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A BILL FOR AN ACT

RELATING TO INDUSTRIAL PARKS ON PUBLIC LANDS.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1 SECTION 1. Section 171-132, Hawaii Revised Statutes, is  
2 amended to read as follows:

3 "**§171-132 Designation of industrial park.** A contiguous  
4 area of not less than five acres of public lands which is  
5 classified or otherwise determined by the board as suitable and  
6 economically feasible for industrial use may be designated as an  
7 industrial park:

8 (1) By resolution adopted by the board [~~of land and natural~~  
9 ~~resources~~], and approved by the legislature by  
10 concurrent resolution; or

11 (2) By law.

12 For purposes of this section, a contiguous area may include  
13 existing roadways that would provide access to or within the  
14 industrial park."

15 SECTION 2. Section 171-135, Hawaii Revised Statutes, is  
16 amended to read as follows:

17 "**§171-135 Joint venture or development agreement.** (a) An

1 industrial park may be developed under section 171-134 by the  
2 department in partnership or under a development agreement with a  
3 federal agency, county, or private party subject to a partnership  
4 or development agreement executed by the chairperson of the  
5 board[; ~~provided that if the industrial park is to be developed~~  
6 ~~in partnership or under a development agreement with a private~~  
7 ~~party, the private party shall be selected in accordance with~~  
8 ~~section 103D-302 or 103D-303~~]. At a minimum, the agreement shall  
9 provide for:

- 10 (1) A determination by the board that the partnership  
11 agreement or the development agreement is for a public  
12 purpose;
- 13 (2) Long-term assurance that the public land within the  
14 industrial park will be utilized for industrial uses;
- 15 (3) Final approval by the board of the plans and  
16 specifications for the industrial park;
- 17 (4) Exclusive authority by the board to issue leases or  
18 master leases within the industrial park; and
- 19 (5) Conditions to ensure a public benefit from any state  
20 funds expended for the industrial park.

1 (b) Notwithstanding any other provision of law to the  
2 contrary, a partnership or development agreement entered into  
3 pursuant to subsection (a) may provide for:

4 (1) The board to issue master leases within an industrial  
5 park by negotiation, without regard to the limitations  
6 provided in sections 171-16(c) and 171-59(a), to the  
7 entity that developed or will develop the industrial  
8 park or the nominee or nominees of the entity that  
9 developed or will develop the industrial park; and

10 (2) A master lease with terms and conditions upon which the  
11 master lessee may issue tenant subleases within the  
12 industrial park without the consent of the board."

13 SECTION 3. Section 171-141, Hawaii Revised Statutes, is  
14 amended to read as follows:

15 "**§171-141 Lease for eligible permittee tenant in**  
16 **industrial park.** (a) Notwithstanding any other provision of law  
17 to the contrary:

18 (1) A parcel of the public lands within an industrial park  
19 which had been occupied and used under a permit or  
20 lease on the day before the date of designation of that  
21 industrial park shall be an economic unit in that  
22 industrial park. For the purpose of this section:

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1 (A) "Date of designation" means the effective date of  
2 the resolution or law which designates an  
3 industrial park; and

4 (B) "Eligible economic unit" means an economic unit  
5 referred to under this paragraph;

6 (2) A person with a permit or lease to use an eligible  
7 economic unit on the day before the date of designation  
8 of that industrial park shall be given first preference  
9 to lease that unit after the date of designation if the  
10 person is an eligible [~~lessee~~] tenant. For the  
11 purpose of this section, an "eligible [~~permittee~~]  
12 tenant" means a person referred to under this  
13 paragraph;

14 (3) The board shall issue a lease to an eligible  
15 [~~permittee~~] tenant for an eligible economic unit under  
16 mutually agreeable terms, conditions, and lease rent.  
17 The lease shall be issued through negotiations, without  
18 regard to the limitations set forth in section 171-  
19 16(c) and section 171-59(a). The terms, conditions,  
20 and rent under the lease shall be in conformance with  
21 this chapter, and the board shall include lease  
22 covenants in each lease for the placement and

1 construction of improvements in accordance with minimum  
2 standards established by applicable county building  
3 codes;

4 (4) The board shall negotiate in good faith with each  
5 eligible [~~permittee~~] tenant. If the board and  
6 eligible [~~permittee~~] tenant cannot agree to a lease  
7 within one hundred eighty days from the date of  
8 designation, the board shall have no further obligation  
9 to negotiate with or issue a lease to the eligible  
10 [~~permittee~~] tenant and may issue a lease for the  
11 eligible economic unit to another person after the one  
12 hundred eighty-day period; provided that any lease for  
13 the eligible economic unit issued subsequent to the  
14 termination of the one hundred eighty-day period shall  
15 not include terms and conditions which are less  
16 restrictive, and a lease rent which is less, than the  
17 terms, conditions, and lease rent last offered in  
18 writing by the eligible [~~permittee~~] tenant and received  
19 by the board; and

20 (5) The board, in lieu of issuing a lease under paragraph  
21 (3), may issue a master lease to [~~a corporation~~] an  
22 entity whose members or shareholders shall be either

1 eligible [~~permittees~~] tenants or eligible sublessees of  
2 the industrial park, through negotiations and without  
3 regard to the limitations provided in section 171-16(c)  
4 and section 171-59(a). The master lease shall provide  
5 for the issuance of subleases to eligible [~~permittees~~]  
6 tenants and other sublessees approved by the board, on  
7 terms and conditions approved by the board. The terms  
8 and conditions of a master lease concerning the  
9 authority to sublease shall supersede any contrary term  
10 or condition in a development agreement executed prior  
11 to the issuance of the master lease; provided that all  
12 other terms and conditions of the development agreement  
13 shall be incorporated and made a part of the master  
14 lease. All terms, conditions, and rents under the  
15 master lease and subleases shall be in conformance with  
16 this chapter, and the board shall include lease  
17 covenants in the master lease and each sublease for the  
18 placement and construction of improvements in  
19 accordance with minimum standards established by  
20 applicable county building codes. The lessee under the  
21 master lease shall assume the responsibility of

1 administering and monitoring [~~permittee~~] sublessee  
2 compliance with all sublease obligations.

3 (b) It is the intent of the legislature that persons  
4 occupying and using public lands under a month-to-month [~~or~~  
5 ~~revocable~~] permit or lease, which public lands [~~which~~] have been  
6 designated as part of an industrial park, be given the  
7 opportunity to lease the same public lands occupied and used  
8 prior to the designation. The application, construction, and  
9 interpretation of this section shall reflect this intent."

10 SECTION 4. Section 171-142, Hawaii Revised Statutes, is  
11 amended by amending the title and subsection (a) to read as  
12 follows:

13 "[~~+~~]**\$171-142**[~~+~~] **Lease for dislocated lessees** [~~dislocated by~~  
14 ~~condemnation proceedings~~]. (a) For purposes of this section:

15 (1) "Dislocated lessee" means any lessee engaged in  
16 commercial or industrial uses who has been or will be  
17 displaced [~~from~~]:

18 (A) From private property [~~which~~] that is acquired by  
19 the State or any county for public use by the  
20 power of eminent domain or threat thereof; [~~and~~]  
21 or

1            (B) From public lands due to termination of a lease  
2            with the State by mutual agreement of the lessee  
3            and the State; and

4            (2) "Eligible relocation site" means a site in an  
5            industrial park created under this chapter or on other  
6            [~~state~~] public land, designated as an appropriate  
7            relocation site for dislocated lessees by law, or by  
8            resolution adopted by the board [~~of land and natural~~  
9            ~~resources~~] and approved by the legislature by  
10           concurrent resolution."

11           SECTION 5. Statutory material to be repealed is bracketed  
12           and stricken. New statutory material is underscored.

13           SECTION 6. This Act shall take effect upon its approval.

14  
15           INTRODUCED BY: Calvin K. Boy  
16           BY REQUEST

JAN 24 2011



**Report Title:**

Industrial Parks; Public Lands

**Description:**

Provides the Department of Land and Natural Resources with flexibility in developing industrial parks in order to address the growing demand in the State for available industrial lands.

JUSTIFICATION SHEET

DEPARTMENT: Land and Natural Resources

TITLE: A BILL FOR AN ACT RELATING TO INDUSTRIAL PARKS ON PUBLIC LANDS.

PURPOSE: To provide the Department with flexibility in developing industrial parks in order to address the growing demand in the State for available industrial lands.

MEANS: Amend sections 171-132, 171-135, 171-141, and 171-142(a), Hawaii Revised Statutes (HRS).

JUSTIFICATION: The Department is taking a more proactive approach to managing public lands, including planning the use of public lands in a more efficient and productive manner. As part of this planning effort, the Department has identified several sites with possible development potential as industrial parks.

There is also a lack of available industrial lands in various areas, e.g., Hilo, Island of Hawaii. Development of industrial parks in those areas will help address the demand, keep lease rents reasonable, and provide options for lessees facing expiring lease terms. The proposed amendments to sections 171-141 and 171-142(a), HRS, also provide lessees facing expiring leases with the ability to directly negotiate new leases for lands within a new industrial park.

Other proposed amendments clarify various provisions, including:

- (1) An industrial park must consist of at least five acres of contiguous lands. The proposed amendment to section 171-132, HRS, clarifies that lands that are bisected by a roadway or roadways may be deemed "contiguous".

- (2) The proposed amendment to section 171-135, HRS, deletes the requirement that a private entity selected to lease and develop an industrial park shall be selected pursuant to chapter 103D, HRS, (Hawaii Public Procurement Code). The leasing of public lands is already governed by chapter 171, HRS, which contains the appropriate procedures for selecting a lessee.

Impact on the public: Would make more public lands available and economically feasible for industrial uses.

Impact on the department and other agencies: Generate additional revenues to the Department and the State.

GENERAL FUND: None.

OTHER FUNDS: None.

PPBS PROGRAM  
DESIGNATION: LNR 101.

OTHER AFFECTED  
AGENCIES: None.

EFFECTIVE DATE: Upon approval.