

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 1505, H.D. 1

MARCH 2, 2011

RELATING TO STATE FACILITIES

House Bill No. 1505, H.D. 1, establishes a State Facility Renovation Partnerships Program to be administered by the Department of Accounting and General Services (DAGS). It creates a State Facility Renovation Partnership special fund to be administered by DAGS. The special fund will receive moneys from the sale or lease of State facilities to be used to fund the operations of the State Facility Renovation Partnership Program.

As a matter of general policy, the Department of Budget and Finance does not support the creation of any special fund or revolving fund that does not meet the requirements of Sections 37-52.3 and 37-52.4, Hawaii Revised Statutes. Special and revolving funds should: 1) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries of the program; 2) provide an appropriate means of financing for the program or activity; and 3) demonstrate the capacity to be financially self-sustaining. In regards to House Bill No. 1505, H.D. 1, it is difficult to determine whether the State Facility Renovation Partnership special fund would be financially self-sustaining.

Further, the Department would like to note that the sale of public buildings that were 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 general obligation bonds outstanding to become taxable which will create a liability for the State. There may be options to address this issue by using a portion of the sales proceeds to pay off the outstanding bond debt associated with a building. As such, further discussions with bond counsel will be necessary to ensure compliance with federal tax requirements.

The strategy of selling public buildings and leasing them back is a fiscal practice that is used in other states and jurisdictions. There are long-term financial considerations that would be either beneficial or to the detriment of the State as landowner and the occupant of the building. Each transaction or building would pose different considerations. The Department would urge that authority to enter such transactions be given with diligent care to ensure future State interests are preserved. The Department would work with DAGS on implementing or reviewing any transaction.



Andres Albano, Jr. (B)
Senior Vice President

CB Richard Ellis, Inc.
Brokerage Services

1003 Bishop Street
Pauahi Tower #1800
Honolulu, HI 96813-3689

Main 808.521.1200
Direct 808.541.5190
Fax 808.541.5155

andres.albano@cbre.com
www.cbre.com

EMAIL: wlotestimony@capitol.hawaii.gov

FAX: (808) 586-8504

TESTIMONY OF ANDRES ALBANO JR.

BEFORE THE HOUSE COMMITTEE ON FINANCE ON HOUSE BILL 1505 MARCH 2, 2011

Chair Marcus R. Oshiro, Vice Chair Marilyn B. Lee and Members of the
Committee:

As I have done in my testimony before the House Committee on Water, Land & Ocean Resource, I firmly support the passage of HB 1505. This bill, when adopted, will definitely facilitate the renovation and maintenance of state-owned priority facilities as well as the construction of new facilities via alternative financing vehicles.

Under today's challenging economic conditions public are under increasing pressure to maintain service levels as their financial resources become increasingly limited. This bill will allow the introduction of new sources of financing.

My company, CB Richard Ellis, Inc., is currently involved in 18 states and 2 provinces in Canada with the renovation and maintenance of existing public facilities and the construction of new public facilities under similar guidelines as outlined in this bill.

As a matter of interest, we are also employing similar models as contemplated under this bill to construct new facilities for universities, municipalities and healthcare organizations.

Thank you for allowing me to provide testimony and I would be happy to answer any questions.

Aloha!

Andres Albano Jr.
Senior Vice President

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 28, 2011 11:39 AM
To: FINTestimony
Cc: cowgirlinhawaii@yahoo.com
Subject: Testimony for HB1505 on 3/2/2011 11:00:00 AM

Testimony for FIN 3/2/2011 11:00:00 AM HB1505

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Beth Malvestiti
Organization: Individual
Address:
Phone:
E-mail: cowgirlinhawaii@yahoo.com
Submitted on: 2/28/2011

Comments: