

**lowen2-Lanaly**

---

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 04, 2014 6:31 PM  
**To:** waltestimony  
**Cc:** mauibrad@hotmail.com  
**Subject:** \*Submitted testimony for HB2636 on Feb 7, 2014 08:30AM\*

**HB2636**

Submitted on: 2/4/2014

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

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Brad Parsons	Individual	Oppose	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

Do not reply to this email. This inbox is not monitored. For assistance please email [webmaster@capitol.hawaii.gov](mailto:webmaster@capitol.hawaii.gov)

NEIL ABERCROMBIE  
GOVERNOR OF HAWAII



**STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES**

POST OFFICE BOX 621  
HONOLULU, HAWAII 96809

**Testimony of  
WILLIAM J. AILA, JR  
Chairperson**

**Before the House Committee on  
WATER & LAND**

**Friday, February 7, 2014  
8:30 AM  
State Capitol, Conference Room 325**

**In consideration of  
HOUSE BILL 2636  
RELATING TO DEVELOPMENT DISTRICTS**

House Bill 2636 proposes to authorize the designation of development or redevelopment districts for commercial, industrial, resort and hotel areas on State lands, and the creation of planning committees to serve as policy-making boards for such districts. **The Department of Land and Natural Resources (Department) opposes this bill for the following reasons.**

**The bill creates an additional layer of bureaucracy in government**

The bill provides that the Department may designate an area of public lands as a redevelopment district, and that the legislature, by concurrent resolution, may designate an area (apparently including lands other than public lands) as a redevelopment district. Upon such designation, an eleven-member planning committee is to be established as a policy-making board for the district. The planning committee, who serves without compensation, then appoints a district administrator for the district who is to be compensated. The planning committee may hire additional staff as well, and is apparently to be attached to the Department for administrative purposes.

In addition to the administrator, the planning committee would likely require a secretary and perhaps more staff for proper administration, as well as office equipment, supplies, and travel expenses for the eleven committee members. There will be added expense for the committee to comply with Hawaii Revised Statutes (HRS) Chapter 92's sunshine law requirements. Further, the committee's actions may be subject to contested case hearings and appeals. The bill provides for a general appropriation in an unspecified amount to carry out the purposes of the measure, and it is therefore unclear whether the expense of maintaining the committee would be partially borne by the Department. A conservative budget for such a planning committee, including

**WILLIAM J. AILA, JR.**  
CHAIRPERSON  
BOARD OF LAND AND NATURAL RESOURCES  
COMMISSION ON WATER RESOURCE MANAGEMENT

**ESTHER KIA'AINA**  
FIRST DEPUTY

**WILLIAM M. TAM**  
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES  
BOATING AND OCEAN RECREATION  
BUREAU OF CONVEYANCES  
COMMISSION ON WATER RESOURCE MANAGEMENT  
CONSERVATION AND COASTAL LANDS  
CONSERVATION AND RESOURCES ENFORCEMENT  
ENGINEERING  
FORESTRY AND WILDLIFE  
HISTORIC PRESERVATION  
KAHOOLAWE ISLAND RESERVE COMMISSION  
LAND  
STATE PARKS

payroll, fringe benefits, hearing officer fees, and other costs and expenses, would be \$500,000 annually.

The bill proposes an unnecessary, bureaucratic addition to the Department's operations. The Department already has planning and development staff to assess appropriate uses of land in its inventory. Additionally, the Department has procured a consultant for Banyan Drive and the Kanoelehua Industrial Area in Hilo to analyze market trends, and explore options for redevelopment and rehabilitation of specific parcels or areas. After last year's legislative session, the Governor approved the formation of a Banyan Drive Task Force that met three times in 2013 to discuss many of the issues covered by the bill as they relate to the Banyan Drive area. The task force members include representatives from local businesses, the former executive director of the Big Island Visitors Bureau, the executive director of the 'Imiloa Astronomy Center of Hawaii, and representatives from the Hawaii County Mayor's Office and State legislators also attend the meetings. This informal task force has worked well and at limited expense to the State.

***There are practical problems with the bill***

As noted above, House Bill 2636 allows the Department to designate redevelopment districts on public lands. As defined at HRS Section 171-2, public lands exclude lands used as roads and streets. While the State owns some contiguous parcels in both the Banyan Drive area and Kanoelehua Industrial Area in Hilo, it does not own or manage the roads, which often include utility lines and other infrastructure. Accordingly, to the extent the bill seeks to improve infrastructure in a given area, a redevelopment district designated by the Department would likely not include important infrastructure components. Rather, the district would be confined to the particular parcels under the Department's management.

***The Department relies on the revenues from leases of public lands to fulfill its fiduciary duties***

House Bill 2636 proposes that an undetermined percentage of the revenue from properties in a development district are to be deposited into a development revolving fund, and that moneys in the fund shall be used solely to promote the purposes of the bill. The Department and Board of Land and Natural Resources (BLNR) are responsible for managing approximately 1.3 million acres of public lands comprised of sensitive natural, cultural and recreational resources. The Department's responsibilities include managing and maintaining the State's coastal lands and waters, water resources, conservation and forestry lands, historical sites, small boat harbors, parks, and recreational facilities; performing public safety duties (e.g., flood and rockfall prevention); issuing and managing leases of public lands (agriculture, pasture, commercial, industrial, and resort leases); maintaining unencumbered public lands; and enforcing the Department's rules/regulations.

To properly perform these fiduciary duties, the BLNR determined that the Department should utilize a portion of the lands it manages to generate revenues to support the Department's operations and management of public lands/programs. Annual lease revenues currently support the Special Land and Development Fund (SLDF), with revenues coming primarily from leases for commercial, industrial, resort, geothermal and other renewable energy projects.

The SLDF is a critical and increasingly important funding source for various divisions within the Department to deal with emergency response to natural catastrophe such as fire, rockfall, flood or earthquake and hazard investigation and mitigation. The SLDF also is critical for staff support of various programs and funding conservation projects on all state lands. It has also become an important source of state match for federally funded endangered species and invasive species initiatives that otherwise would not go forward.

**The authority to construct, improve, renovate and revitalize areas within the counties is already authorized under §46-80.5, HRS**

The bill seeks to redevelop the infrastructure and facilities within designated redevelopment districts. However, the bill is unnecessary because there are already existing laws and ordinances that provide the process and financing to make such improvements.

Section 46-80.5, Hawaii Revised Statutes (HRS), authorizes the various counties to enact ordinances to create special improvement districts for the purpose of providing and financing such improvements, services, and facilities within the special improvement district as the applicable county council determines necessary or desirable to restore or promote business activity in the special improvement district. This is the same purpose sought by House Bill 2636.

Under the authority HRS Section 46-80.5, the County of Hawaii, as an example, enacted Chapter 12 of the Hawaii County Code, which authorizes the County of Hawaii to create improvement districts to construct new, or improve existing infrastructure and facilities, including roadways and utility infrastructure and improvements. It should also be noted that the responsibilities for maintaining such improvements within the proposed redevelopment districts are already vested with the County of Hawaii. Most, if not all, of the public roadways and utility infrastructure within any potentially designated district boundaries have been dedicated to the County.

**Existing law allows for lease extensions under certain conditions**

To the extent House Bill 2636 is intended to facilitate the extension of existing State leases, the Department would point out that Act 219, Session Laws of Hawaii (SLH) 2011 and Act 207, SLH 2011 already provide for the extension of leases under certain conditions. Act 219 allows hotel or resort leases to be extended for an additional term of up to 55 years if the lessee commits to investing at least 50% of the value of existing improvements in renovations to the property. Act 207 allows for the extension of commercial, industrial and other leases up to an aggregate term (original term plus extension) of up to 65 years if the lessee requires mortgage financing or self-finances substantial improvements to the property. All such extensions are at the discretion of the BLNR.

For the reasons above, the Department opposes this bill.

TESTIMONY BY KALBERT K. YOUNG  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON WATER AND LAND  
ON  
HOUSE BILL NO. 2636

February 7, 2014

RELATING TO DEVELOPMENT DISTRICTS

House Bill No. 2636 authorizes the Department of Land and Natural Resources (DLNR) to designate public lands as a development or redevelopment district with legislative concurrence. Upon such designation, an 11-member planning committee is to be established as a policy-making board for the district and the planning committee is authorized to hire a district administrator and additional staff to manage the district. House Bill No. 2636 also creates the Designated Development District Revolving Fund to support operations. Additionally, the bill appropriates an unspecified sum of general funds for FY 15 to establish and administer the program.

The Department of Budget and Finance takes no position on the establishment of redevelopment districts. However, as a matter of general policy, the department does not support the creation of any revolving fund which does not meet the requirements of Section 37-52.3, HRS. Special or revolving funds should:

1) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries of the program; 2) provide an appropriate means of financing for the program or activity; and 3) demonstrate the capacity to be financially self-sustaining. In regards to House Bill No. 2636, it is difficult to determine whether the proposed revolving fund will be self-sustaining.

The department would also like to note that the issuance of revenue bonds require, among other things, the project to generate sufficient revenues to pay debt service on the bonds.