



LATE

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DIRECTOR

**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

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Statement of
MIKE MCCARTNEY
Director
Department of Business, Economic Development and Tourism
before the
SENATE COMMITTEE ON WAYS AND MEANS

Wednesday, February 20, 2019
10:05 AM
State Capitol, Conference Room 211

in consideration of
SB 1190, SD1
**RELATING TO LEASEHOLD CONDOMINIUMS ON
LANDS CONTROLLED BY THE STATE.**

Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee.

The Department of Business, Economic Development and Tourism (DBEDT) **supports the intent** of SB 1190, SD1, a bill authorizing HHFDC to develop and sell leasehold units in condominiums developed on state lands that are set aside to the HHFDC by the Governor and lands leased to the HHFDC by any state department or agency with prior approval from the Legislature, in addition to lands to which HHFDC holds title, for terms of up to 75 years. However, DBEDT prefers the flexibility of the 99-year term in the original bill.

Thank you for the opportunity to provide written comments on this bill.

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
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IN REPLY REFER TO:

Statement of
Craig K. Hirai
Hawaii Housing Finance and Development Corporation
Before the

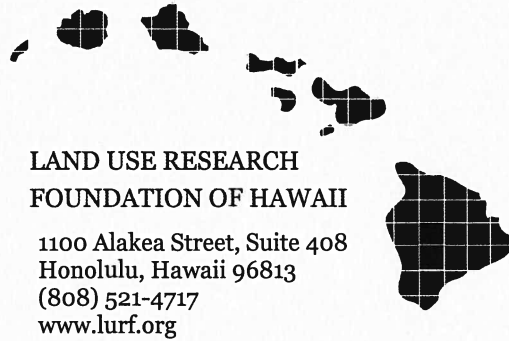
SENATE COMMITTEE ON WAYS AND MEANS

February 20, 2019 at 10:00 a.m.
State Capitol, Room 211

In consideration of
S.B. 1190, S.D. 1
**RELATING TO LEASEHOLD CONDOMINIUMS ON LANDS CONTROLLED BY THE
STATE.**

The HHFDC *supports the intent* of S.B. 1190, S.D. 1, but prefers the flexibility to sell leasehold units in condominiums developed on state lands for a lease term of 99 years to the revised 75 years. We concur with the revisions to §171-64.7, HRS.

Thank you for the opportunity to provide written comments on this bill.



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LAND USE RESEARCH
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February 19, 2019

Senator Donovan M. Dela Cruz, Chair
Senator Gilbert S.C. Keith-Agaran, Vice Chair
Senate Committee on Ways and Means

Comments in Support of Amendments to SB 1190, SD1 Relating to Leasehold Condominiums on Lands Controlled by the State (Authorizes the Hawaii Housing Finance and Development Corporation (HHFDC) to enter into seventy-five year leases of units in residential condominiums located on state lands. Subjects lands set aside by the governor or lands leased to HHFDC by any agency or department of the State to the legislative approval requirement prior to the sale or gift of the lands.)

WAM Hrg: Wednesday, February 20, 2019 at 10:05 a.m. in Conf. Rm. 211

The Land Use Research Foundation of Hawaii (LURF) is a private, non-profit research and trade association whose members include major Hawaii landowners, developers resort operators and utility companies. LURF's mission is to advocate for reasonable, rational and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii's significant natural and cultural resources, and public health and safety.

LURF appreciates the opportunity to express its **support of the original intent of SB 1190, SD1 and in support of proposed amendments to return this measure to its original version, which would allow 99-year leases of residential condominiums on state lands.**

SB 1190, SD1. This bill authorizes HHFDC to enter into seventy-five year leases of units in residential condominiums located on state lands; and subjects lands set aside by the governor or lands leased to HHFDC by any agency or department of the State to the legislative approval requirement prior to the sale or gift of the lands. LURF understands that the seventy-five-year lease requirement and legislative approval requirement in the SD1 version were inserted at the request of the Office of Hawaiian Affairs (OHA).

LURF's Position. With all due respect, **SB 1190 should be returned to its original version**, based on, among other things, the following:

1. **The ninety-nine year leases in the original SB 1190 are much shorter than the Department of Hawaiian Homelands' (DHHL) one hundred ninety-nine-year DHHL homestead leases!!!** DHHL was established pursuant to the Hawaiian Homes Commission Act, 1920, as amended (HHCA), which was passed by Congress and signed into law by President Warren Harding on July 9, 1921.¹ The HHCA provides for a government-sponsored homesteading program for Native Hawaiians, who are defined as individuals having at least fifty percent Hawaiian blood.² Pursuant to provisions of the HHCA, **the DHHL provides direct benefits to native Hawaiians with ninety-nine-year homestead leases at an annual rental of \$1. In 1990, the Legislature authorized the Department to extend leases for an aggregate term not to exceed 199 years.**³
2. **The SD1 revisions have actually created an unnecessary, longer and more difficult process to provide affordable housing to Hawaii residents.**
3. **There is no good reason, or justification for the SD1 amendments.**
 - a. The state will forever own the fee simple land underlying the condominiums.
 - b. The affordable residential units will be leased to low-income individuals and families, based on the affordable housing income levels established by the Federal Housing and Urban Development (HUD) Guidelines under the State's affordable housing law, 201H-32 Hawaii Revised Statutes (HRS).
 - c. The lease prices for the affordable units will be restricted by, and must comply with the HUD Guidelines under the State's affordable housing law, 201H-32, HRS.
4. **Using the original version of SB 1190, perhaps OHA can create thousands of affordable condominium units for its beneficiaries.**
5. **Even if OHA is unable to build a substantial number of condominium units, its beneficiaries could be eligible to lease the State affordable condominium housing units for ninety-nine years.**

For the above reasons, LURF **supports the intent of the original SB 1190, SD1 and respectfully urges that your Committee to amend this bill to the original version of SB 1190.**

Thank you for the opportunity to provide comments in support of this matter.

¹ See Ch. 42, 42 Stat. 108 (1921).

² See Section 201, HHCA; sections 10-2 and 674-2, HRS.

³ See Act 305, SLH 1990; section 208, HHCA.

A BILL FOR AN ACT

RELATING TO LEASEHOLD CONDOMINIUMS ON LANDS CONTROLLED BY THE STATE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Chapter 201H, Hawaii Revised Statutes, is amended
2 by adding to part II a new section to be appropriately designated
3 and to read as follows:

4 "§201H- Leasehold condominiums on state land. (a) The
5 corporation may sell leasehold units in condominiums created
6 pursuant to chapter 514B and developed under this part on state
7 land to a "qualified resident" as defined in section 201H-32.

8 (b) The term of the lease may be for ninety-nine years, and
9 the corporation may extend or modify the fixed rental period of
10 the lease or extend the term of the lease.

11 (c) The sale of leasehold units shall be subject to all of
12 the provisions of sections 201H-47, 201H-49, and 201H-50, except
13 for units sold at fair market value.

1 (d) State land set aside by the governor to the corporation
2 and lands leased to the corporation by any department or agency of
3 the State for a condominium described in this section shall be
4 exempt from the definition of "public land" under section 171-2.

5 (e) The powers conferred upon the corporation by this
6 section shall be in addition and supplemental to the powers
7 conferred by any other law, and nothing in this section shall be
8 construed as limiting any powers, rights, privileges, or
9 immunities so conferred."

10 SECTION 2. New statutory material is underscored.

11 SECTION 3. This Act shall take effect upon its approval.

12

INTRODUCED BY: _____

BY REQUEST

13

Report Title:

Leases; Leasehold Condominiums on Lands Controlled by the State

Description:

Authorizes Hawaii Housing Finance and Development Corporation to enter into ninety-nine-year leases of units in residential condominiums located on state lands.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.