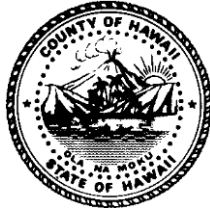


**William P. Kenoi**  
*Mayor*



**Walter K.M. Lau**  
*Managing Director*

**Randall M. Kurohara**  
*Deputy Managing Director*

## County of Hawai'i Office of the Mayor

25 Aupuni Street, Suite 2603 • Hilo, Hawai'i 96720 • (808) 961-8211 • Fax (808) 961-6553  
KONA: 74-5044 Ane Keohokalole Hwy., Bldg. C • Kailua-Kona, Hawai'i 96740  
(808) 323-4444 • Fax (808) 323-4440

February 26, 2013

The Honorable David Y. Ige, Chair  
and Members of the Senate Committee on Ways and Means  
Hawai'i State Capitol  
415 South Beretania Street, Room 211  
Honolulu, Hawai'i 96813

RE: Senate Bill 1361 SD1, RELATING TO BANYAN DRIVE

Aloha, Chair Ige and Committee Members:

Thank you for this opportunity to express our strong support for Senate Bill 1361 SD1, which would transfer to the County of Hawai'i in fee simple the resort properties along Banyan Drive in Hilo.

We have a deep concern with the deteriorating situation on Banyan Drive in general, and particularly at the Naniloa Volcanoes Resort. As you know, Banyan Drive has traditionally been the hub of East Hawai'i's resort activity, which makes it critically important to the economy of the Island of Hawai'i. When properly managed, this resort area is an economic engine and a job creator that provides benefits to our working families. The state Department of Land and Natural Resources currently oversees this activity as the lessor of the resort properties along Banyan Drive, and we believe it would benefit the entire East Hawai'i community if the county is allowed to replace the DLNR in the role of lessor.

We believe the lessor of these important public lands has an obligation to actively manage the Banyan Drive leases to assure those properties are properly maintained and operated by tenants who comply with the terms of their leases. We believe the county is in a better position to meet these obligations than DLNR.

To cite one obvious example, Hawai'i Outdoor Tours Inc. has now held the lease for the Naniloa Volcanoes Resort and the Banyan Drive golf course for seven years, and the result has been a disaster for East Hawai'i. The Kilauea Tower of the resort has been gutted and empty for years, the grounds of the property are a shambles, and the golf course clubhouse is closed. Valuable retail space on the grounds of the resort that could be contributing to the local economy and generating jobs is vacant and closed. Despite the lessee's well-publicized promises to restore the area as a top-quality destination, a lounge adjoining the hotel is usually closed, and the pool on the Banyan Drive side of the property has been drained. Only a fraction of the rooms in the Naniloa have actually been renovated. Since much of the hotel is empty, the facility operates with minimal staff.

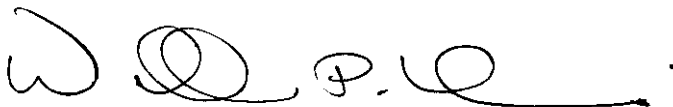
Enormous effort has been invested in bringing direct flights to Hilo to boost the East Hawai'i economy, yet the lingering problems at the Naniloa jeopardize all of the progress that has been made. If we lose those direct flights, the damage done by the failure at the Naniloa threatens to ripple out into the surrounding business community. Jobs are being lost, businesses are suffering, the state is collecting less transient accommodation and excise tax revenue than it should, and potential lease rent revenue is being lost to the state because of the neglect of this single, strategically placed resort.

Now that Hawai'i Outdoor Tours Inc. has filed for protection in bankruptcy court, it is absolutely clear the company does not have the resources required to restore the Naniloa. Under the "breach" provisions of the Naniloa lease, the lessor now has the right to terminate this lease. The lease specifically allows for termination "if the Lessee shall become bankrupt..." We believe the lessor also has the right to terminate under a separate Naniloa lease provision requiring the lessee to "keep, repair, and maintain all buildings and improvements...on the premises in good order, condition and repair, reasonable wear and tear excepted."

Many of our East Hawai'i residents are traveling 100 miles to work at jobs in Kona and the Kohala Coast resort areas, while the once-beautiful Naniloa property sits mostly empty. This is just one example of the problems along this critically important resort area, and other hotel operators along Banyan Drive are also frustrated with the management of the area. We cannot stand by while the situation along Banyan Drive continues to deteriorate. For the good of our working families and the business climate in all of East Hawai'i, we ask that you transfer these properties to the county and allow the county to assume management and control of this area.

Thank you for your consideration.

Aloha,

A handwritten signature in black ink, appearing to read "William P. Kenoi". The signature is fluid and cursive, with a long horizontal line extending to the right.

William P. Kenoi  
MAYOR