

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON WATER, LAND, & OCEAN RESOURCES
ON
SENATE BILL NO. 119, S.D.2

March 18, 2011

RELATING TO PUBLIC BUILDINGS

Senate Bill No. 119, S.D.2, authorizes the Department of Accounting and General Services (DAGS) to sell and lease-back public buildings to the public.

The Department has a technical comment on this bill.

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 bond issue no longer qualifying for federal tax exemption. 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.

NEIL ABERCROMBIE
GOVERNOR



BRUCE A. COPPA
Comptroller

RYAN OKAHARA
Deputy Comptroller

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TESTIMONY
OF
BRUCE A. COPPA, COMPTROLLER
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
TO THE
HOUSE COMMITTEE
ON
WATER, LAND, AND OCEAN RESOURCES
ON
March 18, 2011
S.B. 119, S.D. 2

RELATING TO PUBLIC BUILDINGS

Chair Chang and members of the Committee, thank you for the opportunity to submit testimony on S.B. 119, S.D. 1.

The Department of Accounting and General Services (DAGS) opposes S.B. 119, S.D. 2 for the following reasons:

1. The intent of this bill needs to be clarified.
2. The feasibility of selling public buildings without any interest in the underlying property is questionable.

Thank you for the opportunity to testify on this matter.

Andres Albano, Jr. (B)
Senior Vice President

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TESTIMONY OF ANDRES ALBANO JR.

BEFORE THE HOUSE COMMITTEE ON
WATER, LAND & OCEAN
SENATE BILL 119 SD 2
MARCH 18, 2011

Chair Jerry L. Chang, Vice Chair Sharon E. Har and Members of the
Committee:

As I have done before the Senate Committee on Public Safety,
Government Operations and Military Affairs, I firmly support the passage of
SB 119.

This bill in the face of rising costs and declining revenues will facilitate the
monetization of the State of Hawaii real estate assets as a means to free up
cash and/or remove debt off the state's balance sheet.

Under today's challenging economic conditions states are under
increasing pressure to maintain service levels as their financial resources
become increasingly limited.

CB Richard Ellis, Inc (CBRE)., for example, is currently involved in 18 states
and 2 provinces in Canada helping public agencies generate revenues via
sale/leaseback arrangements under similar guidelines as outlined in this bill.

As a matter of interest, CBRE is also employing similar models as
contemplated under this bill to monetize the real estate assets of cities,
counties, ports, airports, universities, hospitals and not-for-profit
organizations.

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

Aloha!
Andres Albano Jr.
Senior Vice President

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From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, March 16, 2011 12:58 AM
To: WLOtestimony
Cc: swartzg001@hawaii.rr.com
Subject: Testimony for SB119 on 3/18/2011 8:30:00 AM

Testimony for WLO 3/18/2011 8:30:00 AM SB119

Conference room: 325
Testifier position: oppose
Testifier will be present: No
Submitted by: gregory swartz
Organization: Individual
Address:
Phone:
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Submitted on: 3/16/2011

Comments:

Really, really, this is a bad idea. Let's include the sale of public parks too like the City considered several years ago, including the sale of Ala Moana Park. In fact, we can sell a lot of excess public land and not lease it back and this would resolve the budget shortfall.