

STAND. COM. REP. NO.

940

Honolulu, Hawaii

MAR 24 2011

RE: H.B. No. 1505
H.D. 2
S.D. 1

Honorable Shan S. Tsutsui
President of the Senate
Twenty-Sixth State Legislature
Regular Session of 2011
State of Hawaii

Sir:

Your Committee on Water, Land, and Housing, to which was referred H.B. No. 1505, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO STATE FACILITIES,"

begs leave to report as follows:

The purpose and intent of this measure is to facilitate the repair and maintenance of state facilities by:

- (1) Authorizing the State to sell, subject to certain conditions, designated state facilities to a private investor, as defined in this measure; and
- (2) Authorizing the private investor to renovate, improve, or construct the state facility, pursuant to the terms of a development agreement between the State and the private investor.

Your Committee received testimony in support of this measure from the Department of Accounting and General Services, The Pacific Resource Partnership, CB Richard Ellis, Inc., and one individual. Your Committee received testimony in opposition to this measure from William Marshall, Dave Cooper, and Nancy Terrell. Your Committee received comments on this measure from the Department of Budget and Finance.

Your Committee finds that many state facilities are in dire need of critical repair and maintenance. Public-private



partnerships offer a way to address the State's significant backlog of deferred facility maintenance. Moreover, the sale of state facilities can quickly generate cash, which can, among other things, be used to conduct deferred repair and maintenance of state facilities.

Your Committee notes the testimony of the Department of Budget and Finance, which indicates that the sale of public buildings previously financed with general obligation bonds that are currently outstanding may trigger a "change of use" of the bond financed building, as the owner of the building for federal tax purposes will be a private entity. This may result in a pro-rated portion of the bond issue that no longer qualifies for federal tax exemption. Your Committee finds that this issue merits further discussion by your Committee on Ways and Means.

Your Committee further notes that there are long-term financial considerations that could be either beneficial or detrimental to the State as the landowner and occupant of state facilities. Each transaction or building would pose different considerations; therefore, any transaction should be undertaken with diligent care to ensure that future state interests are preserved.

Your Committee has amended this measure by making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Water, Land, and Housing that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1505, H.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1505, H.D. 2, S.D. 1, and be referred to the Committee on Ways and Means.

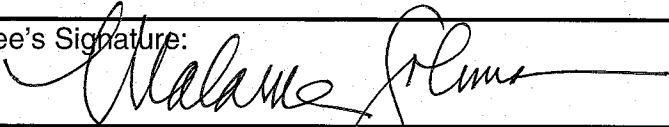
Respectfully submitted on
behalf of the members of the
Committee on Water, Land, and
Housing,


DONOVAN M. DELA CRUZ, Chair



The Senate
Twenty-Sixth Legislature
State of Hawai'i

Record of Votes
Committee on Water, Land, and Housing
WLH

Bill / Resolution No.:*	Committee Referral:	Date:		
HB1505 HD2	WLH, WAM	3/22/11		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312	<input checked="" type="checkbox"/> Pass, with amendments 2311	<input type="checkbox"/> Hold 2310		
<input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
DELA CRUZ, Donovan M. (C)	/			
SOLOMON, Malama (VC)	/			
FUKUNAGA, Carol	/			
RYAN, Pohai	/			
SHIMABUKURO, Maile	/			
TOKUDA, Jill N.	/			
SLOM, Sam				/
TOTAL	6			1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes