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# A BILL FOR AN ACT

RELATING TO PUBLIC LANDS.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. Chapter 171, Hawaii Revised Statutes, is  
2 amended by adding a new section to part III to be appropriately  
3 designated and to read as follows:

4           "§171-     Right to lease extensions; appraisals;  
5 improvements. (a) Notwithstanding section 171-14, any lessee  
6 of public land under a sixty-five year lease or a lease that is  
7 eligible for extension to a sixty-five year term under section  
8 171-36, beginning on the date ten years before the expiration of  
9 the lease, shall have the right to extend the lease of the  
10 public land for a period not to exceed thirty years; provided  
11 that:

- 12           (1) The lease is in good standing;  
13           (2) Extension is required to secure financing for a  
14           capital investment on the property;  
15           (3) The lessee demonstrates that the lessee is qualified  
16           for available financing that is dependent on extension  
17           of the lease term by providing documentation from the  
18           lender;



1       (4) The aggregate term of the original lease plus the  
2       extension period shall be no longer than eighty-five  
3       years; and

4       (5) The extension period shall be calculated beginning on  
5       the date of the approval of the lease extension.

6       (b) The lessee shall be entitled to only one lease  
7       extension under this section, and no further lease extension  
8       pursuant to any provision of law shall be granted to a lessee  
9       who elects to extend a lease pursuant to this section. Upon  
10      expiration of an extension pursuant to this section, the lease  
11      shall be terminated and be subject to disposition by public  
12      auction.

13      (c) Notwithstanding the eighty-five year aggregate limit  
14      or the length of the original lease period, a lessee eligible  
15      for and acting in good faith to secure the financing required  
16      for an extension under this section shall be permitted to  
17      continue occupying and using the leased premises after the  
18      expiration of the original lease during the pendency of the  
19      approval process for the required financing if, but for final  
20      approval of the financing, the lessee is qualified for the lease  
21      extension. Use and occupancy shall be subject to the same lease  
22      terms and conditions applicable on the last day that the



1 original lease was in effect. Calculation of both the extension  
2 period and the aggregate lease term shall be tolled during the  
3 period of use and occupancy pursuant to this subsection.

4 (d) The renewed or extended lease under subsection (a)  
5 shall provide for the payment of rent at the fair market value  
6 of the land. The fair market value of the land shall be  
7 determined without consideration of the value of improvements  
8 made to the land by the lessee. If the lessee and the board are  
9 unable to agree as to the fair market rent, the rent shall be  
10 determined by appraisal as provided in section 171-17(b).

11 (e) If the lessee waives its right to a lease extension  
12 under subsection (a) or the lessee does not agree to the terms  
13 of the lease extension, the board shall reimburse the lessee for  
14 the depreciated value of improvements made to the land by the  
15 lessee upon the expiration of the lease.

16 (f) Subsection (a) shall not apply to any lessee who is in  
17 arrears in the payment of taxes, rents, or other obligations  
18 owing to the State or any county or who has had, during the five  
19 years preceding the anticipated disposition of the public land  
20 at a public auction, a previous sale, lease, license, permit, or  
21 easement covering other public lands canceled for failure to  
22 satisfy the terms and conditions thereof."



1 SECTION 2. This Act does not affect rights and duties that  
2 matured, penalties that were incurred, and proceedings that were  
3 begun before its effective date.

4 SECTION 3. New statutory material is underscored.

5 SECTION 4. This Act shall take effect on July 1, 2030.



**Report Title:**

Public Lands; Extension of Lease

**Description:**

Grants certain lessees of public land the right to extend a lease that is within ten years of its expiration if financing for capital improvements on the land depends on a lease extension. Establishes process for determination of fair market value for rental purposes. Provides for payments to the lessee for depreciated value of improvements where the lease is not extended. Effective July 1, 2030. (HB1688 HD2)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

