



**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 Committee on  
WAYS AND MEANS**

**Wednesday, February 28, 2018  
11:00 am  
State Capitol, Conference Room 211**

**In consideration of  
SENATE BILL 2972, SENATE DRAFT 1  
RELATING TO LAND DEVELOPMENT**

Senate Bill 2972, Senate Draft 1 proposes to allocate 10% of revenues collected from leases of state-owned commercial properties in the Banyan Drive area of Hilo to the Banyan Drive Hawaii Redevelopment Agency (BDHRA) presumably to expend within its authorized purposes, and to appropriate an additional \$250,000 in matching funds from the Special Land and Development Fund (SLDF) to BDHRA for conducting environmental impact studies and other studies required for the redevelopment of the Banyan Drive area. **The Department of Land and Natural Resources (Department) offers comments regarding the status of Banyan Drive redevelopment, and opposes the appropriation of funding from the SLDF to BDHRA.**

The Department has been working with BDHRA, and (prior to BDHRA's formation) with the Banyan Drive Task Force formed under former Governor Abercrombie, for a number of years on plans for the redevelopment of Banyan Drive area in Hilo. The Department has continually agreed to work closely with BDHRA to coordinate redevelopment of Banyan Drive leases to be consistent with the BDHRA overall planning concept for Banyan Drive.

The Department has also been working with the private sector lessees and permittees to move Banyan Drive buildings on state land into redevelopment in phases. Key state parcels in which the Department is engaged in redevelopment of Banyan Drive include:

- 1) Hilo Hawaiian Hotel: ground lease from the Department; renovated.
- 2) Hilo Bay Café (former Nihon restaurant site): ground lease from the Department; renovated.

- 3) Grand Naniloa Hotel: ground lease from the Department; \$20 million renovations nearly complete.
- 4) Golf Course: part of Grand Naniloa ground lease from the Department; requires participation of lessee for redevelopment.
- 5) Uncle Billy's: closed in 2017 by the Board of Land and Natural Resources (Board); under Revocable Permit (RP) to Grand Naniloa; the Department is issuing a Request for Interest (RFI) Q12018 for tear-down and rebuild proposals.
- 6) Country Club: under RP; the Department is reviewing for potential issuance of an RFI for tear-down and rebuild proposals
- 7) Reed's Bay Resort Hotel: under RP; has some remaining useful life.

Since 2014, the Department has spent approximately \$524,500 from the SLDF on consultant services and studies dedicated to the public lands at Banyan Drive.

- One consultant prepared a market study on tourism to determine if the area could support a new hotel, as well as 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/><sup>1</sup>

- Another consultant conducted a much more detailed architectural and engineering study on whether existing improvements on the expired lease premises should be demolished or rehabilitated.
- 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.
- Additionally, the Department procured an engineering consultant to assist in reviewing the renovation plans for the Grand Naniloa Hotel.
- Apart from the fees for consultant service, a significant amount of staff time has been invested in planning for the area including attendance at the BDHRA meetings.

The Department opposes transferring funds from the SLDF to BDHRA for Banyan Drive redevelopment purposes.<sup>2</sup> The County of Hawaii (County) and the State have cooperated, and

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<sup>1</sup> This link also includes consultant studies on the Kanoelehua Industrial Area of Hilo. The Department has spent approximately \$138,000 on planning studies for the Kanoelehua Industrial Area.

<sup>2</sup> In addition to this bill seeking 10% of the revenues, 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

should continue to cooperate, in planning for redevelopment at Banyan Drive. Given that the primary redevelopment work for the properties on State land has already required significant investments from the SLDF, and will require future significant investments, the County should fund its own portion of the redevelopment efforts.

The Department notes that should the Department not receive viable proposals for tear-down and rebuild of Uncle Billy's and/or Country Club, redevelopment would require significant capital funds to tear down those buildings, and the County and the State should collaborate on capital funding proposals in the future to accomplish that.

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 Legislature and 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.

Diverting lease revenues from the Banyan Drive area to BDHRA or another redevelopment agency would negatively impact the Department's operations, and would not be a fair allocation of resources between the State and the County for these efforts.

Thank you for the opportunity to comment on this measure.

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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.

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 23, 2018

Senator Donovan M. Dela Cruz, Chair  
Committee on Ways and Means  
Hawai'i State Capitol, Room 211  
Honolulu, HI 96813

Senator Gilbert S.C. Keith-Agaran, Vice-Chair  
Committee on Ways and Means  
Hawai'i State Capitol, Room 211  
Honolulu, HI 96813

Dear Chair Dela Cruz, Vice-Chair Keith-Agaran and Committee Members:

**Re: SB 2972, SD 1 Relating to Development of Banyan Drive**  
**Hearing Date: 02/28/18 – 11:00 am; Conference Room 211**

Thank you for again addressing an issue of great importance to the economic well-being of Hawai'i County, the redevelopment of Banyan Drive. I support SB 2972, SD 1.


As SB 2972, SD 1 states, 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.

Hawai'i County has taken the first steps toward revitalizing the Banyan Drive peninsula. The administration, Council, community, and Big Island legislators have found common purpose; the redevelopment area has been defined; 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.

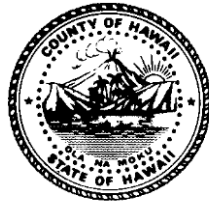
SB 2972, SD 1, provides that "no funds shall be expended unless matched on a dollar-for-dollar basis by funds from Hawai'i County." Please know that the Hawai'i County budget is severely strapped, and I have already had to impose increases in our property, fuel, and vehicle weight taxes. Nevertheless, this issue is important enough that I can commit to you that I would include \$250,000 in the 2018-2019 County budget, in order to provide the matching funds called for. We do 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.

Please give SB 2972, SD 1 your favorable consideration.

Respectfully submitted,

  
Harry Kim  
Mayor, County of Hawai'i

Harry Kim  
*Mayor*



Michael Yee  
*Director*

Daryn Arai  
*Deputy Director*

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**County of Hawai'i**  
**PLANNING DEPARTMENT**

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February 23, 2018

Testimony by  
**MICHAEL YEE**  
**Director, County of Hawai'i Planning Department**  
before the  
**COMMITTEE ON WAYS AND MEANS**  
**Wednesday, February 28, 2018, 11:00 AM**  
**State Capitol, Conference Room 211**  
in consideration of  
**SB 2972, SD1**  
**Relating to Land Development**

We **support** SB2972, SD1 as the County of Hawai'i will gladly accept any level of assistance that the State can provide to help us with the redevelopment of the Banyan Drive peninsula, a much-treasured economic, cultural and recreational resource that must be nurtured so that it can fully realize its benefits to the residents and visitors of this county and the state.

We support this with the understanding of the difficulties it places upon the Department of Land and Natural Resources, our partner in addressing the needs of this redevelopment district. As much as the DLNR has its vast fiduciary responsibilities to manage our natural, cultural and recreational resources comprising our public lands, we look upon the Banyan Drive peninsula as a natural, cultural and recreational resource as well, and not only as an economic resource, thereby making it just as deserving of support funding as the other resources being managed by the State; such as its small boat harbors, forestry and conservation lands, and water resources.

Thank you for the opportunity to provide testimony.

**SB-2972-SD-1**

Submitted on: 2/26/2018 9:13:00 AM

Testimony for WAM on 2/28/2018 11:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	Testifying for OCC Legislative Priorities Committee, Democratic Party of Hawai'i	Support	No

Comments:

**PRESENTATION OF THE  
OAHU COUNTY COMMITTEE ON LEGISLATIVE PRIORITIES  
DEMOCRATIC PARTY OF HAWAI'I**

TO THE COMMITTEE ON WAYS AND MEANS

THE SENATE

TWENTY-NINTH LEGISLATURE

REGULAR SESSION OF 2018

Wednesday, February 28, 2018

11:00 A.M.

Hawaii State Capitol, Conference Room 211

RE: Testimony in Support of **SB2972 SD1**, RELATING TO LAND DEVELOPMENT

To the Honorable Donovan M. Dela Cruz, Chair; the Honorable Gilbert S.C. Keith-Agaran, Vice-Chair, and Members of the Committee on Finance:

Good morning, my name is Melodie Aduja. I serve as Chair of the Oahu County Committee ("OCC") Legislative Priorities Committee of the Democratic Party of Hawaii. Thank you for the opportunity to provide written testimony on Senate Bill No. **2972 SD1** regarding the Banyan Drive Hawai'i Redevelopment Agency; Environmental Impact Studies; Department of Land and Natural Resources; and an appropriation.

The OCC Legislative Priorities Committee is in favor of Senate Bill No. **2972 SD1**

and support its passage.

Senate Bill No. **2972 SD1** is in accord with the Platform of the Democratic Party of Hawai'i ("DPH"), 2016, as it requires the department of land and natural resources to allocate ten per cent of revenues collected from commercial properties within the Banyan Drive redevelopment area to the Banyan Drive Hawai'i redevelopment agency; appropriates funds from the special land and development fund to assist the county of Hawai'i in conducting the necessary environmental impact studies necessary to complete its redevelopment plan for the Banyan Drive redevelopment area; and requires matching funds from the county of Hawai'i.

Specifically, the DPH Platform provides that the "[a]vailability of financial support and a capable educated people are critical to our economic expansion and diversification. The management of businesses should be ethical and responsive to the community with transparency for investors and shareholders guaranteeing sound, healthy management." (Platform of the DPH, P. 2, Lines 62-64 (2016)).

We support the protection of our 'aina against destruction by corporate, government, or military usage and expect full restoration and reparation of environmental damage. (Platform of the DPH, P. 8, Lines 422-423 (2016)).

We believe in the vigorous enforcement of our environmental laws and increased public-private stewardships and citizen involvement in protecting our resources. (Platform of the DPH, P. 8, Lines 432-433 (2016)).

Given that Senate Bill No. **2972 SD1** requires the department of land and natural resources to allocate ten per cent of revenues collected from commercial properties within the Banyan Drive redevelopment area to the Banyan Drive Hawai'i redevelopment agency; appropriates funds from the special land and development fund to assist the county of Hawai'i in conducting the necessary environmental impact studies necessary to complete its redevelopment plan for the Banyan Drive redevelopment area; and requires matching funds from the county of Hawai'i, it is the position of the OCC Legislative Priorities Committee to support this measure.

Thank you very much for your kind consideration.


Sincerely yours,


/s/ Melodie Aduja


Melodie Aduja, Chair, OCC Legislative Priorities Committee

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February 28, 2018

**The Honorable Donovan Dela Cruz, Chair**

Senate Committee on Ways and Means  
State Capitol, Room 211  
Honolulu, Hawaii 96813

**RE: S.B. 2972, SD1, Relating to Land Development**

**HEARING: Wednesday, February 28, 2018, at 11:00 a.m.**

Aloha Chair Dela Cruz, Vice Chair Keith-Agaran, 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 over 9,500 members. HAR **supports** Senate Bill 2972, SD1, which requires the Department of Land and Natural Resources to allocate 25% of revenues collected from commercial properties within the Banyan Drive redevelopment area to the Banyan Drive Hawai'i Redevelopment Agency. Appropriates funds from the Special Land and Development Fund to assist the county of Hawai'i in conducting the necessary environmental impact studies necessary to complete its redevelopment plan for the Banyan Drive redevelopment area. Requires matching funds from the county of Hawai'i.

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.