

DAVID Y. IGE
GOVERNOR OF
HAWAII



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

ROBERT K. MASUDA
FIRST DEPUTY

JEFFREY T. PEARSON, P.E.
DEPUTY DIRECTOR - WATER

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BOATING AND OCEAN RECREATION
BUREAU OF CONVEYANCES
COMMISSION ON WATER RESOURCE MANAGEMENT
CONSERVATION AND COASTAL LANDS
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STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES

POST OFFICE BOX 621
HONOLULU, HAWAII 96809

Testimony of
SUZANNE D. CASE
Chairperson

Before the House Committee on
WATER & LAND

Wednesday, March 14, 2018
10:30am
State Capitol, Conference Room 325

In consideration of
SENATE BILL 3058, SENATE DRAFT 2
RELATING TO PUBLIC LANDS

Senate Bill 3058, Senate Draft 2 proposes to establish procedures for designating public redevelopment districts and implementing redevelopment plans. The bill also proposes to establish the Waiakea Peninsula Redevelopment District and associated planning committee and revolving fund. The current version of the measure clarifies that each member of a planning committee must be a resident of the State and possess requisite knowledge, experience or expertise, changes the effective date to July 1, 2050 to facilitate further discussion, and makes technical non-substantive amendments. **The Department of Land and Natural Resources (Department) opposes the diversion of revenues from the Special Land and Development Fund (SLDF) to planning committees formed under the measure, and offers comments regarding the status of Banyan Drive redevelopment and lease extensions at Kanoiehua Industrial Area.**

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 with commercial, industrial, hotel and resort uses. The Department's primary hotel and resort landholding is located on Banyan Drive in Hilo. The Department's main industrial landholdings are located at Sand Island, Oahu, and Kanoiehua Industrial Area in Hilo.

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. 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. The RFI will be published in several newspapers in the State on March 14, 2018. 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.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/kanoiehua-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 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.

With respect to 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. The Department has spent approximately \$138,000 on planning studies for the Kanoelehua Industrial Area since 2014.²

A planning committee formed under the bill would have broad powers, including the power to renew or renegotiate any lease in connection with any project contained in the redevelopment plan on terms and conditions the committee deems advisable. These powers would allow the planning committee to grant extensions of unspecified duration to existing lessees.

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, 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. Last year, Act 215 Session Laws of Hawaii (2017) was passed allowing lessees of commercial or industrial lands who are in the last ten years of their lease terms to voluntarily

² The Department 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/kanoelehua-and-banyan-drive-studies/>

enter into a process to determine interest in future land leases. If no interest were expressed other than by the current lessee, then the lessee would have the ability to directly negotiate a new lease with the Department. 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:

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. PART III of the measure creates the Waiakea Peninsula Redevelopment District (WPRD) for the Banyan Drive area of Hilo.

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 Kanoiehua 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.

In addition to this bill seeking 50% of the revenues from redevelopment areas, there are various other redevelopment agency bills moving this session seeking to take 10% of the revenues generated from the Banyan Drive leases. These lands are ceded and the Office of Hawaiian Affairs 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

There are practical problems with the bill

As noted above, Senate Bill 3058, Senate Draft 2, 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

This bill proposes that 50% of the revenues from properties in a development district are to be deposited into a redevelopment revolving fund. PART III of the bill creates such a fund specifically for the WPRD and provides that the moneys in the revolving fund shall be used in the WPRD for the purposes described in PART I 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 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 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.

DAVID Y. IGE
GOVERNOR



LAUREL A. JOHNSTON
DIRECTOR

KEN N. KITAMURA
ACTING DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY
TESTIMONY BY LAUREL A. JOHNSTON
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON WATER AND LAND
ON
SENATE BILL NO. 3058, S.D. 2

March 14, 2018
10:30 a.m.
Room 325

RELATING TO PUBLIC LANDS

Senate Bill No. 3058, S.D. 2, establishes a framework to identify areas of commercial, industrial, resort, and hotel parcels in need of revitalization and redevelopment of the parcels. The bill creates a nine-member planning committee for each redevelopment district to provide policy direction and prepare a redevelopment plan. The bill authorizes establishment of a revolving fund for each redevelopment district that would generate revenues through 50% of the income, revenues, and receipts from the public lands in the redevelopment district; legislative appropriations; and grants, gifts, and other funds. Senate Bill No. 3058, S.D. 2, also creates the Waiakea Peninsula Redevelopment District on the island of Hawai'i, the Waiakea Peninsula Redevelopment District Planning Committee, and the Waiakea Peninsula Redevelopment District Revolving Fund.

While the Department of Budget and Finance takes no position on the establishment of redevelopment districts, as a matter of general policy, the department does not support the creation of any revolving fund which does not meet the

requirements of Section 37-52.4, HRS. Revolving funds should: 1) serve a need as demonstrated by the purpose, scope of work and an explanation why the program cannot be implemented successfully under the general fund appropriation process; 2) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries or a clear link between the program and the sources of revenue; 3) provide an appropriate means of financing for the program or activity; and 4) demonstrate the capacity to be financially self-sustaining. In regards to Senate Bill No. 3058, S.D. 2, it is difficult to determine the number of revolving funds that will be created, and whether the proposed source of revenues will be self-sustaining for each revolving fund.

The department has concerns on the general fund revenue impact of the bill since half of the revenue, income, and receipts from public lands in each designated redevelopment district will be diverted away from the Special Land and Development Fund. Pursuant to Section 171-19, HRS, excess moneys in the Special Land and Development Fund lapse to the credit of the State general fund.

Thank you for your consideration of our comments.

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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March 12, 2018

Representative Ryan I. Yamane, Chair
Committee on Water and Land
Hawai'i State Capitol, Room 325
Honolulu, HI 96813

Representative Chris Todd, Vice-Chair
Committee on Water and Land
Hawai'i State Capitol, Room 325
Honolulu, HI 96813

Dear Chair Yamane, Vice-Chair Todd and Committee Members:

Re: SB 3058, SD 2 Relating to Waiakea Peninsula, Hilo
Hearing Date: 03-14-18 – 10:30 am; House Conference Room 325

Thank you for this opportunity to testify in support of SB 3058, SD 2, subject to proposed amendments.

SB 3058, SD 2, is not our first choice in resolving the issues surrounding the redevelopment of State land on the Waiakea Peninsula, but it certainly would be a step forward. Our preferred bill, SB 2972, SD 2, has a joint referral to EEP/WAL and we hope you will consider it at a later date, or incorporate it into this legislation.

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.

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. Therefore, I am hoping the State will provide 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, SD 2 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 SB 3058, SD 2, which would direct resources, both statutorily and financially, toward the redevelopment of Banyan Drive while providing some local perspective in decision-making.

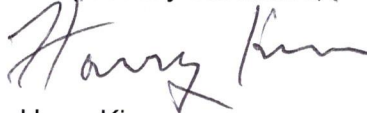
We think that SB 3058, SD 2, should be improved with the following amendments:

- (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.

Separately, 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 not addressed in this bill, but since this is an issue of statewide significance, I would ask you to consider adding another part to this legislation that could then be considered in conference.

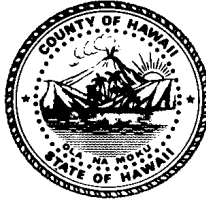
At any rate, I hope you will act favorably on an amended version of SB 3058, SD 2.

Respectfully submitted,



Harry Kim
Mayor, County of Hawai'i

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 Ryan I. Yamane, Chair
And members of the Committee on Ways and Means

March 12, 2018

Dear Chair Yamane and Committee Members,

I thank you for the opportunity to provide testimony in strong support of SB 3058, as amended to SD2. At this time I am supporting all versions of bills with similar intent, including also SB 2972 SD2, that will provide guidance to revitalize Hilo and East Hawai'i through redevelopment of the state-owned properties along Banyan Drive on the Waiākea Peninsula.

The area designated as the "Waiākea Peninsula Redevelopment District" includes all public lands on the peninsula, including three County parks – Lili'uokalani Gardens, Mokuola Island, and Reeds Bay Beach Park. These areas are popular with visitors and residents alike, and provide scenic vistas (on sunny days) of Mauna Kea, Mauna Loa, Hilo Bay, and the city of Hilo.

As stated in Part III, Section 4 of this bill: "There has been little incentive for the lessees of the properties in the area to make major investments in improvements to their infrastructure, resulting in the deterioration of the area's infrastructure and facilities; and (t)he State has a responsibility to ensure that the Waiākea peninsula area does not deteriorate nor have a harmful impact on the economy of the community as a whole." I could not agree more.

One last comment – the work of the County of Hawai'i's Banyan Drive Hawai'i Redevelopment Agency should also be considered and incorporated by the redevelopment district planning committee, in order to reduce duplication of effort.

Again, I thank you for the opportunity to provide testimony in support of SB 3058, 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



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HOUSE COMMITTEE ON WATER AND LAND
Wednesday, March 14, 2018, 10:30 AM, Conference Room 325
Senate Bill 3058, SD 2 Relating to Public Lands

TESTIMONY

Chair Yamane and Committee Members:

The League of Women Voters strongly opposes SB 3058, SD 2, which establishes procedures for designation of public land redevelopment districts and unaccountable “committees” with unlimited authority to negotiate/re negotiate non-bid long-term leases to existing lessees, earmark use of public lease revenues, and waive public collection of lease revenues within redevelopment districts.

We support public planning for redevelopment of public lands and transparent, competitive procedures for the **BLNR** to award long-term commercial leases on public lands. We oppose SB 3058, SD 2 because this bill contains provisions which would encourage existing commercial lessees of public lands to “play politics” to gain special unfair treatment. We also oppose arbitrary earmarking of public lease revenues to new revolving funds because there obviously is no rational nexus between potential revenues and required expenditures.

Thank you for the opportunity to submit testimony



House Committee on Water and Land
Chair Ryan Yamane, Vice Chair Chris Todd

03/14/2018 10:30 AM Room 325
SB3058 SD2– Relating to Public Lands

TESTIMONY / OPPOSE
Corie Tanida, Executive Director, Common Cause Hawaii

Dear Chair Yamane, Vice Chair Todd, and members of the committee:

Common Cause Hawaii opposes SB3058 SD2 which would establish procedures to designate public land redevelopment districts, planning committees, and district redevelopment plans; establish the powers and duties of planning committees; and modifies public land lease restrictions.

As this bill seems reminiscent of the Public Lands Development Corporation (PLDC), we are reminded that one of the many issues raised was the lack of transparency and access. Thus, because planning committees are given broad powers including the ability to renew or renegotiate leases, and the ability to make and execute contracts, the public should be afforded every opportunity to participate and voice their opinions on plans and activities, throughout the entire process. We believe that as written this bill would allow indefinite extensions of leases that preclude the public from participating and bidding, eliminating fair competition.

SB3058 SD2 also specifies that planning committees “shall hold a public hearing” (emphasis added) on their draft plan and incorporate feedback as necessary (page 13, subsection (e), line 1). We believe that the public should be involved from the outset, not after a plan has already been drafted, as these plans and how they’re implemented will affect various neighborhoods and residents’ daily lives.

We respectfully urge the committee to **defer this bill**.

Thank you for the opportunity to offer testimony **opposing SB3058 SD2**.

March 12, 2018

COMMITTEE ON WATER and LAND
Representative Ryan Yamane, Chair
Representative Chris Todd, Vice Chair

Testimony in Support of SB 3058 SD2

Aloha Chairs Yamane and Todd,

As our earlier testimony indicated, HPM Building Supply will soon celebrate its 97th anniversary on August 8, 2018. We are proud that we employ over 330 employees and operate 8 facilities across Hawaii Island, Oahu and Kauai, and that we are a 100% employee-owned company. HPM was founded in 1921, in Hilo.

We respectfully ask for your support of **SB 3058 SD2**. The opportunity to establish and designate public land redevelopment districts brings forward an effective framework to revitalize our Hilo community. Also important to this bill is the establishment of procedures for designating planning committees, district redevelopment plans, and redevelopment district revolving fund appropriations. We believe this bill will benefit our community by ensuring the Waiakea peninsula is well maintained in the best interest of our community, by allowing community involvement and decision-making. As you know, this area is vital to local economic wellbeing and is responsible for about 85% of the overnight visitor revenue. Most importantly, we have confidence that the comprehensive nature of **SB 3058 SD2** and its mechanisms for funding provide the right ingredients to make meaningful and timely impact and will establish the economic foundation and engine for our future generations of our Hilo community to thrive.

We humbly ask for your support and thank you for your consideration.

Mahalo,



Robert M. Fujimoto, Chairman of the Board Emeritus




Michael K. Fujimoto, Chairman and Chief Executive Officer




Jason R. Fujimoto, President & Chief Operating Officer



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March 14, 2018

The Honorable Ryan Yamane, Chair

House Committee on Water and Land

State Capitol, Room 325

Honolulu, Hawaii 96813

RE: Senate Bill 3058, SD2, Relating to Public Lands

HEARING: Wednesday, March 14, 2018, at 10:30 a.m.

Aloha Chair Yamane, Vice Chair Todd, 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** Senate Bill 3058, SD2, which establishes procedures for designating public land redevelopment districts, planning committees, district redevelopment plans, and designated redevelopment district revolving funds. Establishes powers and duties of planning committees. Appropriates funds. Establishes the Waiakea peninsula redevelopment district, planning committee, and revolving fund until June 30, 2028.

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.



McCully Works

40 Kamehameha Ave.

Hilo, Hi. 96720

Feb 15, 2018

SB3058 – SUPPORT (with amendments)

House Committee on Water and Land
Chair Ryan Yamane Vice-Chair Chris Todd

Aloha Chair Yamane and members of the Committee

I note that SB3058 has been significantly amended since introduction. The Senate Committees ETT/WTL made modifications to the sections of the bill that establish and control new public authorities to oversee public land redevelopment. The committee also removed sections that would modify public land lease restrictions.

This committee has already heard and amended HB 2641, the companion bill to SB3058 as originally written. The benefits HB 2641 would bring to urban public lands are well understood by this committee. I would recommend SB3058 be amended by this committee similarly to the current HB2461, which is the HD2 version (HB2641, HD2).

A need for meaningful statutory reform of HRS171-41.6 is an additional issue. In the 2017 session Act 215 modified public land lease restrictions with this statute. These modifications are not meeting the legislatures intent when hearing and then amending HB575, 2017. The final amendments made in Conference Committee were significantly different than prior heard versions and were in no way similar to the model for HB575, which was Act 219, 2011. Requirements of public land lessees, lenders, investors, developers, and businesses can't be met with the current statutory language. Modifications to the statute that are required include; extending notification within the term, the policy to establish qualified bidders including the necessity to determine the financial capacity of the prospective bidder, the capability of the lessee to elect an immediate auction, are just some of the modifications to consider. Without key changes this statute is actually contrary to it's intended purpose. I would suggest to this committee that it review HRS171-41.6 and amend it to so as to make it a meaningful statutory process that can be utilized to benefit the states economy and keep public land leases operating at their highest and best use.

Significant portions of our states economy operate on public land leases in urban areas. The Banyan Drive and the Kanoelehua Industrial Area in my community of Hilo are two significant examples. Since there are few or no replacement sites given our limited zoned lands bills such as SB3058 (as originally written) and HB2641, HD2 are critical to our states future. A thriving economy provides jobs, benefits to the community at large, and a better future for all of our children. SB3058 can help....if properly amended.

Mahalo, James McCully

SB-3058-SD-2

Submitted on: 3/13/2018 1:13:02 PM

Testimony for WAL on 3/14/2018 10:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
brian nakano	Chika Nakano Repair Shop	Support	No

Comments:

Please support this bill

SB-3058-SD-2

Submitted on: 3/11/2018 6:33:38 PM

Testimony for WAL on 3/14/2018 10:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Garth Yamanaka	Individual	Support	No

Comments:

SB-3058-SD-2

Submitted on: 3/11/2018 6:46:34 PM

Testimony for WAL on 3/14/2018 10:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Randy Ching	Individual	Oppose	No

Comments:

Chair Yamane, Vice Chair Todd and members of the committee,

Please defer SB3058 SD2. It is a bad bill. This bill would create an agency very similar to the Public Land Development Corporation (PLDC). Hawaii's citizens fought hard to have PLDC (HRS 171C) repealed in 2013 and won.

We can't allow this PLDC look-alike to take its place.

Thank you for the opportunity to testify.

Randy Ching / Honolulu

SB-3058-SD-2

Submitted on: 3/11/2018 7:53:29 PM

Testimony for WAL on 3/14/2018 10:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Jeannine Johnson	Individual	Oppose	No

Comments:

I strongly oppose SB 3058 in any shape or form. Stop trying to take away the public's lands for redevelopment. We will remember this land grab come election time.

SB-3058-SD-2

Submitted on: 3/12/2018 4:28:59 AM

Testimony for WAL on 3/14/2018 10:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
sally kaye	Individual	Oppose	No

Comments:

SB-3058-SD-2

Submitted on: 3/11/2018 9:39:00 PM

Testimony for WAL on 3/14/2018 10:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Michelle Matson	Individual	Oppose	No

Comments:

STRONG OPPOSITION to SB 3058, a transparent proposal to corrupt Hawai'i's established public land use principles, practices and protections.

This is nothing more than an attempted resurrection of the PLDC - "Public Lands Development Corporation" - which was similarly engineered by developer-driven influences to circumvent the public interest and consequently RAPIDLY REPEALED in the heat of PUBLIC OUTCRY.

PLEASE KILL THIS BILL.

SB-3058-SD-2

Submitted on: 3/12/2018 10:09:39 AM

Testimony for WAL on 3/14/2018 10:30:00 AM

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

Comments:

SB-3058-SD-2

Submitted on: 3/12/2018 11:00:08 AM

Testimony for WAL on 3/14/2018 10:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Glen Kagamida	Individual	Support	No

Comments:

I absolutely SUPPORT SB3058, which deals with public lands already involved with economic activity. SB3058 will enable more creative and efficient use of those economic activity public lands, resulting in better returns for Hawaii and its taxpayers, and with more accountability. Establishing the Waiakea penninsula redevelopment district, planning committee and revolving fund are especially important to sustain and grow tourism in the Hilo area of eastHawaii Island. Mahalo!

Glen Kagamida, Hilo

SB-3058-SD-2

Submitted on: 3/12/2018 6:10:19 PM

Testimony for WAL on 3/14/2018 10:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
David S. De Luz, Jr.	Individual	Support	No

Comments:

SB3058 - SUPPORT

Chair Donovan Delacruz

Aloha Chair and members of the Committee

This bill promotes working closely with the County wherein the district is located. It may be appropriate to consider a list of nominees from that County's Mayor for selection by the Governor when determining who will serve on the committee. While the County will always be represented on an 'ex officio' basis by its Planning Director it may be also appropriate for the Mayor to have nominated at least one voting member.

The need for meaningful statutory reform of HRS171 is an ongoing issue. This bill was moved from the previous committee without any means for addressing the underlying problem, an antiquated statutory framework restricting the rational use of economic public lands. There is a clear need for the revising of our statutory controls on public lands that are in the Urban land use district and have zoning for hotel, commercial, or industrial uses. Modern requirements by lenders, investors, developers, and business users are not being met. Current laws were enacted when Hawaii was an Agricultural economy. There will be no meaningful redevelopment of public lands to their "highest and best use" without changing the underlying laws that control state leases.

SB 3058 provides a means for any community that has significant state lands affecting their economic future to get involved and work towards the best possible outcome. I've been a farmer and small business owner here in Hilo since 1976. I'm still farming but also now provide logistical support to more than 30 businesses with 200 plus employees. This bill can benefit all of them as it brings widespread benefits to our community.

Mahalo

David S. De Luz, Jr.

808-895-4284

SB-3058-SD-2

Submitted on: 3/13/2018 5:28:55 AM

Testimony for WAL on 3/14/2018 10:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Robin Kaye	Individual	Oppose	No

Comments:

LATE

SB-3058-SD-2

Submitted on: 3/13/2018 3:53:24 PM

Testimony for WAL on 3/14/2018 10:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Jacqui Hoover	Hawaii Island Economic Development Board	Support	No

Comments:

LATE

Testimony of
Christopher Delaunay, Government Relations Manager
Pacific Resource Partnership

HOUSE OF REPRESENTATIVES
THE TWENTY-NINTH LEGISLATURE
REGULAR SESSION OF 2018

COMMITTEE ON WATER & LAND
Representative Ryan I. Yamane, Chair
Representative Chris Todd, Vice Chair

Wednesday, March 14, 2018
10:30 a.m.
State Capitol
Conference Room 325

Aloha Chair Yamane, Vice Chair Todd and Members of the Committee:

Pacific Resource Partnership (PRP) **supports SB 3058, SD2, with an amendment.**

We respectfully recommend that the redevelopment agreements contain language that would require a developer or his or her contactors or subcontractors to pay not less than the prevailing wage to craft employees working on construction projects exceeding \$200,000 within the designated district.

A prevailing wage requirement for construction projects within the designated district will discourage contractors from competing based on driving down wages and cheapening the quality of construction, which could lead to a less-skilled and less-productive workforce and to shoddy construction practices and unsafe buildings and infrastructure. A prevailing wage requirement will ensure that skilled workers on the job are paid a "living wage" in Hawaii. This not only brings economic and personal security to Hawaii's families and communities, but it also brings more money to the State's economy. Moreover, the use of public lands to develop a project should require the payment of the prevailing wage.

As such we recommend the following amendments **to subsection (9) on page 9 regarding the redevelopment agreement:**

"Where the contract for a construction project exceeds \$200,000, the redevelopment agreement shall require the developer or developers or his or her contractor or subcontractors to pay



(Continued From Page 1)

craft employees not less than the prevailing wage rates subject to chapter 104, Hawaii Revised Statutes and this prevailing wage requirement shall be stated in the redevelopment agreement.

Copies of the redevelopment agreement shall be filed with the committee.

The developer or developers or his or her contractor or subcontractors shall submit weekly certified payrolls to the committee."

Thank you for allowing us to express our opinion on SB 3058, SD2, and we respectfully request your favorable consideration.

About PRP

Pacific Resource Partnership (PRP) is a not-for-profit organization that represents the Hawaii Regional Council of Carpenters, the largest construction union in the state, and more than 240 of Hawaii's top contractors. Through this unique partnership, PRP has become an influential voice for responsible construction and an advocate for creating a stronger, more sustainable Hawaii in a way that promotes a vibrant economy, creates jobs and enhances the quality of life for all residents.

LATE



Hawaii's Thousand Friends

300 Kuulei Rd. Unit A #281 * Kailua, HI 96734 * Phone/Fax (808) 262-0682 E-Mail: htff3000@gmail.com

March 14, 2018

COMMITTEE ON WATER & LAND

Rep. Ryan I. Yamane, Chair

Rep. Chris Todd, Vice Chair

Aloha,

Chair Yamane
Vice Chair Todd
Committee Members

SB 3058 SD2 RELATING TO PUBLIC LANDS

Hawaii's Thousand Friends opposes SB 3058 SD2 that establishes new procedures for designation public land redevelopment districts; district redevelopment plans, and designated redevelopment district revolving funds.

Creating new planning and decision-making entities outside of present planning processes usurps county home rule i.e. zoning, enforcement of existing ordinances etc. within a Redevelopment District.

The bill is silent on rule making. Will each Planning Committee be required to conduct rule making under Chapter 91 Administrative Procedures?

The bill is silent on whether the Special Management Area (SMA) permitting process for areas designated as a Public Lands Redevelopment District will remain with the county or will be reviewed by the State Office of Planning.

Currently all counties, except Oahu, have a SMAP contested case process and rules, which will be lost if the process and authority goes to the Office of Planning, which has no contested case rules.

While the bill requires one public hearing, it is silent on where and at what stage in the process the only public hearing will be held.

One public hearing on a new plan for an area that has gone through an extensive public involvement and planning process i.e. General Plans/Development and Sustainable Plans and in some cases Community Plans is unfair to residents who devoted time and effort into planning for the place where they live and work.

If Redevelopment District plans and policies are in disagreement with state and county land use and planning policies, which plans and policies prevail – the district or state and county?

It is the responsibility of BLNR to establish terms of leases, licenses or permits including “Reduce or waive the lease rental...” under HRS §171-6.

SB 3058 SD2 gives a planning committee of a Redevelopment District the same ability to “reduce or waive lease rental.” In this conflict, which is the lead agency – a redevelopment district planning committee or BLNR?

What is the rationale behind the BLNR chair, whose obligation is to protect the public’s interest in public lands and the county planning director, whose job is to direct planning for the county as ex officio, non-voting members of each planning committee?

Why are planning committee employees being exempted from Chapter 76 Civil Service, which is in place to ensure equal opportunity and impartial selection of individuals for public service?

If the redevelopment act will be repealed in June 30, 2028, it is obviously not being enacted to be a long-term planning mechanism. Is the creation of a Redevelopment District a way to use public funds for infrastructure development?

Stepping back from this particular bill, our philosophy is shaped by a belief that city and county governments should vigorously hold onto, and exercise, the envisioning and planning of how urban growth occurs. The counties must be vision-creators as well as the forums for discussing how growth unfolds. Counties must answer the question, what kind of communities do we want? To assign this function to a special entity fragments responsibility. It introduces special interest access to the domain of public interest. In Kaka’ako, it created an island of expensive, elite real estate on an overwhelming scale that is out of touch with Oahu’s environment and housing needs. Accordingly we are opposed to the bill.



LATE

HAWAII REGIONAL COUNCIL OF CARPENTERS

March 12, 2018

Committee on Water and Land
Representative Ryan Yamane, Chair
Representative Chris Todd, Vice Chair
State Capitol

Statement of the Hawaii Regional Council of Carpenters

Dear Chair Yamane and Members of the Committee on Water and Land:

The Hawaii Regional Council of Carpenters, representing nearly 7,000 members across the state, supports the intent of SB 3058 and we offer the following comments.

The lack of management of Banyan Drive has led to the dilapidation, deterioration and obsolescence of East Hawaii's prime hotel, commercial and resort lands. This has resulted in the loss of jobs in tourism, places for visitors and kama'aina to stay when visiting East Hawaii, and millions in economic activity never realized.

For East Hawaii's construction industry the lack of management has led to a lawless environment; which attracts bad developers who hire unscrupulous contractors that will fraudulently hire workers for less than the going rate. They commit fraud when they misclassify employees as independent contractors to avoid paying taxes, benefits, or providing basic coverage. This lawless environment invites other problems onto a job site such as unlicensed activity, unsafe conditions, human trafficking and drug use.

In establishing the Waieka peninsula redevelopment district we strongly urge this committee to protect the interests of workers and taxpayers by ensuring that Chapter 104 is included in the bill's language.

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