
A BILL FOR AN ACT

RELATING TO ECONOMIC DEVELOPMENT.

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 be appropriately designated
3 and to read as follows:

4 "§171- Right to relinquish a lease; appraisals;
5 improvements. (a) Notwithstanding any other provision of law
6 to the contrary, a lessee of public land may relinquish the
7 lease at any time during the lease period as provided in this
8 section.

9 (b) Prior to relinquishing the lease, the lessee shall
10 contract with a real estate appraiser licensed or certified
11 pursuant to chapter 466K to determine the current depreciated or
12 residual value of any improvements to the land. Should the
13 board fail to agree to the appraised current depreciated or
14 residual value of the improvements, the department may contract
15 with an appraiser licensed or certified pursuant to chapter
16 466K, who, together with the lessee's appraiser shall appoint a
17 third appraiser, and the value shall be determined by
18 arbitration as provided in chapter 658A. The lessee shall pay



1 for all appraisal costs, except that the cost of the third
2 appraiser shall be borne equally by the lessee and the board.

3 (c) Upon relinquishment of the lease, the board shall
4 dispose of the land by public auction as provided in section
5 171-14; provided that the auction upset shall be the greater of
6 the current ground rent or the appraised fair market rent, as if
7 it were vacant and unimproved. The relinquishing lessee may bid
8 on the new lease at the public auction; provided that if the
9 relinquishing lessee does not bid or is not awarded the lease
10 after the public auction, the relinquishing lessee shall vacate
11 the land within one hundred twenty days and leave it in good
12 condition.

13 (d) Lease terms for the new lease shall be determined by
14 the board; provided that:

15 (1) The lease period shall be for a minimum of forty
16 years;

17 (2) If the lease is awarded after public auction to any
18 party other than the relinquishing lessee, the lease
19 rent shall include a premium equal to the current
20 depreciated or residual value of any improvements to
21 the land as determined pursuant to subsection (b),
22 which shall be paid to the relinquishing lessee prior



1 to transfer of the land and improvements to the new
2 lessee; and

3 (3) If the lessee's purpose in securing the lease includes
4 substantial capital improvements to the land or
5 partial or complete replacement of existing
6 improvements, the terms of the new lease shall conform
7 to the applicable financing requirements and shall
8 include a minimum visible rent period of at least
9 thirty years.

10 (e) If there are no bidders at public auction other than
11 the relinquishing lessee, the existing lease contract shall be
12 maintained unless both parties agree to terminate the lease.
13 The board and the lessee may agree to modify the lease only by
14 the lease period if extension is required for the lessee to
15 secure financing for substantial capital improvements to the
16 land or partial or complete replacement of existing
17 improvements. If there are no bidders at public auction,
18 including the relinquishing lessee, all improvements to the land
19 shall revert to the board.

20 (f) This section shall not apply to:

21 (1) Any lessee who is in arrears in the payment of taxes,
22 rents, or other obligations owing to the State or any



1 county or who has had, during the five years preceding
2 the anticipated disposition of the public land at a
3 public auction, a previous sale, lease, license,
4 permit, or easement covering other public lands
5 canceled for failure to satisfy the terms and
6 conditions thereof; or

7 (2) Any lease that is subject to cancellation for failure
8 to satisfy the terms or conditions of a lease,
9 license, permit, or easement covering the public
10 lands."

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

14 SECTION 3. New statutory material is underscored.

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



Report Title:

Public Lands; Relinquishment of Lease; Capital Improvements

Description:

Grants lessees of public land the right to relinquish a lease. Provides for the valuation of improvements to the land. Provides for disposition of the land at public auction after relinquishment. (SB707 HD1 PROPOSED)

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