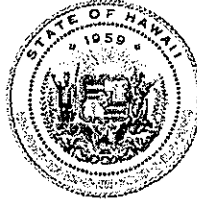
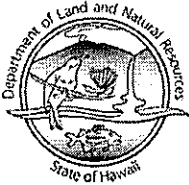


SB 1530

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 Senate Committees on
TOURISM
and
WATER, LAND, AND HOUSING**

**Thursday, February 10, 2011
2:30 PM
State Capitol, Conference Room 224**

**In consideration of
SENATE BILL 1530
RELATING TO PUBLIC LANDS**

Senate Bill 1530 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.

Senate Bill 1530 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. Senate Bill 1530 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.

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

GUY H. KAULUKUKUI
FIRST DEPUTY

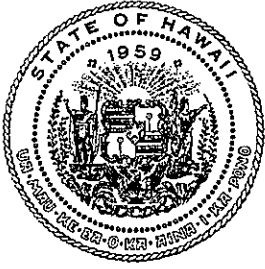
WILLIAM M. TAM
DEPUTY DIRECTOR - WATER

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

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.

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 Senate Bill 1530.



NEIL ABERCROMBIE
Governor

MIKE MCCARTNEY
President and
Chief Executive Officer

Hawai'i Tourism Authority

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Testimony of
Mike McCartney
President and Chief Executive Officer
Hawai'i Tourism Authority
on
S.B. 1530
Relating to Public Lands

Senate Committee on Tourism
Senate Committee on Water, Land and Housing
Thursday, February 10, 2011
2:30 p.m.
Conference Room 224

The Hawai'i Tourism Authority (HTA) strongly supports S.B. 1530, 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. There will be daily service from Los Angeles and a weekly service from San Francisco, which is planned to expand to a daily service. Further, East Hawaii is also being considered as the site for an educational tourism experience. In order to maintain this airlift, we must be able to drive demand. The visitor facilities in East Hawaii are an important part of

creating this demand. The lack of facilities from a quantitative and qualitative standpoint, however, may prevent the full development of these marketing opportunities

As such, the HTA supports S.B. 1530, which would provide for a lease extension to enable the private sector the incentive to improve Hawai'i's hotel facilities which in turn, ensures that Hawai'i remains competitive as a destination while providing enhancements to the visitor experience.

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.



SB 1530
RELATING TO PUBLIC LANDS
Senate Committee on Tourism
Senate Committee on Water, Land, & Housing

February 10, 2011

2:30 p.m.

Room 224

The Office of Hawaiian Affairs offers the following comments on SB 1530, which authorizes the Board of Land and Natural Resources to extend hotel and resort leases up to 55 years upon approval of a development agreement.

The bulk of the public land managed by BLNR, including the land used for hotel and resort purposes, is comprised of former government and crown lands that were ceded by the Republic of Hawai'i to the United States in 1898, "without the consent of or compensation to the Native Hawaiian people of Hawaii or their sovereign government[.]" P.L. 103-150 (1993). Much of the land is also subject to the public land trust created by the Admission Act section 5(f).

Long-term leases that exceed the length of a generation are short-sighted and improvident. Encumbering public land with 55 year leases ties the hands of future generations of land and resource managers and unduly restricts their ability to make sound decisions. Moreover, long-term leases often lead to a sense of entitlement on the part of the lessee that can and has resulted in alienation of leased land in Hawai'i.

Mahalo for the opportunity to testify on this measure.