

S.B. NO. 3156

JAN 24 2024

A BILL FOR AN ACT

RELATING TO RENT CREDITS FOR DEMOLITION AND INFRASTRUCTURE COSTS
ON PUBLIC LAND LEASES.

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

1 SECTION 1. Act 222, Session Laws of Hawaii 2021, is
2 amended by amending section 4 to read as follows:

3 "SECTION 4. This Act shall take effect upon its approval
4 ~~[and shall be repealed on June 30, 2026; provided that section~~
5 ~~171-6, Hawaii Revised Statutes, shall be reenacted in the form~~
6 ~~in which it read on the day prior to the effective date of this~~
7 ~~Act]."~~

8 SECTION 2. Statutory material to be repealed is bracketed
9 and stricken.

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

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INTRODUCED BY: 

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BY REQUEST

S.B. NO. 315b

Report Title:

Public Land Leases; Rent Credit; Sunset Provision

Description:

Repeals the sunset provision of Act 222, SLH 2021, to allow the Board of Land and Natural Resources to approve rent credits for demolition and infrastructure costs for public land leases beyond the currently scheduled sunset date of June 30, 2026.

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JUSTIFICATION SHEET

DEPARTMENT: Land and Natural Resources

TITLE: A BILL FOR AN ACT RELATING TO RENT CREDITS FOR DEMOLITION AND INFRASTRUCTURE COSTS ON PUBLIC LAND LEASES.

PURPOSE: To repeal the sunset provision of Act 222, Session Laws of Hawaii (SLH) 2021, to allow the Board of Land and Natural Resources (Board) to approve rent credits for demolition and infrastructure costs for public land leases beyond its current sunset date of June 30, 2026.

MEANS: Amend section 4 of Act 222, SLH 2021.

JUSTIFICATION: Act 222, SLH 2021, 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, SLH 2021, 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, SLH 2021, 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, SLH 2021, includes a sunset provision of June 30, 2026. It is critical that the Department of Land and Natural Resources (Department) continue to hold the authority

to negotiate long-term leases pursuant to commercially reasonable standards, while providing rent credit incentives. The Department therefore seeks the repeal of the sunset provision.

Impact on the public: This bill would continue to provide public land lessees with a financial incentive in the demolition of existing improvements or installation of basic utility infrastructure deemed necessary.

Impact on the department and other agencies: The Department will conserve its limited resources and funds by passing on the substantial costs of demolition of existing unusable improvements or of necessary infrastructure improvements to the lessee/developer.

GENERAL FUND: None.

OTHER FUNDS: None.

PPBS PROGRAM
DESIGNATION: LNR 101.

OTHER AFFECTED
AGENCIES: None.

EFFECTIVE DATE: Upon approval.