

JAN 21 2011

A BILL FOR AN ACT

RELATING TO PUBLIC LANDS.

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

1 SECTION 1. The legislature finds that in 1992, the
2 department of land and natural resources entered into a
3 fifty-five year lease with the Sand Island Business Association
4 for the Sand Island industrial park, which covers approximately
5 seventy-four acres divided into one hundred and twelve lots.
6 The lease required the Sand Island Business Association to
7 develop the infrastructure improvements, sublease the lots to
8 existing lessees, and manage the Sand Island industrial park on
9 behalf of the department of land and natural resources. In
10 1999, the Sand Island Business Association completed the
11 infrastructure improvements at a cost of more than \$41,000,000.
12 In addition, the members of the Sand Island Business Association
13 have invested more than \$20,000,000 in leasehold improvements to
14 the individual lots.

15 As a result of these substantial investments, members of
16 the Sand Island Business Association have expressed a strong
17 interest in purchasing the fee interest of their leasehold lots.
18 In addition to securing these investments, as the lease period



1 shortens, it becomes more difficult for the members to rely on
2 the leasehold as an asset when attempting to secure bank loans
3 for additional improvements.

4 The legislature understands that the department of land and
5 natural resources relies on the lease revenue from the Sand
6 Island industrial park to support the operations and management
7 of public lands programs, and that the lease revenue constitutes
8 nearly one half of all lease revenues supporting the special
9 land and development fund.

10 The purpose of this Act is to require the department of
11 land and natural resources to consider the sale or exchange of
12 Sand Island parcels to leaseholders, and to report its findings
13 and recommendations to the legislature.

14 SECTION 2. (a) The department of land and natural
15 resources shall review and consider:


- 16 (1) The current terms of the lease between the department
17 and the Sand Island Business Association;
- 18 (2) Lease income to date; projected income through the
19 twenty-five year fixed-rent period, which ends in
20 2017; and estimated income after the fixed-rent
21 period;



- 1 (3) The uses of the lease revenues to date, pursuant to
- 2 section 171-19, Hawaii Revised Statutes; and any
- 3 projected uses of future lease revenues;
- 4 (4) Alternative sources of revenue to replace the lease
- 5 revenues, such as proceeds of a sale of all or a
- 6 portion of the leased property, interest on investment
- 7 of the proceeds of a sale, income from lands exchanged
- 8 for all or a portion of the Sand Island parcel, or
- 9 others; and
- 10 (5) Any other considerations that would impact a decision
- 11 to proceed with the sale or exchange of Sand Island
- 12 parcels to leaseholders.

13 (b) The department of land and natural resources shall
 14 report to the legislature no later than twenty days prior to the
 15 convening of the regular session of 2012, on its review and
 16 consideration of the sale or exchange of Sand Island parcels to
 17 leaseholders, and its recommendations for further action.

18 SECTION 3. This Act shall take effect upon its approval.

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 2011-0561 SB SMA.doc

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CYMS 112



Report Title:

Public Lands; Sand Island

Description:

Requires the department of land and natural resources to consider the sale or exchange of Sand Island parcels to leaseholders; requires a report of findings and recommendation to the legislature.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

