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OFFICE OF THE PUBLIC DEFENDER

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 SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 652

February 19, 2019
9:30 A.M.
Room 211

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

Senate Bill No. 652 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

Submitted on: 2/17/2019 2:18:28 PM

Testimony for WAM on 2/19/2019 9:30:00 AM

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

Comments:



Airport Business Solutions

"Valuation and Consulting Services to the Aviation Industry"

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Phone (813) 855-3600 Fax (813) 200-1014

February 19, 2019

The Honorable Donovan M. Dela Cruz, Chair
The Honorable Gilbert S.C Keith-Agaran, Vice Chair
Senate Committee on Ways and Means
30th Hawaii State Legislature
Regular Session of 2019
State of Hawai'i

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

Chair Donovan M. Dela Cruz, Vice Chair Gilbert S.C. Keith-Agaran, and members of the Senate Committee on Transportation, on behalf of *Airport Business Solutions*, I submit the following testimony in **support** of Senate Bill 652 regarding Keahole FBO I LLC.

Senate Bill 652 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 Hawaii ("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 Hawaii. 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 Hawaii 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 Hawaii 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. Thank you for the opportunity to testify on this matter.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read "m. hodges", is written over a faint, larger signature.

Michael A. Hodges, MAI
President/CEO

Solutions as Unique as the Problems . . .

KEAHOLE FBO I LLC

**THE HONORABLE DONOVAN M. DELA CRUZ, CHAIR
THE HONORABLE GILBERT S.C KEITH-AGARAN, VICE CHAIR
SENATE COMMITTEE ON WAYS AND MEANS
30th Hawaii State Legislature
Regular Session of 2019
State of Hawai`i**

February 19, 2019

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

Chair Donovan M. Dela Cruz, Vice Chair Gilbert S.C. Keith-Agaran, and members of the Senate Committee on Transportation, Keahole FBO I LLC, submits the following testimony in **support** of Senate Bill 652.

Senate Bill 652 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 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 us tens of millions of dollars. Keahole FBO I LLC will also develop several 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, 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, the DOT will generate revenue from 2% of our income, \$0.04/gallon of Jet A fuel we sell, and a portion of any subleases). If Keahole FBO I LLC 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. Thank you for the opportunity to testify on this matter.

SB-652

Submitted on: 2/17/2019 2:40:30 PM

Testimony for WAM on 2/19/2019 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Matthew	Testifying for Hotsa Consulting Ltd	Support	No

Comments:

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

Dear, Chairman Donovan M. Dela Cruz of the Senate Ways and Means Committee, and Vice Chairman Gilbert S.C. Keith-Agaran of the Senate Ways and Means Committee.

Hotsa Consulting Ltd, would like to submit the following testimony in **support** of Senate Bill 652.

Senate Bill 652 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 55 year ground 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 the approximately 800 private jets that visit the Big Island every year. The project will cost an estimated twenty five to thirty millions dollars depending on the various design features being considered at this time. As part of the leasehold requirements, Keahole FBO I LLC will develop several millions of dollars of infrastructure for the DOT such as, but not limited to taxiway, ramp, road, and utilities. This work would ordinarily be developed by the DOT, not the private sector. We see ourselves as a true partner with the State of Hawaii, and hope to build on this relationship well into the future.

The project will generat hundreds of jobs during construction and numerous fulltime jobs once in operation; areas include aviation services, aviation-related services, fuel, energy, food and beverage, ground transportation, tourism, architecture, engineering, law, finance, accounting, construction, landscaping, and building maintenance. Further, the development and operations will generate multimillions of dollars in revenue for the DOT and State of Hawaii through taxes, fees, and the lease payments (in addition to the

lease fee, the DOT will generate revenue from 2% of all gross income, and \$0.04/gallon of all Jet A fuel sold, plus fees on any subleases that are brought into the project).

Hotsa is multi-disciplinary, twenty one year old Canadian consulting firm, with focuses in the aviation sector, biotechnology, Canadian First Nations and various environmental baed initiatives. The firm has been actively involved in the project at KOA for three years, where the principle owner, Matthew Clayton, is an LP unit holder in AV8 Partners, and the acting CEO.

For the reasons stated above, Hotsa Consulting Ltd **supports** Senate Bill 652. Thank you for the opportunity to testify on this matter.

Sincerely, Matthew D Clayton

matthew@hotsa.net

Phone 604 644 1757

SB-652

Submitted on: 2/17/2019 7:05:44 PM

Testimony for WAM on 2/19/2019 9:30:00 AM

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

Comments:

SB-652

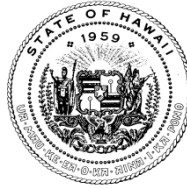
Submitted on: 2/17/2019 7:50:47 PM

Testimony for WAM on 2/19/2019 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Matthew Dasalla	Individual	Oppose	No

Comments:

This email is in opposition of of sb652.



TESTIMONY BY:

JADE T. BUTAY
DIRECTOR

Deputy Directors
LYNN A.S. ARAKI-REGAN
DEREK J. CHOW
ROSS M. HIGASHI
EDWIN H. SNIFFEN

STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
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February 19, 2019
9:30 AM
State Capitol, Room 211

S.B. 652
RELATING TO RELATING TO SPECIAL PURPOSE REVENUE BONDS TO ASSIST
KEAHOLE FBO I LLC.

Senate Committee on Transportation

The Department of Transportation (DOT) **supports** S.B. 652 which authorizes the issuance of special purpose revenue bonds (bonds). 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 DOTA 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.