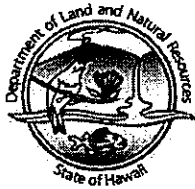


NEIL ABERCROMBIE
GOVERNOR OF HAWAII



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

POST OFFICE BOX 621
HONOLULU, HAWAII 96809

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

**Before the House Committee on
WATER, LAND & OCEAN RESOURCES**

**Monday, February 07, 2011
9:00 AM**

State Capitol, Conference Room 325

**In consideration of
HOUSE BILL 331
RELATING TO PUBLIC LANDS**

House Bill 331 would require the Department of Land and Natural Resources (Department) to extend the terms of all existing leases conveyed after May 23, 1960, on public lands in the area known as the Hilo Industrial Area in Waiakea, South Hilo, until no earlier than 2026. The bill would also prohibit the Department from increasing the lease rent during the remaining term of these extended leases. The Department opposes this bill.

Leases of public lands are governed by Chapter 171, Hawaii Revised Statutes ("HRS"), which imposes a maximum lease term of 65 years. This limit is intended to allow a lessee sufficient time to occupy the property and recoup its investment, while also precluding that lessee from using and occupying public lands in perpetuity. Upon expiration of a lease, the Department may offer for sale a new lease with a term of up to 65 years. Chapter 171, HRS, provides for leases to be offered by public auction to allow everyone the opportunity to lease public lands and to ensure the State and the public land trust receives the highest possible lease rent for its beneficiaries.

House Bill 331 ignores these public policies and grants certain leases special status over all public land leases by providing those lessees in the Hilo Industrial Area with exclusive use of public lands in excess of the 65 year maximum and by prohibiting the State from increasing the lease rent throughout the remaining term of the lease, even if the current lease rent is below fair market rent.

The Department acknowledges that there may be some existing leases in the Hilo Industrial Area that do not provide for the maximum 65-year term. However, those leases may be eligible for extensions under the existing provisions of Section 171-36, HRS, which allows the Department

WILLIAM J. AILA, JR.
INTERIM CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT

GUY H. KAULUKUKUI
FIRST DEPUTY

WILLIAM M. TAM
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES
BOATING AND OCEAN RECREATION
BUREAU OF CONVEYANCES
COMMISSION ON WATER RESOURCE MANAGEMENT
CONSERVATION AND COASTAL LANDS
CONSERVATION AND RESOURCES ENFORCEMENT
ENGINEERING
FORESTRY AND WILDLIFE
HISTORIC PRESERVATION
KAHOOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS

to extend a lease term if the extension is necessary for the lessee to finance or amortize the cost of substantial improvements to the property and the original term and the extension do not exceed 55 years. The Department has already granted several such extensions. Therefore, for any such leases, this bill is unnecessary.

The Department also acknowledges that some existing lessees are not the original lessee and may 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 limited remaining lease term. Granting lease extensions to those lessees would provide them with an undeserved and unearned windfall gain.

For the reasons stated above, the Department opposes House Bill 331.



16-166 MELEKAHIWA STREET • KEA`AU, HAWAII 96749
PHONE: (808) 966-5466 • FAX: (808) 966-7564 • WWW.HPMHAWAII.COM

February 5, 2011

Committee on Water, Land, & Ocean Resources
Chairman Jerry L. Chang, Dist. 2
Vice Chair Sharon E. Har, Dist. 40
Members of Committee

RE: DLNR General Leases 3611, 3609, 3592. In SUPPORT of HB 331 - Directing DLNR to Extend Leases in Hilo Industrial Area

Dear Chairman Jerry Chang and Honorable Members of the Committee on Water, Land, & Ocean Resources,

HPM Building Supply has had the great honor of serving the Big Island community since the inception of the company in downtown Hilo in 1921. HPM was originally located near the current Mo'ohau Park. After the 1946 tsunami destroyed a major portion of the original building, HPM relocated to a brand new facility on Kamehameha Ave. next to the Hilo Iron Works building in 1955. The 1960 tsunami completely destroyed this facility and HPM temporarily relocated to the grounds of the Ho'olulu Park complex until it was able to finally rebuild in its current location on Kanoelehua Ave. in Hilo.

The rebuilding of HPM's business in 1961 was made possible by the allocation of State land to victims of the tsunami. In 1961, HPM signed a 55 year lease (GL 3611) with the State, which comes due in 2016. Over the years, HPM has had the good fortune of being able to expand our business through the acquisition of adjoining properties and State leases along Kanoelehua Ave and Kalanikoa St.

For the past 50 years, HPM has been a good tenant of the State. We have paid our rent on time throughout this period and have maintained and continually improved the property. Like many construction related businesses, HPM has struggled to weather the very difficult economy over the past five years where building permits on the Big Island declined by over 70%. However, we anticipate and look forward to an economic recovery in the near future and look forward to again growing our business in Hilo, with further improvements to our Kanoelehua and Kalanikoa facilities. However, with only five years remaining on our current State leases, it is not economically feasible to do so. Additionally, financing of infrastructure improvements where only 5 years remain is virtually impossible.

HPM became a 100% employee owned company in 2006. The intent was to allow our employees to fully share in the benefits of ownership and foster an environment of alignment, teamwork and excellence. As a 100% employee owned company, we take our responsibility toward our employee owners and the community very seriously and continue to do everything in our power to affect a quick



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PHONE: (808) 966-5466 • FAX: (808) 966-7564 • WWW.HPMHAWAII.COM

recovery for HPM, and by extension for our community. On behalf of HPM and its owner employees and their families, we humbly ask your support for passage of Bill HB331.

Respectfully,

A handwritten signature in cursive script, appearing to read "Robert M. Fujimoto".

Robert M. Fujimoto
Chairman of the Board

A handwritten signature in cursive script, appearing to read "Michael K. Fujimoto".

Michael K. Fujimoto
President & CEO

A handwritten signature in cursive script, appearing to read "Jason R. Fujimoto".

Jason R. Fujimoto
Vice President & Director of Corporate Operations
Hilo Branch General Manager

Chika Nakano Repair Shop Inc

January 26, 2011

Representative Jerry Chang
Chairman of the House Water, Land and Ocean Resources Committee
Hawaii State Capital Room 435
415 S. Beretania Street
Honolulu, Hawaii 96813

Dear Representative Chang.

I am writing in support of the businesses in Hilo Industrial Area future House Bill HB331. This legislation allows businesses who currently lease State land the opportunity to invest in their future and continue doing business in Hilo. As you know lease lands account for the vast majority of Industrial lands in Hilo and an uncertain future with the status of these lands only increases the hardship felt by businesses in this economic recession. Currently the Hilo Industrial Area is a blighted area, with many buildings in disrepair, by extending the current leases, Lenders will be able to lend to these businesses and they will be able to get the much needed funding to make capital improvements.

The recent economic recession has hit the Big Island hard, especially East Hawaii. During these times, it is critical that small business be given opportunities to invest in themselves and to survive. This Bill will provide that opportunity.

Thank you for introducing this bill into the Hawaii State Legislature. If it passes, the affected Lessees will be able to plan accordingly. Please convey my wholehearted support to the relevant legislative committees and leaders of each chamber.

Sincerely,



Dhucks

Shawndra Holmberg
200 Kanoelehua Ave. #317
Hilo, HI 96720
808.969.3800
dhucks@dhucks.com

January 31, 2011

Representative Jerry Chang
Chairman of the House Water, Land and Ocean Resources Committee
Hawaii State Capital Room 435
415 S. Beretania Street
Honolulu, Hawaii 96813

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Sincerely,

Shawndra Holmberg



Joleen M. Simao, Vice President and Manager

C. W. MAINTENANCE, INC.

Sincerely,

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Hawaii State Capital Room 435
415 S. Beretania Street
Honolulu, Hawaii 96813

January 26, 2011

56 Waiwole Street • Hilo, Hawaii 96720 • Telephone (808) 935-8543 • Fax (808) 961-4433 • cwmoin@hiiinfo.net

C.W. Maintenance, Inc.





170 Makaala St., Ste C, Hilo, HI 96720-5135 Phone: (808) 935-7146 Fax: (808) 935-7147 Email: hiloaudio@hawaii.rr.com

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Sincerely,

Roy K. Suzuki
President
Hilo Audio, Inc.



HILO FISH COMPANY, INC.

55 Holomua St. ~ Hilo, Hawaii 96720

Phone: (808) 961-0877 ~ Fax: (808) 934-8783

Email: accounting@hilofish.com ~ Internet: www.hilofish.com



January 31, 2011

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Chairman of the House Water, Land and Ocean Resources Committee
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Sincerely,

Charles Umamoto
Chief Executive Officer



Japanese Chamber of Commerce & Industry of Hawaii

January 31, 2011

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Chairman of the House Water, Land and Ocean Resources Committee
Hawaii State Capital Room 435
415 S. Beretania Street
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Sincerely,

Randall M. Kurohara, President
Japanese Chamber of Commerce & Industry of HI

Michael Kaleikini, GAC Chairperson

714 Kanoiehua Avenue • Hilo, Hawaii 96720-4565
P.O. Box 7436 • Hilo, Hawaii 96720-8981
Phone: (808) 934-0177 • Fax: (808) 934-0178 • E-mail: jccih@jccih.org



January 26, 2011

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Chairman of the House Water, Land and Ocean Resources Committee
Hawaii State Capital Room 435
415 S. Beretania Street
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Sincerely,

A handwritten signature in black ink that reads "Andrew A. T. Chun". The signature is written in a cursive, flowing style.

Andrew A. T. Chun
Vice President – Administrative Services

Machida Inc.
60 Holomua St.
Hilo, Hawaii 96720

January 26, 2011

Representative Jerry Chang
Chairman of the House Water, Land and Ocean Resources Committee
Hawaii State Capital Room 435
415 S. Beretania Street
Honolulu, Hawaii 96813

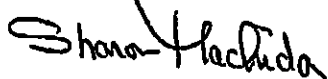
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Sincerely,



Machida Inc.

Bert M Wagatsuma

Certified Public Accountant
(A Limited Liability Company)

Member:
Hawaii Society of
Certified Public Accountants

January 26, 2011

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Chairman of the House Water, Land and Ocean Resources Committee
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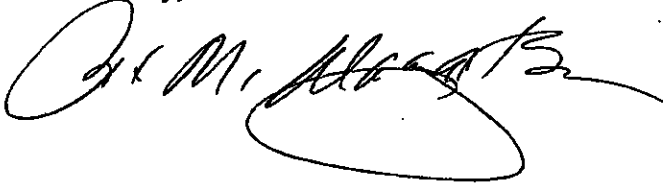
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Sincerely,



688 Kinooole St; Suite 211*Hilo, Hawaii 96720*Phone (808) 935-9731*Fax (808) 935-0059

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TO- KIAA

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HILO, HI 96720
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FAX (808) 961-2459
sales@daylum.com
www.daylum.com

January 26, 2011

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Chairman of the House Water, Land and Ocean Resources Committee
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Sincerely,

Glenn M Takase
Principal Broker
Coldwell Banker Day-Lum Properties





February 1, 2011

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Chairman of the House Water, Land and Ocean Resources Committee
Hawaii State Capital Room 435
415 S. Beretania Street
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Sincerely,

David S. De Luz, Jr.
Vice President of Special Projects

HILO

811 Kanoolehua Avenue • Hilo, HI 96720
Sales: (808) 935-2920 • Service: (808) 969-3112 • Parts: (808) 969-1651
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Hilo Hawaiian
HOTEL

71 Banyan Drive / Hilo, Hawaii 96720 / Phone (808) 935-9361 / Fax (808) 961-9642

January 26, 2011

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Chairman of the House Water, Land and Ocean Resources Committee
Hawaii State Capital Room 435
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Honolulu, Hawaii 96813

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Sincerely,

Daryle A. Kitamori
General Manager
Hilo Hawaiian Hotel

YAMANAKA ENTERPRISES, INC.

January 26, 2011

Representative Jerry Chang
Chairman of the House Water, Land and Ocean Resources Committee
Hawaii State Capital Room 435
415 S. Beretania Street
Honolulu, Hawaii 96813

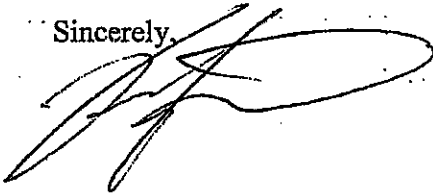
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Hawaii's Finest Macadamia Nuts ~ Chocolates ~ Confections

January 26, 2011

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Sincerely,



David Schell
General Manager

Hilo Orchard Operations
A Division of Purdyco Ltd.
16-261 Shipman Road Keauu HI 96749
Phone: (808) 966-7451 • Fax: (808) 966-8507 • e-mail: info@islandprincesshawaii.com
Website: www.IslandPrincessHawaii.com

William C. Loeffler Construction, Inc.
1451 Kinoole Street
Hilo, HI 96720
(808) 935-4422
Fax: 961-5588

January 26, 2011

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Sincerely,



Carolyn Loeffler
Vice President

HILO TERMITE & PEST CONTROL, LTD.

28 POOKELA STREET HILO, HAWAII 96720
(808) 935-8301 FAX (808) 969-7907

January 28, 2011

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Sincerely,

Hilo Termite & Pest Control, Ltd.



Rodney N. Ono
President



HAWAII PRINTING
C O R P O R A T I O N

January 28, 2011

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Chairman of the House Water, Land and Ocean Resources Committee
Hawaii State Capital Room 435
415 S. Beretania Street
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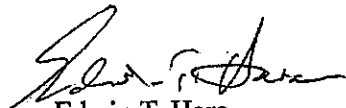
Dear Representative Chang,

I am writing in support of the businesses in Hilo Industrial Area future House Bill HB331. This legislation allows businesses who currently lease State land the opportunity to invest in their future and continue doing business in Hilo. As you know lease lands account for the vast majority of Industrial lands in Hilo and an uncertain future with the status of these lands only increases the hardship felt by businesses in this economic recession. Currently the Hilo Industrial Area is a blighted area, with many buildings in disrepair, by extending the current leases, Lenders will be able to lend to these businesses and they will be able to get the much needed funding to make capital improvements.

The recent economic recession has hit the Big Island hard, especially East Hawaii. During these times, it is critical that small business be given opportunities to invest in themselves and to survive. This Bill will provide that opportunity.

Thank you for introducing this bill into the Hawaii State Legislature. If it passes, the affected Lessees will be able to plan accordingly. Please convey my wholehearted support to the relevant legislative committees and leaders of each chamber.

Sincerely,


Edwin T. Hara
President



714 Kanoelehua Avenue
Hilo, Hawaii 96720
808-934-7321

January 28, 2011

Representative Jerry Chang
Chairman of the House Water, Land and Ocean Resources Committee
Hawaii State Capital Room 435
415 S. Beretania Street
Honolulu, Hawaii 96813

Dear Representative Chang,

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Edwin T. Hara
President



February 2, 2011

Representative Jerry Chang
Chairman of the House Water, Land and Ocean Resources Committee
Hawaii State Capital Room 435
415 S. Beretania Street
Honolulu, Hawaii 96813

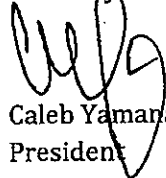
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Sincerely,



Caleb Yamanaka
President



GINOZA REALTY INC
Paste Letterhead Here

Residential and Vacant Land Brokerage - Property Management - Development Consultant

February 3, 2011

Representative Jerry Chang
Chairman of the House Water, Land and Ocean Resources Committee
Hawaii State Capital Room 435
415 S. Beretania Street
Honolulu, Hawaii 96813

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Sincerely,

Russell M. Arikawa
Realtor