

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 Committee on
WATER & LAND**

**Friday, February 3, 2017
9:00 A.M.
State Capitol, Conference Room 325**

**In consideration of
HOUSE BILL 575
RELATING TO PUBLIC LANDS**

House Bill 575 proposes to allow the Board of Land and Natural Resources to extend commercial, hotel, resort and industrial leases when the lessee makes qualifying substantial improvements to the leased land. **The Department of Land and Natural Resources (Department) offers the following comments on this measure.**

Under Chapter 171, Hawaii Revised Statutes, 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 575 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 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

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

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 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 does note an ambiguity in the measure regarding the value of improvements required by a lessee to qualify for a lease extension. At page 5, lines 10-17, House Bill 575 defines "substantial improvements" to mean "any renovation, rehabilitation, reconstruction, or construction of the demised premises, including minimum requirements for off-site improvements, the cost of which equals or exceeds fifty per cent of the market value of the demised premises" As used in the definition, "demised premises" could mean land and improvements. In contrast, Act 219 specified that the lessee's investment had to equal or exceed fifty per cent of the market value of the existing improvements on the property (excluding land value).

Thank you for the opportunity to comment on this measure.

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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Dear Chair Yamane and members:

Thank you for this opportunity to comment on HB 575.

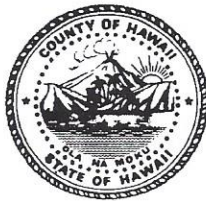
The County of Hawaii is in support of HB575. Our understanding is that this bill is a continuation of a bill enacted in 2011, Act 219, which allowed resort and hotel leases to be extended beyond the limit that normally restricts public land leases used for economic purposes. We believe that Act 219 was successful in meeting legitimate economic development needs, and therefore support its application to other leases used for economic purposes.

Respectfully submitted,

Wil Okabe
Managing Director
County of Hawaii

LATE

From the office of -
Council Member
District 3



Office: (808) 961-8396
Fax: (808) 961-8912
Email: sue.leeloy@hawaiiicounty.gov

SUSAN L.K. LEE LOY

25 Aupuni Street, Hilo, Hawai'i 96720

February 2, 2017

To: Chairman Ryan Yamane and members of the House Committee on Water and Land

From: Council Member Sue Lee Loy, District 3, Hawaii County Council

Re: HB 575 Relating to Public Lands

Chair Yamane and members of the Committee attached to my written testimony this morning is a resolution sponsored by Council Member Sue Lee Loy of Council District 3 in Hilo and Council Member Aaron Chun of Council District 2. The Resolution will be heard on February 22, 2017 in Hilo. It is expected to have unanimous support of the 9 council members from the County of Hawaii.

We ask for your strong unanimous support for HB 575.

Mahalo,

A handwritten signature in black ink, appearing to be "Sue Lee Loy", written over the printed name.

Sue Lee Loy



RESOLUTION NO. _____

A RESOLUTION URGING THE HAWAI'I STATE LEGISLATURE TO PASS LEGISLATION TO REVITALIZE THE CITY OF HILO AND EAST HAWAI'I.

WHEREAS, there are eight bills currently being discussed in the Hawai'i State Legislature that will provide much needed stimulus and revitalization to Hilo and East Hawai'i; and

WHEREAS, Senate Bill 274 and its companion House Bill 575 authorizes the Board of Land and Natural Resources to extend commercial, hotel, resort, and industrial leases when the lessees make qualifying substantial improvement to the leased land; and

WHEREAS, Senate Bill 1184 and its companion House Bill 1310 establishes the Waiākea Peninsula Redevelopment District, Planning Committee, and Revolving Fund; and

WHEREAS, Senate Bill 1185 and its companion House Bill 1469 establishes procedures for designating public land redevelopment districts, planning committees, district redevelopment plans, and designated redevelopment district revolving funds, establishes powers and duties of planning committees, modifies public land lease restrictions and appropriates funds; and

WHEREAS, Senate Bill 1292 and its companion House Bill 1479 establishes the Hilo Community Economic District located in East Hawai'i and places it under the jurisdiction of the Hawai'i Community Development Authority, establishes the Hilo Community Economic Revolving Fund and sets its funding requirements; and

WHEREAS, under current laws and procedures, there has been little incentive for the lessees of State-owned properties to make major investments in improvements to the infrastructure and facilities on these public lands, resulting in the deterioration and stagnation of business; and

WHEREAS, State-owned properties in East Hawai'i, and in Hilo in particular, present an opportunity for the revitalization and redevelopment of the area's economy; and

WHEREAS, the Hawai'i County Council strongly supports all bills introduced in the current session of the Legislature and supports any legislation that will bring much needed revitalization and stimulus to the Banyan Drive and Kanoolehua Industrial Area; and

WHEREAS, the Hawai'i County Council is in support of allowing Hawai'i County to provide input and be involved in discussions regarding planning for the future of State-owned properties in Hilo and East Hawai'i to facilitate the revitalization and stimulation of our economy; now, therefore,

BE IT RESOLVED BY THE COUNCIL OF THE COUNTY OF HAWAI'I that the Hawai'i State Legislature is urged to pass legislation to revitalize the City of Hilo and East Hawai'i.

BE IT FURTHER RESOLVED that these bills are of the highest importance to the people of East Hawai'i, and to the economic growth of our Island.

BE IT FINALLY RESOLVED that the County Clerk shall transmit a copy of this resolution to the Honorable Governor David Y. Ige; all Hawai'i State Senators and Representatives; Suzanne D. Case, Chairperson, Department of Land and Natural Resources; Luis P. Salaveria, Director of the Department of Business, Economic Development and Tourism; Jobie M. K. Masagatani, Director of Department of Hawaiian Home Lands; Ford Fuchigami, Director, Department of Transportation; Jesse K. Souki, Executive Director, Hawai'i Community Development Authority; the Honorable Mayor Harry Kim; Michael Yee, Director, Hawai'i County Planning Department; Brian De Lima, Chair, Banyan Drive Hawai'i Redevelopment Agency; Albert Alapaki Nahale-a, Director, Kamehameha Schools-Hawai'i Island; Jacqui Hoover, Executive Director, Hawai'i Island Economic Development Board; David De Luz Jr., President, Kanoelehua Industrial Area Association; Mike Kaleikini, President, Hawai'i Island Chamber of Commerce; and Russell M. Arikawa, President, Japanese Chamber of Commerce and Industry of Hawai'i.

Dated at _____, Hawai'i, this _____ day of _____, 20__.

INTRODUCED BY:



 COUNCIL MEMBER, COUNTY OF HAWAI'I



 COUNCIL MEMBER, COUNTY OF HAWAI'I

COUNTY COUNCIL
 County of Hawai'i
 Hilo, Hawai'i

I hereby certify that the foregoing RESOLUTION was by the vote indicated to the right hereof adopted by the COUNCIL of the County of Hawai'i on _____.

ATTEST:

COUNTY CLERK CHAIRPERSON & PRESIDING OFFICER

ROLL CALL VOTE

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DAVID				
EOFF				
KANUHA				
LEE LOY				
O'HARA				
POINDEXTER				
RICHARDS				
RUGGLES				

Reference: _____

RESOLUTION NO. _____



Japanese Chamber of Commerce & Industry of Hawaii

Testimony Presented Before the
House Committee on Water and Land
February 3, 2017 at 9:00am

Re: Statement in Support of House Bill 575 Relating to Public Lands

Representative Ryan Yamane
Chairman of the House Water and Land Committee
Hawaii State Capital Room 325
415 S. Beretania Street
Honolulu, Hawaii 96813

Chairman Yamane, Vice Chair Kong and members of this committee,

My name is Audrey Takamine, committee chair for the Government Affairs committee with the Japanese Chamber of Commerce & Industry of Hawai'i (JCCIH). 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 HB575** which authorizes the BLNR to extend commercial, hotel, resort and industrial leases when a lessee makes qualifying substantial improvements to the leased land.

Here in Hilo, the State owns and manages approximately 90% of the resort and industrial lands. The Kanoelehua Industrial Area, which is adjacent to the airport is the home to many small businesses. Many of those leases have less than 10 years left and are set to expire in the near future. Therefore, lessees have not kept up with maintenance and repairs to their facilities allowing these areas to deteriorate and become blighted. Lease extensions for terms of 55 years would allow lessees to access capitol to improve their facilities which would provide construction jobs, promote tourism and support businesses in the surrounding areas.

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

HOUSE OF REPRESENTATIVES
Committee on Water and Land
Rep. Ryan I. Yamane, Chair
Rep. Sam Satoru Kong, Vice Chair
State Capitol, Conference Room 325
Friday, February 3, 2017; 9:00 a.m.

**STATEMENT OF THE ILWU LOCAL 142 ON H.B. 575
RELATING TO PUBLIC LANDS**

The ILWU Local 142 **supports** H.B. 575, which authorizes the Board of Land and Natural Resources to extend commercial, hotel, resort, and industrial leases when the lessee makes qualifying substantial improvements to the leased land.

The State currently leases state land to many entities for commercial, industrial, hotel, and resort purposes. These entities need assurance of tenancy before they will consider investing in improvements to the properties. Act 219, Session Laws of Hawaii 2011, provided for extension of state land leases for hotel or resort use with the approval of a proposed development agreement to make substantial improvements to existing improvements. However, the Act was repealed in 2015.

H.B. 575 will continue the intent of Act 219 and authorize the Board of Land and Natural Resources (BLNR) to extend leases for commercial, hotel, resort, and industrial leases, provided the lessee is able to demonstrate that substantial improvements will be made to the properties. The bill appears to broaden the scope of the proposed lease extensions not just to hotels and resorts but other businesses as well.

One example of leased property that will benefit from this authorization is the Banyan Drive area in Hilo. The area along Banyan Drive, which is prime oceanfront property and ideal for resort use, has sadly suffered from neglect for decades, partly due to the relatively short-term nature of the leases. With extended leases, the hotels along Banyan Drive will be incentivized to make needed improvements to upgrade their properties and can attract more visitors to the east side of the Big Island.

We recommend that an amendment be included to provide the employees of these lessees with job security when leases are issued or extended. As a case in point, the lease for Naniloa Resort was awarded to Ken Fujiyama and his company, Hawaii Outdoor Tours, several years ago as the lowest bidder. Promises were made that millions of dollars would be invested in improvements to the property, but those promises were not kept. Instead, the property was allowed to deteriorate even more than before, and most of the employees were laid off, resulting in the company's inability to provide proper maintenance of the property and adequate service to guests. While maintaining a fiduciary responsibility to state assets, the State also has a responsibility to consider the interests of the workers on properties leased by the State.

H.B. 575 will help to revitalize Hilo's Banyan Drive and other state lands in need of property improvements. The ILWU urges passage of H.B. 575. Thank you for the opportunity to testify on this measure.



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February 2, 2017

The Honorable Ryan Yamane, Chair
House Committee on Water & Land
State Capitol, Room 420
Honolulu, Hawaii 96813



RE: H.B. 575 Relating to Public Lands

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

Aloha Chair Yamane, Vice Chair Kong, 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® **SUPPORTS** H.B. 575 which authorizes the Board of Land and Natural Resources to extend commercial, hotel, resort and industrial leases when the lessee makes qualifying substantial improvements to the leased land.

HIR supports the intent of this bill, a continuation and expansion of Act 291, inasmuch as it will provide lessees the ability to reinvest in their businesses in the latter half of their term when leases become “wasting assets”.

Act 219 was enacted in 2011 with a 5-year sunset clause written into the bill; it was repealed in 2016. Under this Act, three leases – the Hilo Hawaiian Hotel, the Days Inn Kihei, and the Coral Reef Hotel in Kapa`a - were extended beyond their 65 year limit long enough so that they were able to amortize the cost of “substantial improvements” to their properties.

The passing of H.B. 575 will allow many of the business owners of leasehold properties in Hilo, primarily in the Waiakea Peninsula (Banyan Drive) and Kanoelehua Industrial Area to apply for lease extensions with the Board of Land and Natural Resources in order to justify investments without fear of not gaining a return on those investments.

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. We would like to see H.B. 575 pass through to full house consideration.

Mahalo for the opportunity to provide testimony in support of this measure.

Testimony before the House Committee On Water & Land

**By Leila Beals
Supervising Land Agent, Hawai'i Electric Light**

**Friday, February 3, 2017
9:00 a.m., Conference Room 325**

House Bill No. 575 –Relating to Public Lands

Chair Yamane, Vice Chair Kong and Members of the Committee:

My name is Leila Beals and I am testifying on behalf of the Hawaii Electric Light Company in support of HB 575.

HB 575 would authorize the Board of Land & Natural Resources to authorize the extension of commercial, hotel, resort, and industrial leases for the lessees' substantial improvement to the leased premises. The Hawaii Electric Light Company supports the bill for the following reason:

- Hawaii Electric Light Company currently has a State Lease No. S-3925 that expires on August 26, 2030. The area we are leasing is part of our Kanoelehua Baseyard which is our main area of operation. The leased area supports our generation, distribution, warehouse, maintenance, engineering and system operations. If enacted into law, this legislation will provide a means for Hawaii Electric Light Company to extend our lease, thus allowing us to continue our operations to serve the community.

Thank you for the opportunity to testify on this matter.

February 1, 2017

COMMITTEE ON WATER & LAND
Rep. Ryan I. Yamane, Chair
Rep. Sam Satoru Kong, Vice Chair

Testimony in Support of HB575

Aloha Chair Yamane,

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 urge your support of HB575 which will allow resort, commercial and industrial State of Hawaii leases to be extended beyond the current statutory limit of 65 years. A lease extension beyond the statutory 65 years will allow HPM and other companies in a similar predicament to make substantial improvements to our leaseholds which will enhance our abilities to better serve our communities and improve the appeal of our leaseholds in general. For many of us, the significant improvements that we envision will require bank financing and bank financing will require lease terms of at least 25 years.

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

kong2 - Crystal

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 1, 2017 5:59 PM
To: waltestimony
Cc: cnrs@interpac.net
Subject: Submitted testimony for HB575 on Feb 3, 2017 09:00AM

HB575

Submitted on: 2/1/2017

Testimony for WAL on Feb 3, 2017 09:00AM in Conference Room 325

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

Comments: Please support this bill

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

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LATE

February 2, 2017

Senate Committee on Water and Land
Honorable Chair Ryan L. Yamane
Honorable Vice Chair Sam S. Kong
State Capitol
Honolulu, Hawaii 96813

Re: HB 575- Public Lands: Leases: Board of Land and Natural Resources

Dear Chair Yamane, Vice Chair Kong and Committee Members,

My name is David S. De Luz, Jr. and along with my family, we have been in business on the Big Island and in Hilo for over 60+ years.

The reason I **STRONGLY** support HB 575 is that it supports the purpose to serve the public use and the public purpose of state lands used for commercial purposes by authorizing the BLNR to the capacity/ability to authorize the extension of commercial, hotel, resort, and industrial leases for the lessee’s ability to do substantial improvements to the leased premises. Because the state IS the major land owner of these types of properties in our Hilo community, there is significant impact with the current rules in place to allow for a more vibrant economic opportunity.

The current rules, as administered by BLNR for the leasing of these public lands in the East Hawaii area has created an environment that sub-par to market needs and expectations and the passing of HB 575 will help to push policy in the right direction as it will help to rejuvenate properties on these state lands that have become dilapidated, obsolete, and/or deteriorated in our Hilo community.

I appreciate and thank you for this opportunity to present my **VERY STRONG** support for HB 575 and would appreciate your consideration in the support of this bill to so that we have the ability to revitalize the economic wellbeing and grow the future of our Hilo community.

Sincerely,

David S. De Luz, Jr.
Vice President of Special Projects

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HB575

House Committee, WAL
Chair Ryan Yamane
Vice Chair Sam Kong

Aloha Chair Yamane,

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 serve the public use and public purpose of state lands used for commercial purposes by authorizing the board of land and natural resources to authorize the extension of commercial, hotel, resort, and industrial leases for the lessee's substantial improvement to the leased premises. 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 575 will help to push policy in the right direction as it will help to rejuvenate properties on state lands that have become dilapidated, obsolete, or deteriorated in this area.

We urge you to pass HB 575 and Mahalo for this opportunity to provide testimony.

Mahalo,

Garth Yamanaka
Committee Chair for Government Affairs
KIAA



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United to revive Hilo: Community urged to rally behind bills to spur economic development

e-Edition

Published February 2, 2017 - 12:05am

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By IVY ASHE Hawaii Tribune-Herald

East Hawaii legislators are encouraging residents to stay active in efforts to pass a series of bills aimed at the long-term economic revitalization of Hilo.

More than 50 people representing organizations including the Kanoelehua Industrial Area Association, the Japanese Chamber of Commerce and Industry Hawaii and the Hawaii Island Economic Development Board turned out Tuesday night for a meeting to learn more about the measures and their goals.

Hawaii County Council members Aaron Chung and Sue Lee Loy also attended the meeting at the Hawaii Innovation Center.

"If we want to make an impact and make this happen, it requires our community to take action together," said Jason Fujimoto, senior vice president and COO of HPM Building Supply.

Taken as a whole, the bills address one of the biggest challenges facing many Hilo business owners: the impending expiration of the state leases for their properties.

The Kanoelehua Industrial Area is unique statewide because nearly all lessees there have the same term, which began after the 1960 tsunami. Businesses destroyed by the tsunami were moved inland to their current locations.

The leases have a 65-year term and are set to expire in 2026.

One pair of bills, Senate Bill 274 and House Bill 575, would amend the Hawaii Revised Statutes, allowing the state Board of Land and Natural Resources to extend leases beyond that term, provided lessees make improvements equal to 50 percent of the property's value.

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Such a program existed from 2011-15 in the form of Act 219, but the bills state that because it expired, "the future tenure of these public lands is, once again uncertain."

"The two are intertwined," said KIAA member Jim McCully about the revitalization and lease terms. "You can't (solve) one without solving the problems of the other."

SB 1185 and its companion, HB 1469, also would add to the state statutes by establishing a procedure for creating public land redevelopment districts. A related pairing, SB 1184 and HB 1310, would create a Waiakea Peninsula Redevelopment District.

A fourth pair of bills, SB 1292/HB 1479, would designate the Kanoolehua Industrial Area, the Waiakea Peninsula and Wailoa River State Park as a community economic district.

This would place the area under the management of the Hawaii Community Development Authority and allow it to use rents from the state leases to fund improvements. There are three other community economic districts statewide, all on Oahu.

State Sen. Kei Kahele, D-Hilo, who introduced SB 1292 and attended Tuesday's meeting, said he spoke with HCDA Executive Director Jesse Souki about the initiative and received positive feedback.

He stressed that the bill package was a joint effort of all East Hawaii legislators — Sen. Lorraine Inouye and Reps. Mark Nakashima, Richard Onishi and Chris Todd — and that it now needed to become the "community's bill."

"We need to send a message that East Hawaii Island is united behind something that is better for Hilo," Kahele said.

It's not the first time legislators tried to direct state attention to the lease problem, but those efforts have not always been successful.

"The sad part is that I've been working on this since I was elected in 1998," Inouye told the Tribune-Herald on Wednesday. She said county representatives and the mayor's office also would need to be involved.

"We need some economic development or viable industries to occur in the next five years," Inouye said.

McCully said an ad hoc committee would be created to help provide testimony for the bills once they are scheduled for hearings.

HB 575 and HB 1292 are scheduled for Friday morning hearings before the Water and Land Committee and Economic Development and Business/Tourism committees, respectively.

"Hilo people are real, we're there, and we want results," McCully said. "We want to see some development occur that promotes our community."

Last year, the Banyan Drive Redevelopment Agency was created to address economic development for that specific area, which was declared blighted. The five-member board approved a conceptual plan in November and the Hawaii County Planning Department is moving ahead with commissioning an environmental statement for possible renewal projects.

Still, the board does not have direct funding for its proposals and would have to go back to the Land Board regarding lease agreements.

Banyan Drive Redevelopment Agency board chairman Brian Delima attended the Tuesday meeting and said he was in support of the new bills because they focused on the big picture as well as the concerns of the agency.

"We've got to be all-encompassing and take advantage of all the assets of Hilo," he said. "I feel good about our future, and we've all got to work together. The bottom line is Hawaii is capital-poor. We need capital investment from elsewhere."

Email Ivy Ashe at iashe@hawaiitribune-herald.com.



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**Testimony to the House Committee on Water & Land
Friday, February 3, 2017 at 9:00 A.M.
Conference Room 325, State Capitol**

RE: HOUSE BILL 575 RELATING TO PUBLIC LANDS

Chair Yamane, Vice Chair Kong, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports** HB 575, which authorizes the board of land and natural resources to extend commercial, hotel, resort, and industrial leases when the lessee makes qualifying substantial improvements to the leased land.

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.

Historically, the State would allow for a maximum lease term of 65 years for the use of any state owned lands. The principle being that because it is a public asset, there should be a fair and open competition for the use of these assets.

The problem, which is not unique to the State of Hawaii, is that when lease have a fixed termination date, the lessee has no economic incentive to invest in the property over the last 10 to 15 years of the lease term. Lenders will also not loan funds for improvements to the lease hold property unless the remaining lease term is sufficient to secure the mortgage on the property. The result is a "disincentive" to the lessee to invest in the property and thus allowing for conditions to deteriorate at the end of the lease term.

While there needs to be concern on the open and competitive nature on the disposition of public lands, there also needs to be some realization that healthy businesses, many of whom are significant contributors to the community, are unable to invest in improvements to their lease hold properties as the lease term near expiration.

We believe the proposed bill provides a fair and equitable solution to the problem by having the existing lessee invest in "substantial improvements" to the lease hold property in order to qualify for a lease extension.

The proposed amendments to Chapter 171 HRS are long overdue. We support HB 575. Thank you for the opportunity to express our views on this matter.

McCully Works

40 Kamehameha Ave.

Hilo, Hi. 96720

HB 575: Testimony in SUPPORT

House Committee, Water and Land

Chair Ryan Yamane, D-37

Vice-Chair Sam Kong, D-33

Aloha Chair Yamane,

HB575 addresses a key feature to make economic use of state lands more efficient. Currently there is no option to extend a lease under HRS171-36 beyond 65 years. This has led to the deterioration of our business community's ability to be competitive in the market. The obvious examples are the hotels on public lands, in particular on Banyan Drive in Hilo. The legislature temporarily corrected that failure by passing what became Act 219, 2011 that enabled hotels the ability to extend their leases when they committed to making "substantial improvements". This has been used to great success by the Hilo Hawaiian Hotel in Hilo, the Coral Reef Hotel on Kauai, and the Days Inn Maui in Kihei. Those hotels invested app. Eight Million Dollars to improve their facilities and provide a better experience for our visitors to enjoy.

In 2012 the legislature sought to extend those same reforms to industrial and commercial public land leases with HB1671. Unfortunately Gov. Abercrombie then vetoed that bill.

The consequence of a lack of renewal or extension of leases beyond the statutory limitation of 65 years is that in the 2nd half of a lease term, or at anytime with less than 30 years remaining, the leasehold interest has become a "wasting asset". That is to say that there are prohibitive impediments to the rational use of the property when the improvements become non-mortgageable. This leads to a disincentive to utilize the properties efficiently and in a state that is as constrained as Hawaii is we simply cannot afford to utilize our lands at less than an optimal level.

HB575 fully protects the interests of the public and provides DLNR Land Division with a transparent process to manage our lands at their highest efficiency. Please support this bill and if you have any questions feel free to call me to discuss them.

Mahalo,

James McCully

McCully Works

40 Kamehameha Ave., Hilo, Hi. 96720

808-933-7000

waltestimony

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 1, 2017 1:08 PM
To: waltestimony
Cc: steve.ueda@suisan.com
Subject: Submitted testimony for HB575 on Feb 3, 2017 09:00AM

HB575

Submitted on: 2/1/2017

Testimony for WAL on Feb 3, 2017 09:00AM in Conference Room 325

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

Comments: I support this bill. Investment in our commercial and industrial areas is desperately needed. This bill will enable long-term leases to be established and will give businesses the confidence and stability they need to invest in East Hawaii.

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

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waltestimony

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 1, 2017 1:29 PM
To: waltestimony
Cc: andrew_chun@ktasuperstores.com
Subject: *Submitted testimony for HB575 on Feb 3, 2017 09:00AM*

HB575

Submitted on: 2/1/2017

Testimony for WAL on Feb 3, 2017 09:00AM in Conference Room 325

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 Water and Land
February 3, 2017 at 9:00am

Re: House bill 575 Relating to Public Lands

Representative Ryan Yamane
Chairman of the House Water and Land Committee
Hawaii State Capital Room 325
415 S. Beretania Street
Honolulu, Hawaii 96813

Chairman Yamane, Vice Chair Kong and members of this committee,

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 HB575** which authorizes the BLNR to extend commercial, hotel, resort and industrial leases when a lessee makes qualifying substantial improvements to the leased land.

Here in Hilo, the State owns and manages approximately 90% of the resort and industrial lands. The Kanoiehua Industrial Area, which is adjacent to the airport is the home to many small businesses. Many of those leases have less than 10 years left and are set to expire in the near future. Therefore, lessees have not kept up with maintenance and repairs to their facilities allowing these areas to deteriorate and become blighted. Lease extensions for terms of 55 years would allow lessees to access capitol to improve their facilities which would provide construction jobs, promote tourism and support businesses in the surrounding areas.

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

waltestimony

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 1, 2017 2:21 PM
To: waltestimony
Cc: sue.leeloy@hawaiicounty.gov
Subject: Submitted testimony for HB575 on Feb 3, 2017 09:00AM

HB575

Submitted on: 2/1/2017

Testimony for WAL on Feb 3, 2017 09:00AM in Conference Room 325

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

Comments: In strong support

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kong2 - Crystal

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 2, 2017 10:47 AM
To: waltestimony
Cc: greenhi3@yahoo.com
Subject: Submitted testimony for HB575 on Feb 3, 2017 09:00AM

HB575

Submitted on: 2/2/2017

Testimony for WAL on Feb 3, 2017 09:00AM in Conference Room 325

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

Comments: This Hilo area has been in a state of limbo for many years. Property owners have no economic incentive to improve their property as their lease is getting close to expiration. This bill will end this stagnation by allowing extended lease times to again make investment in the property worthwhile.

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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 HB575 making commercial leases eligible for extension with substantial improvements to the property. 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