

STAND. COM. REP. NO.

804

Honolulu, Hawaii

MAR 15 2011

RE: GOV. MSG. NO. 506

Honorable Shan S. Tsutsui
President of the Senate
Twenty-Sixth State Legislature
Regular Session of 2011
State of Hawaii

Sir:

Your Committees on Economic Development and Technology and Tourism, to which was referred Governor's Message No. 506, submitting for study and consideration the nomination of:

DIRECTOR OF THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM

G.M. No. 506 RICHARD C. LIM,
for a term to expire December 1, 2014,

beg leave to report as follows:

Your Committees have reviewed the personal history, resume, and statement submitted by the nominee and find Richard C. Lim to possess the requisite qualifications to be nominated as the Director of Business, Economic Development, and Tourism.

Your Committees received testimony in support of the nomination of Richard C. Lim from the Department of Business, Economic Development, and Tourism's Hawaii Community Development Authority, Hawaii Housing Finance and Development Corporation, and Office of Planning; Academy for Creative Media, University of Hawai'i; Chair of the Honolulu City Council; Enterprise Honolulu; Kaua'i Economic Development Board, Inc.; Maui Economic Development Board, Inc.; APEC USA 2011 Hawai'i Host Committee; The Chamber of Commerce of Hawaii; Hawaii Venture Capital Association; Hawaii Medical Service Association; Hawaiian Electric Company, Inc.; The Gas Company; Blue Planet Foundation; Hawaii Aquaculture & Aquaponics Association; The AKAMAI Foundation; American Savings Bank; Territorial Savings Bank; CKWA Financial Group; Diamond Head Capital Partners, LP; House of Finance, Inc.; Kolohala Holdings,

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LLP; Pacific Access Mortgage LLC; RAY International LLC & Private Lending LLP; Tradewind Capital Group, Inc.; Aina Koa Pono, LLC; Data@Work; Better Place, Inc.; General Dynamics Advanced Information Systems, Kaua'i; Hoku Corporation; Inovi Group, LLC; Kairos Energy Capital LLC; Oceanit; PH Corporation; Pac-Tech Communications; Referentia; SEE/RESCUE Corporation; Alpha Capital Research, LLC; Castle & Cooke Hawai'i; C&C Farmlands LLC; Dana Fishing Company; Environmental Communications, Inc.; First Insurance Company of Hawaii, Ltd.; Guide Star Engineering, LLC; Hawaiian Host, Inc.; Hawaiian Organics; Konrad H. Ikei Consulting; Ikayzo, Inc.; Richard K. Ing; Iolani Sportswear, Ltd.; Island Insurance Companies; The Islander Group; MC&A Inc.; Navatek Ltd; New City Nissan/Rosebridge LLC; OmniTrak Group Inc.; Pacific Marine & Supply; Pahio Development, Inc.; ProPark, Inc.; RMY Construction, Inc.; RSI Roofing & Building Supply; RT LLC; Radcliffe & Associates, LLC; Regal Travel; St. Francis Healthcare System of Hawaii; Shioi Construction, Inc.; Sanford Murata, Inc.; Teralani Sailing Adventures; Travel Ways; C.S. Wo & Sons, Ltd.; Watumull Bros. Ltd.; Coldwell Banker Pacific Properties; Meridian Properties, Inc.; Prudential Advantage Realty; Haseko Homes, Inc.; Hawaiian Island Homes Ltd.; Alston Hunt Floyd & Ing; Bendet Fidell; Char Sakamoto Ishii Lum & Ching; Ching, Yuen & Morikawa; Steven Chung and Associates; Dwyer Schraff Meyer Grant & Green; Imanaka Kudo & Fujimoto; Price Okamoto Himeno & Lum; and forty individuals.

Richard C. Lim is the Managing Director and Co-Founder of Sennet Capital, LLC. He served as President of CityBank (Hawaii) from 1999 to 2004, where he was instrumental in leading the bank to focus on small business and emerging growth industries. Mr. Lim has also served as Executive Vice President of International Savings and President of International Holding Capital Corporation, the holding company for International Savings, and worked in various capacities for International Holding Capital Corporation, including Chief Credit Officer, Chief Lending Officer, Head of Branch Marketing and Operations, Head of Mortgage Banking, and Head of Marketing since 1976. He is the Former Publisher and Co-Founder of the Targeted Industries Growth Report ("TIGR Report"), a monthly report in Hawaii Business Magazine that identified, analyzed, and reported on key sectors with the potential to provide meaningful diversification for Hawaii's economy. The TIGR Report was based on extensive research, with the aid of over 100 "field correspondents", and Mr. Lim developed a keen understanding of both the potential and roadblocks to Hawaii's emerging growth industries. A graduate of Santa Clara



University, he holds a Masters in Business Administration from Chaminade University. Mr. Lim is currently a Director on the Hawaii Technology Development Venture Board, Director and Treasurer of the Korean American Foundation, and serves on the Chaminade University Board of Governors.

In responses to questions from your Committees, Mr. Lim discussed his assessment of the Department of Business, Economic Development, and Tourism, and the need to refocus the broad scope of the Department's activities in the face of severe cuts in personnel and other resources in recent years, which have in turn led to low morale in the Department. Mr. Lim also stressed his commitment to aligning the Department with the Governor's New Day in Hawaii Plan, and its focus on key emerging growth areas, including energy, knowledge intensive, technology, and dual use industries, and support for small business, housing, and tourism.

With respect to Mr. Lim's stated intention of rebuilding the Department's capacity to provide timely, accurate, and well thought-out economic growth analyses to help revive the State's economy, your Committees believe that such actions will substantially improve the types of cost-benefit analyses provided by the Department of Business, Economic Development, and Tourism, Department of Taxation, and other economic research assets such as the Economic Research Organization at the University of Hawai'i team, private sector economists, and knowledgeable retirees. As such, the Department will be in a stronger position to provide solid, reliable economic data upon which state policymakers, the new Abercrombie administration, and private sector stakeholders can rely as they seek to diversify and expand the State's economic base.

Mr. Lim responded to questions regarding past departmental procurement practices and shortcomings identified by the Auditor by assuring your Committees that he has met with all Department division heads to instill a respect for the procurement process, controls, budgeting, and reporting. To this end, he reported that actions are underway that require all division heads to sign an internal agreement that identifies their responsibilities for compliance with the procurement code, ensuring an understanding of the sanctions that will be imposed for non-compliance, mandatory training requirements, and a complete review of procurement practices by all divisions.



Your Committees believe that the Director's proposed actions speak volumes in terms of rebuilding the Department's credibility, which has been severely undermined during the last eight years. However, notwithstanding the fact that the Department's Administrative Services Office is currently understaffed, your Committees believe that the prior administration's practice of delegating procurement and contracting authority to division heads (thereby bypassing the expertise of the Department's procurement and contracting staff) must also be halted if the Department is to achieve a higher level of government procurement and contracting compliance.

Your Committees have also requested that its members be kept apprised of Mr. Lim's plans regarding any future reorganization of the Department, past initiatives that have been or may be identified as outside the Department's refocused scope of activities, the Department's response to problem areas that have been or may be identified, as well as any areas where the Legislature may be of assistance. Your Committees believe that, as demonstrated by Mr. Lim's timely responses to questions posed by your Committees' chairs, the best way for the Department to rebuild credibility and trust is to commit to immediate resolution of issues identified by legislative stakeholders and others during this current legislative session. By doing so, your Committees are confident that issues of credibility, staff morale, and trust will be overcome by a renewed sense of departmental purpose and tangible results.

Regarding potential conflicts of interest given his extensive background in Hawaii's financial industry, Mr. Lim stated that he has resigned from all for-profit boards on which he previously served, and remains cognizant of his responsibilities regarding any possible conflicts that might arise in the future.

Your Committees commend Mr. Lim for his willingness to serve as the Director of Business, Economic Development, and Tourism, and for his frank acknowledgement that "government is much more complicated than the private sector." Your Committees are in strong agreement with this statement and believe that his recognition of the complexities of his position will be one of his strongest assets in the future.

As affirmed by the records of votes of the members of your Committees on Economic Development and Technology and Tourism that are attached to this report, your Committees, after full



consideration of the background, experience, and qualifications of the nominee, has found the nominee to be qualified for the position to which nominated and recommend that the Senate advise and consent to the nomination.

Respectfully submitted on
behalf of the members of the
Committees on Economic
Development and Technology and
Tourism,



DONNA MERCADO KIM, Chair

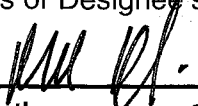


CAROL FUKUNAGA, Chair



The Senate
 Twenty-Sixth Legislature
 State of Hawai'i

Record of Votes
Committee on Tourism
TSM
Advise and Consent

Governor's Message No.:* GM 506	Committee Referral: TSM	Date: 2/22/11		
<input type="checkbox"/> The Committee is reconsidering its decision				
The Recommendation is:				
<input checked="" type="checkbox"/> Advise and Consent 2340 <input type="checkbox"/> Not Advise and Consent 2345				
Members	Aye	Aye (WR)	Nay	Excused
KIM, Donna Mercado (C)	✓			
KOUCHI, Ronald D. (VC)	✓			
GALUTERIA, Brickwood	✓			
KAHELE, Gilbert	✓			
SLOM, Sam	✓			
TOTAL	5			
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
Distribution:				
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency	Goldenrod Committee File Copy	

*Only one Governor's Message per Record of Votes