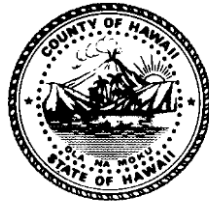


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Testimony of
MICHAEL YEE
Planning Director

LATE

Before the Senate Committee on Ways and Means

Friday, March 31, 2017
9:30 AM

State Capitol, Conference Room 211

In consideration of:

HB 575 HD1 SD1, RELATED TO PUBLIC LANDS

HB 1469 HD1 SD1, RELATING TO PUBLIC LANDS

The Hawai'i County Planning Department ("Planning") has been involved in the planning phases of proposed redevelopment actions within the Waiākea peninsula over the past year through our support of the recently established Banyan Drive Hawai'i Redevelopment Agency ("BDHRA"). It is understood that an unintended consequence of the State's leasing policies under HRS 171 has been the lack of reinvestment by lessees into the infrastructure of leased properties and the infrastructures' subsequent decline. Hilo is particularly affected by these leasing policies as there are substantial tracts of State lands in our community. Planning and the BDHRA are supportive of proposed legislation to stimulate reinvestment and economic growth through changes to the State's leasing policies. Planning and the BDHRA also agree that the properties identified in **HB 1469 HD1 SD1**, as well as HB 1479 HD2 SD1 and SB 1292 SD2 HD1 that are also still active within the legislative session, could benefit from revisions to leasing policies and from comprehensive planning efforts to identify a successful path forward that supports the lessees and the broader interests and concerns of our community.

Planning and the BDHRA are aware that the Legislature must consider the two structurally different approaches various bills are proposing; redevelopment under the Department of Land and Natural Resources ("DLNR") direction through **HB 575 HD1 SD1** and **HB 1469 HD1 SD1** versus redevelopment under the Hawai'i Community Development Authority ("HCDA"), which is proposed under HB 1479 HD2 SD1 and SB 1292 SD2 HD1. The strengths and benefits of both entities should be considered as these bills move forward.

HB 575 HD1 SD1 proposes changes to the approach used by the DLNR for the period towards the end of the leasing period. The State has generally maintained a 65-year maximum leasing period for public lands. This limitation has created little incentive for leaseholders to put forth investment into their property towards the end of their leasing period, which has resulted in the deterioration of the facilities. As currently proposed under HB 575 HD1 SD1, a lessee may relinquish a lease during the last ten years of the lease term provided certain conditions are met such as a requirement that “the auction upset price shall be the greater of the current ground rent or the appraised fair market rent, as if the land were vacant and unimproved.” Furthermore, this version of the bill allows the relinquishing lessee to bid on the new lease at a public auction. As currently proposed HB 575 HD1 SD1 does **NOT** seem to address the issue of property or building deterioration. It would seem appropriate to include some language within this legislation to ensure adequate improvement will be conducted for the properties of interest. This proposed bill would provide DLNR another alternative to negotiating leases and property improvements.

However, Planning would suggest that DLNR be provided with as many alternatives lease negotiating mechanisms as possible. That being said, it may be advantageous to ALSO include provisions for extending leases beyond the 65-year leasing period such as what was previously proposed within HB 575 HD1. Such version of the bill identified that the Board might extend a lease for a period up to 15 additional years so long as certain conditions were met, such as lessee providing a substantial improvement (identified as a minimum of 50% of the market value of the premises) to the renovation and rehabilitation of the property.

HB1469 HD1 SD1 proposes changes to HRS 171, pertaining to management and disposition of public lands under DLNR. Planning offers the following comments.

- Under §171-D(b)(2)(B), regarding the selection of members based upon various knowledge, experience and expertise, we recommend adding a new section: (vii) Land Use Planning or similar field;
- Under §171-D(b)(2), we recommend adding new section to emphasis that one member should be selected with local historic and cultural expertise. Such addition would be: §171-D(b)(2)(D) One member shall be selected on the basis of their knowledge of history and cultural traditions or practices within the redevelopment area.
- Concerning Section 171-F(e), Planning questions whether 2 years is long enough to develop a redevelopment plan with needed studies, public input and proposed financing for the redevelopment effort. This section should include a provision for a time extension of not more than 2 additional years in case more time is needed prior to submitting the identified report to the governor and legislature with a request for required appropriations, bond authorization, or both.
- Under §171-F(e), consider replacing the date 2020 with the Legislative session directly following the two-year anniversary of the formation of the planning committee for the redevelopment district.
- Concerning Section 171-F(f). This section identifies that “the designated district redevelopment plan shall supersede all other inconsistent ordinances and rules relating to

the use, planning, development, and construction on public land in the designated district.” The County of Hawai‘i has begun implementation of HRS Chapter 53 relating to Urban Renewal Law within the Waiākea Peninsula. A redevelopment plan developed pursuant to Chapter 171, HRS should work with or incorporate the redevelopment actions or plan developed pursuant to Chapter 53, HRS.

Even if **HB 575 HD1 SD1** and **HB 1469 HD1 SD1** continue to make progress through the Legislature, Planning would strongly encourage that hearings still be conducted by the respective committees regarding **HB 1479 HD2 SD1** and **SB 1292 SD2 HD1**. We believe it is in the best interest of the community and State to maintain as many alternatives as possible to be considered and refined prior to the close of this legislative session.

Mahalo for your consideration of these important initiatives.

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LATE

Testimony to the Senate Committee on Ways & Means
Friday, March 31, 2017
9:30 am
Conference Room 211

RE: H.B. 1469 HD1 SD1, Relating to Public Lands

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

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

BIA-HAWAII is in strong support of H.B. 1469, H.D. 1, S.D. 1, which establishes procedures for designating public land redevelopment districts, planning committees, district redevelopment plans, and designated redevelopment district revolving funds. It also establishes powers and duties of planning committees and modifies public land lease restrictions. Finally, it establishes the Waiakea Peninsula Redevelopment District, Planning Committee, and Revolving Fund.

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

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

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

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

The proposed amendments to Chapter 171 HRS are long overdue. We are in strong support of H.B. 1469, H.D. 1, S.D. 1. Thank you for the opportunity to express our views on this matter.

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, March 30, 2017 5:41 PM
To: WAM Testimony
Cc: hardingdiane@yahoo.com
Subject: Submitted testimony for HB1469 on Mar 31, 2017 09:30AM



HB1469

Submitted on: 3/30/2017

Testimony for WAM on Mar 31, 2017 09:30AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Diane Harding	The Outdoor Circle	Oppose	No

Comments: I oppose this bill as currently written. This legislation would establish committees to make redevelopment decisions and oversee redevelopment of public land without including any committee members with experience in land conservation, urban forestry, preservation of historic and cultural or advocacy for the scenic environment. It also seems to set an alarming precedent of creating redevelopment plans that supersede all ordinances and rules relating to use, planning, development, and construction on public land in a designated district. I oppose this bill. Diane Harding 167 Ainoni Street Kailua, Hi 96734

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, March 30, 2017 5:31 PM
To: WAM Testimony
Cc: mknaloha@gmail.com
Subject: Submitted testimony for HB1469 on Mar 31, 2017 09:30AM

HB1469

Submitted on: 3/30/2017

Testimony for WAM on Mar 31, 2017 09:30AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Ka'imi Nicholson	Individual	Oppose	No

Comments: I strongly oppose this bill as it evades the protections already put in place to insure protection of the public good. This is harmful on several levels, disrespecting our care for the 'aina as well as our ability to evaluate what investment of money is for the public good. It puts too much power in the hands of developers & those with money to pay lobbyists. Haven't we seen enough harm from the rule of money? Thank you for listening & for upholding our democratic rights.

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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