

**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

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Statement of
LUIS P. SALAVERIA
Director
Department of Business, Economic Development, and Tourism
before the
SENATE COMMITTEE ON WAYS AND MEANS

Wednesday, April 5, 2017
9:30 A.M.
State Capitol, Room 211

in consideration of
HB 627, HD2, SD1
RELATING TO PUBLIC-PRIVATE PARTNERSHIPS.

Chair Tokuda, Vice Chair Dela Cruz, and Members of the Committee.

The Department of Business, Economic Development & Tourism (DBEDT) **supports** HB627, HD2, SD1, which makes an appropriation and authorizes the establishment of a Public-Private Partnership Coordinator position within DBEDT to manage all public-private partnerships entered into by the State and manage all contracts, proposals, and negotiations for the partnerships, except agreements entered into by the Hawaii Public Housing Authority.

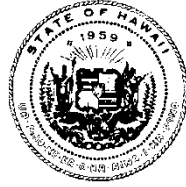
DBEDT supports Part I and portions of Part II and offers comments on Part II and III.

DBEDT supports the use of public private partnerships to leverage limited public funds with private sector assets and expertise. However, DBEDT believes that one position alone would not be able to handle all of the State's potential partnerships. We would recommend the establishment of four positions and that \$500,000 be appropriated to establish and operate an office to handle these duties, provided that this measure does not replace any DBEDT requests in the Executive Budget.

DBEDT defers to DAGS on the impact of initiating the Aloha Stadium redevelopment as a P3 and the proposed appropriation of \$10,000,000 in general funds.

Thank you for the opportunity to provide testimony.

DAVID Y. IGE
GOVERNOR



HAKIM OUANSAFI
EXECUTIVE DIRECTOR

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EXECUTIVE ASSISTANT

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HAWAII PUBLIC HOUSING AUTHORITY
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Statement of
Hakim Ouansafi
Hawaii Public Housing Authority
Before the

SENATE COMMITTEE ON WAYS AND MEANS

Wednesday, April 5, 2017
9:30 AM
Room 211, Hawaii State Capitol

In consideration of
HB 627, HD2, SD1
RELATING TO PUBLIC-PRIVATE PARTNERSHIPS

Honorable Chair Tokuda and Members of the Senate Committee on Ways and Means, thank you for the opportunity to provide testimony concerning House Bill 627, HD2, SD1, relating to public-private partnerships.

The Hawaii Public Housing Authority (HPHA) supports the intent of HB 627, HD1, SD1, which establishes a State Public-Private Partnership Coordinator position and an office of public-private partnership within the Department of Business, Economic Development and Tourism to manage public-private partnerships entered into by the State and associated contracts, proposals, and negotiations, except public-private partnerships entered into by the Hawaii Public Housing Authority.

The HPHA appreciates the bills exemption of its work with public-private partnerships, in order to conform with federal law and the Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD), Section 5 which requires the Housing Authority (HA), at all times, develop and operate all projects in compliance with all the provisions of this ACC and all applicable statutes, executive orders and regulations issued by HUD, as they shall be amended from time to time, including but not limited to these regulation promulgated by HUD at Title 24 of the Code of Federal Regulations.

Negotiations for a public-private partnership development of federal public housing properties requires a team approach. Areas covered during the negotiation process range from financing and cash flows to resident relocation and supportive service programs. The HPHA development

teams involved in negotiations, are built with the knowledge of each team member in a variety of fields including financing, construction, federal and state procurement, property management, resident support services, crime prevention/intervention, tenant relocation, Section 8 project based vouchers, and HUD filing requirements on the master development agreement, demolition and disposition application, and evidentiaries.

The HPHA appreciates the opportunity to provide the Senate Committee on Ways and Means with the HPHA's comments regarding HB 627, HD2, SD1. We thank you very much for your dedicated support.

DAVID Y. IGE
GOVERNOR

RODERICK K. BECKER
COMPTROLLER



An Agency of the State of Hawaii

ROSS I. YAMASAKI
CHAIRMAN, STADIUM AUTHORITY

SCOTT L. CHAN
MANAGER

RYAN G. ANDREWS
DEPUTY MANAGER

TESTIMONY
OF
ROSS YAMASAKI, CHAIRMAN
STADIUM AUTHORITY
TO THE
SENATE COMMITTEE
ON
WAYS AND MEANS
ON
April 5, 2017

H.B. 627, HD2, SD1

RELATING TO DEVELOPMENT

Chair Tokuda, Vice Chair Dela Cruz, and members of the committee, thank you for the opportunity to submit testimony in SUPPORT of H.B. 627, HD2, SD1.

The Stadium Authority (Authority) appreciates the Legislature's commitment towards providing an opportunity to pursue other viable financing alternatives such as public-private partnerships (P3). This type of alternative could potentially support the financing of projects such as the building of a new Aloha Stadium and development of its surrounding ancillary property. This measure comes at a time when the Authority is in the critical midst of attempting to secure sufficient funding to initiate the planning, design, and construction process, as well as acquiring equipment for a new stadium facility.

In supporting this measure, the Authority would also like to share the following comments in an effort to minimize conflict and ensure that the proposed P3 office is provided a smooth implementation path.

In Part 1, Section 1 of this measure, (as it relates specifically to the Authority) the Authority respectfully requests that the committee consider the term “**collaborate**” rather than the term “manage”. The Authority has concern that the term “manage” may be interpreted differently by different parties as it relates to oversight, direction, and involvement in determining the long term plan and direction for the stadium facility and property.

Please also note:

- The Stadium Authority (Authority) established pursuant to Hawaii Revised Statutes §109-2 is the entity responsible for establishing policy as it relates to the overall operation and future of the Aloha Stadium and its related facilities. Given the foregoing charge, the Authority believes that a “**collaborative**” (as opposed to “manage”) working relationship would best suit the needs of both the Authority and the Office of P3 and assure the success of two separate legislatively empowered entities.
- Allows the Stadium Authority to continue on track with planning, assessments, and studies required to begin the process of stadium facility and property development.
- Aligns the Authority with SB 994, SD1, HD1 that seeks to reaffirm and elaborate on the responsibility and oversight of the Stadium Authority Board as well as provide the resources required to ensure that the Authority is able to meet its goals and objectives.
- In its January 2017 meeting, the Authority approved a resolution stating its intention to build a new stadium as being the most financially prudent course of action. The Authority has also established new goals and objectives in planning, designing, building, and financing a new stadium facility that builds upon several of the major projects that the Authority and stadium management have been working on over the past several years.
 - Lifting of the Federal and City deed restrictions – Completion of this project marks a major milestone and accomplishment for the State of Hawaii and the Stadium Authority.
 - The Honolulu Rail Transit Project – An important rail transit station will be located on stadium property and provide another connection between Aloha Stadium and West and East Oahu.
 - Capital improvement projects – Concurrent with the foregoing, the Authority is engaged in ongoing major repairs and maintenance to address the health and safety issues identified by the Authority’s consultants.

These major projects are important steps for the Authority to move towards meeting its overall goals and objectives. However, to move forward with the replacement of the 41 year old stadium, the Authority requires the magnitude of financial support provided in Part III, Section 3 in order to initiate and ensure proper overall development for the stadium complex and ancillary property development.

Finally, it should be noted that in Part III, Section 3, the \$10,000,000 appropriation is in direct alignment with the estimated amount of funding that the Authority has determined is necessary to initiate its new stadium plan. This plan would include project management services, a programmatic site master plan, environmental assessments, environmental impact and other related studies, development of a request for proposal for designing of the stadium facility, and coordination with other governmental agencies and the general public. The Authority is appreciative of this proposed appropriation.

SB 627, HD2, SD1 provides the critical funding that will enable the project to continue to move forward and bring all of the concurrent projects into alignment. We appreciate the opportunity to submit this testimony and are available to address any questions that you may have.

Mahalo for the opportunity to provide this testimony in support of SB 627, HD2, SD1.



**Testimony to the Senate Committee on Ways and Means
Wednesday, April 5, 2017 at 9:30 A.M.
Conference Room 211, State Capitol**

**RE: HOUSE BILL 627 HD2 SD1 RELATING TO
PUBLIC-PRIVATE PARTNERSHIPS**

Chair Tokuda, Vice Chair Dela Cruz, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **strongly supports** HB 627 HD2 SD1, which authorizes establishment of a State Public-Private Partnership Coordinator position within the department of business, economic development, and tourism to manage public-private partnerships entered into by the State and associated contracts, proposals, and negotiations, except public-private partnerships entered into by Hawaii public housing authority; establishes an office of public-private partnership within the department of business, economic development, and tourism; requires that the office create a strategic plan; create collaboration amongst state agencies to identify and implement public-private projects; and oversee and implement the public-private projects; appropriates funds to establish and fill the state public-private partnership coordinator position, establish and operate the office of public-private partnership, and initiate Aloha Stadium redevelopment.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,600+ businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

We understand that Public-Private-Partnerships (PPP or P3's) are being used more and more by different Federal, State and Municipal agencies on the mainland. The basic premise is to allow for private investment in public basic infrastructure as well as social infrastructure. Investors recoup their investments from revenue streams created by fees generated from the project or other sources of revenue.

"While private sector interest in funding public infrastructure projects has increased in recent years, barriers to private sector participation remain. Many government agencies lack the capacity and capabilities to plan, execute, and manage PPP projects. At the same time, productivity in the construction industry needs improvement. Managing these complexities can be challenging for even the most seasoned leaders." McKinsey & Company

Having one entity to oversee a P3 program in Hawaii will not only provide a process for assessing and implementing P3 projects but also avoid the confusion of having multiple agencies develop their own tools for assessing and implementing P3's. At this time, it may be wise to



Chamber *of* Commerce HAWAII

The Voice of Business

centralize this function until there is a better understanding of the P3 process and some standards established to ensure success.

We are in strong support of this bill, as it will consolidate the State's efforts in development and implementing P3's in Hawaii. Thank you for the opportunity to express our views on this matter.



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

RANDY PERREIRA, Executive Director • Tel: 808 543.0011 • Fax: 808 528 0922

The Twenty-Ninth Legislature, State of Hawaii
The Senate
Committee on Ways and Means

Testimony by
Hawaii Government Employees Association

April 5, 2017

H.B. 627, H.D. 2, S.D. 1 – RELATING TO
PUBLIC-PRIVATE PARTNERSHIPS

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO raises strong concerns over the intent of H.B. 627, H.D. 2, S.D. 1, which establishes and appropriates funding for a State Public-Private Partnership Coordinator position and an office of public-private partnership within the Department of Business, Economic Development, and Tourism to plan and coordinate collaboration amongst state agencies to develop and implement public-private partnership projects.

While we acknowledge that there can be benefit to certain public-private partnerships (P3s) in securing and leveraging private funds for the public's use, there are also many examples of inefficiencies, failures and negative impacts to public assets and the public's trust in government as a result of P3s. The privatization of the Maui Region of the Hawaii Health Systems Corporation was advertised as a necessary public-private partnership that would benefit everyone, yet it not only continues to drastically disrupt working families statewide but will also cost tax payers hundreds of millions of dollars to implement and operate.

As drafted, we respectfully raise strong concerns over the unintended consequences of establishing any office that has carte blanche authority over its own objectives, goals, criteria, and measurements of efficacy. In order to ensure the public's trust, there must be accountability and oversight for every agency that expends tax payer dollars, independent of political shifts or the whims of a new Administration.

Before we consider committing funds and state agency efforts for another "new fix," we respectfully suggest the Legislature prioritize its efforts in determining areas where government inefficiency is resulting in lost resources and revenues, as well as rely on the expertise and suggestions of its workforce.

Thank you for the opportunity to raise concerns on H.B. 627, H.D. 2, S.D. 1.

Respectfully submitted,

Randy Perreira
Executive Director