

STAND. COM. REP. NO. **2406**

Honolulu, Hawaii

**FEB 14 2014**

RE: S.B. No. 2558  
S.D. 1

Honorable Donna Mercado Kim  
President of the Senate  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii

Madam:

Your Committee on Economic Development, Government Operations and Housing, to which was referred S.B. No. 2558 entitled:

"A BILL FOR AN ACT RELATING TO ECONOMIC DEVELOPMENT,"

begs leave to report as follows:

The purpose and intent of this measure is to establish the enhanced use lease program to allow state agencies and departments to rent or lease underutilized property or facilities to private partners in return for in-kind services or cash in lieu of rent.

Your Committee received comments on this measure from the Department of Accounting and General Services.

Your Committee finds that the United States has used enhanced use leases for funding construction or renovation on federal property by allowing a private partner to lease underutilized property and pay rent in the form of cash or in-kind services. The advantages to the private partner include establishment in a convenient location and the opportunity to provide sole-source services and products in lieu of rent for the lease. Additionally, the advantages for the federal agency offering the enhanced use lease include the possibility of fast-tracking alterations, repairs, or new construction so that the improved space becomes available for lease, and the receipt of in-kind considerations or cash to no less than the fair market value of the property as rent by the private partner.



Your Committee further finds that a state enhanced use lease program has the potential to unleash captive value from property or facilities, reduce operation and maintenance requirements, attract tenants who are synergistic with the mission of the agency or department, provide cash or an in-kind funding source for needed and unfunded projects, stimulate local economy, and improve community relations. In addition, enhanced use leases benefit the community through job creation, economic stimulus, potential tax revenues, and the potential to fulfill the objectives of the local jurisdiction.

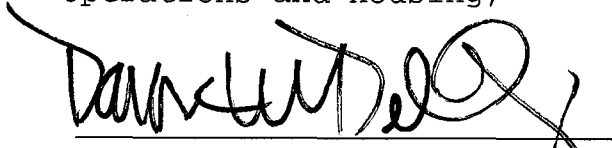
Your Committee has heard testimony of the Department of Accounting and General Services expressing concerns related to the payments made by the state agency to the developer for performing the "in-kind" services and the responsibilities of the state agency for procuring a developer for the master lease agreement, particularly in regard to lacking the jurisdictional authority to administering the master lease agreement and collecting fair market rent from tenants. Your Committee finds that these issues raise concerns that merit further consideration and requests that your Committee on Ways and Means further examine those issues and concerns if your Committee on Ways and Means considers passage of this measure.

Your Committee has amended this measure by making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Economic Development, Government Operations and Housing that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2558, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2558, S.D. 1, and be referred to the Committee on Ways and Means.



Respectfully submitted on  
behalf of the members of the  
Committee on Economic  
Development, Government  
Operations and Housing,

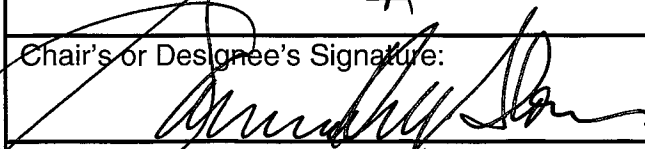


DONOVAN M. DELA CRUZ, Chair



The Senate  
 Twenty-Seventh Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Economic Development, Government Operations and Housing**  
**EGH**

Bill / Resolution No.:*	Committee Referral:	Date:		
<b>SB2558</b>	<b>EGH, WAM</b>	<b>2/10/14</b>		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
DELA CRUZ, Donovan M. (C)	X			
SLOM, Sam (VC)	X			
BAKER, Rosalyn H.				X
CHUN OAKLAND, Suzanne	X			
ENGLISH, J. Kalani	X			
THIELEN, Laura H.	X			
WAKAI, Glenn				X
<b>TOTAL</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>2</b>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
<b>Distribution:</b> Original                      Yellow                      Pink                      Goldenrod File with Committee Report    Clerk's Office            Drafting Agency           Committee File Copy				

\*Only one measure per Record of Votes