
A BILL FOR AN ACT

RELATING TO DEVELOPMENT DISTRICTS.

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

1 SECTION 1. The legislature finds that among the classes of
2 public lands managed by the department of land and natural
3 resources are commercial, industrial, resort, and hotel lands.
4 The legislature further finds that because of restrictions
5 imposed by various land management policies, there is little
6 incentive for lessees of various parcels to make improvements to
7 the leased parcels. This has resulted in dilapidation,
8 deterioration, and obsolescence of the properties, which reduces
9 the revenue-generating potential of the parcels.

10 The purpose of this Act is to identify areas of commercial,
11 industrial, resort, and hotel parcels in need of revitalization
12 and to establish guidelines for the redevelopment or development
13 of those parcels.

14 SECTION 2. Chapter 171, Hawaii Revised Statutes, is
15 amended by adding a new part to be appropriately designated and
16 to read as follows:

17 "PART . PUBLIC LANDS IMPROVEMENTS; REDEVELOPMENT



1 §171-A Findings; purpose. (a) The legislature finds
2 that:

3 (1) Due to the policies guiding the management of public
4 lands with commercial, industrial, resort, and hotel
5 uses on the properties in the area, there has been
6 little incentive for lessees to make major investments
7 in improvements to their infrastructure, resulting in
8 the deterioration of infrastructure and facilities;

9 (2) The lack of improvement to property in many areas has
10 resulted in dilapidation, deterioration, age, or
11 obsolescence of the buildings and structures in those
12 areas;

13 (3) The department has the responsibility of planning for
14 the disposition of commercial, industrial, hotel, and
15 resort classes of public lands to determine:

16 (A) Specific use or uses;

17 (B) Minimum size of parcels;

18 (C) Required building construction or improvements;

19 and

20 (D) Lease terms and requirements.

21 (b) The purpose of this part is to: authorize the
22 designation of areas or regions of commercial, industrial,



1 resort, and hotel uses on public lands; and establish and
2 implement guidelines for the development or redevelopment of the
3 areas or regions that will:

4 (1) Modernize the policies for the management of public
5 lands in the designated area;

6 (2) Establish a plan for the designated area, including
7 district-wide improvements, that is coordinated with
8 state and county land use and planning policies; and

9 (3) Implement modern asset and property management
10 concepts that can optimize income and evolve in
11 response to changing principles of property
12 administration.

13 **§171-B Designation of development or redevelopment**

14 **district.** (a) The department may designate an area of public
15 lands as a development or redevelopment district if it
16 determines that there is a need for planning, development, or
17 redevelopment because the buildings and structures in the area
18 are dilapidated or have deteriorated due to age or obsolescence.

19 (b) The legislature, by concurrent resolution, may
20 designate an area as a development or redevelopment district if
21 it determines that there is a need for planning, development, or



1 redevelopment because the buildings and structures in the area
2 are dilapidated or have deteriorated due to age or obsolescence.

3 (c) Any designation under subsection (a) or (b) shall
4 describe the boundaries of the development or redevelopment
5 district.

6 §171-C Planning committee. (a) Upon the designation of a
7 development or redevelopment district pursuant to section 171-B,
8 a planning committee shall be established for the designated
9 district.

10 (b) The planning committee shall be a policy-making board
11 for the designated district and shall consist of eleven voting
12 members. The members shall consist of:

13 (1) The director of finance; the director of business,
14 economic development, and tourism; the comptroller;
15 the director of transportation; and the director of
16 planning of the county in which the designated
17 district is located, or their designated
18 representatives, who shall serve as ex officio
19 members; and

20 (2) Six public members appointed by the governor pursuant
21 to section 26-34; provided that three of the public
22 members shall be selected from a list of six names



1 submitted by the mayor of the county in which the
2 district is located. The six public members shall be
3 residents of the county in which the designated
4 district is located and shall be selected on the basis
5 of their knowledge, experience, and expertise in small
6 and large businesses, economics, banking, real estate,
7 finance, marketing, and management; provided that at
8 least one member shall be an owner or active manager
9 of a business located within the physical boundaries
10 of the designated development district.

11 (c) The chairperson of a planning committee shall be
12 elected from among its public members.

13 (d) The members of a planning committee shall serve
14 without compensation but shall be reimbursed for expenses,
15 including travel expenses, incurred in the performance of their
16 duties.

17 (e) A planning committee shall appoint a district
18 administrator who shall be the chief executive officer for the
19 district and shall set the district administrator's duties,
20 responsibilities, holidays, vacations, leaves, hours of work,
21 and working conditions. A planning committee shall set the



1 salary of the district administrator, who shall serve at the
2 pleasure of the committee and shall be exempt from chapter 76.

3 (f) A planning committee shall be responsible for the
4 development of district development policies, the district
5 improvement program, and the development guidelines for the
6 designated development district.

7 §171-D Powers and duties; generally. A planning committee
8 established pursuant to section 171-C may:

9 (1) Through its district administrator, appoint officers,
10 agents, and employees, prescribe their duties and
11 qualifications, and fix their salaries, without regard
12 to chapter 76, subject to the availability of funds
13 appropriated by the legislature;

14 (2) Prepare or cause to be prepared a development plan for
15 the designated development district;

16 (3) Through the department, acquire, reacquire, or
17 contract to acquire or reacquire by grant or purchase
18 real, personal, or mixed property or any interest
19 therein; to own, hold, clear, improve, and
20 rehabilitate, and to sell, assign, exchange, transfer,
21 convey, lease, or otherwise dispose of or encumber the
22 property or interest;



- 1 (4) Through the department, acquire or reacquire by
2 condemnation real, personal, or mixed property or any
3 interest therein for public facilities;
- 4 (5) Through the department, by itself, or in partnership
5 with qualified persons, acquire, reacquire, construct,
6 reconstruct, rehabilitate, improve, alter, or repair
7 or provide for the construction, reconstruction,
8 improvement, alteration, or repair of any project;
9 own, hold, sell, assign, transfer, convey, exchange,
10 lease, or otherwise dispose of or encumber any
11 project, and in the case of the sale of any project,
12 accept a purchase money mortgage in connection
13 therewith; and repurchase or otherwise acquire any
14 project that the department has theretofore sold or
15 otherwise conveyed, transferred, or disposed of;
- 16 (6) Through the department, develop and implement a
17 district-wide improvement program for necessary
18 district-wide public facilities within the designated
19 development district;
- 20 (7) Through the department, notwithstanding any other law
21 to the contrary, renew any lease in connection with

1 any of its projects, on terms and conditions as it
2 deems advisable;

3 (8) Prepare or cause to be prepared plans, specifications,
4 designs, and estimates of costs for the construction,
5 reconstruction, rehabilitation, improvement,
6 alteration, or repair of any project in the designated
7 development district, and from time to time to modify
8 the plans, specifications, designs, or estimates;

9 (9) Through the department, contract for and accept gifts
10 or grants in any form from any public agency or from
11 any other source; and

12 (10) Do any and all things necessary to carry out its
13 purposes and exercise the powers given and granted in
14 this part.

15 §171-E Development guidance policies; plan. (a) The
16 following shall be the development guidance policies generally
17 governing the actions of a planning committee established
18 pursuant to section 171-C in a designated development district:

19 (1) Development shall result in an area that permits an
20 appropriate land mixture of commercial, industrial,
21 hotel, resort, or public uses.



1 (2) A planning committee may engage in planning, design,
2 and construction activities relating to infrastructure
3 development and other activities that the planning
4 committee determines are necessary to carry out the
5 redevelopment of the district;

6 (3) A planning committee may conduct studies in
7 conjunction with county and state agencies necessary
8 to determine the appropriate activities for
9 development in the designated district;

10 (4) Land use and redevelopment activities within the
11 designated district shall be coordinated with and, to
12 the extent possible, complement existing county and
13 state policies, plans, and programs affecting the
14 district; and

15 (5) Public facilities within the designated district shall
16 be planned, located, and developed to support the
17 redevelopment policies established by this part for
18 the designated district.

19 (b) A planning committee shall develop and adopt a
20 designated district development plan, which shall supersede all
21 other inconsistent ordinances and rules relating to the use,
22 planning, development, and construction on the land in the



1 designated development district. The designated district
2 development plan shall follow existing law, rules, ordinances,
3 and regulations as closely as is consistent with standards of
4 good design, pleasant amenities, health, safety, and coordinated
5 development.

6 (c) A planning committee shall hold a public hearing on
7 the proposed designated development district plan pursuant to
8 chapter 91 and, after consideration of comments received and
9 appropriate revision, shall submit the designated development
10 district plan to the governor for the governor's approval. Upon
11 approval, the governor shall submit to the legislature requests
12 for appropriations or authorization to issue bonds, or both, to
13 implement the designated development district plan in an
14 orderly, affordable, and feasible manner. The governor shall
15 submit the requests to the legislature as part of the executive
16 budget or supplemental budget, as appropriate. In addition to
17 the information, data, and materials required under chapter 37,
18 the requests shall be accompanied by:

19 (1) Plans, maps, narrative descriptions, and other
20 appropriate materials on the:

21 (A) Locations and design of projects or public
22 facilities proposed to be funded; and



1 (B) Phase of the designated development district plan
2 proposed to be implemented with the requested
3 funds; and

4 (2) Other information the governor deems to be of
5 significance to the legislature regarding the projects
6 or public facilities proposed to be funded, including
7 a discussion of the public benefits intended by, and
8 adverse effects which may result from, implementation
9 of the projects or public facilities.

10 (f) A planning committee, pursuant to chapter 91, may
11 amend the designated development district plan as may be
12 necessary.

13 §171-F Designated development district public facilities;
14 modification or extension of leases. (a) The cost of providing
15 the public facilities in the designated development district
16 plan shall be assessed against the real property in the
17 designated development district specially benefiting from the
18 public facilities. A planning committee shall determine the
19 areas of the designated development district that will benefit
20 from the public facilities to be undertaken and, if less than
21 the entire designated development district benefits, the
22 planning committee may establish assessment areas within the



1 designated development district. The department may issue and
2 sell bonds in amounts as may be authorized by the legislature to
3 provide funds to finance the public facilities. The planning
4 committee for the designated development district shall fix the
5 assessments against real property specially benefited.

6 (b) All assessments made pursuant to this section shall be
7 assessed against each lot or parcel of land specially
8 benefitting from the date of the notice declaring the assessment
9 until paid. The department shall enter into negotiations with
10 the lessee to modify or extend the lease of the parcel of land
11 to amortize the cost of the assessments attached to the parcel.

12 (c) Bonds issued to provide funds to finance public
13 facilities shall be secured solely by the assessments on the
14 real properties benefited or improved. Bonds issued pursuant to
15 this section and the income therefrom shall be exempt from all
16 state and county taxation. The bonds shall be issued according
17 and subject to the provisions of the rules adopted pursuant to
18 this section.

19 (d) Notwithstanding any law to the contrary, a planning
20 committee, in assessing real property for public facilities,
21 shall assess the real property within an assessment area
22 according to the special benefits conferred upon the real



1 property by the public facilities. These methods may include
2 assessment on a frontage basis, assessment according to the area
3 of real property within an assessment area, or any other
4 assessment method that assesses the real property according to
5 the special benefit conferred, or any combination thereof. No
6 assessment levied against real property specially benefited
7 pursuant to this part shall constitute a tax on real property
8 within the meanings of any constitutional or statutory
9 provisions.

10 (e) All sums collected under this section shall be
11 deposited into the designated district development revolving
12 fund established pursuant to section 171-G for: the payment of
13 the principal and interest of the bonds; the cost of
14 administering, operating, and maintaining the program; the
15 establishment of reserves; and other purposes as may be
16 authorized in the proceedings providing for the issuance of the
17 bonds. If any surplus remains in the revolving fund after the
18 payment of the bonds chargeable against the fund, it shall be
19 credited to and become a part of the special land and
20 development fund under section 171-19.

21 (f) If the public facilities to be financed through bonds
22 issued by the department are to be dedicated to the county in



1 which the public facilities are to be located, the department
2 shall ensure that the public facilities are designed and
3 constructed to meet county requirements.

4 (g) Notwithstanding any law to the contrary, whenever as
5 part of a district-wide improvement program it becomes necessary
6 to remove, relocate, replace, or reconstruct public utility
7 facilities, the department shall establish by rule the
8 allocation of cost among the department, the affected public
9 utilities, and properties that may specially benefit from the
10 improvement, if any. In determining the allocation of cost, the
11 committee shall consider the cost allocation policies for
12 improvement districts established by the county in which the
13 removal, relocation, replacement, or reconstruction is to take
14 place.

15 **§171-G Designated district development revolving fund.**

16 (a) There is established the designated development district
17 revolving fund, into which shall be deposited:

- 18 (1) per cent of the revenues, income, and receipts
19 received from the properties in the designated
20 development district;
- 21 (2) Sums collected pursuant to section 171-F;



1 (3) Moneys appropriated to the fund by the legislature;
2 and

3 (4) All interest accruing from the investment of the
4 moneys in the fund.

5 (b) Moneys in the designated development district
6 revolving fund shall be used solely for the purposes of this
7 part."

8 SECTION 3. Section 46-78, Hawaii Revised Statutes, is
9 amended to read as follows:

10 "[+]§46-78[+] Improvement districts, initiation by the
11 State. Notwithstanding any provision of law to the contrary,
12 the respective legislative bodies of the counties [may], upon
13 the petition of the state department of transportation[-] or
14 department of land and natural resources, may create, define,
15 and establish improvement districts according to applicable
16 assessment statutes or ordinances, for any betterment or
17 improvement proposed by the state department of
18 transportation[-] or department of land and natural resources.
19 The petition of the department of transportation or department
20 of land and natural resources shall include the necessary
21 surveys, maps, plans and other data for the betterment or
22 improvement. Upon approval of the petition by the legislative



1 body of the county, the county shall proceed in the same manner
2 as though the plan for the proposed construction or improvement
3 had been initiated by the legislative body of the county on its
4 own motion, provided that the county may abandon the proceedings
5 prior to adoption of the resolution creating the improvement
6 district.

7 The provisions of the assessment statutes or ordinances
8 shall be applicable to the proposed construction or improvement
9 insofar as practicable, provided that the costs thereof shall be
10 assessed against the land specially benefited either on a
11 frontage basis, according to area of the land within the
12 improvement district, or on the basis of assessed valuation for
13 real property tax purposes; or any combination thereof.

14 The state department of transportation or department of
15 land and natural resources shall assume, except for the cost to
16 be borne by the board of water supply of the county, the cost of
17 construction or improvement [~~which~~] that would have been assumed
18 by the county had the project been initiated by the county,
19 including the costs and incidentals necessary to process the
20 project, and the costs allocable to state land and land exempted
21 by the improvement district statutes from the payment of
22 improvement assessments; provided that where lands owned by the



1 county, including the board of water supply of the county, form
2 part of the improvement district, the county or the board of
3 water supply of the county, whichever is applicable, shall pay
4 the costs allocable to [~~such~~] the lands. Nothing contained
5 herein however, shall be construed to prohibit any county from
6 participating in the costs of an improvement district [~~which~~]
7 that is initiated upon petition by the department of
8 transportation.

9 Upon filing the petition for the creation of an improvement
10 district, the department of transportation or department of land
11 and natural resources shall deposit with the county an amount
12 adequate to cover the administrative costs of the county. In
13 addition, the department of transportation or department of land
14 and natural resources shall from time to time upon request of
15 the county deposit the necessary sums to cover the costs of
16 acquiring land required for the project. Upon award of any
17 contract, either for the entire project or separately for the
18 different kinds of work to be performed, the department of
19 transportation or department of land and natural resources shall
20 deposit with the county the amount the State is obliged to pay
21 towards the contract price; provided that if the completion of
22 the contract will extend beyond the fiscal year in which the



1 contract is executed, the department of transportation or
2 department of land and natural resources may deposit with the
3 county, if the contract is to be completed during the next
4 succeeding fiscal year, at least fifty per cent or, if the
5 contract by its terms will not be completed until beyond the
6 next succeeding fiscal year, at least thirty-three and one third
7 per cent of the amount the State is obliged to pay toward the
8 contract price."

9 SECTION 4. There is appropriated out of the general
10 revenues of the State of Hawaii the sum of \$ or so
11 much thereof as may be necessary for fiscal year 2014-2015 for
12 the purposes of this Act.

13 The sum appropriated shall be expended by the department of
14 land and natural resources for the purposes of this Act.

15 SECTION 5. In codifying the new sections added by section
16 2 of this Act, the revisor of statutes shall substitute
17 appropriate section numbers for the letters used in designating
18 the new sections in this Act.

19 SECTION 6. Statutory material to be repealed is bracketed
20 and stricken. New statutory material is underscored.



1 SECTION 7. This Act shall take effect on July 1, 2014.

2

INTRODUCED BY:

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JAN 23 2014



H.B. NO. 2636

Report Title:

DLNR; Development and Redevelopment Districts; Appropriation

Description:

Authorizes the DLNR to designate public lands as a development or redevelopment district and establish and implement guidelines for the development or redevelopment of the district.

Authorizes the DLNR to receive improvement district petitions from the various counties. Makes an appropriation. Effective 07/01/2014.

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