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GOVERNOR OF  
HAWAII



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LAND  
STATE PARKS

STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES

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Testimony of  
SUZANNE D. CASE  
Chairperson

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

Monday, February 5, 2018  
2:45 pm  
State Capitol, Conference Room 224

In consideration of  
SENATE BILL 2972  
RELATING TO LAND DEVELOPMENT

Senate Bill 2972 proposes to allocate 25% 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), and to amend Chapter 171, Hawaii Revised Statutes (HRS), to appropriate funding from the Special Land and Development Fund (SLDF) to BDHRA. **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. 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

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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.

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.

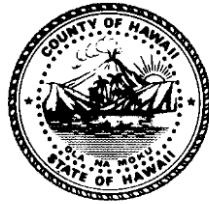
To properly perform these fiduciary duties, the Legislature and the Board determined that the Department should utilize a portion of the lands it manages to generate revenues to support the Department's operations and management of public lands/programs. Annual lease revenues currently support the SLDF,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

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 2, 2018

Testimony by  
**MICHAEL YEE**

**Director, County of Hawai'i Planning Department**

before the

**COMMITTEE ON ECONOMIC DEVELOPMENT, TOURISM AND TECHNOLOGY**  
**COMMITTEE ON WATER AND LAND**  
**COMMITTEE ON AGRICULTURE AND ENVIRONMENT**

**Monday, February 5, 2018, 2:45 PM**

**State Capitol, Conference Room 224**

in consideration of

**SB 2972**

**Relating to Land Development**

The County of Hawai'i Planning Department offers testimony in **STRONG SUPPORT** of Senate Bill 2972, Relating to Land Development.



This bill would provide critical support to the Banyan Drive Hawai'i Redevelopment Agency (BDHRA). Established in 2016, BDHRA is already working towards the redevelopment of neglected properties within and along the Waiākea peninsula in east Hawai'i. Beginning in May of 2016, the BDHRA held monthly meetings to solicit input into a conceptual land use master plan for redevelopment of the peninsula in a manner that was in line with the community's values. In October of 2016, the BDHRA adopted a conceptual land use master plan with which to move forward on the required studies and vetting as required by State law. The concept that was adopted includes considerations for commercial, visitor, community, cultural, and open space uses and development. This bill would continue to leverage the local expertise already assembled on BDHRA.


Given county budget constraints, we suggest the following revision to Section 4 (7):

*(7) Stakeholder consultation and engagement; provided further that no funds shall be expended unless matched on a dollar-for-dollar basis by funds from Hawai'i county **up to \$250,000.***

Thank you for the opportunity to provide testimony.



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 | 1259 A'ala Street, Suite 300  
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February 5, 2018

**The Honorable Glenn Wakai, Chair**

Senate Committee on Economic Development, Tourism and Technology

**The Honorable Karl Rhoads, Chair**

Senate Committee on Water and Land

**The Honorable Glenn Mike Gabbard, Chair**

Senate Committee on Agriculture and Environment

State Capitol, Room 224

Honolulu, Hawaii 96813

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

**HEARING: Monday, February 5, 2018, at 2:45 p.m.**

Aloha Chair Wakai, Chair Rhoads, Chair Gabbard and Members of the Joint Committees,


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, 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.





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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.

