



**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**

**Wednesday, March 15, 2017  
11:00 A.M.  
State Capitol, Conference Room 309**

**In consideration of  
SENATE BILL 1292, SENATE DRAFT 2  
RELATING TO HILO COMMUNITY ECONOMIC DISTRICT**

Senate Bill 1292, Senate Draft 2 proposes to establish the Hilo Community Economic District (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.**<sup>1</sup>

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.

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

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<sup>1</sup> According to Standing Committee Report No. 791, Senate Draft 2 of the bill restores this measure to the form in which it was originally introduced as Senate Bill 1292.

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 the BDHRA plan.<sup>2</sup>

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.<sup>3</sup> Although some of the leasehold improvements are not in good condition, a

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2 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. 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. These studies are publicly available on the Department's website at <http://dlnr.hawaii.gov/ld/kanoelehua-and-banyan-drive-studies/>.

3 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. 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 established a new policy for the Department to follow in the leasing of its public lands. Additionally, the

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 auction and to extend leases, and provides in SECTIONS 2 and 3 for extensive planning, administrative and office staffing and operational funding. These are not policy options, nor funding resources, currently available to the Department.

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 District 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 we assume 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. For new leases that HCDA issues, the revenues such leases generate can be split between the District fund and the Department as the bill contemplates.

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.

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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.

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.

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

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.

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4 Examples of Past Funding for Other Divisions within the Department:

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 Mining 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 conservation / drought coordinator) and Funds for Stream Monitoring and certain other stream related studies



HAWAII COMMUNITY  
DEVELOPMENT AUTHORITY



STATEMENT OF  
JESSE K. SOUKI, EXECUTIVE DIRECTOR  
HAWAII COMMUNITY DEVELOPMENT AUTHORITY

BEFORE THE  
HOUSE COMMITTEES ON ECONOMIC DEVELOPMENT AND BUSINESS,  
AND TOURISM

ON  
Wednesday, March 15, 2017  
11:00 A.M.  
State Capitol, Conference Room 309

in consideration of  
**SB1292, SD2 – RELATING TO THE HILO COMMUNITY ECONOMIC  
DISTRICT**

David Y. Ige  
Governor

John Whalen  
Chairperson

Jesse K. Souki  
Executive Director

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

The Hawaii Community Development Authority (HCDA) offers the following **comments** on SB1292, SD2.

While the HCDA board has not taken a position on this specific proposal, it has taken the position that any expansion of the current development districts include funding and other resources to allow the HCDA 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 plus initial start-up costs of \$50,000.

We also recommend that if the legislature creates a new community development district under Hawaii Revised Statutes Chapter 206E, that it follow the requirements and criteria of the Chapter as it did for Kakaako, Kalaeloa, and Heeia. This will ensure consistency of process and efficiency in setting up and implementing the new district.

Thank you for the opportunity to provide comments on SB 1292, SD1.

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96813

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**SB1292 SD2**  
**RELATING TO THE HILO COMMUNITY ECONOMIC DISTRICT**  
House Committee on Economic Development and Business  
House Committee on Tourism

March 15, 2017

11:00 a.m.

Room 309

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The Office of Hawaiian Affairs (OHA) offers the following **COMMENTS** on SB1292 SD2, which 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.** SB1292 SD2 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 SB1292 SD2 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.”

**OHA would like to acknowledge that the House companion to this measure, HB1479 HD2, adopted OHA’s recommended language thereby maintaining the fiduciary obligations of the State with respect to the public land trust.**

Mahalo for the opportunity to testify on this measure.

**keohokalole2 - Anthony**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, March 14, 2017 1:27 PM  
**To:** edbtestimony  
**Cc:** brian@hfbf.org  
**Subject:** \*Submitted testimony for SB1292 on Mar 15, 2017 11:00AM\*

**SB1292**

Submitted on: 3/14/2017

Testimony for EDB/TOU on Mar 15, 2017 11:00AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Randy Cabral	Hawaii Farm Bureau	Support	No

Comments:

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

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**keohokalole2 - Anthony**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, March 14, 2017 2:24 PM  
**To:** edbtestimony  
**Cc:** kerry@hilofish.com  
**Subject:** Submitted testimony for SB1292 on Mar 15, 2017 11:00AM

**SB1292**

Submitted on: 3/14/2017

Testimony for EDB/TOU on Mar 15, 2017 11:00AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Kerry A. Umamoto	Hilo Fish Company, INC	Support	No

Comments: Kerry A. Umamoto President/ COO Hilo Fish Company Inc Hearing Date and Time March 15, 2017 11:00 a.m. State Capitol Rm# 309 Senate Bill 1292 Aloha Chair Nakashima and Chair Onishi, First off, thank you very much for working on sb 1292 which will help the entire community in east Hawaii. I'm writing the the board in support of sb 1292 and hope we can all solve our state land issues here in Hilo. Our company has used Hilo as its corporate administrative office from day one. over the past 20 plus years, we have created global jobs for hilo that no other company has. currently, Hilo employees 60+ employees who all have a part in operating our offices throughout the state of Hawaii and on the us. Hilo is the foundation that operated our location on Oahu, maui, Kauai, Kona, Los Angeles, and New Jersey. total employment in just the state of Hawaii is 200 plus at this very moment and growing. With that being said above, i would like to address my concerns about the community of hilo not having some word in state lands. we are here everyday and have a responsibility to hilo that insures all sorts of job opportunities to the local people. hilo is a beautiful place and we are all willing to support economic growth and will to do our part. SB1292 allows us to have a voice and at the same time contribution back to making hilo strong. thank you very much in taking the time to read my testimony and i hope you all understand that hilo is where myself and the company was born and we would appreciate you looking into the economic zone so we can continue growth of the community and business we have here in hilo!

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**keohokalole2 - Anthony**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, March 14, 2017 1:54 PM  
**To:** edbtestimony  
**Cc:** cnrs@interpac.net  
**Subject:** Submitted testimony for SB1292 on Mar 15, 2017 11:00AM

**SB1292**

Submitted on: 3/14/2017

Testimony for EDB/TOU on Mar 15, 2017 11:00AM in Conference Room 309

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

Comments: Please support this bill.

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**keohokalole2 - Anthony**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, March 14, 2017 1:56 PM  
**To:** edbtestimony  
**Cc:** djr@teamdeluz.com  
**Subject:** \*Submitted testimony for SB1292 on Mar 15, 2017 11:00AM\*

**SB1292**

Submitted on: 3/14/2017

Testimony for EDB/TOU on Mar 15, 2017 11:00AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
David S. De Luz, Jr.	Big Island Toyota, Inc./De Luz Chevrolet	Support	No

Comments:

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**keohokalole2 - Anthony**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, March 14, 2017 1:36 PM  
**To:** edbtestimony  
**Cc:** jwmccully54@gmail.com  
**Subject:** Submitted testimony for SB1292 on Mar 15, 2017 11:00AM

**SB1292**

Submitted on: 3/14/2017

Testimony for EDB/TOU on Mar 15, 2017 11:00AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
James McCully	Individual	Support	No

Comments: Aloha Chair Nakashima and Chair Onishi Mahalo for hearing this bill and please consider my STRONG SUPPORT. As residents you are both well aware of the issues we face in East Hawaii due to our economic drivers being sited on, and controlled by, state ownership of the lands. Both business at large, and especially tourism, have suffered from the pernicious effects of leasehold, our entire hotel industry became a "wasting asset" ! Our warehouse sector is in similar condition. We must do better, and a Community Development Plan, if coupled with underlying statutory reform, is exactly what we need to "jump start" our economy. Please support SB1292 Mahalo, Jim McCully

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**keohokalole2 - Anthony**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, March 14, 2017 3:20 PM  
**To:** edbtestimony  
**Cc:** toomey@mkir.com  
**Subject:** \*Submitted testimony for SB1292 on Mar 15, 2017 11:00AM\*

**SB1292**

Submitted on: 3/14/2017

Testimony for EDB/TOU on Mar 15, 2017 11:00AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Douglas Toomey	Individual	Support	No

Comments:

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# UNIVERSITY OF HAWAII SYSTEM

## Legislative Testimony

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Testimony Presented Before the  
House Committee on Economic Development & Business  
House Committee on Tourism  
March 15, 2017 at 11:00 a.m.

By  
John F. Morton  
Vice President for Community Colleges  
University of Hawai'i System  
and  
Donald O. Straney  
Chancellor, University of Hawai'i at Hilo

SB 1292 SD2 – RELATING TO THE HILO COMMUNITY ECONOMIC DISTRICT

Chairs Nakashima and Onishi, Vice Chairs Keohokalole and Tokioka, and Members of the Committees:

Both the University of Hawai'i at Hilo and the University of Hawai'i Community College System are in support of the intent of SB 1292 SD2 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 SB 1292 SD2. 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

March 14, 2017

**LATE**

Representative Mark M. Nakashima, Chair  
Committee on Economic Development  
& Business  
Hawai'i State Capitol  
Honolulu, HI 96813

Representative Richard H.K. Onishi, Chair  
Committee on Tourism  
Hawai'i State Capitol  
Honolulu, HI 96813

Dear Chairs Nakashima, Onishi, and members:

**RE: SB 1292 SD 2  
Relating to the Hilo Community Economic District**

Thank you for this opportunity to testify in support of the intent and purpose of SB1292, SD2.

We wish to offer the following comments for your consideration:

1. Should this bill be enacted into law, the Hilo Community Economic District (HCED) will be the only redevelopment district outside of the City and County of Honolulu. For this reason, we ask that consideration be given to providing that the District have a voting majority of members from the Hilo community. Any cultural specialist, in particular, should be a cultural practitioner from the Hilo community.
2. Financial support from State general revenues should include opportunities for staffing and facility support, through reimbursements, as may be provided by the County of Hawai'i and the BDHRA in support of the Banyan Drive redevelopment project.

3. 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 SB 1292, tax revenue exceeds \$3M).

SB 1292, SD2 says that

§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;

It also seems, theoretically, 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 SB 1292, SD2 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.

4. 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 have not determined how much non-State owned land might be affected.

We appreciate the attention that the Legislature has placed on the disposition of State lands within and proximate to the Banyan Drive peninsula and the Kanoelehua Industrial Area, where opportunities exist to partner with private sector businesses to carry out important economic revitalization efforts and to optimize the use of these lands for the benefit of the entire community. Our ongoing efforts with the BDHRA reflect that such benefits are not simply economic, but social and cultural as well. It is with this comprehensive approach that we support the intent and purpose of SB1292, SD2 and other bills introduced during this legislative session that seek to explore opportunities regarding the use and management of State-owned lands within the core economic section of Hilo.

Respectfully submitted,



Harry Kim  
Mayor



March 14, 2017

The Honorable Mark M. Nakashima, Chair  
The Honorable Jarrett Keohokalole, Vice Chair  
and members  
House Committee on Economic Development  
and Business  
Hawai'i State Legislature  
Honolulu, Hawai'i 96813

The Honorable Richard H.K. Onishi, Chair  
The Honorable James Kunane Tokioka, Vice Chair  
and members  
House Committee on Tourism  
Hawai'i State Legislature  
Honolulu, Hawai'i 96813

**RE: Support for SB1292 SD2, Relating to the Hilo Community Economic District**

Dear Chairs Nakashima and Onishi, Vice Chairs Keohokalole and Tokioka, and members:

The Hawai'i Construction Alliance is comprised of the Hawai'i Regional Council of Carpenters; the Operative Plasterers' and Cement Masons' Union, Local 630; International Union of Bricklayers & Allied Craftworkers, Local 1; the Laborers' International Union of North America, Local 368; and the Operating Engineers, Local Union No. 3. Together, the member unions of the Hawai'i Construction Alliance represent 15,000 working men and women in the basic crafts of Hawai'i's construction industry.

We **support SB1292 SD2**, which would establish the Hilo Community Economic District located in East Hawai'i and place it under the jurisdiction of the Hawai'i Community Development Authority; establish the Hilo Community Economic Revolving Fund; require all revenue, income, and receipts of HCDA for the district to be deposited in the Hilo Community Economic Revolving Fund, and a designated percent to be transferred to the Special Land and Development Fund under the Department of Land and Natural Resources.

We have long been concerned about the condition of properties in the Waiākea Peninsula area, specifically those leased by the state to private entities. We agree with the bill's premise that "the improvement of these properties is important to creating and maintaining the economic vitality of East Hawai'i," and that "the State has an enormous influence on the vision, economic development, and overall success of the East Hawai'i community."

To that end, we believe that the Hilo Community Economic Development District as proposed in SB1292 SD2 would provide an excellent opportunity to revitalize the economy of East Hawai'i. Our members on Hawai'i Island urge you to move this proposal forward.

Thank you for the opportunity to provide this testimony.

Mahalo,

A handwritten signature in black ink, appearing to read "Tyler Dos Santos-Tam".

Tyler Dos Santos-Tam  
Executive Director





**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 COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS

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

SENATE COMMITTEE ON TOURISM  
Rep. Richard H.K. Onishi, Chair  
Rep. James Kunane Tokioka, Vice Chair

**LATE**

**NOTICE OF HEARING**

DATE: Wednesday, March 15, 2017

TIME: 11:00 a.m.

PLACE: State Capitol, Room 309

**TESTIMONY ON SENATE BILL NO. 1292 SD2, RELATING TO THE HILO COMMUNITY ECONOMIC DISTRICT.**

ALOHA COMMITTEE CHAIR MARK NAKASHIMA, COMMITTEE CHAIR RICHARD ONISHI, AND COMMITTEE MEMBERS:

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 Senate Bill No. 1292 SD2, 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.

The proposed Hilo Community Economic District also includes the Banyan Drive area. This area needs focus and attention, which hopefully the HCDA will provide, so that it can be developed to its full potential.

For these reasons, we **support** Senate Bill No. 1292 SD2.

## HAWAII OPERATING ENGINEERS INDUSTRY STABILIZATION FUND



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

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

**LATE**

March 14, 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 S.B. 1292 SD2 RELATING TO HILO COMMUNITY ECONOMIC DISTRICT**

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,

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.

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 of the island or an outright migration of residents to more prosperous areas.
- Their general way of life will be forever 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 extended families.
- 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 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** S.B. 1292 SD2, 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 of the name.

Pane Meatoga III  
Community Liaison  
Hawaii Operating Engineers Industry Stabilization Fund

March 14, 2017

## COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS

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

**LATE**

## COMMITTEE ON TOURISM

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

### Testimony in Support of SB1292 SD2

Aloha Chairs Nakashima and Onishi,

Hawaii Planing Mill, Ltd. dba HPM Building Supply will be celebrating its 96<sup>th</sup> 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 SB1292 SD2. 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 Kanoolehua 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 SB1292, 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

**keohokalole2 - Anthony**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Wednesday, March 15, 2017 7:04 AM  
**To:** edbtestimony  
**Cc:** garthyama@gmail.com  
**Subject:** Submitted testimony for SB1292 on Mar 15, 2017 11:00AM



**SB1292**

Submitted on: 3/15/2017

Testimony for EDB/TOU on Mar 15, 2017 11:00AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Garth Yamanaka	KIAA	Support	No

Comments: The Kanoelehua Industrial Area Association is an active business association that was established in 1968. We are comprised of both small and large businesses and organizations within specific Hilo and Keaau boundaries. Presently, we represent approximately 350 business members employing approximately 4,500 workers.

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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**keohokalole2 - Anthony**

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**LATE**

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, March 14, 2017 4:51 PM  
**To:** edbtestimony  
**Cc:** craig@takamineconstruction.com  
**Subject:** Submitted testimony for SB1292 on Mar 15, 2017 11:00AM

**SB1292**

Submitted on: 3/14/2017

Testimony for EDB/TOU on Mar 15, 2017 11:00AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Craig Takamine	Individual	Support	No

Comments: My name is Craig Takamine, I am born and raised in Hilo and operate a small business with my wife. I urge you to pass this bill which would create a vehicle to revitalize and improve the current infrastructure 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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**HAWAII GOVERNMENT EMPLOYEES ASSOCIATION**

AFSCME Local 152, AFL-CIO

RANDY PERREIRA, Executive Director • Tel: 808.543.0011 • Fax: 808.533.0000

**LATE**

The Twenty-Ninth Legislature, State of Hawaii  
House of Representatives  
Committee on Economic Development & Business  
Committee on Tourism

Testimony by  
Hawaii Government Employees Association

March 15, 2017

S.B. 1292, S.D. 2 – RELATING TO THE  
HILO COMMUNITY ECONOMIC DISTRICT

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO strongly supports the purpose and intent of S.B. 1292, S.D. 2 which establishes the Hilo Community Economic District located in East Hawaii and places it under the Hawaii Community Development Authority's jurisdiction.

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. As the law stands, there is no incentive for current lessees to invest in infrastructural improvements, since the future of their leases remain unknown. The concepts provided in S.B. 1292, S.D. 2 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. There is much potential for growth and we are hopeful that the creation of a Hilo Community Economic District will be able to address the unique needs of the community.

Thank you for the opportunity to testify in strong support of passing S.B. 1292, S.D. 2.

Respectfully submitted,

Randy Perreira  
Executive Director