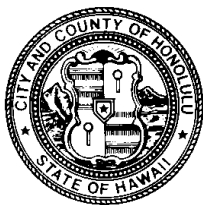


DEPARTMENT OF ENTERPRISE SERVICES
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JERRY PUPILLO
DIRECTOR

TRACY S. KUBOTA
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**TESTIMONY OF JERRY PUPILLO
DIRECTOR, DEPARTMENT OF ENTERPRISE SERVICES**

Re: HB 1432, HD1—Relating to Concessions on Public Property

**HOUSE COMMITTEE ON FINANCE
Tuesday, March 1, 2022, 11:00 a.m.
State Capitol, House Conference Room via Videoconference**

Chair Luke, Vice Chair Yamashita, and members of the committee, the Department of Enterprise Services, City and County of Honolulu, supports HB 1432, HD1.

HB 1432, HD1 increases the maximum length of concession contracts from 15 to 25 years and would allow for the use of a proposals process for certain concessions in parks that may allow for substantial capital improvements to concession premises and innovative business plans suitable for the parks. As the Department of Enterprise Services is responsible for concession contracts in City parks properties, finding and filling concessions with successful vendors has become a challenge over the recent years, and more so now due to the economic downturn resulting from the pandemic.

Many of the coveted concession facilities in parks are aging and/or not ideally designed to fit current concession needs or functions. To require concessionaires to upgrade and renovate concession facilities requires them to invest substantial capital which is difficult or impossible to recoup under a 15-year term. Escalating costs for materials, construction, and services will also add difficulty to the concessionaire's ability to make capital investments. A term of up to 25-years will provide concessionaires with a more suitable duration to amortize the capital improvements necessary to support a successful operation.

The City has desired to require substantial capital investments for aging concession premises, including the concessionaires' proposed site plans. The City also is interested in innovating concessions and would like offerors to submit and be evaluated on business plans for concession sites. The high bid award requirement does not allow for consideration of these other important factors.

We feel that this bill will benefit the counties and appreciate your consideration for its passage.

Thank you for the opportunity to provide comments on this bill.

HB-1432-HD-1

Submitted on: 2/28/2022 10:35:10 AM

Testimony for FIN on 3/1/2022 11:00:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Thomas Copp	Palekaiko Beachboys Club	Oppose	Yes

Comments:

Dear Chairperson Luke and Members of the Committee,

HB1432 proposed amendment to exempt concessions or concession spaces providing for “beach or ocean related services...” does not serve the public’s best interest for the following reasons:

- 1) HB1432 will grant government officials unbridled discretion on whether to exempt concessions or concession spaces for “beach or ocean related services“ without going through the rigorous bidding requirements of HRS Chapter 102. With the absence of any established standards or criteria as to the legal basis a concession is to be awarded or denied creates a situation ripe for abuse and favoritism.
- 2) HB1432 proposed amendment to HRS 102-2(b)(9) is ambiguous and vague as to exactly what “beach or ocean—related recreational services” are being addressed in this bill.
- 3) HB1432 proposed amendment to HRS 102-2(b)(9) will also give City officials unbridled discretion on whether nonprofit beachboy organizations (that are exempt under HRS 102-2(b)(8)) are to compete with for profit entities for concessions or concessions spaces providing for “beach or ocean related services” on beach park property under the city’s jurisdiction.

Finally, due to the high level of the public’s distrust of government officials, this is not the time for state legislators to grant more discretion to City officials as would occur with the passing of HB1432 and the proposed amendment for concessions or concessions spaces providing for “beach or ocean related services”

Thank you for the opportunity in letting us submit our comments in OPPOSING HB1432.