

SB 119

RELATING TO PUBLIC BUILDINGS

Authorizes the comptroller to sell, to the public, and lease back public buildings.

TESTIMONY BY KALBERT K. YOUNG
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TO THE SENATE COMMITTEE ON PUBLIC SAFETY, GOVERNMENT OPERATIONS,
AND MILITARY AFFAIRS
ON
SENATE BILL NO. 119

February 12, 2011

RELATING TO PUBLIC BUILDINGS

Senate Bill No. 119 authorizes the Department of Accounting and General Services (DAGS) to sell and lease-back public buildings to the public.

The Department has a technical comment on this bill.

The sale of public buildings that were previously financed with general obligation bonds that are currently outstanding may trigger a "change of use" of the bond financed building, as the owner of the building for federal tax purposes will be a private entity. This may result in a pro-rated portion of the bond issue no longer qualifying for federal tax exemption. As such, further discussions with bond counsel will be necessary to ensure compliance with federal tax requirements.

The strategy of selling public buildings and leasing them back is a fiscal practice that is used in other states and jurisdictions. There are long-term financial considerations that would be either beneficial or to the detriment of the State as landowner and the occupant of the building. Each transaction or building would pose different considerations. The Department would urge that authority to enter such transactions be given with diligent care to ensure future State interests are preserved. The Department would work with DAGS on implementing or reviewing any transaction.



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TESTIMONY OF ANDRES ALBANO JR.

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MILITARY AFFAIRS
ON SENATE BILL 119
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Chair Will Espero, Vice Chair Michelle Kidani and Members of the Committee:

I firmly support the passage of Senate Bill 119 and commend the originators for the introduction of this bill. This bill in the face of rising costs and declining revenues will facilitate the monetization of the State of Hawaii real estate assets as a means to free up cash and/or remove debt off the state's balance sheet.

Under today's challenging economic conditions states are under increasing pressure to maintain service levels as their financial resources become increasingly limited.

CB Richard Ellis, Inc (CBRE), for example, is currently involved in 18 states and 2 provinces in Canada helping public agencies generate revenues via sale/leaseback arrangements under similar guidelines as outlined in this bill.

As a matter of interest, CBRE is also employing similar models as contemplated under this bill to monetize the real estate assets of cities, counties, ports, airports, universities, hospitals and not-for-profit organizations.

Mahalo for allowing me to provide testimony and I would be happy to answer any questions.

Aloha!

Andres Albano Jr.
Senior Vice President