



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
HOUSE COMMITTEE ON FINANCE

Tuesday, February 28, 2017
1:00 P.M.

State Capitol, Room 308
in consideration of
HB 627, HD2

RELATING TO PUBLIC-PRIVATE PARTNERSHIPS.

Chair Luke, Vice Chair Cullen, and Members of the Committee.

The Department of Business, Economic Development & Tourism (DBEDT) **supports** HB627, HD2, 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.

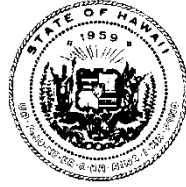
DBEDT supports this bill and offers the following comments:

- Public-private partnerships are an effective strategy for economic development.
- Hawaii has been implementing public-private partnerships for several industries including tourism, film, agriculture, energy, broadband and innovation.
- New economic development theory indicates that long term economic growth is heavily dependent on the organization of production.
- Harvard Business School has defined cluster development as an effective strategy for economic development. A cluster is a geographic concentrations of industries related by knowledge, skills, inputs, demand, and/or other linkages (Delgado, Porter 2014).
- Public-private partnerships could promote cluster development.

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.

Thank you for the opportunity to provide testimony.

DAVID Y. IGE
GOVERNOR



HAKIM OUANSAFI
EXECUTIVE DIRECTOR

BARBARA E. ARASHIRO
EXECUTIVE ASSISTANT

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

HOUSE COMMITTEE ON FINANCE

Tuesday, February 28, 2017
1:00 PM
Room 308, Hawaii State Capitol

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

Honorable Chair Luke, and Members of the House Committee on Finance, thank you for the opportunity to provide testimony regarding House Bill 627, HD2, relating to public-private partnerships.

The Hawaii Public Housing Authority (HPHA) **supports the intent** of HB 627, HD2, which establishes and funds 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, and exempts public-private partnerships entered into by the Hawaii Public Housing Authority from this act.

HPHA thanks the Committee on Judiciary for amending this bill to exempt public-private partnerships entered into by the HPHA.

Pursuant to federal law and the Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD), the execution of contracts on federal public housing projects are vested in the HPHA's Board of Directors, Section 5 of the ACC states that "the Housing Authority (HA) shall at all times develop and operate all projects covered by this ACC in compliance with all the provisions of the 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 regulations promulgated by HUD at Title 24 of the Code of Federal Regulations, which are hereby incorporated into this ACC by reference as if fully set forth herein, and as such

regulations shall be amended from time to time.” In addition, procurement under the federal public housing program is limited to members of the Board, HPHA’s Executive staff and other staff serving in official positions at the housing authority. HPHA’s properties are under a Declaration of Trust with HUD and all negotiation and subsequent contracting documents are subject to HUD approval.

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 evidentialies.

The HPHA appreciates the opportunity to provide the House Committee on Finance with the HPHA’s comments regarding HB 627, HD2. We thank you very much for your dedicated support.



Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the House Committee on Finance
Tuesday, February 28, 2017 at 1:00 P.M.
Conference Room 308, State Capitol**

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

Chair Luke, Vice Chair Cullen, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **strongly supports** HB 627 HD2, which establishes and funds 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.; public-private partnerships entered into by Hawaii public housing authority are exempted from this Act.

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 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

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LATE

The Twenty-Ninth Legislature, State of Hawaii
House of Representatives
Committee on Finance

Testimony by
Hawaii Government Employees Association

February 28, 2017

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

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO strongly opposes the purpose and intent of H.B. 627, which establishes and funds a State Public-Private Partnership (P3) Coordinator position within the Department of Business, Economic Development, and Tourism to manage and negotiate to develop and implement public-private partnership projects.

There are many examples of inefficiencies, failures and negative impacts to public assets and the public's trust in government as a result of public-private partnerships (P3s). The public-private partnership resulting in the privatization of the Hawaii Health Systems Corporation Maui Region is disrupting many families both in the region and statewide. Long-term P3s in other jurisdictions like the State of Indiana (toll road) and City of Chicago (parking meters) have encumbered government and hampered its ability to respond to changing priorities of the public it is supposed to serve. Before our state goes down the road of committing funds and state agency efforts to another "new fix", more effort should be put into determining areas where government inefficiency is resulting in lost resources.

We respectfully request that H.B. 627, H.D. 2 be deferred.

Respectfully submitted,

Randy Perreira
Executive Director

LATE

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 27, 2017 8:47 PM
To: FINTestimony
Cc: hawaiiifishingfanatic@gmail.com
Subject: *Submitted testimony for HB627 on Feb 28, 2017 13:00PM*

HB627

Submitted on: 2/27/2017

Testimony for FIN on Feb 28, 2017 13:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Don Aweau	Individual	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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