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TESTIMONY  
OF  
SARAH ALLEN, ADMINISTRATOR  
STATE PROCUREMENT OFFICE

TO THE SENATE COMMITTEE  
ON  
WAYS AND MEANS

February 21, 2019, 10:00 a.m.

SB1003, SD1  
RELATING TO INNOVATIVE PROJECT DELIVERY GUIDELINES

Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the committees, thank you for the opportunity to submit testimony on SB1003, SD1. The State Procurement Office (SPO) provides the following comments to this bill which proposes to create a task force on innovative project delivery guidelines.

The SPO supports the creation of a task force as proposed in SB1003, SD1 relating to project delivery task guidelines. It would be in the best interest of the state to conduct research and develop institutional framework and tools to support state agencies in identifying, implementing and overseeing innovative project delivery arrangements such as P3.

The bill proposes to allocate funds in the amount of \$200,000 for the procurement, hiring or securing of experts and professional advisory services to assist in the implementation of this Act. As part of the task force, SPO recommends an additional \$3,000 per participant to attend P3 training. It behooves task force members to understand the intricacies of this complex method before developing Rules with no real P3 experience.

Thank you.

**SB-1003-SD-1**

Submitted on: 2/20/2019 12:36:23 AM

Testimony for WAM on 2/21/2019 10:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Melodie Aduja	Testifying for O`ahu County Committee on Legislative Priorities of the Democratic Party of Hawai`i	Support	No

Comments:



February 19, 2019

Senator Donovan M. Dela Cruz, Chair  
Senator Gilbert S.C. Keith-Agaran, Vice Chair  
Senate Committee on Ways and Means

**Comments in Support of the Intent of SB 1003, SD1 Relating to Innovative Project Delivery Guidelines (Establishes the temporary innovative project delivery guidelines task force to establish guidelines around the use of innovative project delivery arrangements for public infrastructure. Requires report to the legislature. Appropriates funds.)**

**WAM Hrg: Thursday, February 21, 2019, 10:00 a.m., in Conf. Rm. 211**

The Land Use Research Foundation of Hawaii (LURF) is a private, non-profit research and trade association whose members include major Hawaii landowners, developers, resort operators, and major utility companies. LURF's mission is to advocate for reasonable, rational and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii's significant natural and cultural resources, and public health and safety.

LURF appreciates the opportunity to express its **support for the intent of SB 1003, SD1**, whose purpose is to establish adequate safeguards, procedures, and protocols for innovative project delivery arrangements for public infrastructure.

**SB 1003, SD1.** This measure: (1) Establishes the temporary Innovative Project Delivery Guidelines Task Force, which will be authorized to establish guidelines around the use of innovative project delivery arrangements for public infrastructure' (2) Requires report to the legislature; and (4) Includes an appropriation.

**LURF's Position.** LURF agrees with the proposed legislative findings of SB 1003, SD1, that there is a public need for timely design, construction, improvement, renovation, expansion, modernization, equipping, maintenance, operation, implementation, and installation of public infrastructure and state government facilities, as existing public procurement methods are not wholly satisfying this need; that when considering current and expected fiscal constraints, the Legislature should take measures to ensure that Hawaii's immediate and long-term public infrastructure needs are addressed in a timely and cost-effective manner; and that enabling innovative project delivery modalities that allow state agencies to leverage limited resources with private sector capital and expertise may benefit public safety and welfare.

As noted in SB 1003, SD1, such arrangements may also involve long-term, direct, and contingent obligations to the State.

Thus, LURF supports the Legislature's efforts to further consider, establish, apply and use well-structured innovative project delivery approaches, which can benefit state and local communities by optimizing risk transfer, accelerating delivery, incentivizing innovation, and ensuring life-cycle asset management at prescribed service levels.

Based on the above, LURF is in **support of the intent of SB 1003, SD1.**

Thank you for the opportunity to provide comments in support of this measure.



**LATE**

**TESTIMONY TO THE SENATE COMMITTEE ON WAYS AND MEANS  
State Capitol, Conference Room 211  
415 South Beretania Street  
10:00 AM**

February 21, 2019

RE: S.B. 1003 SD 1, RELATING TO INNOVATIVE PROJECT DELIVERY GUIDELINES

Chair Dela Cruz, Vice Chair Keith-Agaran, & members of the committee:

My name is Gladys Quinto Marrone, CEO of the Building Industry Association of Hawaii (BIA-Hawaii). Chartered in 1955, the Building Industry Association of Hawaii is a professional trade organization affiliated with the National Association of Home Builders, representing the building industry and its associates. BIA-Hawaii takes a leadership role in unifying and promoting the interests of the industry to enhance the quality of life for the people of Hawaii. Our members build the communities we all call home.

BIA-Hawaii supports the intent of S.B. 1003 SD 1, which proposes to establish the temporary innovative project delivery guidelines task force to establish guidelines around the use of innovative project delivery arrangements for public infrastructure.

We would recommend that the bill not be limited to contracts engaged in by public agencies pursuant to Chapter 103D HRS. We understand that many innovative project delivery methods involve the leasing of government lands. This would allow an investor to get a lease from the government agency, invest and develop the public infrastructure, and lease back the public infrastructure to the agency. At the end of the lease term or upon payment of the investment, the agency would then own the public infrastructure.

We believe the task force should be allowed to explore all avenues of innovative project delivery, including real estate transactions not covered by Chapter 103D. We would recommend removing this restriction.

We support the intent of S.B. 1003 SD 1, and appreciate the opportunity to express our views on this matter.

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SENATE COMMITTEE ON WAYS & MEANS  
Thursday, February 21, 2019 — 10:00 a.m. — Room 211

## **Ulupono Initiative Supports SB 1003 SD 1, Relating to Innovative Project Delivery Guidelines**

Dear Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee:

My name is Murray Clay and I am Managing Partner of Ulupono Initiative, a Hawai'i-based impact investment firm that strives to improve the quality of life for the people of Hawai'i by working toward solutions that create more locally produced food; increase affordable, clean, renewable energy; and better manage waste and fresh water resources. Ulupono believes that self-sufficiency is essential to our future prosperity and will help shape a future where economic progress and mission-focused impact can work hand in hand.

**Ulupono supports SB 1003 SD 1**, which establishes a task force around the use of innovative project delivery arrangements for public infrastructure, because it aligns with our goals of developing infrastructure more efficiently and affordably.

The State of Hawai'i has many infrastructure needs, yet often finds itself faced with complex projects that are over budget, not on time, or not built or maintained in a quality manner. One solution is to work with the private sector on planning, building, financing, operating, and maintaining projects. Yet, these complex deals require expertise in bridging workable and financially appropriate structures for the benefit of all parties. The State and the counties are starting to look at public-private partnerships as a potential solution for funding infrastructure. Yet, no local government entity has the experience and expertise to provide universal guidelines to help protect the government's interest and to indicate to the public-private partnership marketplace how it plans to operate.

The task force can provide legislative recommendations for a future session or administrative rule change proposals.

The task force cost will require funding for convening and to bring in outside expertise and professional advisory services assist the task force. Any P3 structure done poorly will likely cost the State far more than the cost of setting it up correctly.

Given the complex issues involving P3s, Ulupono would be happy to make our public-

*Investing in a Sustainable Hawai'i*



private partnership consultant Jill Jamieson of Jones Lang LaSalle in Washington D.C. available for a call to answer any technical questions you may have.

Thank you for this opportunity to testify.

Respectfully,

Murray Clay  
Managing Partner