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GOVERNOR OF
HAWAII



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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 Committees on
ENERGY & ENVIRONMENTAL PROTECTION
WATER & LAND

Friday, March 16, 2018
11:01 am
State Capitol, Conference Room 325

In consideration of
SENATE BILL 2972, SENATE DRAFT 2
RELATING TO LAND DEVELOPMENT

Senate Bill 2972, Senate Draft 2 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 unspecified amount 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 current version of the measure changes a prior appropriation of \$250,000 from SLDF to the unspecified amount, clarifies language regarding the matching funds required by the County of Hawaii, changes the effective date to July 1, 2050 to facilitate further discussion, and makes other technical, non-substantive changes. **The Department of Land and Natural Resources (Department) opposes the appropriation of funding from the SLDF to BDHRA, and offers comments regarding the status of Banyan Drive redevelopment..**

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; On March 7, 2018, the Department posted a request for interest (RFI) on its website as well as on the website of the State Procurement Office regarding the potential demolition of existing structures and reconstruction of a hotel on the former Hilo Bay Hotel site. Notice of the RFI was additionally published in several newspapers in the State on March 14, 2018.
- 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/>¹

- 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.

¹ 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.

The Department opposes transferring funds from the SLDF to BDHRA for Banyan Drive redevelopment purposes. In addition to this bill seeking 10% of the revenues from the Banyan Drive leases and an unspecified amount from the Special Land and Development Fund (generated from leases elsewhere), 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, and paying for rental mediation and arbitration costs) but receive very little or no revenue in return, after expenses.

As to planning in the area, the County of Hawaii (County) and the State have cooperated, and 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.

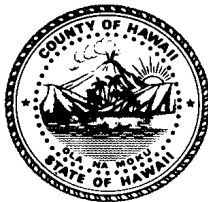
To properly perform these fiduciary duties, the Legislature and the Board determined that the Department should utilize a portion of the lands it manages to generate revenues to support the Department's operations and management of public lands/programs. Annual lease revenues currently support the SLDF, 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.

From the office of -
Council Member
District 3



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SUSAN L.K. LEE LOY

25 Aupuni Street, Hilo, Hawai'i 96720

The Honorable Chris Lee, Chair
And members of the Committee on Energy and Environmental Protection

The Honorable Ryan I. Yamane, Chair
And members of the Committee on Water and Land

March 14, 2018

Dear Chair Lee, Chair Yamane, and Committee Members,

I thank you for the opportunity to provide testimony in strong support of SB 2972, as amended to SD2.

SB 2972 SD2 is significant because it continues the partnership between the Department of Land and Natural Resources and the Banyan Drive Hawai'i Redevelopment Agency, and it appropriates funds from the special land and development fund to assist the County of Hawai'i in conducting the necessary environmental impact statements necessary to complete its redevelopment plans.

When properly managed, the allocation of 10 percent of revenue from the Banyan Drive redevelopment area to the BDHRA will "kick start" the growth and development of this blighted district, increasing revenues for those lease-owned properties, and creating jobs in the visitor and restaurant industries in East Hawai'i.

This bill requires \$250,000 in matching funds from Hawai'i County for the 2018-2019 fiscal year. Despite the unfortunate omission of these funds from the Mayor's initial draft of our county budget, I will be working with my colleagues on the County Council and with Mayor Kim to ensure it will become available as the budget review process progresses.

Again, I thank you for the opportunity to provide testimony in support of SB 2972, SD2, and I ask for your approval.

Aloha Piha,

A handwritten signature in black ink, appearing to read "Sue Lee Loy".

Sue Lee Loy
Council Member, District 3

Rep. Chris Lee, Chair

COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

Rep. Ryan I. Yamane, Chair

COMMITTEE ON WATER & LAND

Dear Chairs Lee and Yamane, and Committee Members:

Re: SB 2972, SD2 relating to development of Banyan Drive

Thank you for again addressing an issue of great importance to the economic well-being of Hawaii County, the redevelopment of Banyan Drive. I support SB 2972, SD2.

As SB 2972, SD2 states, Banyan Drive is underutilized and in disrepair. It is the center of tourism in East Hawaii, but it is a jewel that is quite tarnished at the present time.

Hawaii 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.

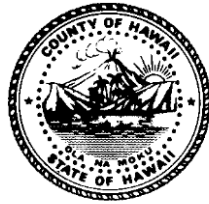
SB 2972, SD2, provides that “no funds shall be made available under this Act unless the county of Hawaii provides matching funds of \$250,000 through its county budget for fiscal year 2018-2019” Please know that the Hawaii County budget is severely strapped, and I have already had to impose increases in our property, fuel, and vehicle weight taxes. Nevertheless, this issue is important enough that, although no matching funds were included in my March preliminary budget, I will do my best to provide \$250,000 in the final 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, SD2 your favorable consideration. .

Respectfully submitted,

hk

Harry Kim
Mayor



Michael Yee
Director

Daryn Arai
Deputy Director

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PLANNING DEPARTMENT

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March 15, 2018

Testimony by
MICHAEL YEE

Director, County of Hawai'i Planning Department

before the

COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

COMMITTEE ON WATER & LAND

Friday, March 16, 2018, 11:01 AM

State Capitol, Conference Room 325

in consideration of

SB 2972, SD2

Relating to Land Development

The County of Hawai'i **supports** SB 2972, SD1 and its attempt to provide meaningful assistance from the state to help 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 do have one area of clarification we would like to present, and it would be whether Section 3 regarding the release of funds from the special land and development fund would be immediately available on a dollar-for-dollar basis up to \$250,000 or would it only be released upon the appropriation of the full \$250,000 by the County. The bill appears to read as the latter.

The area has been deemed "blighted." Blighted is not a condition you reach just because of expiring leases. To change from blighted will take more than just renewing leases. Opposition testimony basically recommends the status quo, because without investment into performing an environmental impact statement, all other options maintain the existing conditions and management of the area. The next step to the actual revitalization of Banyan Drive is performing an environmental impact statement which will remove a major hurdle for development and provide a clearer vision of the future. Given the State owns much of the land, the State should commit funds in this bill which requires a match from the County.

Thank you for the opportunity to provide testimony.

SB-2972-SD-2

Submitted on: 3/14/2018 4:20:20 PM

Testimony for EEP on 3/16/2018 11:01:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Erica Scott	Individual	Support	No

Comments:

The Twenty-Ninth Legislature
Regular Session of 2018

HOUSE OF REPRESENTATIVES

Committee on Energy & Environmental Protection

Representative Chris Lee, Chair

Representative Nicole Lowen, Vice Chair

Committee on Water & Land

Representative Ryan J. Yamane, Chair

Representative Chris Todd, Vice Chair

State Capitol, Conference Room 325

Friday, March 16, 2018; 11:01 a.m.

STATEMENT OF THE ILWU LOCAL 142 ON SB 2972, SD 2

The ILWU Local 142 is in support of SB 2972, SD 2, RELATING TO LAND DEVELOPMENT.

The Banyan Drive Hawaii Redevelopment Agency was created by the County of Hawaii to work toward improving the Banyan Drive redevelopment which will strengthen the economic vitality of Hilo and the East Hawaii area.

SB 2972, SD 2 provides a funding mechanism for this effort. Also, the bill requires matching County funding.

The ILWU Local 142 urges the passage of SB 2972, SD 2. Thank you for your consideration of our views.