

SB 3062

Requires the department of transportation and the University of Hawaii to complete negotiations and execute an agreement to relocate the University of Hawaii marine center no later than July 1, 2015. Specifies that current lease at gratis between the DOT and the UH shall be deemed terminated as a matter of law on that date. Requires progress report to legislature before 2015 regular session.

NEIL ABERCROMBIE
GOVERNOR



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

February 11, 2014
1:21 p.m.
State Capitol, Room 224

S.B. 3062
RELATING TO TRANSPORTATION

Senate Committee(s) on Transportation and International Affairs & Higher Education

The Department of Transportation (DOT) **strongly supports** this bill to require the DOT and the University of Hawaii (UH) 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 UH currently occupies seventeen acres of land with harbor frontage under General Lease No. S-4488 issued by the Department of Land and Natural Resources (DLNR) 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 any agreement on the part of UH to relocate its 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. 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 requesting a gratis lease in perpetuity and for the DOT to absorb an additional \$6.0 million of their facilities enhancement costs. 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.

Testimony of
GLENN M. OKIMOTO
DIRECTOR

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

IN REPLY REFER TO:

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. DOT further agreed to provide a gratis thirty-five (35) year lease even though the current lease at Snug 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. 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.



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
Senate Committees on Transportation and International Affairs
and

Higher Education

February 11, 2014 at 1:21pm

by

Dr. Brian Taylor

Interim Vice Chancellor for Research, University of Hawai'i at Mānoa
Dean, School of Ocean and Earth Science and Technology

SB 3062 – RELATING TO TRANSPORTATION

Chairs English and Taniguchi, Vice Chairs Dela Cruz and Kahele and members of the committees:

Thank you for the opportunity to provide testimony on SB 3062 which requires the Department of Transportation and the University of Hawai'i to complete negotiations and execute an agreement to relocate the University of Hawai'i marine center no later than July 1, 2015. The bill specifies that current lease at gratis between the DOT and the UH shall be deemed terminated as a matter of law on that date.

The Snug Harbor facility is a key element of the School of Ocean and Earth Science and Technology of UH. The ships and facility support more than 40 employees (crew and support personnel), and the school's programs based on ocean science research bring in extramural research support (income) of \$100 million dollars annually to the state, which is invested directly in faculty and staff salaries and goods and services. This is a many-fold increase over the state's own funds used to support SOEST.

The UH's ocean research, as enabled by UH's work at Snug Harbor, is important not only to UH but the entire State of Hawai'i. Land was donated to the State of Hawai'i by the Federal Government for the express purpose of constructing the subject facility to support UH-managed ocean research and education. The initial 65-year lease from the State was gratis, and intended to be so in perpetuity.

UH absolutely understands the importance of DOT's harbor modernization plan, has cooperated fully in the development of the relocation plan and has agreed to it in writing. UH's relocation plan requires UH to split its operations into two sites so it does not involve just DOT and UH, which covers one site for large vessels operations, but also DLNR for the 2nd site for small vessels operations. Thus UH cannot relocate its entire operations without both agencies on board. The BLNR approved in January 2014 a right of entry and approval in principle for a lease for small boat operations on Sand Island.

UH is actively negotiating in good faith with DOT for its relocation of large vessel operations. The final construction plans were approved by DOT in early 2013 and UH fully agrees to the

plan, for which DOT subsequently has received construction bids. Notice to proceed for the construction has been postponed by DOT until a formal agreement between DOT and UH is executed. On December 28, 2013 UH provided a revised memorandum of agreement to DOT, and subsequently on January 21, 2014 DOT responded with comments that resurrected previously resolved issues regarding post-2049 lease details. The current lease for Pier 45 is gratis, as is the lease offered for 35 years by DOT. Language inserted by DOT addressing market rates post-2049 is inappropriate and should be deferred to those who will negotiate the new lease at that time. UH is committed to paying for all maintenance, utilities and inspection costs, thus having UH pay DOT with State funds serves no real purpose.

UH is committed to finalize the DOT memorandum of agreement and is scheduled to meet with DOT next week to do so.

UH strongly opposes this measure, which would unfairly place the burden to complete a complex negotiation on one party only.

Thank you for the opportunity to testify on SB 3062.

Testimony of Gary North

On behalf of the Hawaii Harbors Users Group

In regards to SB3062 - RELATING TO TRANSPORTATION

Before the Hawaii State Senate, Committee on Transportation and International Affairs

On February 11, 2014

Chair English and committee members,

The Hawaii Harbors Users Group (HHUG) submits this testimony in support of SB3062. This bill would help to expedite the conversion of the current Kapalama Military Reservation into a new and desperately needed container yard and berth in Honolulu Harbor. While the current draft seeks to have the UH marine center relocated out of KMR by July 1, 2015, we are supportive of an even more aggressive date of execution.

The State of Hawaii operates on a "Just-In-Time" supply chain management system. Each Island's harbor plays a critical role in the delivery of cargo. More than 80% of all consumer goods - food, clothing, autos, building supplies, machinery, paper and allied products, medical supplies and agricultural materials - are imported into Hawaii. Of that 80%, nearly all - some 98% - enter Hawaii through commercial harbors on six islands.

There has not been a significant harbor improvement for cargo terminals in the port of Honolulu in over forty years. As a consequence the harbor is at or very near its operational capacity. The development of the new Kapalama Container Terminal will solve the harbor operational capacity issue.

It should also be pointed out that the timeliness of cargo destined for the residents of the Neighbor Islands is always at greater risk. Almost all of the Neighbor Island cargo is transshipped through Honolulu harbor. A delay in the development of the Kapalama Container Terminal will create delays in Neighbor Island cargo availability on the island and could increase transportation cost for Neighbor Island residents.

In 2006 an economic study was commissioned by the HHUG. This study stated that: "If Hawaii's harbors are not upgraded, the loss of real gross domestic product (in 2007 dollars) could amount to more than \$50 billion by 2030. This is especially large considering the fact that, to date, estimated costs of harbor improvements are under \$1 billion." (Dr. Leroy Laney, Ph.D. Professor of Economics and Finance, Hawaii Pacific University, The Impact of Hawaii's Harbors on the Local Economy, 2006.)

HHUG was established in 2005 as a non-profit harbor user industry group whose mission is to help the state identify, prioritize, and support the improvement needs of Hawaii's nine commercial harbors. HHUG has 22 member companies that are primary users of all the state harbors:

Aloha Cargo Transport	Horizon Lines	
American Marine	Kapolei Property Dev.	
Ameron Hawaii	Molson Navigation Co.	Pacific Shipyards International
Chevron	McCabe Hamilton and	Pasha Hawaii
Clean Island Council	Renny	P&R Water Taxi
Hawaiian Cement	North West & Canada	Sause Brothers, Inc.
Hawaii Stevedores, Inc	Cruise Association	Tesoro Hawaii Corporation
Hawaii Pilots Association	Norwegian Cruise Line	The Gas Company
	NYK North America	Young Brothers / Hawaiian
		Tug & Barge

Thank you for your consideration of my testimony.

Sharon Lum Ho

From: mailinglist@capitol.hawaii.gov
Sent: Saturday, February 08, 2014 12:12 PM
To: TIATestimony
Cc: mendezj@hawaii.edu
Subject: *Submitted testimony for SB3062 on Feb 11, 2014 13:21PM*

SB3062

Submitted on: 2/8/2014

Testimony for TIA/HRE on Feb 11, 2014 13:21PM in Conference Room 224

Submitted By	Organization	Testifier Position	Present at Hearing
Javier Mendez-Alvarez	Individual	Oppose	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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