

DAVID Y. IGE
GOVERNOR



WESLEY K. MACHIDA
DIRECTOR

LAUREL A. JOHNSTON
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

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

WRITTEN ONLY

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEES ON ECONOMIC DEVELOPMENT, TOURISM, AND
TECHNOLOGY AND WATER AND LAND
ON
SENATE BILL NO. 1292

February 10, 2017
1:50 p.m.
Room 414

RELATING TO THE HILO COMMUNITY ECONOMIC DISTRICT

Senate Bill No. 1292 establishes the Hilo Community Economic District (HCED) located in East Hawaii under the jurisdiction of the Hawaii Community Development Authority (HCDA). The bill also establishes the Hilo Community Economic Revolving Fund (HCERF) that would require all revenue, income and receipts for HCDA for the district to be deposited in the HCERF. The bill also transfers an unspecified percentage of HCERF moneys to the Special Land and Development Fund under the Department of Land and Natural Resources.

The Department of Budget and Finance takes no position on the establishment of the HCED. As a matter of general policy, the department does not support the creation of any revolving fund which does not meet the requirements of Section 37-52.4 of the HRS. Revolving funds should: 1) serve a need as demonstrated by the purpose, scope of work and an explanation why the program cannot be implemented successfully under the general fund appropriation process; 2) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries or a clear link between the

program and the sources of revenue; 3) provide an appropriate means of financing for the program or activity; and 4) demonstrate the capacity to be financially self-sustaining. In regards to Senate Bill No. 1292, it is difficult to determine whether the proposed revolving fund would be self-sustaining.

Thank you for your consideration of our comments.



HAWAII COMMUNITY
DEVELOPMENT AUTHORITY



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

BEFORE THE

SENATE COMMITTEE ON
ECONOMIC DEVELOPMENT, TOURISM, AND TECHNOLOGY, AND
COMMITTEE ON WATER AND LAND

ON

Friday, February 10, 2017

1:50 P.M.

State Capitol, Conference Room 414

in consideration of

**SB1292 – RELATING TO THE HILO COMMUNITY ECONOMIC
DISTRICT**

David Y. Ige
Governor

John Whalen
Chairperson

Jesse K. Souki
Executive Director

Chairs Wakai and Rhodes, Vice Chairs Taniguchi and Gabbard and members of the committee.

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

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 HRS Chapter 206E, that it follow the requirements and criteria of the Chapter as it did for Kakaako, Kalaeloa, and Heeiea. 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.

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96813

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DAVID Y. IGE
GOVERNOR OF HAWAII



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

POST OFFICE BOX 621
HONOLULU, HAWAII 96809

**Testimony of
SUZANNE D. CASE
Chairperson**

**Before the Senate Committees on
ECONOMIC DEVELOPMENT, TOURISM AND TECHNOLOGY
and
WATER AND LAND**

**Friday, February 10, 2017
1:50 P.M.
State Capitol, Conference Room 414**

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

Senate Bill 1292 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 Senate Bill 1292 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. 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

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

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.

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 been 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

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. 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.

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,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.

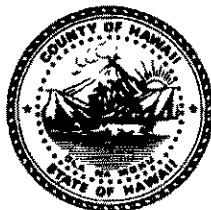
The Department thus acknowledges different public policy benefits from different approaches. Based on this, the Department now takes a neutral stance on legislative proposals to extend existing leases.

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

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

February 8, 2017

Senator Glenn Wakai
Economic Development, Tourism, and Technology
Senator Karl Rhoads
Water and Land
Hawai'i State Capitol
Honolulu, HI 96813

Dear Chairs Wakai and Rhoads, and Committee Members:

RE: **SB 1292**


Thank you for this opportunity to comment on SB 1292.

While we are discussing in-house how this bill would affect current Banyan Drive redevelopment efforts, the County of Hawaii generally supports SB 1292. 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



SB1292

RELATING TO THE HILO COMMUNITY ECONOMIC DISTRICT

Senate Committee on Economic Development, Tourism, and Technology
Senate Committee on Water and Land

February 10, 2017

1:50 p.m.

Conference Room 414

The Office of Hawaiian Affairs (OHA) Beneficiary Advocacy and Empowerment Committee will recommend that the Board of Trustees offer **COMMENTS** on SB1292. SB1292 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 SB1292's 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 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 clarify that, to the extent that lands within the contemplated Hilo community economic district may be public land trust lands, the HCDA must comply with OHA's right to a 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.



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
Senate Committee on Economic Development, Tourism, and Technology
and

Senate Committee on Water and Land
February 10, 2017 at 1:50 p.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 – RELATING TO THE HILO COMMUNITY ECONOMIC DISTRICT

Chairs Wakai and Rhoads, Vice Chairs Taniguchi and Gabbard 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 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. Aloha.

The Twenty-Ninth Legislature
Regular Session 2017

THE SENATE

Committee on Economic Development, Tourism, and Technology

Senator Glenn Wakai, Chair

Senator Brian T. Taniguchi, Vice Chair

Committee on Water and Land

Senator Karl Rhoads, Chair

Senator Mike Gabbard, Vice Chair

State Capitol, Conference Room 414

Friday, February 10, 2017; 1:50 p.m.

**STATEMENT OF THE ILWU LOCAL 142 ON S.B. 1292
RELATING TO THE HILO COMMUNITY ECONOMIC DISTRICT**

The ILWU Local 142 supports S.B. 1292, which establishes the Hilo community economic district located in east Hawaii, and places it under the jurisdiction of the Hawaii community development authority. The bill further establishes the Hilo community economic revolving fund. It also requires all revenue, income, and receipts of HCDA for the district to be deposited in the Hilo community economic revolving fund, and a designated per cent to be transferred to the special land and development fund under the department of land and natural resources.

S.B. 1292 is an attempt to provide a process for strengthening the economic vitality of Hilo and the East Hawaii area. This bill recognizes the potential for increased growth, that can improve workforce and affordable housing, parks and open space, public facilities, and commercial, industrial, and hotel facilities.

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

This would provide a great planning opportunity for the Hilo economic district and the mechanism to achieve the goals of that plan.

This bill would provide a boost for the Hilo and East Hawaii community, and provides the first step towards creating an economic revitalization plan and the mechanism to implement it.

The ILWU urges passage of S.B. 1292. Thank you for the opportunity to share our views and concerns on this matter.

howu



HAWAII ISLAND CONTRACTORS' ASSOCIATION

494-C Kalanikoa Street * Hilo, Hawaii 96720 * Phone: 808/935-1316 * Fax: 808/934-7779 * Email: hical@hawaiiantel.net

Testimony Presented Before the
Senate Committee on Economic Development, Tourism and Technology and Committee
on Water and Land
February 10, 2017 at 1:50 pm

Re: Senate Bill 1292 Relating to the Hilo Community Economic District

Senator Glenn Wakai Chairman of the Economic Development, Tourism and Technology Committee
Senator Karl Rhoads Chairman of the Senate Water and Land Committee
Hawaii State Capital Room 414
415 S. Beretania Street
Honolulu, Hawaii 96813

Chairman Wakai, Chairman Rhoads and members of these committees,

The Hawaii Island Contractors Association is in **strong support of SB 1292** 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.

The Hawaii Island Contractors Association was established in 1961, and is comprised of over 150 licensed contractors, subcontractors and business professional. Our association's core purposes include protecting and preserving the contracting industry, maintaining its professional standards, promoting fair and cooperative relationships, preserving competition between those engaged in the contracting industry and seeking correction of any unfair or discriminatory business methods and practices.

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 2016-2017



SB 1292

Senate Committee, ETT/WTL
Chair ETT Glenn Wakai
Chair WTL Karl Rhoads

Aloha Chair Wakai & Chair Rhoads,

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 SB 1292 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 SB 1292 and Mahalo for this opportunity to provide testimony.

Mahalo,

Garth Yamanaka
Committee Chair for Government Affairs
KIAA

February 8, 2017

COMMITTEE ON ECONOMIC DEVELOPMENT, TOURISM, AND TECHNOLOGY

Senator Glenn Wakai, Chair

Senator Brian T. Taniguchi, Vice Chair

COMMITTEE ON WATER AND LAND

Senator Karl Rhoads, Chair

Senator Mike Gabbard, Vice Chair

Testimony in Support of SB1292

Aloha Chairs Wakai and Rhoads,

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 SB1292. 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 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

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 9, 2017 9:24 AM
To: ETT Testimony
Cc: toomey@mkir.com
Subject: *Submitted testimony for SB1292 on Feb 10, 2017 13:50PM*

SB1292

Submitted on: 2/9/2017

Testimony for ETT/WTL on Feb 10, 2017 13:50PM in Conference Room 414

Submitted By	Organization	Testifier Position	Present at Hearing
Douglas Toomey	Mauna Kea Infrared, LLC	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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From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 9, 2017 8:51 AM
To: ETT Testimony
Cc: ecabatu@hhsc.org
Subject: Submitted testimony for SB1292 on Feb 10, 2017 13:50PM

SB1292

Submitted on: 2/9/2017

Testimony for ETT/WTL on Feb 10, 2017 13:50PM in Conference Room 414

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

Comments: On behalf of the East Hawaii Region of Hawaii Health Systems Corporation, consisting of Hilo Medical Center, Hale Ho`ola Hamakua in Honokaa and Kau Hospital, please accept our support for SB 1292. Mahalo!

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From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 8, 2017 11:13 PM
To: ETT Testimony
Cc: rhkwine@gmail.com
Subject: Submitted testimony for SB1292 on Feb 10, 2017 13:50PM

SB1292

Submitted on: 2/8/2017

Testimony for ETT/WTL on Feb 10, 2017 13:50PM in Conference Room 414

Submitted By	Organization	Testifier Position	Present at Hearing
Ryan Kadota	Kadota Liquor	Support	No

Comments: As a third-generation businessman, I strongly support this initiative to help the development of the economy of Hilo and East Hawaii.

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Japanese Chamber of Commerce & Industry of Hawaii

Testimony Presented Before the Senate Committee on Economic Development, Tourism and Technology
and Committee on Water and Land
February 10, 2017 at 1:50 pm

Re: Senate Bill 1292 Relating to the Hilo Community Economic District

Senator Glenn Wakai Chairman of the Economic Development, Tourism and Technology Committee
Senator Karl Rhoads Chairman of the Senate Water and Land Committee
Hawaii State Capital Room 414
415 S. Beretania Street
Honolulu, Hawaii 96813

Chairman Wakai, Chairman Rhoads and members of these committees,

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 SB 1292** 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,

Audrey N. Takamine
Japanese Chamber of Commerce & Industry of Hawai'i
GAC Chairperson

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 8, 2017 7:33 PM
To: ETT Testimony
Cc: micahalameda@gmail.com
Subject: *Submitted testimony for SB1292 on Feb 10, 2017 13:50PM*

SB1292

Submitted on: 2/8/2017

Testimony for ETT/WTL on Feb 10, 2017 13:50PM in Conference Room 414

Submitted By	Organization	Testifier Position	Present at Hearing
Micah Alameda	Individual	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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Testimony before the Senate Committee on Economic Development, Tourism, and Technology
and, Senate Committee on Water and Land

Friday, February 10, 2017
1:50 p.m., Conference Room 414

Senate Bill 1292- Relating to the Hilo Community Economic District

Chair Wakai, Vice Chair Taniguchi, and members of the Senate Committee on Economic Development, Tourism, and Technology,
Chair Rhoads, Vice Chair Gabbard, and members of the Senate Committee on Water and Land,

Context: In 1946 and again in 1960 the town of Hilo was hit with tsunamis that caused significant loss of life and much of the commercial and industrial area of Hilo to be destroyed. To prevent future loss and to encourage a renewal of businesses and services needed for town residents, businesses were encouraged to move to State owned land along Kanoelehua Avenue. Major East Hawaii businesses moved to the new industrial area so created. Land leases initiated then began to expire in 2015 with all currently set to expire no later than 2025.

Issues: State Law prevents renewal of leases past the 65 year terminus.

- Businesses as they come into the ten year from lease expiration find it very difficult to borrow money for needed repairs and/or upgrades
- Business owners are reluctant to make such repairs understanding that those upgrades will go to the highest bidder – which may not be them.
- The result is a badly deteriorated central business area with businesses unsure of their future.

The current situation causes a serious drag on the East Hawaii economy and community. Resolution, regrowth and vitality now rest on policies that the State of Hawaii in concert with the East Hawaii business community makes.

The above legislation provides a solid foundation for further discussion that will lead to energizing this vital Hawaii Island Community. Just as the original promise – in 1960 - of the Kanoelehua Business Park sparked the regrowth of businesses devastated by two tsunamis, thoughtful and active solution of today's situation can reenergize our Business Community today. **I strongly support SB 1292!**

Thank you,
Jennifer Leilani Zelko, Esq
808-895-6327

McCully Works

40 Kamehameha Ave.

Hilo, Hi. 96720

SB1292: Testimony in SUPPORT

Senate Committee: Economic Development, Tourism, and Technology

Chair Glen Wakai

Vice-Chair Brian Taniguchi

Senate Committee: Water and Land

Chair Karl Rhoads

Vice-Chair Mike Gabbard

Aloha Chairs Wakai and Rhoads

I have been a small business owner in Hilo since 1976. I provide warehouse and logistical services to other businesses and am a lessee of both private and public lands. Changes in the laws governing how public lands are controlled and managed are central to solving the problems bedeviling our community and our economy.

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 and I hope your committee will strongly support this measure.

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 reason for the new HCED would be HCDA's existing expertise and the awareness that East Hawaii's problem is larger than just Banyan Drive and the tourism industry. Necessary statutory reform of HRS171 will also be important in enabling and determining the future success of any economic redevelopment. Fortunately in this session there are bills addressing that issue as well. Please support SB 274 as it comes to your attention.

SB 1292 envisions an area for planning and redevelopment that comprises all the economic lands in urban Hilo that were affected by or developed as the consequence of our Tsunami of May 23, 1960. When Hilo's former industrial and commercial lands were condemned by the Hawaii Redevelopment Authority the only urbanized lands available with proper zoning were the public lands that now constitute KIAA. The state did allow lessees to purchase their land in the first two years of the lease, and there were some fortunate business owners who were able to take advantage of this opportunity. However after just recently suffering the loss of their lands and businesses many were unable to both rebuild their business and purchase the land simultaneously.

Businesses don't have a particular life cycle; they succeed and fail for many reasons. Leases that don't allow for changes in the economy also don't allow these public lands used for economic reasons to operate efficiently for the public's good. 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.

Finally I should note that since this would be the first community authority outside of the County of Honolulu you may consider amending HRS206E-3 (b) to better serve our communities needs and interests.

Mahalo,
James McCully



Tuesday Flores

General Contractor

122 C Ainaola Drive
Hilo, HI 96720
808-935-5225

Representative Ryan Yamane Chairman of the House Water and Land Committee

415 S Beretania Street
Honolulu, HI 96813

February 8, 2017

Dear Representative Ryan Yamane Chairman of the House Water and Land Committee,

RE: SB1292 Relating to the Hilo Community Economic District

My name is Tuesday Flores and I have been a resident on the East side of the Big Island for over 25 years. I have several small businesses including a tour business in the Hilo district.

I STRONGLY SUPPORT SB1292 which establishes the Hilo community economic district located in the East Hawaii and places it under jurisdiction of the Hawaii community development authority. It requires all revenue, income, and receipts of the HCDA for the district to be deposited in 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.

Establishment of the Hilo Community Economic District would serve to revitalize urban areas that are underused and deteriorating. 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 our visitors and members of the community. We are in dire need of an avenue to redevelop the Hilo area which will encourage

new investment such as roadways, utilities, improvement of existing facilities and park.

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 the Hawai'i Island.

Sincerely,

Tuesday Flores

Honorable Senators:

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 SB1292 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

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 8, 2017 3:06 PM
To: ETT Testimony
Cc: steve.ueda@suisan.com
Subject: Submitted testimony for SB1292 on Feb 10, 2017 13:50PM

SB1292

Submitted on: 2/8/2017

Testimony for ETT/WTL on Feb 10, 2017 13:50PM in Conference Room 414

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

Comments: I strongly support SB 1292. This bill will be a great step towards revitalizing Hilo, and will benefit both visitors and residents.

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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Testimony Presented Before the
Senate Committee on Economic Development, Tourism and Technology and Committee on Water
and Land
February 10, 2017 at 1:50 pm

Re: Senate Bill 1292 Relating to the Hilo Community Economic District

Senator Glenn Wakai Chairman of the Economic Development, Tourism and Technology Committee
Senator Karl Rhoads Chairman of the Senate Water and Land Committee
Hawaii State Capital Room 414
415 S. Beretania Street
Honolulu, Hawaii 96813

Chairman Wakai, Chairman Rhoads and members of these committees,

My name is Gina Tanouye. I am a business professional and mother in Hilo. I would like to testify in **strong support of SB 1292** 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,
Gina Tanouye

Testimony Presented Before the
Senate Committee on Economic Development, Tourism and Technology and Committee on Water
and Land

February 10, 2017 at 1:50 pm

Re: Senate Bill 1292 Relating to the Hilo Community Economic District

Senator Glenn Wakai Chairman of the Economic Development, Tourism and Technology Committee
Senator Karl Rhoads Chairman of the Senate Water and Land Committee
Hawaii State Capital Room 414
415 S. Beretania Street
Honolulu, Hawaii 96813

Chairman Wakai, Chairman Rhoads and members of these committees,

My name is Linda Iwata. I was born and raised in Hilo and operate a small business here along with my husband, Sanford. I would like to testify in **strong support of HB1479 HD1** which establishes the Hilo community economic district located in East Hawaii and places it under jurisdiction of the Hawaii community development authority. It will establish the Hilo community economic revolving fund and requires all revenue, income, and receipts of HCDA for the district to be deposited in the Hilo Community Economic Revolving Fund, 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,



Linda S. Iwata

Testimony Presented Before the
Senate Committee on Economic Development, Tourism and Technology and Committee on Water
and Land
February 10, 2017 at 1:50 pm

Re: Senate Bill 1292 Relating to the Hilo Community Economic District

Senator Glenn Wakai Chairman of the Economic Development, Tourism and Technology Committee
Senator Karl Rhoads Chairman of the Senate Water and Land Committee
Hawaii State Capital Room 414
415 S. Beretania Street
Honolulu, Hawaii 96813

Chairman Wakai, Chairman Rhoads 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 SB 1292** 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

Rhea R. Lee-Moku
627 Malae Place
Hilo, HI 96720

Re: **HB575/1479/1469 &130; SB274/1292/1185/1184**

Members of the 29 State of Hawaii Legislature

Context: In 1946 and again in 1960 the town of Hilo was hit with tsunamis that caused significant loss of life and much of the commercial and industrial area of Hilo to be destroyed. To prevent future loss and to encourage a renewal of businesses and services needed for town residents, businesses were encouraged to move to State owned land along Kanoelehua Avenue. Major East Hawaii businesses moved to the new industrial area so created. Land leases initiated then began to expire in 2015 with all currently set to expire no later than 2025.

Issues: State Law prevents renewal of leases past the 65 year terminus.

- Businesses as they come into the ten year from lease expiration find it very difficult to borrow money for needed repairs and/or upgrades
- Business owners are reluctant to make such repairs understanding that those upgrades will go to the highest bidder – which may not be them.
- The result is a badly deteriorated central business area with businesses unsure of their future.

The current situation causes a serious drag on the East Hawaii economy and community. Resolution, regrowth and vitality now rest on policies that the State of Hawaii in concert with the East Hawaii business community makes.

The above legislation provides a solid foundation for further discussion that will lead to energizing this vital Hawaii Island Community. Just as the original promise – in 1960 - of the Kanoelehua Business Park sparked the regrowth of businesses devastated by two tsunamis, thoughtful and active solution of today's situation can reenergize our Business Community today.

I ask that you work through the issues starting with solutions provided by the above legislation, specifically SB 1292, and ending with a package that meets the needs of both the State and of this Community.

Sincerely,



Rhea R. Lee-Moku

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 9, 2017 8:52 AM
To: ETT Testimony
Cc: mkaleikini@ormat.com
Subject: Submitted testimony for SB1292 on Feb 10, 2017 13:50PM

SB1292

Submitted on: 2/9/2017

Testimony for ETT/WTL on Feb 10, 2017 13:50PM in Conference Room 414

Submitted By	Organization	Testifier Position	Present at Hearing
Mike Kaleikini	Individual	Support	No

Comments: As a long time Hilo resident and member of the business community, it is critical for Hawai'i island to be able to establish the Hilo community economic district located in East Hawaii, under the Hawai'i community development authority. This would be a step in the correct direction to improve the economic well being of Hilo and the entire island.

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 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 9, 2017

Senate Committee on Economic Development, Tourism, and Technology
The Honorable Glenn Wakai, Chair
State Capitol, Room 216
Honolulu, Hawaii 96813

Senate Committee on Water and Land
The Honorable Karl Rhoads, Chair
State Capitol, Room 204
Honolulu, Hawaii 96813

RE: S.B. 1292 Relating to the Hilo Community Economic District

HEARING: Friday, February 10, 2017, at 1:50 p.m.

Aloha Chairs Wakai and Rhoads, Vice Chairs Gabbard and Taniguchi, 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 SB 1292 which seeks 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 SB 1292 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.



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Email: admin@hawaiiislandrealtors.org Website: www.hawaiiislandrealtors.org

Hawaii`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.