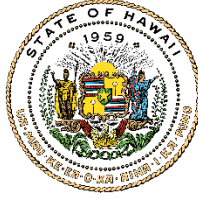
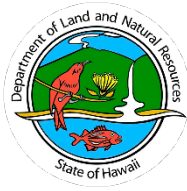


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FORESTRY AND WILDLIFE
HISTORIC PRESERVATION
KAHOOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS

Testimony of
DAWN N. S. CHANG
Chairperson

Before the House Committee on
WATER & LAND

Thursday, February 1, 2024
9:00 a.m.

State Capitol, Conference Room 430 & Videoconference

In consideration of
HOUSE BILL 2467
RELATING TO RENT CREDITS FOR DEMOLITION AND INFRASTRUCTURE
COSTS ON PUBLIC LAND LEASES

House Bill 2467 proposes to repeal the sunset provision of Act 222, Session Laws of Hawaii 2021 (Act 222), to allow the Board of Land and Natural Resources (Board) to approve rent credits for demolition and infrastructure costs for public land leases beyond the current sunset date of the act, which is June 30, 2026. **The Department supports this Administration bill.**

Act 222 authorizes the Board to reduce or waive rent payments over a fixed period specified in the lease contract for public land in exchange for demolition of existing unusable improvements or installation of new basic infrastructure such as drainage, sewer, water, or electrical utilities by the lessee. While Act 222 imposes reasonable constraints on the Board's authority, its provisions only apply where demolition of existing improvements or installation of basic utility infrastructure is necessary before the land can be productively used and the rent waiver or reduction is limited to an amount equal to the lessee's expenditures and to a term of no more than twenty years.

Act 222 has allowed the Department to respond to market conditions in its negotiations for public land leases and to incentivize development of public lands while shifting the cost burden on to the lessees who stand to benefit most directly from it. However, Act 222 includes a sunset provision of June 30, 2026. Many of the Department's commercial, industrial, and resort leases are over 50 years old, as are the improvements and infrastructure originally constructed on the lease premises. In many cases, upon expiration of these leases, the properties will require major investments in demolition and infrastructure improvements to return the land to productive use and realize its

economic potential. It is therefore critical that the Department continue to hold the authority to negotiate long-term leases pursuant to commercially reasonable standards, while providing rent credit incentives for these kinds of investments. The Department therefore seeks the repeal of the sunset provision of Act 222.

Mahalo for the opportunity to provide comments on this measure.

HB-2467

Submitted on: 1/30/2024 5:08:40 PM

Testimony for WAL on 2/1/2024 9:00:00 AM

Submitted By	Organization	Testifier Position	Testify
James McCully	Individual	Comments	Remotely Via Zoom

Comments:

This bill is instructive to the contradictions in DLNR's approach to the management of public lands. They deal with these self created problems on an ad hoc basis with little thought to the ramifications. In that context please think about the following comments by DLNR when you review DLNR's current proposed HB2469 which seeks to put all future costs onto the lessee with no provision for how the properties are to remain economically viable. In Section (2) (g) they blithely refer to "Removal Bonds" as the answer to this problem. This also correlates to HB2468 which seeks to enhance the utilization of public lands through the Direct Negotiation process due to current practices that are self-described in Section 1 of that bill as "*protarcted, cumbersome and (have) deterred particiapation by potential lessee's . Therefore, the result is that properties have remained vacant...serving no public benefit.*

DLNR testimony, 2/8/2021 SB1166 (Act 222, 2021)

This measure seeks to authorize the Board to approve a rent reduction or waiver for up to twenty years not to exceed the amount of the lessee's total expenditures for demolition of improvements or provision of infrastructure

Furthermore, simply passing the responsibility to a prospective lessee to assume such high costs with no avenue for relief will significantly deter demand for the property, reducing the likelihood of a successful development.

Here the DLNR is acknowledging that it may require more than the full value of the land (rent being equal to 6% of the value of the land per annum for lease rent, 20 years equals 120%) to manage the expenditures for demolition and removal of improvements.

Please support an extensive reevaluation of how public lands under economic leases are managed by DLNR. Please include stakeholders.

HB-2467

Submitted on: 1/31/2024 12:21:20 PM

Testimony for WAL on 2/1/2024 9:00:00 AM

Submitted By	Organization	Testifier Position	Testify
David S. De Luz, Jr.	Individual	Oppose	Written Testimony Only

Comments: