

DAVID Y. IGE  
GOVERNOR OF HAWAII



**STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES**

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HONOLULU, HAWAII 96809

**Testimony of  
SUZANNE D. CASE  
Chairperson**

**Before the Senate Committee on  
WATER AND LAND**

**Friday, February 1, 2019  
1:15pm  
State Capitol, Conference Room 229**

**In consideration of  
SENATE BILL 1142  
RELATING TO MAKING AN APPROPRIATION TO THE DEPARTMENT OF LAND  
AND NATURAL RESOURCES**

Senate Bill 1142 proposes to appropriate funds to the Department of Land and Natural Resources (Department) for the demolition and removal of structures at the site of the former Uncle Billy's Hilo Bay Hotel in Hilo, Hawaii. **The Department strongly supports this measure.**

The Department is requesting the funds in order to demolish and remove derelict improvements on State land that were previously used for the hotel. The leases for the hotel were initially issued in 1948 and 1962 and did not require the lessee to remove improvements at the end of the lease term.<sup>1</sup> The leases were all set to expire on March 14, 2015, but the Board of Land and Natural Resources (Board) approved a one-year holdover. Prior to the expiration of the holdover, the Board approved the assignment of the four leases to Savio HBH Development Company, LLC (Savio). Upon expiration of the holdover on March 14, 2016, the Board approved a month-to-month revocable permit to Savio to continue operation of the hotel. Then in 2017, the Mayor of the County of Hawaii requested that the hotel be shuttered due to fire safety and other public health concerns. Thereafter, the Board approved a month-to-month revocable permit to Tower Development, Inc. for the continued operation of the sundry store at the front of the hotel, and to provide security for the remainder of the closed property.

The Department determined that a new long-term disposition of the property would be the most appropriate option to pursue. The Department obtained evaluations conducted by engineering and architectural consultants, which noted that the improvements were in poor condition, well past their useful life, and presented a number of health and safety concerns. The cost of demolition and removal of the improvements is estimated at approximately \$8-10 million.

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<sup>1</sup> A total of four leases were issued covering four parcels. Three of the leases were issued in 1948 and one was issued in 1962.

**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

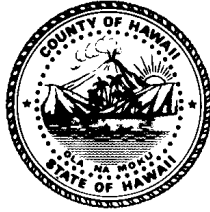
AQUATIC RESOURCES  
BOATING AND OCEAN RECREATION  
BUREAU OF CONVEYANCES  
COMMISSION ON WATER RESOURCE MANAGEMENT  
CONSERVATION AND COASTAL LANDS  
CONSERVATION AND RESOURCES ENFORCEMENT  
ENGINEERING  
FORESTRY AND WILDLIFE  
HISTORIC PRESERVATION  
KAHOOLAWE ISLAND RESERVE COMMISSION  
LAND  
STATE PARKS

The Board approved the publication of the Request for Interest (RFI) for the subject property to determine whether there was interest among prospective developers in obtaining a long-term lease of the property for hotel and resort purposes. The prospective lease would require the demolition and removal of the existing improvements and the construction of a new hotel on the site. The Department received only a single response by a potential developer to the RFI. The responder stated that the demolition and removal cost was too high to make development of the property feasible and that the State would need to cost share.

The Department acknowledges that this is not an ideal use of limited public funds. However, it is likely the only viable solution to the situation. The derelict structures present a public health and safety issue, and are a blight on Banyan Drive. Regardless of any future use of the property, the improvements must be removed, and the State likely must bear at least a portion of the cost. It is unlikely that a private lessee could fully absorb the cost without undermining the financial feasibility of a development.

Thank you for the opportunity to comment on this measure.

**Harry Kim**  
*Mayor*



**Wil Okabe**  
*Managing Director*

**Barbara J. Kossow**  
*Deputy Managing Director*

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January 31, 2019

Senator Kaiali'i Kahele, Chair  
Committee on Water and Land  
Hawai'i State Capitol  
Honolulu, Hawai'i 96813

Senator Gilbert S.C. Keith-Agaran, Vice Chair  
Committee on Water and Land  
Hawai'i State Capitol  
Honolulu, Hawai'i 96813

Dear Chair Kahele, Vice Chair Keith-Agaran, and Committee Members:

**Re: SB 1142 Making an Appropriation to the Department of Land and Natural Resources (Uncle Billy's Demolition)**  
**Hearing Date: February 1, 2019 – 1:15 PM; Senate Conference Room 229**

It was with some regret that Uncle Billy's Hotel in Hilo was condemned, but health and safety demanded such a decision. For the same reasons, it is important that the remaining structures be removed as expeditiously as possible, using state funds if appropriate and necessary.

I hope you will approve SB 1142.

Respectfully submitted,

Harry Kim  
Mayor, County of Hawai'i

**SB-1142**

Submitted on: 2/1/2019 6:27:50 AM

Testimony for WTL on 2/1/2019 1:15:00 PM

**LATE**

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Charlene Dierking	Individual	Support	No

Comments:

Yes, please remove the buildings, it's an eyesore. Sad, but it has to go.