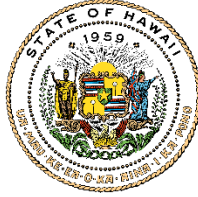


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KAHOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS

Testimony of
DAWN N. S. CHANG
Chairperson

Before the Senate Committee on
WAYS AND MEANS

Thursday, April 4, 2024
10:15 A.M.

State Capitol, Conference Room 211 & Videoconference

In consideration of
HOUSE BILL 2467, HOUSE DRAFT 1, SENATE DRAFT 1
RELATING TO RENT CREDITS FOR DEMOLITION AND INFRASTRUCTURE
COSTS ON PUBLIC LAND LEASES

House Bill 2467, House Draft 1, Senate Draft 1 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.

Thank you for the opportunity to testify on this measure.