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Statement of
RODNEY FUNAKOSHI
Planning Program Administrator, Office of Planning
before the
HOUSE COMMITTEE ON FINANCE
Friday, February 22, 2019
11:00 AM
State Capitol, Conference Room 308

in consideration of
HB 910, HD 1
RELATING TO BANYAN DRIVE.

Chair Luke, Vice Chair Cullen, and Members of the House Committee on Finance.

The Office of Planning (OP) offers **comments** on HB 910, HD 1, which would require OP to conduct a study on the state of the infrastructure of the Banyan Drive area on the island of Hawaii. HB 910, HD 1 defines the scope of the study as: 1) a review of the existing conditions of the Banyan Drive area infrastructure; 2) identification of infrastructure items in need of repair, improvement, modification, or alteration; 3) identification of barriers that hinder or prevent the timely redevelopment, enhancement, or reconstruction of the area; and 4) recommendations as to repairs, improvements, modifications, or alterations to reduce or eliminate the barriers to the redevelopment, enhancement, or reconstruction of the Banyan Drive area.

OP has not been involved in issues related to the Banyan Drive redevelopment, nor are we familiar with plans for its redevelopment. As such, OP does not believe we are the appropriate agency to undertake this study. We would be further concerned if the passage of this bill adversely impacts the priorities indicated in our Executive Budget.

Thank you for the opportunity to testify on this measure.

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

M. KALEO MANUEL
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES
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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 House Committee on
FINANCE

Friday, February 22, 2019
11:00 AM
State Capitol, Conference Room 308

In consideration of
HOUSE BILL 910, HOUSE DRAFT 1
RELATING TO BANYAN DRIVE

House Bill 910, House Draft 1 proposes to require the Office of Planning to conduct a study on the infrastructure of the Banyan Drive area of the Waiakea Peninsula on the island of Hawaii, and appropriates general funds for each of fiscal years 2019 and 2020 for such purposes. House Draft 1 of the measure proposes to: 1) Change the general fund appropriation from \$250,000 per year to an unspecified sum, and 2) Change the effective date to July 1, 2050 to encourage further discussion. **The Department of Land and Natural Resources (Department) offers the following comments on this measure.**

Although the State is a major landowner at Waiakea Peninsula, the infrastructure that services the area, including water, sewer and underground electric, cable television and telephone, is located in the County of Hawaii road rights-of-way. The roads, water and sewer lines are owned and maintained by the County, and the remaining utilities are owned and maintained by the respective utility companies. Therefore, it may not be in the best interests of the State to expend limited public funds on studying County- and privately-owned infrastructure.

The Department has been working with the Banyan Drive Hawaii Redevelopment Agency (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 in renovations completed in 2018.
- 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 Tower Development, Inc. (TDI), who is an affiliate of the lessee of the 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 with a response deadline of April 30, 2018. One response (from TDI) was received with a proposal to substantially demolish and reconstruct a branded hotel on the site consisting of approximately 125 guest rooms, fitness room, appropriate back of house spaces and food and beverage venue. TDI additionally proposed to contribute \$1.5 million toward demolition costs (projected by the Department's consultants to exceed \$8 million in total).
- 6) Country Club: under RP; the Department is reviewing for potential issuance of an RFI for tear-down and rebuild or renovate 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 Special Land and Development Fund (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.

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.

- 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 services, a significant amount of staff time has been invested in planning for the area including attendance at the BDHRA meetings.

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.

As noted above regarding Uncle Billy's, TDI (the sole responder to the RFI) indicated it would only be able to absorb about \$1.5 million of the State's estimated 8-10 million in demolition costs for the shuttered hotel. In a separate bill before the Legislature this session (Senate Bill No. 1142), the Department is requesting a general fund appropriation of \$2 million this fiscal year and \$4 million next fiscal year for demolition of the dilapidated improvements.

Thank you for the opportunity to comment on this measure.

COMMITTEE ON FINANCE

Rep. Sylvia Luke, Chair

Rep. Ty J.K. Cullen, Vice Chair

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

Re: HB 910, HD1 RELATING TO BANYAN DRIVE

Thank you for addressing an issue of great importance to the economic well-being of Hawai'i County, the redevelopment of Banyan Drive. We support all legislation that will help the revitalization of Banyan Drive; and HB 910, HD1 offers a somewhat different, but nonetheless welcome, approach to achieving that goal.

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.

The comprehensive review of infrastructure called for in HB 910, HD1 would surely be valuable as a stand-alone study, or could generate valuable information for the EIS. In either case it would be a positive step forward.

Please give HB 910, HD1 your favorable consideration.

Respectfully submitted,

HB-910-HD-1

Submitted on: 2/21/2019 9:40:40 AM

Testimony for FIN on 2/22/2019 11:00:00 AM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|---|---------------------------|---------------------------|
| Melodie Aduja | O`ahu County Committee on Legislative Priorities of the Democratic Party of Hawai`i | Support | No |

Comments:

HB-910-HD-1

Submitted on: 2/20/2019 3:54:40 PM

Testimony for FIN on 2/22/2019 11:00:00 AM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|---------------------|---------------------------|---------------------------|
| Michael Miyahira | Individual | Support | No |

Comments: