
HOUSE RESOLUTION

ENCOURAGING THE DEVELOPMENT OF GOOD FAITH VALUATION STANDARDS
AND NEGOTIATING PRACTICES FOR LONG-TERM INDUSTRIAL AND
COMMERCIAL REAL ESTATE LEASES IN HAWAII.

1 WHEREAS, industrial and commercial businesses in Hawaii are
2 vital to Hawaii's economy, provide thousands of jobs, and
3 provide millions of dollars in state and local tax revenue; and
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5 WHEREAS, many small industrial and commercial lessees in
6 Hawaii operate under long-term real estate leases for properties
7 being used as warehousing, office, and distribution facilities
8 that sell and service industrial and construction equipment,
9 materials, and supplies, automobiles, trucks, and other vehicles
10 as well as the general manufacture, warehousing, distribution
11 and sale of goods of every kind; and
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13 WHEREAS, under most long-term industrial and commercial
14 real estate leases, lease rates are customarily renegotiated at
15 periodic intervals, typically ten to fifteen years; and
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17 WHEREAS, Hawaii's industrial and commercial real estate
18 lessees already pay among the highest lease rates in the country
19 leaving lessees no choice but to pass the increased cost of high
20 lease rates on to consumers, thereby adding significantly to
21 Hawaii's high cost of living; and
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23 WHEREAS, continuing increases in lease rates places
24 economic pressure on Hawaii's industrial and commercial lessees
25 and makes it more and more difficult for them to compete with
26 out-of-state businesses causing a growing number of businesses
27 to downsize, leave the State, or go out of business; and
28

29 WHEREAS, current valuation and renegotiation practices may
30 lead to more lease rate increases that may further increase the
31 economic pressure on Hawaii's industrial and commercial lessees
32 and, ultimately, on Hawaii's consumers, workers, and the state
33 economy; and
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1 WHEREAS, the long-term economic effects of increases in
2 industrial and commercial real estate lease rates are likely to
3 include:

- 4
- 5 (1) A significant increase in unemployment that may lead
6 to an increase in homelessness and an increase in the
7 number of families that require public assistance; and
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 - 9 (2) A significant decrease in the tax base and in county
10 and state tax revenues; and
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12 WHEREAS, in order to ensure a business environment where
13 long-term commercial and industrial real estate lessees and
14 lessors are able to negotiate lease terms and rate increases
15 that allow a fair return on investment for both parties, it is
16 important to develop good faith valuation standards and
17 negotiating practices that will allow lessors and lessees to
18 achieve fair and reasonable lease rates; now, therefore,

19

20 BE IT RESOLVED by the House of Representatives of the
21 Twenty-fourth Legislature of the State of Hawaii, Regular
22 Session of 2008, that this body encourages the establishment of
23 good faith valuation standards and negotiating practices for
24 long-term industrial and commercial real estate leases that
25 allow lessors and lessees to establish fair and reasonable lease
26 rates that take into account:

- 27
- 28 (1) Existing uses of the land or property;
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 - 30 (2) Sound economic principles;
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 - 32 (3) Providing a fair return on both parties' investments;
33 and
 - 34
 - 35 (4) The best interests of the consumers, workers, and
36 economy of Hawaii; and
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1 BE IT FURTHER RESOLVED that certified copies of this
2 Resolution be transmitted to the Governor, the Director of
3 Business, Economic Development, and Tourism, the Director of
4 Labor and Industrial Relations, the Director of Commerce and
5 Consumer Affairs, and the Director of Taxation.

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OFFERED BY:

Christy By
[Signature]

MAR 12 2008

