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HB2634

Submitted on: 2/4/2014

Testimony for WAL on Feb 7, 2014 08:30AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Brad Parsons	Individual	Oppose	No

Comments:

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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 Committee on
WATER & LAND**

**Friday, February 7, 2014
8:30 A.M.
State Capitol, Conference Room 325**

**In consideration of
HOUSE BILL 2634
RELATING TO CHAPTER 171, HAWAII REVISED STATUTES**

House Bill 2634 proposes to authorize the Board of Land and Natural Resources (“BLNR”) to extend commercial and industrial leases based on substantial improvements to be made by the lessees, and extend the repeal date of Act 219, Session Laws of Hawaii (SLH) 2011, to December 31, 2017. **The Department of Land and Natural Resources (“Department”) opposes this bill.**

Act 219, SLH 2011, provides for the extension of hotel and resort leases on State lands if the lessee commits to investing at least 50% of the value of existing improvements in renovations or new improvements to the property. As explained in the preamble of Act 219, SLH 2011, the measure was intended to promote the rehabilitation of areas such as Banyan Drive in Hilo, which is the site of the major hotel accommodations in East Hawaii. The leases in the Banyan Drive area cover relatively large areas, and the renovation of one property can go a long way in rehabilitating the general vicinity.

In contrast, the State’s commercial and industrial leases are generally smaller parcels. In the Kanoelehua Industrial Area (KIA) in Hilo, for example, the parcels were created in the 1960s in the aftermath of the tsunami that struck in the State in May 1960. By modern standards, the parcels are quite small for industrial uses, with many in the range of one-quarter to half an acre. The structures originally built on the parcels would not be allowed today under the County of Hawaii’s current zoning codes with more stringent requirements for lot size, building setbacks, parking, etc. The State has many clusters of contiguous parcels in KIA, and has retained a consultant to assess market demand for industrial and commercial lands in KIA, and specifically whether the small parcels should be consolidated and resubdivided to increase their utility and income-generating potential. A large percentage of the KIA leases will terminate in the period of

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KAHOOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS

2016-2026, and the Department intends to redevelop the area upon termination of the leases. If House Bill 2634 becomes law, it will allow for the extension of many of these leases for up to 55 years and will perpetuate the substandard lot sizes and underperformance of the assets.

Additionally, under Chapter 171, Hawaii Revised Statutes (HRS), the maximum term of a lease is 65 years. When the lease is issued, the lessee and any potential successors or assigns know that they have up to the lease termination date to utilize the land and recoup their investment, at which time the land goes back out to public auction. Adding a 55-year extension to a 65-year lease results in an aggregate term of 120 years. This would in effect serve to privatize public lands, conveying a benefit to a privileged few at the expense of the public, who are effectively prohibited from obtaining a state lease. A sixty-five year lease term has shown to be more than sufficient in order to serve the life of a business, as the vast majority public land leases have been assigned at least once prior to the expiration of the lease. If a potential assignee decides to obtain a public land lease with a limited term remaining, it does so voluntarily assuming the risk. Chapter 171, HRS, is indicative of the public policy that public land leases shall be of a limited duration in order to provide the public fair and open opportunities to acquire a lease. Furthermore, allowing such lease extensions prevents fair and open competition to acquire public land leases, resulting in long-term dispositions that do not realize the economic potential of the land.