwong Engineers.