

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON ECONOMIC REVITALIZATION & BUSINESS
ON
HOUSE BILL NO. 1831

January 24, 2012

RELATING TO LEASEHOLD CONVERSION

House Bill No. 1831 establishes a program for the mandatory lease-to-fee conversion of leasehold business properties and creates a business lot conversion revolving fund to administer the program.

While the Department of Budget & Finance does not take any position on the policy of allowing mandatory lease-to-fee conversion for business properties, as a matter of general policy, the Department does not support the creation of special funds which do not meet the requirements of Section 37-52.3, Hawaii Revised Statutes. Special or revolving funds should: 1) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries of the program; 2) provide an appropriate means of financing for the program or activity; and 3) demonstrate the capacity to be financially self-sustaining. In regards to House Bill No. 1831, it is difficult to determine whether the fund will be self-sustaining.

NEIL ABERCROMBIE
GOVERNOR



KAREN SEDDON
EXECUTIVE DIRECTOR

STATE OF HAWAII
DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, SUITE 300
Honolulu, Hawaii 96813
FAX: (808) 587-0600

IN REPLY REFER TO:

Statement of
Karen Seddon
Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON ECONOMIC REVITALIZATION & BUSINESS
January 24, 2012 at 8:30 a.m.
Room 312, State Capitol

In consideration of
H.B. 1831
RELATING TO LEASEHOLD CONVERSION.

HHFDC takes no position on the merits of mandatory conversion of business leaseholds. However, we are not the appropriate agency to administer this function. Therefore, we **oppose** H.B. 1831.

HHFDC is the State housing finance agency. Our mission is to increase and preserve the supply of workforce and affordable housing statewide by providing leadership, tools, and resources to facilitate housing development. HHFDC staff has no experience, expertise or capacity to handle commercial leasehold issues.

Although HHFDC is responsible for administration of the State's residential leasehold conversion program, Chapter 516, Hawaii Revised Statutes, activity in that program has dwindled to the point where it is managed by one-half of a full time equivalent employee. HHFDC has no capacity to undertake the program contemplated in this bill without a significant appropriation of funds to administer the program, as well as additional positions to handle the prospective workload.

For these reasons, HHFDC respectfully requests that the Committee defer this bill. Thank you for the opportunity to testify.

**HB 1831
RELATING TO LEASEHOLD CONVERSION**

**PAUL T. OSHIRO
MANAGER – GOVERNMENT RELATIONS
ALEXANDER & BALDWIN, INC.**

JANUARY 24, 2012

Chair McKelvey and Members of the House Committee on Economic
Revitalization & Business:

I am Paul Oshiro, testifying on behalf of Alexander & Baldwin, Inc. (A&B) on HB 1831, "A BILL FOR AN ACT RELATING TO LEASEHOLD CONVERSION." We respectfully oppose this bill.

This bill establishes a program for the lease to fee conversion of business properties. With owners of commercial and industrial real property faced with the possibility of losing the ownership interest in lands that they lease, we believe that this bill may deter landowners from leasing their lands for business purposes. This may have a negative impact upon both the availability of lands for lease and the overall cost of these leases to commercial and industrial businesses. We anticipate that a reduction in the total amount of lands leased to businesses may result in an escalation in the lease rents for the remaining leased parcels, which may in turn have a negative impact upon the overall cost of goods and services here in Hawaii.

Based on the aforementioned, we respectfully request that this bill be held in Committee.

Thank you for the opportunity to testify.



KAMEHAMEHA SCHOOLS

January 23, 2012

WRITTEN TESTIMONY TO THE
HOUSE COMMITTEE ON ECONOMIC REVITALIZATION & BUSINESS

By
Walter Thoemmes, Chief of Staff
Kamehameha Schools

Hearing Date: Tuesday, January 24, 2012
8:30 a.m., Conference Room 312

To: Representative Angus L.K. McKelvey, Chair
Representative Isaac W. Choy, Vice Chair
Members of the House Committee on Economic Revitalization & Business

RE: House Bill No. 1831 - Relating to Leasehold Conversion

Chairman McKelvey, Vice Chair Choy, and Members of the House Committee,

Thank you for the opportunity to testify in opposition to H.B. 1831 - Relating to Leasehold Conversion.

This Bill authorizes the Hawaii Housing Finance and Development Corporation to exercise the State's power of eminent domain to take private lessors' business, commercial, and industrial landholdings and to sell them to private companies. This forced change in land ownership is based on the erroneous premise that such redistribution will lower "artificially-inflated" lease rents and the cost of doing business.

The legislature's commissioned report (Legislative Reference Bureau – Report No. 5, 2003 "Real Property Leases") did not find that the concentration of land in "the hands of few land trusts, estates, and other private landowners" was the reason for high rents. It found

that commercial and industrial lease rents are “probably right where they should be,” and that the underlying “primary problem” instead was that “there simply is not enough commercial and industrial zoned land, fee simple and leasehold, in the market place.” The LRB recommended a review of the land use and zoning process to increase the availability of industrial and commercial land in the State.

If adopted, this Bill would hurt the local communities and businesses it purports to benefit.

- It would discourage the leasing of land, thereby cutting off opportunities for start-up and small businesses who cannot afford to purchase the fee simple interest.
- It would encourage speculative acquisitions and re-sales by investor lessees.
- It would provide no economic benefit to the local tenants and small businesses who occupy commercial and industrial spaces within these “business lots,” or to the consumers who purchase their goods and products.
- It would introduce more uncertainty into business transactions, serving to further stifle economic revitalization and growth.

This Bill further violates constitutionally-protected rights; is based on unsupported assertions, ignoring the findings of the Legislature’s report; and attempts to force the transfer of lands from long-term, local landowners to new, private investor landowners.

At Kamehameha Schools, our lands are a critical part of our history, culture, legacy, and educational mission. We have and will continue to oppose the forcible taking of our lands.

We respectfully request that H.B. 1831 be held in committee.

Manya Vogrig, member of the Small Landowners Association

Committee on Economic Revitalization and Business

Tuesday, January 24, 2012

Testifier in opposition to HB 1831

**Email to ERBtestimony@Capitol.hawaii.gov or
<http://www.capitol.hawaii.gov/submittestimony.aspx>**

Committee on Economic Revitalization and Business

Tuesday, January 24, 2012

Rep. Angus L.K. McKelvey, Chair, Rep. Isaac W. Choy, Vice Chair
State Capitol, 415 South Beretania Street, Honolulu, Hawaii §

8:30 a.m. Conf. Rm. 312

Honorable Members of the Committee:

Re: HB 1831 -RELATING TO LEASEHOLD CONVERSION

My name is Manya Vogrig, testifying for us as members of the Small Landowners Association who are in opposition to this type of legislation forcing landowners to sell to other private individuals for their own personal gain.

This proposed legislation applies to business leasehold properties. We think most business property is leasehold, not only in Hawaii but worldwide. The Title at the top says "Relating to Leasehold Conversion" and may have been worded that way so that the Bill could be changed at the last minute to apply to residential multi-family developments rather than businesses. It seems to us, this could very easily happen again, as it has in past years.

The statements of fact in order to justify a public purpose appears to have been copied from the Hawaii Land Reform Act applying to single family dwellings on large tracts of land. Even the first sentence saying "more than forty years ago" when we all know it is referring to the time of Statehood over 50 years ago now.

Statehood is the time when lawmakers created the Horizontal Property Regime Act to encourage condominium development to provide for the huge influx of people coming here after Statehood. Developers talked small landowners who had homes in subdivisions into leasing and combining their only piece of property with their neighbors in order to have a condominium built to provide the much-needed housing. The Developers built the buildings and then sold the units without ever sharing their profits or even compensating the landowners for their homes. They were given the promise of being able to retire, most still living on the same property and their children would be able to keep the property they had worked so hard for.

The large Hawaiian trust estates of the Queen's had developed their lands and leased those lots for housing by prime oceanfront. When the Land Reform Act was passed, many of those old-time kama'aina families who said they didn't want to lose their homes when the lease expired, bought their lots at a "reasonable price" and then re-sold for big profits to affluent people, most of whom were from other countries. Now we see what has happened to Kahala with the old homes torn down and newly constructed mansions which are now vacant after the bubble burst.

Over 500 families in our group were then told some 10 years later that the legislature was going to require that they sell their property at "reasonable prices" to the lessees who bought those units from the developer & was only paying to rent the landowner's property. We found through studies done, that most properties under leasehold condos were owned by local small landowners who owned only one lot. And that most of the condo unit owners are not the original owners and had sold at big profits again. Also, a large percentage rent their units out to local people and are not even citizens of Hawaii. Therefore, they do not vote or pay income taxes here.

We ask that you do not pass this legislation out of the Committee as it is twisted and is a taking of private property for private, not public, purpose.

Mahalo, Small Landowners Association

contact Manya Vogrig: 922-6934

contact Phyllis Zerbe: 949-9998

JAMES W. Y. WONG

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January 23, 2012

VIA FACSIMILE
586-8479

VIA EMAIL
ERBtestimony@Capitol.hawaii.gov

Honorable Representative Angus L. K. McKelvey, Chair
Honorable Representative Isaac W. Choy, Vice Chair
House Members of Committee on Economic, Revitalization & Business

RE: HOUSE BILL HB1831- RELATING TO LEASEHOLD CONVERSION
HEARING DATE/TIME/LOCATION: TUESDAY, JANUARY 24, 2012,
AT 8:30 A.M., STATE CAPITOL, CONFERENCE ROOM 312

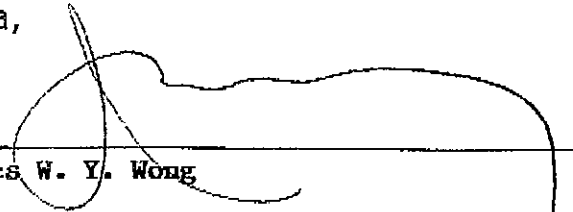
Dear Honorable Chair Angus McKelvey, Vice Chair Isaac Choy, and Members of the House Committee on Economic, Revitalization & Business:

I wish to support passage of House Bill HB1831 which is to encourage the extension of ground leases by requiring lessors who do not extend a ground lease to offer to sell the leased fee interest in the land to the lessee who requests the extension.

The Bill, if passed, will provide a fair return to the lessor if the ground lease is extended and the opportunity for the lessee's business to continue which will provide for continuation of business services or products to the local economy and continuation of employment to the workers of the lessee. If the ground lease is not extended, the lessor will also receive a fair return for its interest in the land when the land is sold and allows the lessee's business to continue to provide business services or products to the local economy and continuation of employment to the workers of the lessee. It would be a win-win situation to both the lessor and lessee and to our economy.

Please approve HB1831.

Aloha,


James W. Y. Wong

NAPUALANI V. WONG

1577 Nehoa Street, Honolulu, Hawaii 96822

January 23, 2012

VIA FACSIMILE
586-8479

VIA EMAIL
ERBtestimony@Capitol.hawaii.gov

Honorable Representative Angus L. K. McKelvey, Chair
Honorable Representative Isaac W. Choy, Vice Chair
House Members of Committee on Economic, Revitalization & Business

RE: HOUSE BILL HB1831- RELATING TO LEASEHOLD CONVERSION
HEARING DATE/TIME/LOCATION: TUESDAY, JANUARY 24, 2012,
AT 8:30 A.M., STATE CAPITOL, CONFERENCE ROOM 312

Dear Honorable Chair Angus McKelvey, Vice Chair Isaac Choy, and Members of the House Committee on Economic, Revitalization & Business:

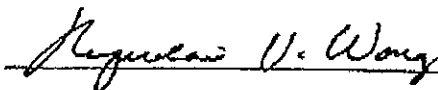
I support passage of House Bill HB1831 which establishes a program for the mandatory lease-to-fee conversion of business properties in the same manner that the legislature addressed the problem of the residential leasehold system.

Many ground leases are near expiration and there is a concern that if ground leases are not extended, we may see closures of businesses and loss of employment in a very fragile economy. The bill if approved would be fair to both the lessor and lessee as the lessor would continue to receive a fair rent if the lease is extended or a fair price should the lessor sell the land to the lessee. The lessee could then continue its business services and/or products and continue providing employment to its long time employees.

I urge your approval of this bill.

Please approve HB1831.

Aloha,



January 23, 2012

Honorable Representative Angus L. K. McKelvey, Chair
Honorable Representative Isaac W. Choy, Vice Chair
House Members of Committee on Economic, Revitalization & Business

RE: HOUSE BILL HB1831 - RELATING TO LEASEHOLD CONVERSION
HEARING DATE/TIME/LOCATION: TUESDAY, JANUARY 24, 2012,
AT 8:30 A.M., STATE CAPITOL, CONFERENCE ROOM 312

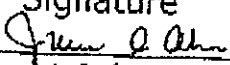
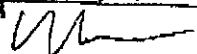
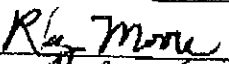
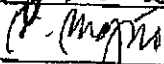

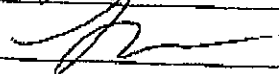
Dear Honorable Chair Angus McKelvey, Vice Chair Isaac Choy, and Members
of the House Committee on Economic, Revitalization & Business:

PETITION:

We wish to support passage of House Bill HB1831 which establishes a
program for the mandatory lease-to-fee conversion of business properties in
the same manner that the legislature addressed the problem of the
residential leasehold system.

Many ground leases are near expiration and there is a concern that if ground
leases are not extended, we may see closures of businesses and loss of
employment in a very fragile economy. The bill if approved would be fair to
both the lessor and lessee as the lessor would continue to receive a fair rent
if the lease is extended or a fair price should the lessor sell the land to the
lessee. The lessee could then continue its business services and/or products
and continue providing employment to its long time employees.

We urge your approval of this bill.

Print Name	Signature	Address
June A AKINA		46-298 Kaimukapu St Kaneohe HI 96744
Misty Torres		PO Box 25843 Honolulu HI 96825
Roz Hoare		3358 Alaha Ave, HON. HI 96816
East Sngitn		1044 12th Ave Honolulu HI 96816
Loi Lee		906 6th Avenue Honolulu, HI 96816
Jr David		2200 Kila Kola Dr Honolulu, HI 96822

From: mailinglist@capitol.hawaii.gov
Sent: Monday, January 23, 2012 1:03 PM
To: ERBtestimony
Cc: tbw510@aol.com
Subject: Testimony for HB1831 on 1/24/2012 8:30:00 AM

Testimony for ERB 1/24/2012 8:30:00 AM HB1831

Conference room: 312
Testifier position: Support
Testifier will be present: No
Submitted by: Teresa Brink-Wong
Organization: Individual
E-mail: tbw510@aol.com
Submitted on: 1/23/2012

Comments:

From: mailinglist@capitol.hawaii.gov
Sent: Monday, January 23, 2012 1:09 PM
To: ERBtestimony
Cc: dwong@99imperial.net
Subject: Testimony for HB1831 on 1/24/2012 8:30:00 AM

Testimony for ERB 1/24/2012 8:30:00 AM HB1831

Conference room: 312
Testifier position: Support
Testifier will be present: No
Submitted by: Darryl Wong
Organization: Individual
E-mail: dwong@99imperial.net
Submitted on: 1/23/2012

Comments:

Large landowners are controlling values in the islands. When only a few control the value, then values will remain high and unaffordable for most. The only way to combat this is by forcing large landowners to sell their business holdings to other businesses at the fair value of the land so as to allow the free market to take place. By forcing lessors to convert leasehold business property from leasehold interest to fee interest, we can provide more competition and more affordable costs of doing business.

From: mailinglist@capitol.hawaii.gov
Sent: Monday, January 23, 2012 1:10 PM
To: ERBtestimony
Cc: jbw1586@gmail.com
Subject: Testimony for HB1831 on 1/24/2012 8:30:00 AM

Testimony for ERB 1/24/2012 8:30:00 AM HB1831

Conference room: 312
Testifier position: Support
Testifier will be present: No
Submitted by: Jordan Wong
Organization: Individual
E-mail: jbw1586@gmail.com
Submitted on: 1/23/2012

Comments:

From: mailinglist@capitol.hawaii.gov
Sent: Monday, January 23, 2012 1:11 PM
To: ERBtestimony
Cc: jwong1488@gmail.com
Subject: Testimony for HB1831 on 1/24/2012 8:30:00 AM

Testimony for ERB 1/24/2012 8:30:00 AM HB1831

Conference room: 312
Testifier position: Support
Testifier will be present: No
Submitted by: Jenna Wong
Organization: Individual
E-mail: jwong1488@gmail.com
Submitted on: 1/23/2012

Comments: