

NEIL ABERCROMBIE
GOVERNOR OF HAWAII



**STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES**

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**Testimony of
WILLIAM J. AILA, JR.
Chairperson**

**Before the House Committees on
TOURISM
and
ECONOMIC REVITALIZATION AND BUSINESS**

**Monday, February 14, 2011
10:15 AM
State Capitol, Conference Room 312**

**In consideration of
HOUSE BILL 1617
RELATING TO PUBLIC LANDS**

House Bill 1617 would allow leases of public lands used for commercial, hotel, resort or industrial purposes to be extended for up to an additional 55 years beyond the existing term. The Department of Land and Natural Resources (Department) opposes this bill.

House Bill 1617 requires a proposed lease extension to be subject to the Department and lessee negotiating and agreeing upon a development agreement, which would require the Department to, among other things, review the lessee's plans and specifications for improvements to the property and subsequently negotiate the value of the proposed improvements, length of the lease extension, market value of the demised premises, and annual rent to be paid under the extended lease.

Leases of public lands are governed by Chapter 171, Hawaii Revised Statutes, which imposes a maximum lease term of 65 years. This limit is generally beyond the life of an individual business owner, and allows a sufficient time for the lessee/owner to occupy the property and recoup its investment, while allowing other members of the general public an opportunity to acquire a State lease of lands through an open public auction or other public process, at the end of the maximum 55 or 65-year term. House Bill 1617 ignores these public policies and grants commercial, hotel, resort and industrial leases special status over all public land leases by allowing these favored lessees to have exclusive use of public lands for up to 120 years.

The Department also acknowledges that some existing lessees are not the original lessee and have acquired their lease with substantially less than 65 years remaining on the lease term. However, those lessees acquired their lease at a purchase price that appropriately reflected the

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GUY H. KAULUKUKUI
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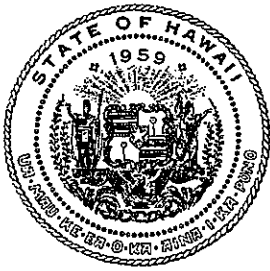
WILLIAM M. TAM
DEPUTY DIRECTOR - WATER

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BOATING AND OCEAN RECREATION
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CONSERVATION AND COASTAL LANDS
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LAND
STATE PARKS

limited remaining lease term. Granting lease extensions to those lessees would provide them with an undeserved and unearned windfall gain.

Furthermore, the Department continues to face severe budget cutbacks. The Department's general fund appropriations and special fund revenues have dropped significantly over the last three years, and the Department lost many positions during these past few years. The bill imposes duties that would require a substantial amount of staff time and funding for appraisals to determine the value of the improvements, demised premises, and new annual rent. The Department simply does not have the resources and staffing necessary to undertake the additional duties that would be required under this bill.

For the reasons stated above, the Department opposes House Bill 1617.



NEIL ABERCROMBIE
Governor

MIKE MCCARTNEY
President and
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Testimony of
Mike McCartney
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Hawai'i Tourism Authority
on
H.B. 1617
Relating to Public Lands

House Committee on Tourism
House Committee on Economic Revitalization & Business
Monday, February 14, 2011
10:15 a.m.
Conference Room 312

The Hawai'i Tourism Authority (HTA) strongly supports H.B. 1617 which provides for the extension of leases of public lands for commercial, hotel, resort, or industrial use if substantial improvements are made to the premises.

The HTA is tasked with marketing and promoting Hawai'i as a visitor destination, with the goal of increasing visitor spending. One of the keys to branding Hawai'i's visitor industry and increasing visitor spending is the improvement of the tourism product, which includes the physical infrastructure. For this reason, H.B. 1617 is particularly important for the upgrading of visitor industry facilities in the Banyan Drive area on the Island of Hawai'i. Banyan Drive is the only significant resort area in East Hawai'i and is on land entirely owned by the State. With many of the leases expiring in 2015, there has been little incentive for the lessees to reinvest in their premises.

It should also be noted that during the HTA's annual meeting with stakeholders of the visitor industry in East Hawai'i, the subject of up-grading the visitor facilities on Banyan Drive is always raised. These facilities are vital to events such as the Merrie Monarch Festival, the Hawaii Island Festival-30 Days of Aloha, Hawaii Volcanoes National Park's Cultural Festival, and the Hilo Chinese New Year's Festival. In addition, East Hawaii is being considered as the site for an educational tourism experience, however, the lack of facilities from a quantitative and qualitative standpoint, may prevent the full development of this niche market.

Beginning this summer there will be direct flights from the mainland to Hilo, starting with daily flights from Los Angeles and weekly flights from San Francisco. Further, East Hawaii is being considered as the site for an educational tourism experience. The lack of facilities from a quantitative and qualitative standpoint, however, may prevent the full development of these marketing opportunities.

The lease extension that H.B. 1617 provides for will provide an incentive to the private sector to improve Hawai'i's hotel facilities and ensure that Hawai'i remains competitive as a destination.

Furthermore, when improvements are made to these facilities, the real property assessments and the average daily room rate should rise, resulting in a rise in real property taxes and transient accommodations taxes.

We urge you favorable consideration of this measure.

The Twenty-Sixth Legislature
Regular Session of 2011

HOUSE OF REPRESENTATIVES

Committee on Tourism

Rep. Tom Brower, Chair

Rep. James Kunane Tokioka, Vice Chair

Committee on Economic Revitalization and Business

Rep. Angus L.K. McKelvey, Chair

Rep. Isaac W. Choy, Vice Chair

State Capitol, Conference Room 312
Monday, February 14, 2011; 10:15 a.m.

**STATEMENT OF THE ILWU LOCAL 142 ON H.B. 1617
RELATING TO PUBLIC LANDS**

The ILWU Local 142 supports in principle H.B. 1617, which authorizes BLNR to extend leases of public lands for commercial, hotel, resort, or industrial use upon approval of a proposed development agreement to make substantial improvements to the premises.

We support the development of businesses that will provide jobs to support revitalization of our economy. Lease extensions will serve as incentives for companies to make substantial improvements to their properties and allow them to be viable and competitive.

Our only concern is that the extended lease term may be too long. Fifty-five years is longer than the usual term of loans that will be needed to finance the improvements. We believe the lease extensions should be tied to reasonable loan periods that will allow the State to renegotiate the leases in a more reasonable time period, thus maximizing returns for the public good.

Thank you for allowing us to share these comments.