DAVID Y. IGE

EMPLOYEES' RETIREMENT SYSTEM

OFFICE OF THE PUBLIC DEFENDER

HAWAII EMPLOYER-LINION HEALTH BENEFITS TRUST FUND

OF MAN

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE

P.O. BOX 150 HONOLULU, HAWAII 96810-0150 WESLEY K. MACHIDA

LAUREL A. JOHNSTON DEPUTY DIRECTOR

ADMINISTRATIVE AND RESEARCH OFFICE BUDGET, PROGRAM PLANNING AND MANAGEMENT DIVISION FINANCIAL ADMINISTRATION DIVISION OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
HOUSE BILL NO. 1479, H.D. 2, S.D. 1

April 6, 2017 9:30 a.m. Room 211

RELATING TO THE HILO COMMUNITY ECONOMIC DISTRICT

House Bill No. 1479, H.D. 2, S.D. 1, establishes the Hilo Community Economic District under the Hawaii Community Development Authority to facilitate improvement in East Hawaii. The bill establishes the Hilo Community Economic Revolving Fund that would generate revenues through income of the Authority for the district; moneys directed from the government or private sectors, including grants, gifts, and landowner assessments for costs to operate the district; legislative appropriations; and investment earnings. The revolving funds would be used to establish and administer the Hilo Community Economic District. The bill transfers an unspecified percentage of revolving fund moneys to the Special Land and Development Fund.

The Department of Budget and Finance, as a matter of general policy, does not support the creation of any revolving fund which does not meet the requirements of Section 37-52.4 of the HRS. Revolving funds should: 1) serve a need as demonstrated by the purpose, scope of work and an explanation why the program cannot be

implemented successfully under the general fund appropriation process; 2) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries or a clear link between the program and the sources of revenue; 3) provide an appropriate means of financing for the program or activity; and 4) demonstrate the capacity to be financially self-sustaining. In regards to House Bill No. 1479, H.D. 2, S.D. 1, it is difficult to determine whether the proposed source of revenues will be self-sustaining.

Thank you for your consideration of our comments.

DAVID Y. IGE GOVERNOR OF HAWAII





STATE OF HAWAII DEPARTMENT OF LAND AND NATURAL RESOURCES

POST OFFICE BOX 621 HONOLULU, HAWAII 96809

Testimony of SUZANNE D. CASE Chairperson

Before the Senate Committee on WAYS AND MEANS

Thursday, April 6, 2017 9:30 A.M. State Capitol, Conference Room 211

In consideration of HOUSE BILL 1479, HOUSE DRAFT 2, SENATE DRAFT 1 RELATING TO HILO COMMUNITY ECONOMIC DISTRICT

House Bill 1479, House Draft 2, Senate Draft 1, proposes to establish the Hilo Community Economic Development District in South Hilo, Hawaii, place it under the jurisdiction of the Hawaii Community Development Authority (HCDA), and make amendments to various provisions of the Hawaii Revised Statutes (HRS) to facilitate the purpose of the measure. The proposed Hilo Community Economic Development District (HCEDD) encompasses the Banyan Drive area and Kanoelehua Industrial Area of Hilo. **The Department of Land and Natural Resources (Department) offers the following comments on this bill.**

If the Legislature pursues this measure in its current form, the Department notes that the bill appears to require all of the existing lease revenues in the Banyan Drive and Kanoelehua Industrial Areas (after deduction of the percentage due to the Office of Hawaiian Affairs (OHA) for ceded lands – currently 20%) to be deposited into the HCEDD revolving fund, with an unspecified percentage then being remitted to the Department. The Department incurs significant costs and expenses in maintaining the leases, revocable permits, easements and other dispositions in the proposed district. The Department's leases have rent reopening provisions that require an independent appraisal paid for by the Department under Section 171-17, HRS, and the Department assumes that leases issued by HCDA would have similar reopening provisions. The appraisal reports and mediations and arbitrations that follow when lessees dispute new rents, all cost money. Accordingly, the Department believes that all the revenues generated by existing leases (less OHA's share) should be remitted to the Department to allow it to continue to perform the lease management duties. The Department therefore recommends that Section 206E-D, HRS, (pages 7-8) of the measure be amended to read as follows:

SUZANNE D. CASE
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT

KEKOA KALUHIWA

JEFFREY T. PEARSON, P.E. DEPUTY DIRECTOR - WATER

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

- **§206E-D** Hilo community economic revolving fund. (a) There is established in the state treasury the Hilo community economic revolving fund, into which shall be deposited:
- (1) [Notwithstanding any law to the contrary, including section 206E-16, all revenue, income, and receipts of the authority for the district;
- (2)] Moneys directed, allocated, or disbursed to the district from government agencies or private individuals or organizations, including grants, gifts, awards, donations, and assessments of landowners for costs to administer and operate the district; and
 - (2[3]) Moneys appropriated by the legislature.
- [(b) Moneys in the fund shall be used only for the purpose of this part; provided that per cent of all revenue, income, and receipts generated from land leased or managed by the department of land and natural resources within the district boundaries, as described in section 206E-B, shall be transferred to the special land and development fund.]
- (b[e]) Investment earnings credited to the assets of the fund shall become part of the fund.

Following on the Department's work with the Banyan Drive Task Force, the Department formally committed over a year ago to work with the County of Hawai'i for the redevelopment of Banyan Drive, through the County of Hawai'i Banyan Drive Hawai'i Redevelopment Agency (BDHRA), which was established in 2016 and is proceeding with planning. It is unclear what the impact of this bill would be on that county process, although SECTION 6 of Senate Draft 1 contemplates the County ultimately assuming the redevelopment powers and duties for the HCEDD. The Department respectfully suggests the Legislature consider amending this bill to clarify what BDHRA's role will be prior to any assumption by the County of HCDA's powers and duties.

With respect to Banyan Drive, the Department has worked extensively on land leasing and financing transactions on State leasehold properties that have resulted in significant renovations to the Hilo Hawaiian Hotel, the Hilo Bay Café (former Nihon Restaurant site), and the Grand Naniloa Hotel (ongoing). The golf course site, key to redevelopment concepts, is under long-term lease along with the Naniloa lease. The remaining State properties are old, in poor condition, with little useful life remaining: Uncle Billy's Hilo Bay Hotel (now the Pagoda Hilo Bay Hotel), Country Club Condominium (which is now a residential apartment building – not a condominium), and Reed's Bay Resort Hotel. Long-term leases for these properties all expired in 2016 and have been converted to month-to-month revocable permits pending redevelopment

planning. Once a long-term plan for Banyan Drive is settled on, the Department can issue new long-term leases consistent with BDHRA's plan.¹

With respect to the Kanoelehua Industrial Area, many of the leases of public lands in that area were issued in a two or three year period following the 1960 tsunami for terms of 55 years. Most of the lessees in this area applied for ten-year extensions of their lease terms under Section 171-36(b), HRS, which requires the lessee to make substantial improvements to the premises to qualify for a lease extension.² Although some of the leasehold improvements are not in good

In 2015, the Legislative Reference Bureau (LRB) issued Report No. 2, Commercial Leasing of Public Lands: State Policies Regarding Leases Near End of Term. LRB found other states that have maximum lease terms and reviewed how these states' leasing practices deal with end of the term leases. LRB concluded its report in stating:

While some states have policies that generally address the maintenance and improvement of leased public lands, these policies appear to arise when a lease agreement is initially drafted and entered into, or within the context of negotiations for a lease renewal, rather than during the last few years of an existing lease. In comparison, commercial leases of public lands in Hawaii include a general covenant that requires lessees to maintain the property. The Bureau offers no conclusions regarding which, if any, of the policies employed by the other states represents practices that should be incorporated into the commercial leasing of public lands in Hawaii.

In the past, the Department has generally opposed legislative bills that proposed to allow existing lessees to acquire new lease terms on leases that are scheduled to expire soon, following instead general public policy to promote fairness in competition in access to public property. One reason for the Department's position was the statutory policy mentioned above favoring issuance of leases by public auction. Another reason was to preserve the State's legal right to the remaining value of the improvements after the lease term; when leases expire, the lessees' improvements on the land revert to State ownership pursuant to the express terms of the lease, unless the State directs the lessee to remove the improvements. Assuming the improvements have some remaining useful life, the State is then in a position to auction leases of improved properties at potentially greater rents than the State would receive for a ground lease alone, which amounts can in turn be applied to public purposes.

The Department notes that there are a number of bills before the Legislature this session that would allow for the extension of existing leases. If one of these measures becomes law, the Legislature will have

¹ To facilitate redevelopment planning, the Department procured a consultant to conduct a number of studies to facilitate planning for Banyan Drive including a market study on tourism to determine if the area could support a new hotel, and studies on sea level rise, the viability of master leasing multiple parcels in the area, and the remaining useful life of existing structures on expiring lease premises. These studies are publicly available on the Department's website at http://dlnr.hawaii.gov/ld/kanoelehua-and-banyan-drive-studies/. Another consultant, Erskine Architects, conducted a much more detailed architectural and engineering study on whether existing improvements on the expired lease premises should be demolished or rehabilitated.

² As background, under Chapter 171, HRS, the Board of Land and Natural Resources (Board) is authorized to issue leases up to a maximum term of 65 years. Section 171-32, HRS, provides that it is the policy of the State to issue leases by public auction. As the preamble to House Bill 1479 indicates, at the end of their lease terms, lessees have little incentive to invest in improvements to their leasehold properties because the leases cannot be extended further. Rather, new leases of the lands must be issued pursuant to the public auction process. As a result, the properties frequently fall into disrepair.

condition, a number of them are well maintained, such as HPM Building Supply, Bank of Hawaii and Big Island Toyota on Kanoelehua Avenue, Central Supply on Makaala Street, Paradise Plants, and Kitchen and Bath Supply on Wiwoole Street, and the Coca-Cola bottling plant on Holomua Street.

The Department notes that the bill grants the broad leasing powers of HCDA under Section 206E-C, HRS, including the rights to issue leases by direct negotiation or auction. Direction negotiation of a new lease for private commercial, industrial, resort or hotel lease is not a policy option currently available to the Department.³

The revenues from the leases in the proposed district currently are deposited into the Special Land and Development Fund (SLDF). In turn, the SLDF helps fund critical operations within the Department. The Department's Land Division is 100% special funded and does not receive any general fund support. The SLDF covers the entire annual operating budget for LNR101 which consists of the Land Division, the Office of Conservation and Coastal Lands, the Dam Safety Program, and the Geothermal Program. The SLDF also funds other positions within the Department such as three (3) positions within the Commission on Water Resource Management, provides funding support to the Division of State Parks, various resource protection programs administered by the Division of Forestry and Wildlife, and also funds portions of the salaries and fringe benefits of the accounting staff in the Department's Administrative Services Office.

Given the unforeseen expenses that are incurred from land management, it is paramount that the SLDF maintain a sufficient cash balance to cover emergency land management expenses or rent defaults in addition to projected expenditures. The SLDF has been utilized to remediate unanticipated natural hazards. During the 40-days of rain that occurred in 2006, the SLDF was the Department's go-to fund for emergency work. Additionally, the SLDF has provided support for wild land firefighting efforts, flooding from streams and rockfall/landslide mitigation.

established a new policy for the Department to follow in the leasing of its public lands. Additionally, the Department recognizes that a prior legislative act providing for extensions of resort leases did have a beneficial effect on one State lease on Banyan Drive. The lessee of Hilo Hawaiian Hotel property took advantage of Act 219 Session Laws of Hawaii (2011) to extend its lease from 2031 to 2068, making substantial improvements to the property pursuant to a development agreement negotiated between the State and the lessee.

The Department thus acknowledges different public policy benefits from different approaches. Based on this, the Department now takes a neutral stance on legislative proposals to extend existing leases. The Department respectfully suggests that extensions of existing leases in exchange for lessees making substantial improvements may be the better way to deal with end of lease issues in Hilo.

3 According to Standing Committee Report No. 1149, there is one substantive difference between Senate Draft 1 of the measure and proposed Senate Draft 1 previously heard by the Senate Committees on Economic Development, Tourism, and Technology and Water and Land on March 24, 2017. The difference is that Senate Draft 1 includes a requirement that for properties currently or previously leased under Chapters 171 or 206E, HRS, for a term of 65 years in the aggregate, HCDA must dispose of the lease at public auction pursuant to Section 171-14, HRS, and the relinquishing lessee may bid on the lease.

For Fiscal Year 2017, \$4.672 million is expected to be transferred to other divisions within the Department to fund their programs and operations.⁴

In summary, while the Department recognizes the importance of economic redevelopment in East Hawaii, the Department cannot afford to turn over the lion's share of its lease rents to HCDA, unless HCDA is prepared to take on the lease management responsibilities that go hand-in-hand with receipt of revenue and remit net profits to the Department for its mission.

Thank you for the opportunity to comment on this measure.

Office of Conservation and Coastal Lands (OCCL)

• 100% funding

Engineering Division

- Dam Safety Program (majority funding for personnel costs, operations costs and funding for water gauges for streams and dams)
- Geothermal Program

Division of Forestry and Wildlife (DOFAW) avg. \$800,000 - \$1,600,000

- Threatened and Endangered Species Program
- Invasive Species Program
- Wild land Firefighting

Commission on Water Resource Management (CWRM)

• Fund three (3) Positions (2 hydrologists and a water conservation / drought coordinator) and Funds for Stream Monitoring and certain other stream related studies

⁴ Examples of Past Funding for other divisions within the Department:



HAWAII COMMUNITY
DEVELOPMENT AUTHORITY



David Y. Ige Governor

John Whalen Chairperson

Jesse K. Souki Executive Director

547 Queen Street Honolulu, Hawaii 96813

Telephone (808) 594-0300

Facsimile (808) 587-0299

E-Mail contact@hcdaweb.org

Website www.hcdaweb.org

STATEMENT OF

JESSE K. SOUKI, EXECUTIVE DIRECTOR HAWAII COMMUNITY DEVELOPMENT AUTHORITY

BEFORE THE

SENATE COMMITTEE ON WAYS AND MEANS

ON
Thursday, April 6, 2017
9:30 A.M.
State Capitol, Conference Room 211

in consideration of HB 1479, HD2, SD1: RELATING TO THE HILO COMMUNITY ECONOMIC DISTRICT

Chair Tokuda, Vice Chair Dela Cruz and members of the committees.

The Hawaii Community Development Authority (HCDA) offers the following comments on HB 1479, HD2, SD1.

While the HCDA board has not taken a position on this specific proposal, it has taken a position that any expansion of the current development districts include funding and other resources to allow us to effectuate the intent of the proposal.

HCDA staff estimates it would require 4.5 FTE at \$520,000/year along with yearly operating costs of \$430,000/year. In addition, operation of a satellite office in the Banyan Drive area would cost approximately \$100,000/year with initial start-up costs of \$50,000.

We note that Section 4 of the bill amends Hawaii Revised Statutes (HRS) § 206E-3, which creates the general board and district specific boards. Under the *status quo*, members of the districts also sit on the general board. Under the proposed bill, amendments to HRS § 206E-3(b) appear to reduce the general board to six voting members, "the director of finance or the director's designee; the

director of transportation or the director's designee; a cultural specialist; an at-large member; an at-large member nominated by the senate president; an at-large member nominated by the speaker of the house," and the two non-voting *ex officio* members from the Department of Planning and Permitting and Department of Hawaiian Home Lands. This is our understanding based on the addition of the proviso language for each of the community development districts added under HRS § 206E-3(b). If this is the case, we recommend adding one more voting member to make it a total of 7 voting members. You might consider adding the director of the Department of Business, Economic Development and Tourism as an *ex officio*, voting member.

Logistically, this approach may be prudent. If the current statutory framework was not changed, the general board would increase to 24 members (assuming 7 additional Hilo members), with more than twice as many members on the general board from any one district (each district currently has 3 members each). It would be very difficult to establish a quorum to conduct general business of the Authority. We defer to the Legislature on the policy question of whether district members should participate directly in general questions regarding the function and operation of the Authority or focus only of district specific matters.

Thank you for the opportunity to provide comments on HB 1479, HD2, SD1.

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, April 4, 2017 7:41 AM

To: WAM Testimony Cc: ecabatu@hhsc.org

Subject: Submitted testimony for HB1479 on Apr 6, 2017 09:30AM

HB1479

Submitted on: 4/4/2017

Testimony for WAM on Apr 6, 2017 09:30AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Elena Cabatu	East Hawaii Region of Hawaii Health Systems Corporation	Support	No

Comments: Please accept support for HB 1479 on behalf of the East Hawaii Region of Hawaii Health Systems Corporation consisting of Hilo Medical Center, Hale Ho`ola Hamakua in Honoka`a, Ka`u Hospital and our 9 specialty clinics.

Please note that testimony submitted <u>less than 24 hours prior to the hearing</u>, 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.

Testimony Presented Before the
Senate Committee on Ways and Means
April 6, 2017 at 9:30 a.m.
By
John F. Morton
Vice President for Community Colleges
University of Hawai'i System
and
Donald O. Straney
Chancellor, University of Hawaii at Hilo

HB 1479 HD2 SD1 - RELATING TO THE HILO COMMUNITY ECONOMIC DISTRICT

Chair Tokuda, and Vice Chair Dela Cruz, and Members of the Committee:

Both the University of Hawai'i at Hilo and the University of Hawai'i Community College System are in support of the intent of HB 1479 HD2 SD1 to establish the Hilo community economic district located in East Hawai'i.

This proposal will help to improve and strengthen the economic and workforce development opportunities in East Hawai'i. University of Hawai'i at Hilo and University of Hawai'i Community College System view the proposal as a positive solution to promote the social, environmental and economic well-being of our community.

Thank you for the opportunity to testify on HB 1479 HD2 SD1. Aloha.

Harry Kim
Mayor



Wil Okabe
Managing Director

Barbara J. Kossow
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

April 4, 2017

Senator Jill N. Tokuda, Chair Committee on Ways and Means Hawai'i State Capitol Honolulu, HI 96813

Dear Chair Tokuda and Members:

RE: HB 1479, HD2, SD1

Relating to the Hilo Community Economic District

On behalf of the Hilo community, I would like to thank the Legislature for its attempts to assist with the economic well-being of Hilo, particularly as impacted by State ownership of land, and by land leases that are nearing the end of their terms.

My Administration has been supporting the efforts of Big Island legislators to make special provisions for the economic district in Hilo, as put forth in various drafts of SB1292, HB 575, HB 1310, and HB 1479. I have wanted to reflect the community wishes, and have been very impressed with the way in which the community has worked together and rallied behind these proposals. I think it is very important that the collaborative efforts of state, county, and community leaders not be put at risk.

With respect to the specific provisions of HB1479, SD1, I would defer to our community partners, who are directly impacted, to express their preference, and also the testimony of the Hawaii County Planning Department which is being submitted separately. However, the following issues do stand out for me:

- 206E-B (a): The bill says its purpose is to deal with State-owned land, so perhaps language should be inserted that says that it applies only to land within the district boundaries that is State-owned. We are told that about 10% of the proposed District would be land privately owned.
- 206E-C (a): Land on Ocean View Drive is presently used for residential purposes. That would probably no longer be possible under the terms of this bill, unless a grandfather clause were inserted or some other provision was made for a transition.

County of Hawai'i is an Equal Opportunity Provider and Employer.

206E-C (b): Not sure what "for a term of sixty-five years in the aggregate" means, but I assume
that after 65 years, land must go to auction. Does that work for the KIA leaseholders? If not, I
would hope that some other accommodation can be made, now or in conference, to allow for
their continued tenure.

Also on this point, the authors of SD1 may be intending to allow these KIA lessees to relinquish their remaining leases and this section says that a "relinquishing lessee may bid on the new lease." But the language allowing for relinquishment seems to be missing. As an example of what could be included, HB 575 said specifically "a lessee of public land that is subject to the management, administration, or control of the department may relinquish a lease during the last ten years of the term of the lease..."

- 206E-3 (b) and 206E-3 (b) (4): There is proposed only one cultural specialist for all the Districts statewide, so that person almost certainly will come from Oahu. If asking one person to have expertise that includes both Oahu and Hawaii County is not realistic, then a separate cultural specialist position should be created for the Hilo Community Economic District.
- Finally, we cannot afford to jeopardize or divert the real property tax revenue that comes from the affected parcels and currently goes into the County general fund (we estimate that for the properties in SD1, tax revenue exceeds \$3M). In this regard we have two concerns:
- SD1 says in §206E-D: Hilo community economic revolving fund. (a) There is established in the state treasury the Hilo community economic revolving fund, into which shall be deposited: (1) Notwithstanding any law to the contrary, including section 206E-16, all revenue, income, and receipts of the authority for the district...
- 2. It also seems, theoretically at least, that the Authority could issue leases that provide for the lessee to be exempt from property taxes for the term of the lease.

We do not think that HB1479, SD1 is intended to affect real property taxes, so ask for language that makes it crystal clear that real property taxes are not part of "revenues, income, and receipts…", that leases cannot affect property tax obligations, and that all property taxes will continue to flow to the County general fund.

Respectfully submitted,

Harry Kim

Mayor

Harry Kim Mayor County of Hawai'i

West Hawai'i Office 74-5044 Ane Keohokalole Hwy Kailua-Kona, Hawai'i 96740 Phone (808) 323-4770 Fax (808) 327-3563 East Hawai'i Office 101 Pauahi Street, Suite 3 Hilo, Hawai'i 96720 Phone (808) 961-8288 Fax (808) 961-8742

Michael Yee

Director

Daryn Arai
Deputy Director

Testimony of MICHAEL YEE Planning Director

Before the Senate Committee on Ways and Means

On 4/6/2017 at 9:30am

State Capitol, Conference Room 211

In consideration of:

HB 1479 HD2 SD1, RELATING TO THE HILO COMMUNITY ECONOMIC DISTRICT

The Hawai'i County Planning Department (Planning) has been involved in the planning phases of proposed redevelopment actions within the Waiākea peninsula over the past year through our support of the recently established Banyan Drive Hawai'i Redevelopment Agency (BDHRA). It is understood that an unintended consequence of the State's leasing policies under HRS 171 has been the lack of reinvestment by lessees into the infrastructure of leased properties and the infrastructures' subsequent decline. Hilo is particularly affected by these leasing policies as there are substantial tracts of State lands in our community. Planning and the BDHRA are supportive of proposed legislation to stimulate reinvestment and economic growth through changes to the State's leasing policies. Planning and the BDHRA also agree that the properties identified in HB 1479 HD2 SD1 could benefit from comprehensive planning efforts to identify a successful path forward that supports the lessees and the broader interests and concerns of our community.

Planning and the BDHRA are aware that the Legislature must consider the two structurally different approaches various bills are proposing; redevelopment under the direction of the Department of Land and Natural Resources (DLNR) through SB 1292 SD2 HD1, versus redevelopment under the Hawai'i Community Development Authority (HCDA) through HB 1479 HD2 SD1. The strengths and benefits of management under the DLNR and HCDA should be considered as these bills move forward. Given that DLNR's role and capabilities primarily concern natural resource management, the HCDA (via HB 1479 HD2 SD1), whose specific charge is planning and redevelopment, would seem to be the most appropriate entity to task with the successful planning and redevelopment of State-owned properties in the Hilo vicinity.

HB 1479 HD2 SD1 proposes to use HRS Chapter 206E, concerning the HCDA, to conduct the planning and redevelopment effort of the Waiākea peninsula as well as other State-owned properties in Hilo within the Kanoelehua industrial area. This bill appears to represent various

community interests identified by Planning and the BDHRA, versus a solely economic focus that other bills have proposed. Section 1 of the bill references a purpose of "enhancing state revenues and promoting social, environmental, and economic well-being of Hawaii's people." Section 1 further identifies "that Hilo has the potential for increased growth that can improve workforce and affordable housing, parks and open space, public facilities, and commercial, industrial, and hotel facilities.

Planning provides the following specific comments regarding HB 1479 HD2 SD1:

- §206E-B (a) concerns the district boundaries and, although substantially represented by public lands, is anticipated to also include private parcels. Planning would anticipate that excluding private parcels from the effort would not be objectionable, if that were the intent of the bill, however it might be beneficial to allow such private parties to be involved in the long-range planning and redevelopment effort. It is suggested that language be included indicating whether or not it is intended for non-State lands within the district to be excluded.
- Section 4 of the bill proposes that Section 206E-3 (b), Hawai'i Revised Statues, be amended to include 7 representatives for the Hilo district, "four of whom shall be residents of the district of South Hilo nominated jointly by senatorial and representative seat holders representing the district of South Hilo, three of whom shall be nominated by the council of the county of Hawai'i, and all of whom shall be individuals who reside or work within a one-mile radius of the district boundary." Planning appreciated the efforts of this bill to enlarge the membership for the Hilo district to increase local involvement.
- Also concerning Section 4 of the bill that proposes changes to Section 206E-3 (b), Planning would recommend that the cultural specialist come from the affected district versus, presumably, a single cultural specialist for all the districts. This would ensure specific geographic concerns are identified appropriately.
- Within Section 4 of the bill, immediately following the reference to the Hilo district representatives, the proposed language reads that membership also is to include "...the director of planning and permitting of each county in which a community development district is located or the director's designee, who shall serve in an ex officio, *nonvoting* (emphasis added) capacity; ..." Planning believes there would be benefits if a director of planning and permitting were to serve in an ex officio, *voting* capacity and suggest the bill's language to be changed to read as such. With a planning director representing the local planning office and presumably most knowledgeable of local planning-related matters, our office questions why a planning director would not serve in a voting capacity.
- Similarly to the comment above, under Section 4 of the bill, Planning suggests that language be revised within §206E-3 (b) (1), (2), (3) and (4) concerning the He'eia, Kalaeloa, Kaka'ako and Hilo community economic districts, to designate the directors of planning and permitting as ex officio, *voting* members as identified within the following text:

For matters affecting the "___" community economic district, the following members shall be considered in determining quorum and the majority shall be eligible to vote:

- (A) The director of finance or the director's designee;
- (B) The director of transportation or the director's designee;
- (C) The <u>district's</u> cultural specialist;
- (D) The three at-large members; and
- (E) The "___" representatives of the "___" community economic district;

Provided that the director of planning and permitting of the relevant county or the director's designee shall participate in these matters as an ex officio, **nonvoting voting** member and shall **not** be considered in determining quorum and majority.

Mahalo for your consideration of this important initiatives.

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, April 4, 2017 6:05 AM

To: WAM Testimony
Cc: griffrost@gmail.com

Subject: Submitted testimony for HB1479 on Apr 6, 2017 09:30AM

HB1479

Submitted on: 4/4/2017

Testimony for WAM on Apr 6, 2017 09:30AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Grif Frost	Hilo Health Cooperative	Support	No

Comments: Aloha! The board and 200 members of the Hilo Health Cooperative, the first consumer cooperative exercise center in the U.S., and partnered with the East Hawaii Independent Physicians Association STRONGLY supports the approval of HB 1479. The Health Co-op, dedicated to helping the people of Hilo get on, and stay on the path to Optimum Health, is located at the entrance of Banyan Drive and welcomes the change from a "blighted" area to a "THRIVING" area which can be accomplished with HB 1479. With Aloha; Grif Frost, Volunteer CEO

Please note that testimony submitted <u>less than 24 hours prior to the hearing</u>, 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.

Testimony to the Senate Committee on Ways and Means Thursday, April 6, 2017 at 9:30 A.M. Conference Room 211, State Capitol

RE: HOUSE BILL 1479 HD2 SD1 RELATING TO THE HILO COMMUNITY ECONOMIC DISTRICT

Chair Tokuda, Vice Chair Dela Cruz, and Members of the Committees:

The Chamber of Commerce Hawaii ("The Chamber") **supports** HB 1479 HD2 SD1, which establishes the Hilo Community Economic District as a community development district located in East Hawaii under the Hawaii Community Development Authority; establishes the Hilo Community Economic Revolving Fund; repeals on the earliest of 6/30/2037, inclusion of lands within the District within a redevelopment area, or establishment of a special improvement district that encompasses the lands within the District.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,600+ businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

In 1976 the Legislature created the HCDA to revitalize urban areas that were underused and deteriorating. The establishment of the Hilo community economic district would serve to accomplish this very task in the Hilo area. Many of the resorts and improvements along Banyan Drive have fallen into disrepair which has created an unsafe atmosphere that is not the most conducive for visitors and members of the community. The Kanoelehua Industrial Area which is adjacent to the Hilo Airport and home to many small businesses has suffered the same fate due to the fact that many leases have less than 10 years left. The area is in need of a coordinated redevelopment which may include upgrades and expansion of infrastructure that would encourage new investment such as roadways, utilities, improvement of existing facilities and parks.

HCDA is the only State agency that currently has the statutory authority to plan and implement the coordinated redevelopment of an area.

We strongly support the passage of this bill. Thank you for the opportunity to provide our comments on this matter.



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION

AFSCME Local 152, AFL-CIO

RANDY PERREIRA, Executive Director • Tel: 808.543.0011 • Fax: 808.528.0922

The Twenty-Ninth Legislature, State of Hawaii
The Senate
Committee on Ways and Means

Testimony by Hawaii Government Employees Association

April 6, 2017

H.B. 1479, H.D. 2, S.D. 1 - RELATING TO THE HILO COMMUNITY ECONOMIC DISTRICT

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO supports the purpose and intent of H.B. 1479, H.D. 2, S.D. 1 which establishes the Hilo Community Economic Development District under the Hawaii Community Development Authority and creates the Hilo Community Economic Revolving Fund for all revenue and income of the district.

Since the State is the largest landowner in East Hawaii, it by default has a significantly influential role in the development and economic success of the East Hawaii community. The concepts provided in H.B. 1479, H.D. 2, S.D. 1 are positive steps in the right direction to revitalize the deteriorating urban core, increase workforce development opportunities for residents, and ensure a strong East Hawaii economy. We are hopeful that the Hilo Community Economic Development District will be able to address the unique needs of the community.

Thank you for the opportunity to testify in strong support of passing H.B. 1479, H.D. 2, S.D. 1.

Respectfully submitted

Randy Perreira
Executive Director



The Twenty-Ninth Legislature Regular Session of 2017

THE STATE SENATE
Committee on Ways and Means
Senator Jill N. Tokuda, Chair
Senator Donovan M. Dela Cruz, Vice Chair
State Capitol, Conference Room 211
Thursday, April 6, 2017; 9:30 a.m.

STATEMENT OF THE ILWU LOCAL 142 ON H.B. 1479, HD 2 SD 1 RELATING TO THE HILO COMMUNITY ECONOMIC DISTRICT

The ILWU Local 142 supports H.B. 1479, H.D. 2 SD 1, which establishes the Hilo community economic district located in east Hawaii, and places it under the jurisdiction of the Hawaii community development authority. The bill further establishes the Hilo community economic revolving fund. It also requires all revenue, income, and receipts of HCDA for the district to be deposited in the Hilo community economic revolving fund, and a designated per cent to be transferred to the special land and development fund under the department of land and natural resources.

H.B. 1479, H.D. 2 SD 1 is an attempt to provide a process for strengthening the economic vitality of Hilo and the East Hawaii area. This bill recognizes the potential for increased growth, that can improve workforce and affordable housing opportunities, improve parks and open space, as well as public and private facilities, including commercial, industrial, and hotel facilities.

The bill would add seven members to the Hawaii Community District Authority who would have voting rights only for issues relating to the district. Because other members of the authority represent various state as well as federal and county agencies, this creates the opportunity for many people and resources to come together.

This would provide a great planning tool for the Hilo economic district and the opportunity and mechanism to implement and achieve the goals of that plan. This bill would provide a boost for the people in Hilo and East Hawaii, and establishes the first step towards creating an economic revitalization plan, that could benefit the entire Hawaii Island community.

The ILWU urges passage of H.B. 1479, H.D. 2 SD 1. Thank you for the opportunity to share our views and concerns on this matter.



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94-487 AKOKI STREET WAIPAHU, HAWAII 96797

Testimony to the Senate Committee on Ways & Means Thursday, April 6, 2017 9:30 am **State Capitol - Conference Room 211**

HB 1479 HD2 SD1 – Relating to Hilo Community Economic District RE:

Chair Tokuda, Vice-Chair Dela Cruz, and members of the Committee:

My name is Gladys Quinto Marrone, CEO of the Building Industry Association of Hawaii (BIA-Hawaii). Chartered in 1955, the Building Industry Association of Hawaii is a professional trade organization affiliated with the National Association of Home Builders, representing the building industry and its associates. BIA-Hawaii takes a leadership role in unifying and promoting the interests of the industry to enhance the quality of life for the people of Hawaii.

BIA-HAWAII is in strong support of H.B. 1479 HD 2 SD1, which proposes to establish the Hilo community economic district located in East Hawaii and places it under the jurisdiction of the Hawaii community development authority. It also establishes the Hilo community economic revolving fund, and requires all revenue, income, and receipts of HCDA for the district to be deposited in the Hilo community economic revolving fund. The bill will also require a designated per cent to be transferred to the special land and development fund under the department of land and natural resources.

In 1976 the Legislature created the HCDA to revitalize urban areas that were underused and deteriorating. The establishment of the Hilo community economic district would serve to accomplish this very task in the Hilo area. Many of the resorts and improvements along Banyan Drive have fallen into disrepair which has created an unsafe atmosphere that is not the most conducive for visitors and members of the community. The Kanoelehua Industrial Area which is adjacent to the Hilo Airport and home to many small businesses has suffered the same fate due to the fact that many leases have less than 10 years left. The area is in need of a coordinated redevelopment which may include upgrades and expansion of infrastructure that would encourage new investment such as roadways, utilities, improvement of existing facilities and parks.

HCDA is the only State agency that currently has the statutory authority to plan and implement the coordinated redevelopment of an area.

We strongly support the passage of H.B. 1479 HD 2 SD1.

Thank you for the opportunity to share our views on this important matter.

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, April 5, 2017 8:37 AM

To: WAM Testimony

Cc: craig@takamineconstruction.com

Subject: Submitted testimony for HB1479 on Apr 6, 2017 09:30AM

HB1479

Submitted on: 4/5/2017

Testimony for WAM on Apr 6, 2017 09:30AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Craig Takamine	Takamine Construction, Inc.	Support	No

Comments: My name is Craig Takamine and I am a small business owner that was born and raised in Hilo. I am in strong support of HB1479 which would establish the Hilo Community Economic District which would serve to revitalize the economy here. Here in East Hawaii we need more economic opportunities for our children, for our future. I believe that this would be the vehicle to do so. Mahalo for your consideration.

Please note that testimony submitted <u>less than 24 hours prior to the hearing</u>, 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.



HB1479 HD2 SD1

Senate Committee WAM Chair Jill N. Tokuda Vice Chair Donovan M. Dela Cruz

Aloha Chair Tokuda,

I am Garth Yamanaka, Committee chair for Government affairs for the Kanoelehua Industrial Area Association (KIAA). Established in 1968, KIAA is an active business association that is comprised of both small and large businesses and organizations within specific Hilo and Keaau boundaries. One of our goals is to advance the commercial and community interests of our member firms. Presently, we represent approximately 350 business members employing approximately 4,500 workers.

KIAA supports the purpose of this measure which is to establish the Hilo community economic district to facilitate efficient and effective improvement, and economic opportunity in the East Hawaii area. The current framework for leasing of public lands in the East Hawaii area has created an environment that is sub-par to market expectations. The passing of HB 1479 HD2 SD1 will help to push policy in the right direction as local expertise has an opportunity to be a part of this development authority which will help to start the process of revitalizing the East Hawaii economy.

We urge you to pass HB 1479 HD2 SD1 and Mahalo for this opportunity to provide testimony.

Mahalo,

Garth Yamanaka

Committee Chair for Government Affairs

KIAA



The following individuals express their support for the following:

HB1479 HD2 SD1

Name	Company	Address	Phone	Email	IP Address
Brian Nakano	Chika Nakano Repair Shop	90 Pookela st Hilo, HI 96720	808-935-1862	cnrs@interpac.net	98.155.11.107
David S. De Luz, Jr.	Big Island Toyota, Inc./De Luz Chevrolet	811 Kanoelehua Avenue Hilo, HI 96720	808-895-4284	djr@teamdeluz.com	74.87.59.244
Garth Yamanaka	Yamanaka Enterprises Inc	1266 Kamehameha Ave Hilo, HI 96720	808-935-9766	garthyama@gmail.com	72.253.170.140
Joni Y Uemura		792 Hualani Street Hilo, HI 96720	808-935-7220	JoniU@HawaiiForklift.com	72.130.231.180
Mike Nakashima	Rannikks Auto Specialists	843 Leilani Street Hilo, HI 96720	808-961-3889	rannikksmike@hawaii.rr.com	72.130.226.56
Neil Takeda		95-706 Lauawa Street Mililani, HI 96789	808-623-5020	takebasa@hotmail.com	64.29.88.4
Paul Muranaka	Hawaii Farm Services, LLC	1133 Manono St., Suite 1 Hilo, HI 96720	808-935-9009		72.253.7.14
Steve Handy Jr.	One Handy Subway Ltd.	1032 Kukuau Street Hilo, HI 96720	808-990-6335	seshandy@hawaii.rr.com	72.130.234.181
Welden K. Ahuna	Rainbow Isle Refrigeration & Air Conditioning, Inc.	831-H Leilani Street Hilo, HI 96720	808-935-4424	rainbowisle1@aol.com	72.234.33.139
Glenn Hara	THY & Associates, Inc.	16-151 Wiliama Street Keaau, HI 96749	808-966-5444	glenn@thyassociates.com	173.198.71.234

Jacqueline Watanabe	Big Island Toyota	811 Kanoelehua Ave Hilo HI 96720	808-895- 5099HB1479	jdeluz@teamdeluz.com	74.87.59.244	
			30991111479			
Craig Takamine	Takamine Construction, Inc.	1266 Kamehameha Ave	808-989-8044	craighilo@gmail.com	70.212.132.68	
Orang Takammic	Takamme Gonstraction, me.	Hilo, HI 96720	000 909 0044	Craiginio (o ginani.com	/0.212.152.00	
Vanny Ilmamata	Hilo Fish Company	55 Holumua Street	808-640-7684	kerry@hilofish.com	107.77.223.122	
Kerry Umamoto		Hilo, HI 96720	808-640-7684			
Catherine Yamanaka		428 Naniakea Street	0.00 0.00 0.00		241(2.21(2	
Catherine Yamanaka		Hilo. HI 96720	808-938-2141		24.162.2.163	
Com. C. Aguian	KIAA	820 Piialani St., Suite 201	0.00 0.00 7.100	i@l-il-il	((== = (=	
Cory C Aguiar	KIAA	Hilo, HI 96720	808-961-5422	caguiar@kiaahilo.org	66.91.0.61	
Classic Assertation		122 Kamehameha Ave	000 007 0000	kahele@sigzane.com	((01 100 01	
Charla Ann Kahele	Sig Zane Designs	Hilo, HI 96720	808-935-9980	Kanelewsigzane.com	66.91.178.21	

BUILD BETTER



MICHAEL K. FUJIMOTO – CHAIRMAN, PRESIDENT & CEO SHIPMAN BUSINESS PARK • 16-166 MELEKAHIWA STREET • KEAAU, HAWAII 96749 OFFICE (808) 966-5636 • CELL (808) 936-2373 • FAX (808) 966-7564

April 05, 2017

COMMITTEE ON WAYS AND MEANS Senator Jill N. Tokuda, Chair Senator Donovan M. Dela Cruz, Vice Chair

Testimony in Support of HB1479, HD2, SD1

Aloha Chair Tokuda,

Hawaii Planing Mill, Ltd. dba HPM Building Supply will be celebrating its 96th anniversary on August 8, 2017. We have over 320 employees and operate 8 facilities across Hawaii Island, Oahu and Kauai. Today we are a 100% employee-owned company and proud that all our success is returned to the communities we serve. Our roots are in Hilo, where HPM was founded in 1921. Since 1961, we have been a lessee of the State of Hawaii and were a recipient of one of the original "tidal wave" leases. The original 55-year lease term came up in 2016 and we have since been granted a 10-year lease extension which expires in 2026.

We respectfully ask for your support of HB1479 HD2 SD1. The opportunity to create the Hilo Community Economic District under HCDA finally brings forward a master plan for our community, which is much needed for our town's economic revitalization. We also appreciate that the proposed Hilo Community Economic District will include the Kanoelehua industrial area where our primary 5-acre Hilo customer center exists. This is important to us as this may allow HPM and other companies currently under lease with the DLNR to potentially renew our lease terms and make substantial improvements to our properties and facilities. Most importantly, we have confidence that the comprehensive nature of HB1479 HD2 SD1, its mechanisms for funding, as well as HCDA's resources and expertise provide the right ingredients to make meaningful and timely impact and will establish the economic foundation and engine for our future generations of our Hilo community to thrive.

Thank you for your support of this bill.

Mahalo,

Robert M. Fujimoto, Chairman of the Board Emeritus

Michael K. Fujimoto, Chairman and Chief Executive Officer

Jason R. Fujimoto, President & Chief Operating Officer

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, April 4, 2017 7:13 AM

To: WAM Testimony

Cc: kteger@hawaii.rr.com

Subject: Submitted testimony for HB1479 on Apr 6, 2017 09:30AM

HB1479

Submitted on: 4/4/2017

Testimony for WAM on Apr 6, 2017 09:30AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Katharine T. Cannon- Eger	Individual	Support	No

Comments: Strongly support measures to assist Hilo's economic future.

Please note that testimony submitted <u>less than 24 hours prior to the hearing</u>, 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.

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, April 4, 2017 6:00 AM

To: WAM Testimony
Cc: griffrost@gmail.com

Subject: Submitted testimony for HB1479 on Apr 6, 2017 09:30AM

HB1479

Submitted on: 4/4/2017

Testimony for WAM on Apr 6, 2017 09:30AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Grif Frost	Individual	Support	No

Comments: Aloha! The new board of the OceanFront 121 Residential Hotel, with 142 units at 121 Banyan Drive in Hilo (DBA of Country Club Hawaii Condo/Hotel), strongly supports the approval of HB 1479, to help our hotel's efforts to change from a "blighted" district into a vibrant district focused on helping people "THRIVE" in Hilo.

Please note that testimony submitted <u>less than 24 hours prior to the hearing</u>, 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.

From: mailinglist@capitol.hawaii.gov
Sent: Monday, April 3, 2017 6:31 PM

To: WAM Testimony

Cc: doug@shipmanlawhilo.com

Subject: *Submitted testimony for HB1479 on Apr 6, 2017 09:30AM*

HB1479

Submitted on: 4/3/2017

Testimony for WAM on Apr 6, 2017 09:30AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Douglass Adams	Individual	Support	No

Comments:

Please note that testimony submitted <u>less than 24 hours prior to the hearing</u>, 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.

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, April 4, 2017 1:39 PM

To: WAM Testimony

Cc: alinoue@hawaiiantel.net

Subject: Submitted testimony for HB1479 on Apr 6, 2017 09:30AM

HB1479

Submitted on: 4/4/2017

Testimony for WAM on Apr 6, 2017 09:30AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Al M. Inoue	Individual	Support	No

Comments: Ladies and Gentlemen: I was born and raised in Hilo. Early in my career I was an economic research analyst for the County of Hawaii. We need meaningful jobs in Hilo and East Hawaii. Our children are leaving for Oahu and the mainland because of this problem. The creation of this task force is an important first step. Your support for this bill will be appreciated. Thank you Al Inoue

Please note that testimony submitted <u>less than 24 hours prior to the hearing</u>, 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.

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, April 4, 2017 2:54 PM

To: WAM Testimony

Cc: hawaiifishingfanatic@gmail.com

Subject: Submitted testimony for HB1479 on Apr 6, 2017 09:30AM

HB1479

Submitted on: 4/4/2017

Testimony for WAM on Apr 6, 2017 09:30AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Don Aweau	Individual	Support	No

Comments: Reiterating my full support of bill, as a means to effectuate change in the economic development of the East Hawai'i/Hilo region. It is important to remember that the late Sen. Gil Kahele had pushed for further legislation, in the region, to make it easier for businesses to prosper with greater access to fed/state/county/ resources and funding for their waning infrastructure and facilities. It's time to make that commitment and realize the potential opportunities this measure will open for Hawai'i Island and the State of Hawai'i.

Please note that testimony submitted <u>less than 24 hours prior to the hearing</u>, 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.

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, April 5, 2017 10:33 AM

To: WAM Testimony

Cc: jwmccully54@gmail.com

Subject: Submitted testimony for HB1479 on Apr 6, 2017 09:30AM

HB1479

Submitted on: 4/5/2017

Testimony for WAM on Apr 6, 2017 09:30AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
James McCully	Individual	Support	No

Comments: Aloha Chalr Tokuda I write in Strong Support for HB1479 East Hawaii will benefit greatly through the planning and redevelopment opportunities this bill can provide. As a small businessman in Hilo I can speak with experience that the problems we face require statutory change in HRS171 and coordinated planning between the community and the state in so far as our current and future use of Public lands Mahalo for your support Jim McCully

Please note that testimony submitted <u>less than 24 hours prior to the hearing</u>, 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.