

JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



KEITH A. REGAN
COMPTROLLER
KA LUNA HO'OMALU HANA LAULĀ

MEOH-LENG SILLIMAN
DEPUTY COMPTROLLER
KA HOPE LUNA HO'OMALU HANA LAULĀ

STATE OF HAWAI'I | KA MOKU'ĀINA O HAWAI'I
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES | KA 'OIHANA LOIHELU A LAWELAWÉ LAULĀ
P.O. BOX 119, HONOLULU, HAWAII 96810-0119

June 29, 2023

VIA ELECTRONIC MAIL

The Honorable Ronald D. Kouchi,
President
and Members of the Senate
Thirty-Second State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

The Honorable Scott K. Saiki, Speaker
and Members of the House of
Representatives
Thirty-Second State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Re: Senate Resolution Number 127, Senate Draft 1 (2023) Report

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

As recommended by Senate Resolution Number 127, Senate Draft 1 (2023), the Public Works Division of the Department of Accounting and General Services (DAGS) in collaboration with the Stadium Authority respectfully submits this report to the Legislature.

Sincerely,

A handwritten signature in blue ink, appearing to read "K. Regan".

KEITH A. REGAN
Comptroller

STATE OF HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
AND THE
STADIUM AUTHORITY

FINDINGS AND RECOMMENDATIONS
IN ACCORDANCE WITH
SENATE RESOLUTION NO. 127, S.D. 1

JUNE 2023

SUBMITTED TO
THE THIRTY-SECOND STATE LEGISLATURE

**DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
AND THE
STADIUM AUTHORITY
FINDINGS AND RECOMMENDATIONS
IN ACCORDANCE WITH
SENATE RESOLUTION NO. 127, S.D. 1**

June 27, 2023

INTRODUCTION / BACKGROUND

Senate Resolution No. 127, S.D. 1, requires that the Public Works Division of the Department of Accounting and General Services and the Stadium Authority are requested to immediately accelerate the request for proposal and submit a preliminary procurement report of its findings and recommendations to the Legislature on or before June 30, 2023.

NEW DIRECTION UNDER GOVERNOR GREEN

In May 2023, Governor Green announced a “new direction” for the NASED project. This proposed new model (“**Project**”) comprises both the new Aloha Stadium and the surrounding district to be delivered as one, integrated public-private-partnership (P3) project. A key feature of the Project is the developer being responsible for designing, building, operating, and maintaining the new Aloha Stadium, with the expectation that the developer will design and build the new stadium using available and appropriated State funds and private funds. The developer will also have the right to develop a portion of the surrounding district into a mixed-use development in line with the state’s vision and to use revenue from this to supplement available and appropriated funds for the initial stadium construction as well as future operating and maintenance stadium costs.

Supporting this “new direction,” Governor Green has established a Project Oversight Group to guide the project through its next phases. This group includes key cabinet members and agency representatives, including from the Stadium Authority, the Department of Business, Economic Development and Tourism, the Department of Budget and Finance, the Department of Accounting and General Services, and the Hawaii Community Development Authority.

CURRENT STATUS

To facilitate the Project, the existing, separate procurement processes for the development of the new Aloha Stadium and for the related real estate development of the adjacent NASED area have been cancelled.

The proposed Project is a relatively novel and untested procurement and delivery model. It asks the private sector to form a multi-disciplinary consortium, assume a risk the State is not willing to accept, and apportion that risk to and within the consortium. Consequently, prior to commencing a new procurement process for the Project, the State developed plans to engage with prospective offerors and interested parties to discuss, confirm (or otherwise), and refine the Project (“**Market Sounding**”).

The Market Sounding is well underway, beginning with a public webinar that was held on June 14, 2023, with 165 attendees. A Request for Information (“**RFI**”) has also been published with responses due by the end of June. After the project team has considered RFI responses, it plans on inviting respondents to one-on-one meetings to further refine the approach to deliver the Project. The end result of the Market Sounding will be a formal report presented to the Project Oversight Group, detailing specific recommendations about the proposed approach to deliver Project (due by the end of July).

PROPOSED PROJECT SCHEDULE

After the conclusion of the Market Sounding process (end of July), and assuming the process confirms the approach to deliver the Project, the project will immediately begin working on the procurement documentation, including a procurement plan, request for proposals, and other technical and legal documentation. The following is the projected timeline:

- Request for Qualifications / Request for Proposals - Part 1: late fall 2023
- Execution of contract with the successful developer: mid-2025
- New Aloha Stadium operational commencement: 2028 football season

Quick Facts

- In May 2023, Governor Green and his administrative team reached consensus on a new approach for NASED, where the new Aloha Stadium and surrounding entertainment district will be delivered via one contract.
- A new RFP process will commence later this year, after the state undertakes market sounding with the industry to refine the new approach.
- The target opening date for the new Aloha Stadium is in time for the 2028 UH football season.
- This new approach uses the current appropriation of ~\$400 million and transfers the responsibility of long-term funding and cost overruns to the private sector, reducing the risk of financial burden on local taxpayers.
- The new Aloha Stadium will be designed, built, operated, and maintained by the successful developer and will have a minimum of 25,000 seats.
- The successful developer will be expected to deliver the project in line with the state’s vision of an entertainment district. This is still expected to be built out over approximately 20 years.
- The existing procurement processes for the stadium and real estate projects have been canceled. The previously shortlisted teams have been invited to participate in the new approach.
- Much of the previous work to date can be repurposed for the new approach.