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GOVERNOR OF
HAWAII



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

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STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES

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Testimony of
SUZANNE D. CASE
Chairperson

Before the House Committee on
FINANCE

Wednesday, February 28, 2018
11:00am
State Capitol, Conference Room 308

In consideration of
HOUSE BILL 2641, HOUSE DRAFT 1
RELATING TO PUBLIC LANDS

House Bill 2641, House Draft 1 proposes to establish a ten-year redevelopment district pilot project within the Kanoiehua Industrial Area and Banyan Drive region of Hilo until June 30, 2018, and set forth procedures for implementing redevelopment plans through planning committees. The bill also modifies public land leasing restrictions relating to leases of any public lands. **The Department of Land and Natural Resources (Department) offers comments regarding Kanoiehua Industrial Area and the status of Banyan Drive redevelopment, and opposes the appropriation of funding from the Special Land and Development Fund to planning committees formed under this measure.**

Under Chapter 171, Hawaii Revised Statutes (HRS), the Board of Land and Natural Resource (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 this bill 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 identified those states with maximum lease terms and reviewed how these states' leasing practices dealt 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.

PART I of the bill seeks to promote the redevelopment of public lands in the Kanoelehua Industrial Area and Banyan Drive area of Hilo under a ten-year pilot project. Each area or district would have its own nine-member planning committee to act as the policy-making body for the district. In addition to preparing redevelopment plans for the designated districts, the planning committee would have authority to renew or renegotiate any lease in connection with any project contained in the redevelopment plan for the designated district.

Kanoelehua Industrial Area and Banyan Drive are the Department's primary industrial and hotel/resort landholdings on Hawaii Island, respectively. Regarding 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), HRS, 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.

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 wrapping up a \$20 million renovation. The long-term leases for Uncle Billy's Hilo Bay Hotel (later the Pagoda Hilo Bay Hotel, which was closed in June 2017), Country Club Condominium (which is now a residential apartment building – not a condominium), and Reed's Bay Resort Hotel all expired in 2016 and have been converted to month-to-month revocable permits. No new leases for these sites have issued yet because the Department has been working the County of Hawaii Banyan Drive Hawaii Redevelopment Agency (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

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

PART II of the bill proposes to amend Chapter 171, HRS, to allow the Board to extend existing leases for an unlimited number of years in exchange for the lessee making substantial improvements to existing improvements or constructing new improvements under an approved development agreement.²

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,³ which amounts can in turn be applied to public purposes.

The Department recognizes that a prior legislative act providing for extensions of resort leases did have a beneficial effect on one State lease on Banyan Drive. The lessee of Hilo Hawaiian Hotel property took advantage of Act 219 Session Laws of Hawaii (2011) to extend its lease from 2031 to 2068, making substantial improvements to the property pursuant to a development agreement negotiated between the State and the lessee. However, even Act 219 included a limit on the duration of a lease extension – the aggregate of the remaining lease term and any extension could not exceed 55 years.

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 believes, however, that indefinite extensions of leases that preclude the public from ever having an opportunity to bid on a lease at auction are not the appropriate solution.

In addition, the Department identifies the following issues with respect to this measure:

another consultant recently completed a study on the cost of securing the necessary permitting for demolishing the improvements on the expired leases and completing the demolition.

² Although the bill places a cap of 20 years on extensions of the "fixed rental period" of leases, "fixed rental period" needs to be clearly distinguished from the "lease term." The Department interprets "fixed rental period" to mean the period of time for which the rent under a lease is known prior to the next rent reopening. Most of the Department's leases have rent reopenings at 10-year intervals. Public auction leases occasionally have longer fixed rental periods initially, especially when the successful bidder is required to construct new improvements. "Lease term" refers to the total lease duration from commencement to expiration. The bill seems to conflate these two concepts.

³ 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. These studies are also publicly available on the Department's website at <http://dlnr.hawaii.gov/ld/kanoielehua-and-banyan-drive-studies/>

The bill creates an additional layer of bureaucracy in government

The bill provides that the Legislature may designate an area of public lands as a redevelopment district. Upon such designation, a nine-member planning committee is to be established as a policy-making board for the district. The planning committee, who serves without compensation, then appoints a district administrator for the district who is to be compensated. The planning committee may hire additional staff as well.

With respect to Banyan Drive, the bill creates a new layer of redevelopment process in addition to the task force and the BDHRA: the WPRD and a planning committee to serve as a policy-making board for the district. In addition to the administrator, the planning committee would likely require a secretary and perhaps more staff for proper administration, as well as office equipment, supplies, and travel expenses for the eleven committee members. There will be added expense for the committee to comply with HRS Chapter 92's sunshine law requirements. Further, the committee's actions may be subject to contested case hearings and appeals. The bill provides for a general appropriation in an unspecified amount to carry out the purposes of the measure. A conservative budget for such a planning committee, including payroll, fringe benefits, hearing officer fees, and other costs and expenses, would be \$500,000 annually. If the appropriation is set an amount lower than that figure, then the difference would apparently be covered by the Department's revenues from leases in the designated district.

The bill proposes an unnecessary, bureaucratic addition to the Department's operations. As explained above, the Department has been working with the BDHRA regarding plans for the Banyan Drive area. Additionally, as mentioned above, the Department has procured consultants for Banyan Drive and the Kanoelehua Industrial Area in Hilo to analyze market trends, and explore options for redevelopment and rehabilitation of specific parcels or areas. After 2013 legislative session, former Governor Abercrombie approved the formation of a Banyan Drive Task Force that met a number of times to discuss many of the issues covered by the bill as they relate to the Banyan Drive area. The task force members included representatives from local businesses, the former executive director of the Big Island Visitors Bureau, the executive director of the 'Imiloa Astronomy Center of Hawaii, and representatives from the Hawaii County Mayor's Office and State legislators also attended the meetings. This informal task force worked well and at limited expense to the State.

There are practical problems with the bill

As noted above, House Bill 2641, House Draft 1, allows the Legislature to designate redevelopment districts on public lands. As defined in Section 171-2, HRS, public lands exclude lands used as roads and streets. While the State owns some contiguous parcels in both the Banyan Drive area and Kanoelehua Industrial Area in Hilo, it does not own or manage the roads, which often include utility lines and other infrastructure. Accordingly, to the extent the bill seeks to improve infrastructure in a given area, a redevelopment district designated by the Legislature would likely not include important infrastructure components. Rather, the district would be confined to the particular parcels under the Department's management.

The Department relies on the revenues from leases of public lands to fulfill its fiduciary duties

The bill proposes to appropriate an undetermined amount from the Special Land and Development Fund (SLDF) as may be necessary for fiscal year 2018-2019 to carry out the purposes of the bill. The Department and the Board are responsible for managing approximately 1.3 million acres of public lands comprised of sensitive natural, cultural and recreational resources. The Department's responsibilities include managing and maintaining the State's coastal lands and waters, water resources, conservation and forestry lands, historical sites, small boat harbors, parks, and recreational facilities; performing public safety duties (e.g., flood and rockfall prevention); issuing and managing leases of public lands (agriculture, pasture, commercial, industrial, and resort leases); maintaining unencumbered public lands; and enforcing the Department's rules/regulations.

To properly perform these fiduciary duties, the Board determined that the Department should utilize a portion of the lands it manages to generate revenues to support the Department's operations and management of public lands/programs. Annual lease revenues currently support the SLDF, with revenues coming primarily from leases for commercial, industrial, resort, geothermal and other renewable energy projects.

The SLDF is a critical and increasingly important funding source for various divisions within the Department to deal with emergency response to natural catastrophes such as fire, rockfall, flood or earthquake and hazard investigation and mitigation. The SLDF also is critical for staff support of various programs and funding conservation projects on all state lands. It has also become an important source of state match for federally funded endangered species and invasive species initiatives that otherwise would not go forward. The Department opposes transferring funds from the SLDF to planning committees formed under this measure for redevelopment purposes.⁴

The authority to construct, improve, renovate and revitalize areas within the counties is already authorized under Section 46-80.5 and Chapter 53, HRS.

The bill seeks to redevelop the infrastructure and facilities within designated redevelopment districts. However, the bill is unnecessary because there are already existing laws and ordinances that provide the process and financing to make such improvements, as evidenced by the County of Hawaii's creation of BDHRA under Chapter 53, HRS.

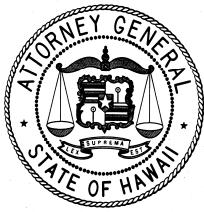
Section 46-80.5, HRS, authorizes the various counties to enact ordinances to create special improvement districts for the purpose of providing and financing such improvements, services, and facilities within the special improvement district as the applicable county council determines

⁴ In addition to this bill seeking funds from SLDF, there are various other redevelopment agency bills moving this session seeking to take 50% of the revenues generated from the Banyan Drive and the Kanoelehua area leases. These lands are ceded and OHA is currently receiving 20% of the revenues and is seeking to increase its share by more than 100% from \$15.1 million to \$35 million annually. . Neither this bill nor the redevelopment agency bills relieve the Department of the lease management duties. Therefore, if these measures were all to pass and become law, the Department would be left in the very unfortunate situation of having to manage all of those leases (bill, collect, inspect, procure and pay for professionals for rental and reopening valuations) but receive low revenue in return.

necessary or desirable to restore or promote business activity in the special improvement district. This is the same purpose sought by this bill.

Under the authority of Section 46-80.5, HRS, the County of Hawaii, as an example, enacted Chapter 12 of the Hawaii County Code, which authorizes the County of Hawaii to create improvement districts to construct new, or improve existing infrastructure and facilities, including roadways and utility infrastructure and improvements. It should also be noted that the responsibilities for maintaining such improvements within the proposed redevelopment districts are already vested with the County of Hawaii. Most, if not all, of the public roadways and utility infrastructure within any potentially designated district boundaries have been dedicated to the County.

Thank you for the opportunity to comment on this measure.



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
TWENTY-NINTH LEGISLATURE, 2018**

ON THE FOLLOWING MEASURE:

H.B. NO. 2641, H.D. 1, RELATING TO PUBLIC LANDS.

BEFORE THE:

HOUSE COMMITTEE ON FINANCE

DATE: Wednesday, February 28, 2018 **TIME:** 12:00 p.m.

LOCATION: State Capitol, Room 308

TESTIFIER(S): Russell A. Suzuki, Acting Attorney General, or
Linda L.W. Chow, Deputy Attorney General

Chair Luke and Members of the Committee:

The Department of the Attorney General has the following comments on this bill.

This bill, as revised in H.D. 1, establishes a ten-year pilot project for the redevelopment of the Kanoelehua Industrial Area and the Banyan Drive region of Hilo, Hawaii. The bill establishes procedures for the creation of a planning committee and redevelopment plans for the identified areas. The bill also amends section 171-36, Hawaii Revised Statutes (HRS).

We believe that the amendment of the bill to create a pilot redevelopment project for the public lands only within the Kanoelehua Industrial area and Banyan Drive region of Hilo, Hawaii, may be deemed to be special legislation, in violation of article XI, section 5, of the Hawai'i Constitution.

Article XI, section 5, of the Hawai'i Constitution provides:

The legislative power over the lands owned by or under the control of the State and its political subdivisions shall be exercised only by general laws, except in respect to transfers to or for the use of the State, or a political subdivision, or any department or agency thereof.

Because the bill is clearly an attempt to exercise legislative power over lands owned or under the control of the State, the next issue is whether this bill, if passed, would be a general law or a special law.

The most recent case on this issue is *Sierra Club v. Dept. of Transportation of State of Hawai'i*, 120 Hawai'i 181, 202 P.3d 1226 (2009), as amended (May 13, 2009) ("Sierra Club"). In that decision, the court adopted a two-step analysis to determine if a law was special legislation.

The first step is to determine "whether the classification adopted by the legislature is a real or potential class, or whether it is logically and factually limited to a class of one and thus illusory." *Sierra Club*, 120 Hawai'i at 203-04, 202 P.3d at 1248-49. A class is not illusory if it had potential future applicability and could include other members in the future. *Sierra Club*, 120 Hawai'i at 204, 202 P.3d at 1249. The actual probability of other members joining the class must be considered in determining whether a class is illusory. *Id.*, at 214, 202 P.3d at 1259.

The second step of the analysis requires determination of whether the class was reasonable. *Id.* To be reasonable, the classification must be based on some distinguishing peculiarity and must reasonably relate to the purpose of the statute. *In re Interrogatory Propounded by Governor Roy Romer on House Bill 91S-1005*, 814 P.2d 875, 887 (Colo. 1991).

The classification in section 1 of H.D. 1 limits application of this bill to only the Kanoelehua Industrial Area and Banyan Drive region. The class, as defined, is limited only to the two named areas. There are no provisions for other redevelopment areas to be created or for other areas to be included in the future. The pilot project will also expire in ten years, providing a limited opportunity for other areas to be included. Part I of the bill, that creates the classification, appears to be special legislation and may violate article XI, section 5, of the Hawai'i Constitution.

By contrast, we believe that the original form of the bill that allowed for the designation of redevelopment districts by the Legislature, and the creation of redevelopment planning committees for those districts, was not special legislation. Under that version of the bill, even though only one redevelopment district was being designated under the bill, other redevelopment districts could be created in the future.

Should this bill go forward, we have the following comments on some technical issues in the bill. Under section 26-35(a)(8), HRS, when a board or commission is

placed within a department for administrative purposes, the head of the department shall not have the power to supervise or control the board or commission in the exercise of its functions, duties, and powers. However, section 5 of the bill provides that the committee shall have the powers and duties that are delegated to the committee by the Board of Land and Natural Resources (Board). The Board may only delegate its powers and duties to the chairperson or employees of the DLNR that are subject to the Board's control and responsibility. HRS section 171-6(8). The Board cannot delegate its powers and duties to the committee.

A second issue is that the proposed section 4, subsection (b), states that the committee shall be a policy-making committee. However, the powers of the committee, as set forth in section 5, subsection (4), includes the authority to renew or renegotiate any lease in connection with any project contained in the redevelopment plan for the designated district, on terms and conditions as the committee deems advisable, without the need to comply with any other provisions contained in chapter 171, HRS. The power of the committee to actually renew or renegotiate leases is inconsistent with the establishment of the committee as a policy-making committee.

A third issue is based both on section 5, paragraph (4) and section 9, which allow for the renegotiation or modification of existing leases. The court in *State v. Kahua Ranch, Ltd.*, 47 Haw. 28, 384 P.2d 581 (1963), made it clear that reformation of leases issued pursuant to public auction is not allowed as it would defeat the very purpose of the statutory requirements of public notice and sale at auction. *Id.*, at 36-37, 384 P.2d at 587. If any of the leases within the redevelopment areas were originally let by public auction, those leases could not be renegotiated or modified despite the wording in the bill.

Lastly, although the committee has the power to renew or renegotiate leases within the designated district, there is no provision in the bill that transfers any of the leases in the designated district to the committee. Until and unless the leases are transferred to the committee, the committee would have no authority to amend the terms of the lease. The lessor, for many of the leases in the designated district, would still be the Board. The committee cannot amend a lease to which it is not a party.

For the above reasons, we respectfully ask the Committee to hold this bill.

Harry Kim
Mayor



Wil Okabe
Managing Director

Barbara J. Kossow
Deputy Managing Director

County of Hawai'i

Office of the Mayor

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February 26, 2018

Representative Sylvia Luke, Chair
Committee on Finance
Hawai'i State Capitol, Room 308
Honolulu, HI 96813

Representative Ty J.K. Cullen, Vice-Chair
Committee on Finance
Hawai'i State Capitol, Room 308
Honolulu, HI 96813

Dear Chair Luke, Vice-Chair Cullen and Committee Members:

**Re: HB 2641, HD 1 Relating to Funding for Kanoelehua Industrial Area
and Waiakea Peninsula, Hilo
Hearing Date: 02/28/18 – 12:00 pm; House Conference Room 308**

Thank you for this opportunity to testify in support of HB 2641, HD 1, subject to proposed amendments.

HB 2641, HD 1 is not our first choice in resolving the issues surrounding the redevelopment of State land on the Waiakea Peninsula and in the Kanoelehua Industrial Area (KIA), but it certainly would be a step forward. Our preferred bill, SB 2972, SD 1, will be heard in WAM on Wednesday and hopefully will make its way to the House for your consideration at a later date.

As to the situation on Waiakea peninsula, Banyan Drive is underutilized and in disrepair. It is the center of tourism in East Hawai'i, but it is a jewel that is quite tarnished at the present time.

Kanoelehua is not underutilized, but it also is falling into disrepair as leases near their termination, making it difficult for lessees to financially justify any significant improvements.

Hawai'i County has taken first steps toward revitalizing the peninsula. The administration, Council, community, and Big Island legislators have found common purpose; the redevelopment area has been defined; the Banyan Drive Hawai'i Redevelopment Agency (BDHRA) is functioning, and a conceptual master plan has

been created as a starting point. Now funds are needed to conduct the environmental impact statements necessary to complete the redevelopment plan and move forward.

The Hawai'i County budget is severely strapped, and I have already had to impose increases in our property, fuel, and vehicle weight taxes. Nevertheless, I can commit to you that I would include \$250,000 in the 2018-2019 County budget, in order to provide matching funds for an EIS. We believe that it is just and proper to ask the State to share in the EIS expense, given that the redevelopment area consists almost entirely of State land, but we recognize that the County must do its part as well, to the best of our financial ability.

Although we think that SB 2972 offers the best path forward and builds on work already done, we do not want to risk having this Legislature take no action at all. Therefore, we also support measures, such as HB 2641, HD1 that would direct resources, both statutorily and financially, toward the redevelopment of Banyan Drive and KIA while providing some local perspective in decision-making.

However, there seems to be an important deficiency in HB 2641, HD 1. The bill says that "The Kanoelehua Industrial Area and Banyan Drive region shall be established as a redevelopment district," but as far as I can tell, there is no determination of the boundaries of the district. I apologize if I am wrong, but if the County is to give up much of its planning authority over an important geographic area, we need to know what that area is. Or perhaps the County should be given the authority to designate the boundaries.

Once that is resolved, we think HB 2641, HD 1 should be improved with the following amendments:

- (1) Changing the makeup of the committee to include appointees by the Mayor (perhaps two or more by Mayor; an equal number fewer by Governor);
- (2) Providing that cultural/historical expertise be included in the makeup of the committee;
- (3) Providing that the new committee coordinate with BDHRA, which was established under HRS, Chapter 53. The work of the two organizations should be compatible and complementary. In fact, it would be best if, like the BDHRA, the committee's actions were subject to Windward Planning Commission review, and Hawai'i County Council adoption of the redevelopment plan;
- (4) Providing that all meetings of the committee be in Hilo, and open to the public;
- (5) Authorizing and requiring that the district or the committee adopt rules; and
- (6) Providing that public hearings be held at least annually during the life of the pilot project.

Finally, I would like to express my support for statutory reform with respect to expiring State leases. This is important if we are to create an economic environment that encourages investment by developers and business owners. It is addressed in Part II of this bill, but since this is an issue of statewide significance, I defer to you as to whether the particular approach in Part II, or some other reform, would be best.



I hope you will act favorably on an amended version of HB 2641, HD 1.


Respectfully submitted,



Harry Kim
Mayor, County of Hawai'i



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February 28, 2018

The Honorable Sylvia Luke, Chair

House Committee on Finance
State Capitol, Room 308
Honolulu, Hawaii 96813

RE: House Bill 2641, HD1, Relating to Public Lands

HEARING: Wednesday, February 28, 2018, at 12:00 p.m.

Aloha Chair Luke, Vice Chair Cullen, and Members of the Committee,

I am Ken Hiraki, Director of Government Affairs, here to testify on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawai'i, and its almost 9,500 members. HAR supports HB 2641, HD1, which establishes a ten-year redevelopment district pilot project within the Kanoelehua Industrial Area and Banyan Drive region until June 30, 2028. This measure also modifies public land lease restrictions and appropriates funds.

The State currently leases state land to many entities for commercial, industrial, hotel and resort purposes. Unfortunately, lessees have virtually no economic incentive to invest in the property over the last 10 to 15 years, knowing their lease will expire. In turn, with uncertainty of one's lease extension, it has led to public lands that are underused and deteriorating.

Many of the circumstances that faced the State of Hawai'i 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 businesses operating on Public Lands resulting in a less-than-thriving commercial zone.

This measure will encourage revitalization of public lands. As a result, from a taxation perspective, this measure will enhance the revenue generating potential of these properties, including increases in the Transient Accommodations Tax from revitalized hotel and resort areas.

Mahalo for the opportunity to testify in support of this measure.



February 26, 2018

COMMITTEE ON FINANCE

Rep. Sylvia Luke, Chair

Rep. Ty J.K. Cullen, Vice Chair

Testimony in Support of HB 2641 HD1

Aloha Chairs Luke and Cullen,

Hawaii Planing Mill, Ltd. dba HPM Building Supply will be celebrating its 97th anniversary on August 8, 2018. We have over 330 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.

We respectfully ask for your support of HB 2641 HD1 which would establish a ten-year pilot project for the redevelopment of the Kanoelehua Industrial Area and Banyan Drive region, an area we currently do business in. The area is one that is vitally important to the economic stability of East Hawaii due to the many and diverse businesses currently operating there. We believe this bill will benefit our community by ensuring the area is well maintained and that the voices of those who live and work in the area are included in the decision-making process for the area.

As you know, this area is responsible for about 85% of the overnight visitor revenue for East Hawaii, in addition to revenue gained outside of the tourism industry. We have confidence that the comprehensive nature of HB 2641 HD1 and its mechanisms for funding provide the right mix to make a meaningful and timely impact and will establish the economic foundation and engine for 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



Adam Bauer, Chief Financial Officer



Adrian Murphy, Director of Purchasing & Supply Chain



Vice President Marketing & Retail Program Management



Keana Madden, Senior Advertising Specialist



Dayna Bersamin, Marketing Specialist



Anna Espaniola, Executive Coordinator

McCully Works

40 Kamehameha Ave.
Hilo, Hi. 96720

Feb 28, 2018

House Committee on Finance

Chair: Sylvia Luke Vice Chair: Ty Cullen

Strong Support for HB2641, HD1

Both the Banyan Drive area as well as the KIAA have had a number of bills submitted to the legislature over the past 20 years to correct long standing deficiencies in their economic use. The County of Hawaii, noting the “blighted” nature of Banyan Drive, reconstituted the Tsunami era Hawaii Redevelopment Authority to deal with this (manmade) disaster. The Banyan Drive HRA has been active for two years now and waits funding to continue with its mission. The proposed public authority herein could replace it, or preferably, work with it, to achieve common goals.

I would recommend that the committee amend the HD1 version of this bill to include:

Part 1

1. Limit the bill’s affect during the Pilot Project period to urban lands under economic leases.
2. Include appointments to the new authority that are directly from a list the Mayor of the County affected would submit to the Governor.
3. Include cultural and/or recreational expertise as qualifications for at least one of the authority board members
4. Encourage or require the new authority to work with pre-existing authorities
5. The authority should hold annual meetings open to the public starting at the inception to gain the publics input and include the communities various stakeholders and interested parties.

Part II

1. Determine a limit on how long a lease can be extended, to include the current remaining term and the new extension. Act 219, 2011 had a cumulative limit of 55 years. Since the current statutory maximum term is 65 or 75 years I would suggest a maximum of 55 or 65 years. A limit on the extension to a reasonable period for financing is fair. I would suggest either the period required for a fixed long term mortgage, 40 years, or the depreciation period for fixed improvements, currently 39 years.
2. The extension should be subsequent to a redevelopment plan approved by the new public authority or the board of land and natural resources and contingent upon substantial improvements to be made on the public lease.
3. Clarify that the terms of the new lease shall conform to the requirements for any state or private lending institution. Current state leases include provisions that restrict assignment, subleasing, and use of the property, limiting their financing.

Public lands that are not used on an optimal basis are an obvious waste of our resources and statutory language that can correct these deficiencies is sorely needed. This bill could be well utilized to correct these long standing issues.

Mahalo,

Jim McCully



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HOUSE COMMITTEE ON FINANCE
Wednesday, February 28, 2018, 12 PM, Conference Room 308
House Bill 2641, HD 1, Relating to Public Lands

TESTIMONY

Douglas Meller, Legislative Committee, League of Women Voters of Hawaii

Chair Luke and Committee Members:

The League of Women Voters strongly opposes HB 2641, HD 1, which establishes a public land redevelopment district and an unaccountable “committee” with authority to negotiate non-bid long-term leases to existing lessees, override unspecified public land use “ordinances and rules”, and waive public collection of lease revenues within the designated redevelopment district.

We support public planning for redevelopment of public lands and transparent, competitive procedures for **BLNR** award of long-term commercial leases on public lands. We oppose HB 2641, HD 1, because this bill contains provisions which would encourage existing commercial lessees of public lands to “play politics” to gain special unfair treatment. We would oppose this bill even if it were amended to comply with Article XI, Section 5 of the Hawaii Constitution.

Thank you for the opportunity to submit testimony.

HB-2641-HD-1

Submitted on: 2/26/2018 10:39:44 PM

Testimony for FIN on 2/28/2018 12:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Rachel L. Kailianu	Individual	Support	Yes

Comments:

In STRONG SUPPORT.

LATE

HB-2641-HD-1

Submitted on: 2/27/2018 6:24:40 PM

Testimony for FIN on 2/28/2018 12:00:00 PM

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

Comments: