



TESTIMONY BY:

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

March 29, 2019
2:00 p.m.
State Capitol, Room 308

S.B. 652, S.D.1, H.D.1
RELATING TO RELATING TO SPECIAL PURPOSE REVENUE BONDS TO ASSIST
KEAHOLE FBO I LLC.

House Committee on Finance

The Department of Transportation (DOT) **supports** S.B. 652, S.D. 1, H.D. 1 and respectfully requests your committee to revise the effective date to "July 1, 2019".

The proceeds of the proposed bonds will be used to provide a portion of the financing for the Kona Jet Center that will be a multifaceted General Aviation project situated on a 16-acre development at the south end of Ellison Onizuka Kona International Airport at Keahole.

The project will contract services from various local Hawaii contractors and consultants. Over the twenty-month build cycle, the completed project will include 6 acres of new ramp, a 6,500 square foot fixed based terminal, a 36,000 square foot state of the art hangar, a 50,000 gallon above ground fuel facility, as well as all roads, parking and utility connections brought to the site. The project will create hundreds of jobs during the construction period and employ up to thirty permanent positions once in operation.

The proposed bonds would be special limited obligations of DOT Airports payable and secured by a pledge of revenues to be received from lease arrangements with Keahole FBO I LLC. The bonds do not constitute a debt or pledge of the full faith and credit of the State of Hawaii or the DOT. DOT is not responsible nor obligated in any way for the payment of principal and interest on the bonds. The bondholders bear the risk of loss, if Keahole FBO I LLC fails to make payments of interest and principal on the bonds.

Thank you for the opportunity to provide testimony.

DAVID Y. IGE
GOVERNOR



RODERICK K. BECKER
DIRECTOR

ROBERT YU
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
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STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
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ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY

TESTIMONY BY RODERICK K. BECKER
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON FINANCE
ON
SENATE BILL NO. 652, S.D. 1, H.D. 1

March 29, 2019
2:00 P.M.
Room 308

RELATING TO SPECIAL PURPOSE REVENUE BONDS TO ASSIST KEAHOLE
FBO I LLC.

Senate Bill No. 652, S.D. 1, H.D. 1, authorizes the issuance of Special Purpose Revenue Bonds (SPRB) to assist Keahole FBO I LLC, a Hawaii corporation, with planning, designing, constructing, equipping, and operating facilities for aviation and aviation-related services at Ellison Onizuka Kona International Airport at Keahole pursuant to Part V, Chapter 39A, Hawaii Revised Statutes.

The Department is providing comments only to advise the Legislature and prospective SPRB parties that should the legislation be approved, approval of the SPRB issuance and conduit loan will require further review of the financing proposal to ensure compliance with all federal, state and credit underwriting requirements. For additional information, please consult our FAQ located at the following link:

<http://budget.hawaii.gov/wp-content/uploads/2012/11/SPRB-FAQ.pdf>.

Thank you for your consideration of our comments.

SB-652-HD-1

Submitted on: 3/27/2019 1:24:22 PM

Testimony for FIN on 3/29/2019 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
HERBERT M. "TIM" RICHARDS, III	Hawaii County Council	Support	No

Comments:



Airport Business Solutions

"Valuation and Consulting Services to the Aviation Industry"

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March 28, 2019

Representative Sylvia Luke, Chair
Representative Ty J.K. Cullen, Vice Chair
House Finance Committee
House of Representatives
The Thirtieth Legislature, Regular Session of 2019
State of Hawai'i

RE: Senate Bill 652, SD1, HD1; Relating to Special Purpose Revenue Bonds to Assist Keahole FBO I, LLC

Chair Sylvia Luke, Vice Chair Ty J.K. Cullen, and members of the House Transportation Committee, on behalf of **Airport Business Solutions**, I submit the following testimony in **support** of Senate Bill 652, SD1, HD1 regarding Keahole FBO I LLC.

Senate Bill 652, SD1, HD1 authorizes the issuance of special purpose revenue bonds to assist Keahole FBO I LLC with planning, designing, constructing, equipping, and operating facilities for aviation services and aviation-related services at Ellison Onizuka Kona International Airport at Keahole. Keahole FBO I LLC is an aviation company that has a lease with the Department of Transportation, State of Hawai'i ("DOT") for 15.15 acres at Ellison Onizuka Kona International Airport and will spend tens of millions of dollars to development hangars, a fuel facility, and other aviation infrastructure to provide aviation services for private aircraft visiting the State of Hawai'i. The fuel facility will also provide additional capacity for the Airport. Keahole FBO I LLC will also develop several millions of dollars of infrastructure for the DOT's benefit, to include taxiway, ramp/apron, roads, and utilities that would ordinarily be developed by the DOT.

This project is generating revenue and jobs for the State of Hawai'i through the provision of aviation services, as well as from sources such as fuel, energy, food and beverage, ground transportation, tourism, architecture, engineering, law, finance, accounting, construction, landscaping, building maintenance. Further, the development and operations will generate multiple millions in revenue for the DOT and State of Hawai'i through taxes, fees, and the lease (land rental, 2% of gross revenue generated, and \$0.04/gallon of fuel sold). I have been involved with this project for several months, and it is one of the most economically significant and beneficial projects with which I have ever been involved in my 30+ years in the aviation industry.

For the reasons stated above, **Airport Business Solutions supports** Senate Bill 652, SD1, HD1. Thank you for the opportunity to testify on this matter.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read "Michael A. Hodges".

Michael A. Hodges, MAI
President/CEO

Solutions as Unique as the Problems . . .

SB-652-HD-1

Submitted on: 3/27/2019 4:56:18 PM

Testimony for FIN on 3/29/2019 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Stephanie Donoho	Kohala Coast Resort Association	Support	No

Comments:

SB-652-HD-1

Submitted on: 3/27/2019 12:15:09 PM

Testimony for FIN on 3/29/2019 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Kirstin Kahaloa	Individual	Support	No

Comments:

SB-652-HD-1

Submitted on: 3/28/2019 5:20:12 AM

Testimony for FIN on 3/29/2019 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Matthew	Individual	Support	No

Comments:

I am writing in support of SB652 SD1 HD. As the President of AV8 Partners LP and Keahole FBO1 LLC, I have been actively involved with this project since 2016. This new General Aviation project will bring revenue to the State of Hawaii, and employ hundreds of workers during construction. We are utilizing local Hawaiian contractors during construction and see approximately 30 to 40 fulltime employees once the facility is into operations. Our project is emulating a Public Private Partnership, with our entity paying for roadways and all corresponding utilities into the leased property. These components, once built, are then returned to the State of Hawaii. It is our hope that this Bill will be approved later this year, giving us the access to the Special Purpose Bonds we are seeking with the State.

Respectfully, Matthew Clayton

LATE

KEAHOLE FBO I LLC
THE HONORABLE SYLVIA LUKE, CHAIR
THE HONORABLE TY J.K. CULLEN, VICE CHAIR
HOUSE COMMITTEE ON FINANCE
30th Hawaii State Legislature
Regular Session of 2019
State of Hawai'i

March 29, 2019

RE: SENATE BILL 652 SENATE DRAFT 1 HOUSE DRAFT 1; RELATING TO SPECIAL PURPOSE REVENUE BONDS TO ASSIST KEAHOLE FBO I LLC.

Chair Sylvia Luke, Vice Chair Ty J.K. Cullen, and members of the House Committee on Finance, Keahole FBO I LLC, submits the following testimony in support of Senate Bill 652 Senate Draft 1 House Draft 1.

Senate Bill 652 Senate Draft 1 House Draft 1 authorizes the issuance of special purpose revenue bonds to assist Keahole FBO I LLC with planning, designing, constructing, equipping, and operating facilities for aviation services and aviation-related services at Ellison Onizuka Kona International Airport at Keahole. We kindly request the re-insertion of the \$50 million in special purpose revenue bonds and the effective date of July 1, 2019 at the appropriate time.

Keahole FBO I LLC is an aviation company that has a lease with the Department of Transportation, State of Hawaii ("DOT") for 15.15 acres at Ellison Onizuka Kona International Airport. The company will develop hangars, a fuel farm, and aviation infrastructure for aviation and aviation-related services for mainly private jets that will cost the company tens of millions of dollars. Keahole FBO I LLC will also develop about \$7.5 millions of dollars of infrastructure for the DOT such as but not limited to taxiway, ramp, road, and utilities that would ordinarily be developed by the DOT, not the private sector.

Our project is generating revenue and jobs for the State of Hawaii in areas such as but not limited to aviation services, aviation-related services, fuel, energy, food and beverage, ground transportation, tourism, architecture, engineering, law, finance, accounting, construction, landscaping, and building maintenance. Further, our development and operations will generate multimillions of dollars in revenue for the DOT and State of Hawaii through taxes, fees, and our lease. In addition to the lease fee for our premises and lease fee for the areas to be developed for the DOT, the DOT will receive \$7.5 million in in-kind donation of developed infrastructure and generate revenue from 2% of our gross profit, \$0.04/gallon of Jet A fuel we sell, and 30% of any of our subleases.

Please keep in mind that Keahole FBO I LLC will still have to be qualified by the Department of Budget and Finance and a large third-party financial institution. If the company uses the special purpose revenue bonds, it will be only for the amount it needs.

For the reasons stated above, Keahole FBO I LLC supports Senate Bill 652 Senate Draft 1 House Draft 1. Thank you for the opportunity to testify on this matter.