

DAVID Y. IGE
GOVERNOR OF
HAWAII



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

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FIRST DEPUTY

M. KALEO MANUEL
DEPUTY DIRECTOR - WATER

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BUREAU OF CONVEYANCES
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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
WATER, LAND, & HAWAIIAN AFFAIRS

Wednesday, February 6, 2019
9:30 AM
State Capitol, Conference Room 325

In consideration of
HOUSE BILL 910
RELATING TO BANYAN DRIVE

House Bill 910 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 \$250,000 in general funds for each of fiscal years 2019 and 2020 for such purposes. **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.
- 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.

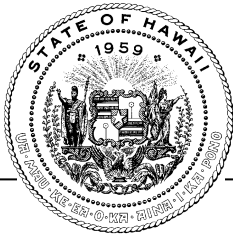
¹ This link also includes consultant studies on the Kanoelehua Industrial Area of Hilo. The Department has spent approximately \$138,000 on planning studies for the Kanoelehua Industrial Area.

- 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.



OFFICE OF PLANNING STATE OF HAWAII

DAVID Y. IGE
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Statement of
RODNEY FUNAKOSHI
Planning Program Administrator, Office of Planning
before the
HOUSE COMMITTEE ON WATER, LAND, AND HAWAIIAN AFFAIRS
Wednesday, February 6, 2019
9:30 AM
State Capitol, Conference Room 325

in consideration of
HB 910
RELATING TO BANYAN DRIVE.

Chair Yamane, Vice Chair Todd, and Members of the House Committee on Water, Land, and Hawaiian Affairs.

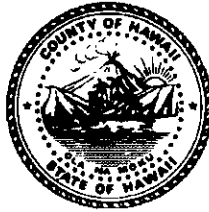
The Office of Planning (OP) offers these comments on HB 910, which would require OP to conduct a study on the state of the infrastructure of the Banyan Drive area on the island of Hawaii. HB 910 defines the scope of the study as: 1) a review of the existing condition of the Banyan Drive area infrastructure; 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. HB 910 would also appropriate \$250,000 for fiscal year 2019-2020 and an additional \$250,000 for fiscal year 2020-2021 for the study.

To date, OP has not been involved in issues related to the Banyan Drive redevelopment, nor are we familiar with State and county plans for its redevelopment. As such, OP does not believe we are the appropriate agency to undertake this study.

We would further be concerned if the passage of HB 910 adversely impacts the priorities indicated in our Executive Budget.

Thank you for the opportunity to testify on this measure.

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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February 4, 2019

Rep. Ryan I. Yamane, Chair
Rep. Chris Todd, Vice Chair
COMMITTEE ON WATER, LAND, & HAWAIIAN AFFAIRS
Hawai'i State Legislature

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

RE: HB 910, RELATING TO BANYAN DRIVE

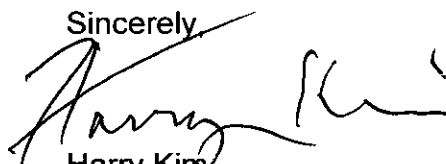
Thank you for addressing an issue of great importance to the economic well-being of Hawai'i County, the redevelopment of Banyan Drive. We support all legislation that will help the revitalization of Banyan Drive; and HB 910 offers a somewhat different, but nonetheless welcome, approach to achieving that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

Sincerely

Harry Kim
Mayor

The Thirtieth Legislature
Regular Session of 2019

THE HOUSE

Committee on Water, Land, and Hawaiian Affairs
Representative Ryan I. Yamane, Chair
Representative Chris Todd, Vice Chair
State Capitol, Conference Room 325
Wednesday, February 6, 2019; 9:30 a.m.

**STATEMENT OF THE ILWU LOCAL 142 ON H.B. 910 RELATING TO BANYAN
DRIVE**

The ILWU Local 142 supports H.B. 910, which requires the Office of Planning to conduct a study on the infrastructure of the Banyan Drive area on the Waiakea Peninsula on the island of Hawaii and appropriates funds.

H.B. 910 conducts a study to determine the following: (1) the current condition of the infrastructure of the Banyan Drive area; (2) items that are in current need of repair, improvement, modification, or alteration; (3) the barriers that hinder or prevent the timely redevelopment, enhancement, or reconstruction of the Banyan Drive area; and (4) recommendations regarding repairs, improvements, modifications, or alterations to reduce or eliminate the barriers to the possible redevelopment, enhancement, or reconstruction of the Banyan Drive area. With approximately eighty-five per cent of the visitor accommodations from east Hawaii County being located in the District, and the State being the predominant land owner, this study should assist the planning committee in carrying out its mission.

The study will hopefully lead to the economic wellbeing of the residents of East Hawaii and Hawaii Island.

The ILWU urges the passage of H.B. 910. Thank you for the opportunity to share our views on this matter.