



HAWAII COMMUNITY
DEVELOPMENT AUTHORITY



David Y. Ige
Governor

John Whalen
Chairperson

Jesse K. Souki
Executive Director

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STATEMENT OF

JESSE K. SOUKI, EXECUTIVE DIRECTOR
HAWAII COMMUNITY DEVELOPMENT AUTHORITY

BEFORE THE

HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS,
AND THE HOUSE COMMITTEE ON TOURISM

ON

Friday, February 3, 2017

9:00 A.M.

State Capitol, Conference Room 309

in consideration of

**HB 1479 – RELATING TO THE HILO COMMUNITY ECONOMIC
DISTRICT**

Chairs Nakashima and Onishi, Vice Chairs Keohokalole and Tokioka and members of the committee.

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

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, to operate a satellite office in the Banyan Drive area would cost approximately \$100,000/year with initial start-up costs of \$50,000.

Thank you for the opportunity to provide comments on this proposal.

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 House Committees on
ECONOMIC DEVELOPMENT & BUSINESS
and
TOURISM**

**Friday, February 3, 2017
9:00 A.M.
State Capitol, Conference Room 309**

**In consideration of
HOUSE BILL 1479
RELATING TO HILO COMMUNITY ECONOMIC DISTRICT**

House Bill 1479 proposes to establish the Hilo Community Economic 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 Department of Land and Natural Resources (Department) offers the following comments on this bill.**

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.

The Legislative Reference Bureau (LRB) issued Report No. 2, Commercial Leasing of Public Lands: State Policies Regarding Leases Near End of Term. The LRB found the states had maximum lease terms and reviewed how the other states' leasing practices dealt with end of the term leases. The 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

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

KEKOA KALUHIWA
FIRST DEPUTY

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 RESOURCES ENFORCEMENT
ENGINEERING
FORESTRY AND WILDLIFE
HISTORIC PRESERVATION
KAHOOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS

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.

The proposed Hilo Community Economic District encompasses the Banyan Drive area and Kanoelehua Industrial Area of Hilo. With respect to Banyan Drive, although a number of properties are in poor condition, the Department points out that the Hilo Hawaiian Hotel, the Hilo Bay Café (former Nihon Restaurant site), and the Grand Naniloa Hotel are State leasehold properties that are in good condition, with Naniloa currently undergoing an extensive renovation. The long-term leases for Uncle Billy’s Hilo Bay Hotel (now the Pagoda Bay Hotel), Country Club Condominium (which is now a residential apartment building – not a condominium), and Reeds Bay all expired in 2016 and have been converted to month-to-month revocable permits. No new leases for these sites have issued yet because the Department has been working the County of Hawaii Banyan Drive Hawaii Redevelopment Authority (BDHRA), and prior to that the Banyan Drive Task Force, to develop a long term plan for the area. Once a long-term plan for Banyan Drive is settled on, the Department can issue new long-term resort leases for these properties, if that is what BDHRA ultimately supports.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), which requires the lessee to make substantial improvements to the premises to qualify for a lease extension. Although some of the leasehold improvements are not in good 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.

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

¹ 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. 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.

potentially greater rents than the State would receive for a ground lease alone,² 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 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. For the three properties on Banyan Drive currently on revocable permit, the Department has no objection to HCDA issuing new leases for these parcels under the proposed legislation.

Thank you for the opportunity to comment on this measure.

² The Department also examined the possibility consolidating smaller parcels in this area to put out to lease at auction as larger lots. The Department's consultant conducted a market study on the demand for industrial parcels in Hilo, a lot consolidation analysis, and a master lease analysis of multiple parcels.

Harry Kim
Mayor



Wil Okabe
Managing Director

Barbara J. Kossow
Deputy Managing Director

County of Hawai'i Office of the Mayor

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KONA: 74-5044 Ane Keohokalole Hwy., Bldg C • Kailua-Kona, Hawai'i 96740
(808) 323-4444 • Fax (808) 323-4440

Dear Chairs Nakashima and Onishi, and members:

Thank you for this opportunity to comment on HB 1479.

While we are discussing in-house how this bill would affect current Banyan Drive redevelopment efforts, the County of Hawaii generally supports HB1479. It is important that the County have a "seat at the table," and we appreciate that the bill provides for that.

We believe that the boundaries of the district should cover state-owned land only, over which the County has limited authority anyway.

It is important to the County that we not lose revenue generated through real property taxes on the land and improvements in question, and would appreciate assurance that County real property taxes continue to go to the County general fund, not to HCDA.

Respectfully submitted,

Wil Okabe
Managing Director
County of Hawaii

keohokalole2 - Anthony

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, January 31, 2017 8:45 PM
To: edbtestimony
Cc: phhlca@aol.com
Subject: Submitted testimony for HB1479 on Feb 3, 2017 09:00AM

HB1479

Submitted on: 1/31/2017

Testimony for EDB/TOU on Feb 3, 2017 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Bill Brown	Pana'ewa Hawaiian Home Lands Community Association	Support	No

Comments: Aloha Kakou, Pana'ewa community supports this measure for the betterment of the GREATER District Hilo with Hilo Community Economic District program. Mahalo, Bill Brown

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HB1479

House Committee, EDB/TOU
Chair EDB Mark Nakashima
Chair TOU Richard Onishi

Aloha Chair Nakashima & Onishi,

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 will help to push policy in the right direction as local expertise has an opportunity to be a part of a development authority with sole power over zoning, regulation, and planning in this area.

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

Mahalo,

Garth Yamanaka
Committee Chair for Government Affairs
KIAA

February 1, 2017

COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS

Rep. Mark M. Nakashima, Chair

Rep. Jarrett Keohokalole, Vice Chair

COMMITTEE ON TOURISM

Rep. Richard H.K. Onishi, Chair

Rep. James Kunane Tokioka, Vice Chair

Testimony in Support of HB1479

Aloha Chairs Nakashima and Onishi,

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. 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, 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



Japanese Chamber of Commerce & Industry of Hawaii

Testimony Presented Before the
House Committee on Tourism and
House Committee on Economic Development & Business
February 3, 2017 at 9:00am

Re: House Bill 1479 Relating to the Hilo Community Economic District

Representative Richard Onishi
Chairman of the House Committee on Tourism
Representative Mark Nakashima
Chairman of the House Committee on Economic Development & Business
Hawaii State Capital Room 309
415 S. Beretania Street
Honolulu, Hawaii 96813

Chairman Onishi, Chairman Nakashima and members of this committee,

My name is Audrey Takamine, committee chair for the Government Affairs committee for the Japanese Chamber of Commerce & Industry of Hawai'i. The Japanese Chamber of Commerce & Industry of Hawai'i has been incorporated since 1951 and represent 290 members of the business community. I would like to testify in **strong support of HB1479** which establishes the Hilo community economic district located in East Hawaii and places it under jurisdiction of the Hawaii community development authority. Establishes the Hilo community economic revolving fund. 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.

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. We are faced with many challenges. 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 Kanoiehua 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. We are sorely in need of an avenue to redevelop the Hilo area which will encourage new investment such as roadways, utilities, improvement of existing facilities and parks.



Japanese Chamber of Commerce & Industry of Hawaii

Thank you for the opportunity to testify on this measure. We urge the committee to strongly support this resolution which would greatly benefit the visitors and residents of Hawaii Island.

Sincerely,

Audrey N. Takamine
Japanese Chamber of Commerce & Industry of Hawai'i
GAC Chairperson
1st Vice President

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 1, 2017 11:24 AM
To: edbtestimony
Cc: garthyama@gmail.com
Subject: Submitted testimony for HB1479 on Feb 3, 2017 09:00AM

HB1479

Submitted on: 2/1/2017

Testimony for EDB/TOU on Feb 3, 2017 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Garth Yamanaka	Individual	Support	No

Comments: As a resident of Hilo who was born/raised and now as a father and family man hoping to be able to raise my 3 kids here I want to urge you to please give strong consideration to HB 1479 that will be heard by EDB/TOU We have a young group of leaders emerging that are bringing energy to our community and I want to show support to their ideas as I believe they are good ideas for us.
Mahalo, Garth Yamanaka

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keohokalole2 - Anthony

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 1, 2017 1:30 PM
To: edbtestimony
Cc: andrew_chun@ktasuperstores.com
Subject: *Submitted testimony for HB1479 on Feb 3, 2017 09:00AM*

HB1479

Submitted on: 2/1/2017

Testimony for EDB/TOU on Feb 3, 2017 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Andrew Chun	Individual	Support	No

Comments:

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Testimony Presented Before the
House Committee on Tourism and House Committee on Economic Development and Business
February 3, 2017 at 9:00am

Re: House Bill 1479 Relating to the Hilo Community Economic District

Representative Richard Onishi Chairman of the House Water and Land Committee
Representative Mark Nakashima Chairman of the House Committee on Economic Development
and Business
Hawaii State Capital Room 309
415 S. Beretania Street
Honolulu, Hawaii 96813

Chairman Onishi, Chairman Nakashima and members of these committees,

My name is Craig Takamine. I was born and raised in Hilo and operate a small business here along with my wife Audrey. I would like to testify in **strong support of HB1479** which establishes the Hilo community economic district located in East Hawaii and places it under jurisdiction of the Hawaii community development authority. Establishes the Hilo community economic revolving fund. 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.

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. We are faced with many challenges. 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 Kanoiehua 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. We are sorely in need of an avenue to redevelop the Hilo area which will encourage new investment such as roadways, utilities, improvement of existing facilities and parks.

Thank you for the opportunity to testify on this measure. We urge the committee to strongly support this resolution which would greatly benefit the visitors and residents of Hawaii Island.

Sincerely,
Craig Takamine

keohokalole2 - Anthony

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 2, 2017 2:10 PM
To: edbtestimony
Cc: dkakiona@aol.com
Subject: Submitted testimony for HB1479 on Feb 3, 2017 09:00AM

HB1479

Submitted on: 2/2/2017

Testimony for EDB/TOU on Feb 3, 2017 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Deron Akiona	Individual	Support	Yes

Comments: Will submit written testimony at the Hearing.

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From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 2, 2017 10:37 AM
To: edbtestimony
Cc: greenhi3@yahoo.com
Subject: Submitted testimony for HB1479 on Feb 3, 2017 09:00AM

HB1479

Submitted on: 2/2/2017

Testimony for EDB/TOU on Feb 3, 2017 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Phil Barnes	Individual	Support	No

Comments: HB1479 is an important step forward in revitalizing this hub of business and potential cultural activity. This area is in need of a new management paradigm. A large section of this area with it's park like layout and ocean access could be a major driver of both economic development and cultural activities for both local residents and tourist alike. As an owner of 4 vacation rental properties the draw that this reagon can create for increased tourism opportunities is dramatic. The industrial area is also in need of serious attention to bring it's commercial potential to fruition. 808-825-3122.

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McCully Works

40 Kamehameha Ave.

Hilo, Hi. 96720

HB 1479: Testimony in SUPPORT

House Committee, Economic Development & Business

Chair, Mark Nakashima

Vice-Chair, Jarrett Keohokalole

House Committee, Tourism

Chair, Richard Onishi

Vice Chair, James Tokioka

Aloha Mark and Richard,

First I'd like to state how appreciative I am of the bills that have been drafted by our East Hawaii caucus this session. I want to thank each of you for your efforts and commitment.

Establishing a Hilo Community Economic District (HCED) under existing HRS206E could be a game changer (finally!) for East Hawaii. Any bill that has the capacity to jumpstart Hilo, both in terms of business development and tourism deserves our complete support.

While the Banyan Drive Redevelopment Agency established by the County of Hawaii under HRS53 is a significant step in the right direction to properly manage Banyan Drive it is a very large task for the County to take on in an efficient way. The County budget capacity, existing agency support, as well as administrative experience could perhaps be enhanced through HCDA involvement. In that context the one authority may not necessarily preclude the other. The reason for the new HCED would be that East Hawaii's problem is larger than just Banyan Drive and the tourism industry.

This bill envisions a much larger area for planning and redevelopment, in essence all the economic lands in urban Hilo that were affected by or developed as the consequence of our Tsunami of May 23, 1960. In particular the public lands in the KIAA that are in the latter stages of their leases have fallen into economic obsolescence. These "wasting assets" are to the detriment of the business owners, our customers, and finally the state of Hawaii at large. Public lands that are not used on an optimal basis are a shameful waste of our resources and statutory reform that can correct these deficiencies is sorely needed.

With the best of our intentions in place I'm sure we can resolve any conflicts and do our best for Banyan Drive, the KIAA, and all the underutilized public lands. Please support HB1479.

Mahalo,

James McCully

keohokalole2 - Anthony

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 1, 2017 5:58 PM
To: edbtestimony
Cc: cnrs@interpac.net
Subject: Submitted testimony for HB1479 on Feb 3, 2017 09:00AM

HB1479

Submitted on: 2/1/2017

Testimony for EDB/TOU on Feb 3, 2017 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
brian nakano	Chika Nakano Repair Shop	Support	No

Comments: Please support this bill

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From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 1, 2017 3:44 PM
To: edbtestimony
Cc: steve.ueda@suisan.com
Subject: Submitted testimony for HB1479 on Feb 3, 2017 09:00AM

HB1479

Submitted on: 2/1/2017

Testimony for EDB/TOU on Feb 3, 2017 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Steve Ueda	Individual	Support	No

Comments: I support this bill. I believe that the creation of the Hilo Community Development District will lead to better planning and much needed investment in Hilo.

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keohokalole2 - Anthony

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 1, 2017 2:19 PM
To: edbtestimony
Cc: sue.leeloy@hawaiicounty.gov
Subject: Submitted testimony for HB1479 on Feb 3, 2017 09:00AM

HB1479

Submitted on: 2/1/2017

Testimony for EDB/TOU on Feb 3, 2017 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Susan L.K. Lee Loy	Individual	Support	Yes

Comments: In strong support of this measure.

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HAWAII LABORERS-EMPLOYERS COOPERATION AND EDUCATION TRUST
650 Iwilei Road, Suite 285 · Honolulu, HI 96817 · Phone: 808-845-3238 · Fax: 808-845-8300

**TESTIMONY OF HAWAII LECET
CLYDE T. HAYASHI - DIRECTOR**

HOUSE OF REPRESENTATIVES
THE TWENTY-NINTH LEGISLATURE
REGULAR SESSION OF 2017

COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS

Rep. Mark M. Nakashima, Chair
Rep. Jarrett Keohokalole, Vice Chair

COMMITTEE ON TOURISM

Rep. Richard H.K. Onishi, Chair
Rep. James Kunane Tokioka, Vice Chair

NOTICE OF HEARING

DATE: Friday, February 3, 2017
TIME: 9 AM
PLACE: Conference Room 309
State Capitol
415 South Beretania Street

TESTIMONY ON HOUSE BILL NO. 1479, RELATING TO THE HILO COMMUNITY ECONOMIC DISTRICT.

ALOHA COMMITTEE CHAIR MARK NAKASHIMA, COMMITTEE CHAIR RICHAR ONISHI, AND MEMBERS OF BOTH COMMITTEES:

My name is Clyde T. Hayashi and I am the Director of Hawaii LECET. Hawaii LECET is a labor-management partnership between the Hawaii Laborers Union, Local 368, and its unionized contractors.

Mahalo for the opportunity to testify in **SUPPORT** of House Bill No. 1479, especially on behalf of over 300 members and their families and our many contractors who call the Big Island home. This bill proposes to establish the Hilo Community Economic District and places it under the jurisdiction of the Hawaii Community Development Authority.

We support establishing the Hilo Community Economic District and placing it under the HCDA. The HCDA should be able to better focus on managing the state lands for the betterment of East Hawaii and address the long standing problems of uncertain futures that lessees now experience. The HCDA will be able to better address the need for infrastructure improvements. If done well, it has the potential to lead to economic development in East Hawaii with improved hotel, commercial, and industrial facilities. It may also lead to increased affordable housing, improved parks and open space, and better public facilities

For these reasons, we **support** House Bill No. 1479.



HAWAII ISLAND REALTORS®

THE VOICE OF REAL ESTATE ON THE ISLAND OF HAWAII

1321 Kino`ole Avenue, Hilo, HI 96720 (808) 935-0827 Fax: (808) 935-4924
Email: admin@hawaiiislandrealtors.org Website: www.hawaiiislandrealtors.org

February 2, 2017

The Honorable Mark Nakashima, Chair
House Committee on Economic Development & Business
State Capitol, Room 406
Honolulu, Hawaii 96813

LATE

RE: H.B. 1479 Relating to the Hilo Community Economic District

HEARING: Friday, February 3, 2017, at 9:00 a.m.

Aloha Chair Nakashima, Vice Chair Keohokalole, and Members of the Committee,

I am Pat Halpern, 2017 President, offering testimony on behalf of Hawai`i Island REALTORS® (HIR), the voice of real estate on Hawai`i Island and its 550 members. Hawai`i Island REALTORS® speaks in **STRONG SUPPORT** of HB 1479 and its senate companion SB 1292 which seek to establish the Hilo community economic district (East Hawai`i) placing it under the authority of the HCDA.

The lessees of the areas defined in the Hilo Community Economic District, fee simple neighbors to these lessees, and the Hilo Community are greatly encouraged by the introduction of this long overdue measure. The uncertainty of lease extensions, planning and management of these public lands exacerbates the “blighted” conditions of these areas and impacts the day to day lives of East Hawai`i visitors, residents and business owners.

Many of the circumstances that faced the State of Hawaii and the City & County of Honolulu when the future of Kaka`ako was at risk can be related to the issues of the Waiakea Peninsula (Banyan Drive) and Kanoelehua Industrial Area. Existing regulations and state policies do not address the needs of the Hilo business operating on Public Lands resulting in a less-than-thriving commercial zone and ultimately a reduction of income to the State of Hawaii from leases paid at appropriate terms and conditions as well as increased TAT revenue from a revitalized hotel and resort area.

By including the areas referenced in HB 1479 in the existing act that allows HCDA oversight, East Hawaii is hopeful to see a revitalized urban area that is currently underused and deteriorating – the intention of the 1976 HCDA legislation.

Hawai`i Island REALTORS® supports legislation that makes the economic growth and revitalization of Hilo possible and acknowledges the needs of the many small, multi-generational, family owned businesses who are the fabric of our community. Please pass this bill forward for full house consideration.

Thank you for the opportunity to **support** the creation of Hilo Community Economic District.



LATE

HB1479
RELATING TO THE HILO COMMUNITY DISTRICT
House Committee on Economic Development & Business
House Committee on Tourism

February 3, 2017

9:00 a.m.

Conference Room 309

The Office of Hawaiian Affairs (OHA) Beneficiary Advocacy and Empowerment Committee will recommend that the Board of Trustees offer **COMMENTS** on HB1479. HB1479 would establish the Hilo community economic district under the jurisdiction of the Hawai'i Community Development Authority (HCDA), and require all revenue, income, and receipts from the district to be deposited into various funds.

OHA has identified lands within the proposed Hilo community economic district as public land trust lands from which OHA derives its constitutionally-mandated pro-rata portion of public land trust revenue. HB1479 provides that "all revenue, income, and receipts of the authority for the district shall be deposited into the Hilo community economic revolving fund," with a percentage allocated to the special land and development fund. OHA is concerned that the bill's aforementioned language may impact OHA revenue and ultimately our statutory obligation to OHA beneficiaries. OHA recommends that HB1479 should clarify that, to the extent that lands of the contemplated Hilo community economic district may be public land trust lands, the HCDA must comply with OHA's right to the constitutionally-mandated pro-rata portion of public land trust revenues. OHA offers the following language to address this issue:

"Notwithstanding any provision of this chapter to the contrary, the initiative shall be subject to Act 178, Session Laws of Hawai'i 2006, or any other law that provides for the office of Hawaiian affairs' pro rata portion of the public land trust, pursuant to article XII, section 6 of the state constitution, and section 10-3."

Mahalo for the opportunity to testify on this measure.

LATE

**HAWAII OPERATING ENGINEERS
INDUSTRY STABILIZATION FUND**



*Uniting our strengths and working together
for a better tomorrow.*

Affiliated AFL-CIO
OPEIU - 8 - AFL-CIO (8)

February 2, 2017

Committee on Economic Development & Business

Honorable Representative Mark M. Nakashima, Chair

Honorable Representative Jarrett Keohokalole, Vice Chair

Honorable Members of the House Committee on Economic Development & Business

Committee on Tourism

Honorable Representative Richard H.K. Onishi, Chair

Honorable Representative James Kunane Tokioka, Vice Chair

Honorable Members of the House Committee on Tourism

RE: **SUPPORT OF H.B. 1479 RELATING TO HILO COMMUNITY ECONOMIC DISTRICT**

Dear Chair Nakashima and Vice Chair Keohokalole and Members of the House Committee on Economic Development, and Chair Onishi, Vice Chair Tokioka, and Members of the House Committee on Tourism,

Hawaii Operating Engineers Industry Stabilization Fund **supports** H.B. 1479, relating to the Hilo Community Economic District.

The Hawaii Operating Engineers Industry Stabilization Fund (HOEISF) is a labor management fund representing 4000 unionized members in the heavy engineering site work and 500 general contractors specializing in heavy site and vertical construction.

The Problem:

Under current laws, many public land lessees face uncertain futures following expiration of their leases. These lessees have little incentive to make major investments in infrastructural improvements. Thus, the infrastructure and facilities on public lands in East Hawaii have been deteriorating in many locations.

The Banyan Drive area on the Waiakea Peninsula in East Hawaii, Wailoa State Park, Wailoa Estuary, and the commercial leases in the Kanoiehua Industrial Area are currently facing this difficult challenge. Due to the uncertainty regarding continued tenancy, improvements have not been made and infrastructure has deteriorated. This deterioration will have the following negative effects.

- The economic vitality of the area will begin to decline as businesses relocate to other areas of the island. This will lead to a loss of jobs in the community and an increase of workers traveling to work in other areas or an outright migration of residents to more prosperous towns.

- The general way of life will forever be changed in East Hawaii. Families that have been there for generations will either commute long distances for work, thus spending less time with their families, or move to other areas, leaving behind their ancestral lands.
- This deterioration will also have a negative impact on Tourism and visitor arrivals. Visitor expectations of a beautiful and vibrant community portrayed in advertisements will not match the reality they experience when they arrive to East Hawaii. This will lead to a lower average daily spend by visitors. This could also lead to safety concerns for visitors and their accompanying families.

The Solution:

The State has a fiduciary duty to manage state lands in the best interests of the public by enhancing state revenues and promoting social, environmental, and economic well-being of Hawaii's people. Establishing the Hilo community economic district is a **key step** to facilitating efficient and effective improvement, economic opportunity, and way of life in the area.

Therefore, the Hawaii Operating Engineers Industry Stabilization Fund strongly supports H.B. 1479, relating to the Hilo Community Economic District.

Sincerely,

A handwritten signature in black ink that reads "Pane Meatoga III". The signature is written in a cursive style with a horizontal line extending from the end.

Pane Meatoga III
Community Liaison
Hawaii Operating Engineers Industry Stabilization Fund

DAVID Y. IGE
GOVERNOR
STATE OF HAWAII



JOBIE M. K. MASAGATANI
CHAIRMAN
HAWAIIAN HOMES COMMISSION

SHAN S. TSUTSUI
LT. GOVERNOR
STATE OF HAWAII

WILLIAM J. AILA, JR.
DEPUTY TO THE CHAIRMAN

**STATE OF HAWAII
DEPARTMENT OF HAWAIIAN HOME LANDS**

P. O. BOX 1879
HONOLULU, HAWAII 96805

LATE

**TESTIMONY OF JOBIE M. K. MASAGATANI, CHAIRMAN
HAWAIIAN HOMES COMMISSION
BEFORE THE HOUSE COMMITTEES ON ECONOMIC DEVELOPMENT & BUSINESS
AND TOURISM**

COMMENTS

HB 1479 RELATING TO THE HILO COMMUNITY ECONOMIC DISTRICT

February 3, 2017

Aloha Chairs Nakashima & Onishi and members of the Committee:

The Department of Hawaiian Home Lands (DHHL) offers comments on this bill that establishes the Hilo community economic district located in East Hawaii and places it under the jurisdiction of the Hawaii community development authority (HCDA). DHHL supports the intent of the bill to facilitate efficient and effective improvement and economic opportunity in Hilo, but takes no position as to the establishment of the Hilo community economic district and its placement under the jurisdiction of HCDA. DHHL's interest in this bill is due to its industrial land holdings in the Kanoiehua Industrial Area. Since the use and disposition of Hawaiian Home Lands is under the exclusive jurisdiction of the Hawaiian Homes Commission and the Hawaiian Homes Commission Act, as amended, DHHL cannot support the local redevelopment authority's ability to lease Hawaiian Home lands located within the Hilo community economic district.

Thank you for your consideration of our testimony

LATE

Honorable Representatives:

My name is Michael Shewmaker, My wife, Keiko and I own one of the most successful businesses in Downtown Hilo as well as two leasehold properties in the Hilo Industrial Area. Our nearly forty years of doing business in Hilo have given us a deep love and concern for our community.

We would most appreciate your support for HB1479 establishing a Hilo Community Economic District. Establishment of this district will allow those in our community to determine the destiny of our community. We have been held in limbo for too many years because nearly all of our commercial, industrial and resort zoned lands are leasehold properties held by the State of Hawaii and Hawaiian Homes.

As strange as it may seem Hilo suffers every day from the Tsunami of 1960. That dreadful wave cut through the heart of the city and stripped us of our vital, fee simple commercial and industrial lands. In order to insure survival of the city these lands were replaced by State owned leasehold parcels in the Waiakea area. This permanently removed the ability of the small business owner to build equity in their property; one of primary ways the small guy has always depended on to get ahead. Now there are just a few years remaining on these leases, the buildings are in disrepair and no viable way to refurbish the community is available to us. Without leasehold reform Hilo and more specifically the Hilo Industrial Area and the Banyan Drive area will remain stagnant.

Thank you for your consideration.

Sincerely,

Michael Shewmaker