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IN REPLY REFER TO:

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

February 26, 2014  
10:30 a.m.  
State Capitol, Room 211

**S.B. 3062**  
**RELATING TO TRANSPORTATION**

Senate Committee on Ways and Means

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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

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

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Testimony Presented Before the  
Senate Committees on Ways and Means  
February 26, 2014 at 10:30am

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

Chair Ige, Vice Chair Kidani and members of the committee:

Thank you for the opportunity to provide testimony on SB 3062. UH strongly opposes this measure, 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 and the new container facility. UH has cooperated fully in the development of the relocation plan and agreed to it in writing last year. Note that the relocation plan requires UH to vacate the land donated to the State for UH ocean research and education and split our operations into two sites. So this does not involve just the agreement between DOT and UH, which covers one site for large vessels operations, but also DLNR, which must provide a second site for small vessels operations. Thus UH cannot relocate its entire operations without the collaboration of both agencies. We have reached a verbal agreement for use of the second (BLNR) site at no cost, and 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 has been actively negotiating in good faith with DOT for the relocation of our large vessel operations. The final construction plans were approved by DOT in early 2013 and

UH fully agreed to the plan last year, for which DOT subsequently has received construction bids. We have been advised by DOT that they are postponing issuing a full Notice to Proceed for the construction until a formal Memorandum of 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 agreed when the State received the land from the federal government for no cost to support UH's ocean research and education programs. Similarly, the replacement land offered by DLNR will be at no cost. Language re-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. UH is already requesting \$6 million in General Obligation bonds to support the required costs of relocation that DOT has refused to cover, and asking UH to request addition general funds to support lease costs imposed by DOT serves no real purpose.

UH continues to be committed in finalizing the DOT memorandum of agreement, has met last week with DOT, and is scheduled to meet with DOT again next week to do so.

Therefore, 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.