



Testimony of
GLENN M. OKIMOTO
DIRECTOR

Deputy Directors
FORD N. FUCHIGAMI
RANDY GRUNE
AUDREY HIDANO
JADINE URASAKI

IN REPLY REFER TO:

STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

March 10, 2014
9:30 a.m.
State Capitol, Room 309

S.B. 3062, S.D. 1
RELATING TO TRANSPORTATION

House Committee on Transportation

The Department of Transportation (DOT) **supports** this bill to require the DOT and the University of Hawaii to complete negotiations to relocate the Hawaii Marine Center no later than July 1, 2015 and to terminate the lease at that time if no agreement is reached.

The University of Hawaii currently occupies seventeen acres of land with harbor frontage under General Lease No. S-4488 issued by the Department of Land and Natural Resources in 1973. The lease is for a sixty five (65) year term, effective February 23, 1973 to February 22, 2038 at gratis rent. Presently, UH has twenty four (24) years remaining on the unexpired term of the lease. The DOT assumed jurisdiction of the lease when the subject lands were placed under its management by way of a governor's executive order in 2007.

Negotiations to date have not resulted in a signed memorandum of understanding or a lease on the terms of UH's relocation to its new facilities. DOT has provided a relocation site for UH's large vessels operations at Pier 35 and has expended approximately \$2.5 million in planning and design costs for UH's relocation. DOT has further committed to expend up to \$17.0 million on the construction of new facilities for the Marine Program. Currently, DOT has also committed to provide the UH with a thirty five (35) year lease at gratis even though there is only twenty four (24) years left remaining on its current lease. UH is essentially requesting a gratis lease in perpetuity. DLNR is prepared to lease to UH a relocation area at Sand Island to enable the consolidation of UH's small boat operations and other facilities within the existing Marine Education Training Center.

DOT believes it has been more than fair in its dealings with UH. When the modernization effort began, the conceptual construction estimate for the Pier 35 replacement facility for UH was \$7.6 million. Presently, the estimated construction cost is \$16.5 million and DOT agreed to cover costs up to \$17.0 million. We further agreed to provide a gratis thirty five (35) year lease even though the current lease at Snug

S.B. No. 3062, S.D. 1

March 10, 2014

Page 2

Harbor will expire in twenty four (24) years. No tenant, including the UH, should be allowed to utilize valuable and limited harbor property and facilities in perpetuity without making adequate compensation. As you are aware, the Harbors Division is a self supporting enterprise with its operations and capital improvements program financed by user fees and charges.

As the planning for UH's relocation has been ongoing for over ten years, we appreciate the Legislature's support to encourage UH's renewed commitment to bring its negotiations with DOT to a positive conclusion.

Thank you for the opportunity to provide testimony.



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
House Committee on Transportation
March 10, 2014 at 9:30am
by
David Lassner
Interim President
University of Hawai'i

SB 3062 SD1 – RELATING TO TRANSPORTATION

Chair Yamane, Vice Chair Takayama and members of the committee:

Thank you for the opportunity to provide testimony on SB 3062 SD1.

UH shares the interests of the Legislature in seeing fulfilled HCR 266 (2006) which requested that UH and DOT “collaborate, on a priority basis, to effectuate the relocation of UH Marine Center; and . . . that prior to the relocation of the UH Marine Center, DOT and UH find a suitable location offering comparable dock space, storage and staging areas, services, size, and proximity to UH, which is beneficial to all parties involved and ensure that funding is available for its relocation.”

However UH opposes this measure, which seems to place blame for the apparent lack of progress on UH and Hawaii’s multi-million dollar federally-funded ocean research enterprise.

UH acknowledges and supports the overriding public interest in more efficient port services for Hawaii’s shipping lifeline that the planned Kapalama container terminal promises to deliver. Therefore, since mid 2006 UH has made every effort to fulfill the HCR 266 and work with DOT and its consultants to relocate the UH Marine Center at Snug Harbor (piers 43-45) so that container terminal space may be expanded in Honolulu Harbor. Witness the following:

UH fully cooperated on the initial studies for DOT through ATDC that were done by two consultants. (1) Belt Collins undertook a Marine Center Relocation Study (May 2007) that documented the existing UHMC facilities, relocation requirements and priorities. They also prepared a planning report (May 2008) to co-locate some UHMC facilities with the UH-HCC Marine Education Training Center (METC) on Sand Island. Initially (e.g., UH-DOT correspondence from May 14 to September 11, 2007) the thought was that all UHMC facilities could eventually be consolidated at Sand Island, co-located with and extending the land that includes the METC building and shallow-draft piers of Honolulu Community College (that are also used by the Polynesian Voyaging Society). However, research supporting a further study (March 2009) subcontracted to American Marine disclosed that fuel pipeline and pressure sewer line easements across the harbor channel and METC property, while they would allow construction of a floating pier, would preclude development of grounded deep-draft piers necessary for servicing large vessels. (2) DMJM Harris (subsequently AECOM) developed for ATDC-DOT site and building designs, and estimated construction costs, for a UHMC harbor facility at Pier 35 (May 2009).

Thus by 2009 there developed a plan “to make UHMC whole” in relocated facilities at (1) Pier 35 for their large ships and their shore support, and (2) Sand Island, for their small boats and additional storage/shore facilities. *UH agreed to sacrifice the co-location of its harbor facilities and personnel to make this two-part plan feasible.*

The plan called for DOT funding to renovate and extend an existing (~44,000 sq ft) building at Pier 35, and to upgrade pier facilities (water, sewage, electrical) and make improvements at the ~6 acre site, including a boxed culvert over an open drainage ditch to level the yard for trucking/storing containers. At the ~7.1 Sand Island site, UH would initially provide security, additional yard and storage facilities and a (small boat) floating pier (it being determined not feasible to move the existing wooden pier from Snug Harbor).

Nevertheless, in 2009 (e.g., 2/24/09 and 12/14/09) UH expressed concern to ATDC/DOT that “the proposed move of the UHMC (to Sand Island and Pier 35) is being partitioned into various components and contracts. Our discussions of each of these individually has been productive, but coming to an overall plan, agreement, costing and time-line has been elusive.” The State Legislature ceased funding of ATDC in July 2010. The Abercrombie administration took office in December 2010.

DOT, ATDC and AECOM initially budgeted the Pier 35 building and site renovation costs at \$17M. New consultants for the DOT of the Abercrombie administration (TEC, RM Towill and Pacific Architects) confirmed the \$9M needed for the pier/site improvements, including culvert, but doubled the estimated building costs from \$8M to \$16M (July 2011), for a total Pier 35 building/site cost of \$25M.

Despite those revised estimated costs, DOT did not change their budget for the Pier 35 building and site renovations. UH took the following steps to help partially resolve this impasse: *UH agreed to forego the planned building extension and the double overhead crane facility for their submersible program. UH also further compromised to pack all the primary shore support people, lab and instrument spaces into building frames 1 through 8, leaving frames 8-24 with a renovated envelope only (roof, walls, floor).* In July 2012 the architect disclosed that this lofted two thirds of the building will have no electrical distribution, lighting, communications, interior walls, etc. The estimate from DOT’s consultants to complete that work at Pier 35 is \$4M, which is above and beyond what DOT is willing to pay.

At Sand Island, new storage facilities (for existing equipment and seafloor samples that can not be accommodated on the reduced acreage at Pier 35) of approx. 5,000 sq ft (50’x100’) will need to be permitted, designed and constructed and likewise a new aluminum 200’ floating dock installed to berth UH’s relocated small boats. Furthermore, the proposed 7.1 acres of the UH facility at Sand Island will require TWIC security comparable to that at UH’s current and other harbor facilities, including an 8 ft high x 2,000 ft boundary fence, area flood lighting and cameras, grading and surface paving of the 54% currently unimproved land. The estimated cost of this work is \$2M.

DOT declined to fund these full costs of the relocation, so once these revised cost estimates were recognized in 2012, the UH Board of Regents submitted a CIP request for \$6M in General Obligation bonds for the first year of the 2013-2015 biennium.

In so doing UH proposed to assume the \$4M of the costs for Pier 35 building renovations, and to pay the \$2m in costs at Sand Island, to meet existing UHMC requirements. It should also be noted that the present 80,000 sq ft of UHMC buildings would be reduced to ~50,000 sq ft, and the 16 acre Snug Harbor lease with DLNR would be traded for 13 acres, split between Pier 35 (with DOT) and Sand Island (with DLNR). And UH also agreed to forego the \$4M building extension that was originally planned and DOT declined to fund.

Unfortunately, this \$6m requirement for the relocation was not included in last year's Executive Budget and the Legislature declined to fund this BOR request last session.

Nonetheless, UH continued to negotiate in good faith with DOT throughout last year and continued to concede on all major issues of contention. In July 2013 the UH President agreed in writing to the move, and DOT stated that this was not enough and that an MOA was required. In November 2013 the Board of Regents agreed and authorized the UH President to sign the MOA on UH's behalf. To date, UH has presented multiple signed MOA's to DOT which DOT has declined to countersign.

As further evidence of UH's good faith, the BOR again requested GO Bonds in the current 2014-15 Supplemental Budget Bonds for the \$6M required for the relocation that DOT has refused to fund. The Governor's 2014-2015 CIP budget request includes the \$6M, but as Revenue Bonds, which presumably would have to be repaid with student tuition. We believe that HB1700, HD1 will include this item.

Currently, UH has a gratis lease with DLNR of lands made available to the State – "at 100% public benefit discount for educational use" - by the Federal Government for the specific purpose of the UH Marine Center. Obviously the Federal Government is not expecting future rental charges for harbor lands that they gifted to the State. The UH marine center and its ~50 RCUH employees are funded extramurally, mainly Federally. Through a Charter Party agreement, the US Navy also provides UH with its premier research and training ship, the R/V Kilo Moana.

Without recourse to other funding, the UH requests the help of the Legislature and Governor to fulfill HCR 266 and "ensure that funding is available for its relocation" of the UHMC – to the greater public good – and to continue its gratis lease(s) with State agencies.

UH has been actively negotiating in good faith with DOT for the relocation of our large vessel operations and marine center. UH continues to be committed to finalizing the DOT memorandum of agreement. UH most recently has met with DOT last Tuesday, and the UH President and DOT Director are scheduled to meet in the Governor's office tomorrow to try to bring the MOA to conclusion.

In the context of demonstrated cooperation and serial compromise, UH considers this measure unfairly directed in placing the burden to complete a complex negotiation on one party only. As sister State agencies, UH has been committed to executing an agreement with the DOT to relocate the UHMC under the terms of HCR 266 (2006) and to report to the Legislature on the execution of same. We request that this measure be deferred or amended accordingly.

Thank you for the opportunity to testify on SB 3062 SD1.