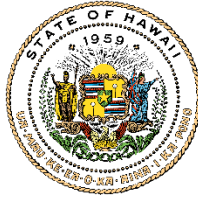


JOSH GREEN, M.D.
GOVERNOR | KE KIA'ĀINA

SYLVIA LUKE
LIEUTENANT GOVERNOR | KA HOPE KIA'ĀINA



STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAI'
DEPARTMENT OF LAND AND NATURAL RESOURCES
KA 'OIHANA KUMUWAIWAI 'ĀINA

P.O. BOX 621
HONOLULU, HAWAII 96809

Testimony of
DAWN N. S. CHANG
Chairperson

Before the Senate Committee on
WAYS AND MEANS

Tuesday, April 1, 2025
10:01 AM

State Capitol, Conference Room 211 and Via Videoconference

In consideration of
HOUSE BILL 800, HOUSE DRAFT 1, SENATE DRAFT 1
RELATING TO GOVERNMENT

House Bill 800, House Draft 1, Senate Draft 1 provides for the transfer of certain parcels in the Liliha Civic Center area and Iwilei Fire Station area from various state agencies to the City and County of Honolulu (CCH). It also facilitates the transfer of the parcel of land on which Ali'i Place is sited from the City and County of Honolulu to the State. Additionally, this measure repeals the sunset provision of Act 45, SLH 2024. The bill further exempts the transferred lands from the definition of public lands for purposes of Chapter 171, Hawai'i Revised Statutes. **The Department of Land and Natural Resources (Department) supports this measure and offers the following comments.**

This measure will help address the State's pressing office space needs by presenting an opportunity to secure long-term office space for State agencies, reducing government reliance on private commercial office space. The Department offers the following comments for the committee's consideration:

- The parcels identified in Part I are owned by the State and held by other agencies as follows:
 - TMK: 1-1-5-7-2 Executive Order (EO) No. 4130 to HHFDC
 - TMK: 1-1-5-7-1 EO No. 4131 to the Department of Accounting and General Services
 - TMK: 1-1-7-27-1 EO NO. 4254 to CCH
 - TMK: 1-1-5-9-1 General Lease No. 5108 to CCH and subleased to the Institute of Human Services
 - TMK: 1-1-5-9-2 EO NO. 3412 to CCH
 - TMK: 1-1-5-9-3 EO No. 2044 to CCH
 - TMK: 1-1-5-9-10 EO No. 1126 to CCH

DAWN N.S. CHANG
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE
MANAGEMENT
RYAN K.P. KANAKA'OLE
FIRST DEPUTY
CIARA W.K. KAHAHANE
DEPUTY DIRECTOR - WATER
AQUATIC RESOURCES
BOATING AND OCEAN RECREATION
BUREAU OF CONVEYANCES
COMMISSION ON WATER RESOURCE
MANAGEMENT
CONSERVATION AND COASTAL LANDS
CONSERVATION AND RESOURCES
ENFORCEMENT
ENGINEERING
FORESTRY AND WILDLIFE
HISTORIC PRESERVATION
KAHOOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS

- The bill contemplates quitclaim deed transfers, which convey properties "as is." Consideration should be given to any existing encumbrances, agreements, or plans that may affect the properties in question.
- The measure amends HRS §171-2 regarding the definition of public lands to exclude the Ali‘i Place parcel which this measure would transfer to the Department. It is unclear which agency would have jurisdiction over this parcel if it were to be transferred to the Department but exempted from the list of lands subject to the authority of the Board of Land and Natural Resources.
- In addition to preparing a quitclaim deed conveying the Ali‘i Place parcel with all existing improvements to the Department, Part II, Section 2(b) also requires CCH to convey to the Department, a lease to the CCH’s Department of the Prosecuting Attorney (DPA). It is not clear whether this is intended to be a ground lease or a lease for a space in the building. It is the Department’s understanding that the building was constructed, and is owned, by a private entity which manages space leases in the building and only the building owner would be able to issue a space lease to DPA. Furthermore, because the parcel is already encumbered by a ground lease to the building owner, the most that CCH would be able to convey to the Department is the leased fee interest in the parcel. Upon conveyance, the ground lessee would attorn to the Department as the new ground lessor (assuming that is the intent of this bill) but would retain its rights to manage the space leases in the building and collect the rents therefor. The Department notes that there are existing reservations for public and employee parking that likely run with the existing ground lease. It is unclear whether there is sufficient immediately available office space for the State.
- Land exchanges are typically conducted pursuant to Section 171-50, HRS, which requires appraisals to ensure that the value of the lands being acquired by the State are substantially equal to the value of the public lands being conveyed to the other party. House Bill 800 does not include an appropriation for appraisals or for conducting the due diligence that the Department normally performs for land acquisitions to ensure the other party has clear title to the land and that the land is not contaminated. While the transaction proposed by the bill may be characterized as a government-to-government conveyance under Section 171-95, HRS, and potentially exempt from the requirements of 171-50, HRS, the Department highlights that no appraisals or due diligence will be conducted before acquiring Ali‘i Place. Considering the age of the building and infrastructure, the State should anticipate potential capital improvement costs. While maintenance costs are normally the obligation of the ground lessee (the Department did not review or have access to the ground lease), deferred maintenance could become the responsibility of the landowner if the lessee defaults.¹
- The Department notes that the description found on the final page of this measure contains a typo that should be corrected. As written, the description references the repeal of Act 4, SLH 2024, this should be corrected to Act 45, SLH 2024.
- The Department will work closely with the appropriate stakeholders to ensure that any necessary administrative and technical steps are undertaken to implement the provisions of this measure effectively, with the caveat that appraisals and due diligence for the acquisition of Ali‘i Place will not be conducted as noted above.

The Department notes that Senate Draft 1 of the measure deletes language that would have required the City and County of Honolulu to accept the properties transferred in satisfaction of all amounts owed by

¹ If the Legislature wishes the Department to conduct due diligence, the Department requests a general appropriation of \$500,000.00 be added to this measure to be utilized for any due diligence that may be needed or immediate management costs that may be incurred upon transfer of the property to the State.

the Hawaii Housing Finance and Development Corporation under the Kapolei roadways, drainage, and sewer settlement.

Mahalo for the opportunity to provide testimony in support of this measure.

JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



KEITH A. REGAN
COMPTROLLER
KA LUNA HO'OMALU HANA LAULĀ

MEOH-LENG SILLIMAN
DEPUTY COMPTROLLER
KA HOPE LUNA HO'OMALU HANA LAULĀ

STATE OF HAWAI'I | KA MOKU'ĀINA O HAWAI'I
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES | KA 'OIHANA LOIHELU A LAWELAWE LAULĀ
P.O. BOX 119, HONOLULU, HAWAII 96810-0119

WRITTEN TESTIMONY
OF
KEITH A. REGAN, COMPTROLLER
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
TO THE

COMMITTEE ON WAYS AND MEANS

H. B. 800, H.D. 1, S.D. 1

APRIL 1, 2025, 10:01 AM
VIA VIDEOCONFERENCE AND CONFERENCE ROOM 211, STATE CAPITOL

RELATING TO GOVERNMENT.

Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee, thank you for the opportunity to testify on this measure.

The Department of Accounting and General Services (DAGS) offers its **support** for H.B. 800, H.D. 1, S.D.1 which provides for the transfer of certain parcels in the Liliha Civic Center area and Iwilei Fire Station area from various state agencies to the City and County of Honolulu; and for the transfer of the parcel of land on which Alii Place is sited from the City and County of Honolulu to the Department of Land and Natural Resources (DLNR). The bill also repeals the sunset provision of Act 45, SLH 2024; and exempts the land transferred to DLNR from the definition of public lands for purposes of chapter 171, HRS.

We believe the exchange of the identified state properties for the fee simple interest in

the parcel of land identified as TMK 1-2-1-17-8, commonly known as Ali'i Place, would be mutually beneficial and of great long-term benefit to both parties.

Thank you for the opportunity to provide testimony on this measure.

OFFICE OF THE MAYOR
KE KE'ENA O KA MEIA
CITY AND COUNTY OF HONOLULU

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RICK BLANGIARDI
MAYOR
MEIA



MICHAEL D. FORMBY
MANAGING DIRECTOR
PO'O HO'OKELE

KRISHNA F. JAYARAM
DEPUTY MANAGING DIRECTOR
HOPE PO'O HO'OKELE

March 31, 2025

The Honorable Donovan M. Dela Cruz, Chair
The Honorable Sharon Y. Moriwaki, Vice Chair
and Members of the Senate Committee on Ways and Means
State Senate
415 South Beretania Street
Honolulu, Hawaii 96813

Subject: Testimony in Opposition to HB 800 HD1 SD1

Dear Chair Dela Cruz, Vice Chair Moriwaki, and Committee Members:

On behalf of the City and County of Honolulu (City), the City stands in general opposition to HB 800 HD1 SD1 and the Senate counterpart, SB 1535, with the exception of Part III.

On Thursday, January 30, 2025, Mayor Blangiardi and I met with Finance Chair Yamashita to discuss the City's position on the various components of HB 800. The testimony herein is consistent with the healthy discussion the City had with Finance Chair Yamashita and his staff.

The City owns the fee simple interest in the property underneath the Ali'i Place building; the City does not own the building itself.¹ However, the City receives lease rent from the building owner as well as rent-free use of over 60,000 square feet of office space (currently used by the Department of the Prosecuting Attorney). The State, meanwhile, has a perpetual easement for several hundred parking spaces in the building. Given the City's present use of the property for a public purpose – providing sustainable income to the City, saving taxpayer funds that would otherwise be expended on office space for the Prosecutor's Office and providing parking spaces in the downtown area, the property should not be viewed as a pure land transaction offset against other parcels owned by the State. The proposed land exchange, as framed, is simply not within the best interest of City taxpayers.

Indeed, to my knowledge, for more than 70 years, the Legislature's express policy has been to allow the State to take the counties' property *only when there is a clear public*

¹ The building was just sold for \$68 million. See Janis Magin, "Alii Place office tower in Downtown Honolulu sells to British investors," Pacific Business News (Jan. 31, 2025).

The Honorable Donovan M. Dela Cruz, Chair
The Honorable Sharon Y. Moriwaki, Vice Chair
and Members of the Senate Committee on Ways and Means
March 31, 2025
Page 2

benefit. Specifically, HRS § 101-53, Property already appropriated to a public purpose, provides:

Whenever the public property sought to be acquired has already been appropriated to some public purpose, in order that the property be acquired by the petitioner it must appear that the use to which the property is sought to be put is more necessary than the purpose to which it has already been appropriated.

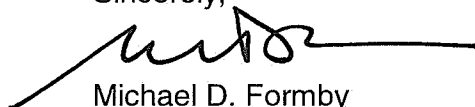
This policy has served the people of Hawai'i for many decades, and the City respectfully suggests any deviation from this long-standing policy would have to be by negotiated agreement between the State and the City.

With respect to Part III, the City supports the proposed language and respectfully requests the State delete the sunset date of June 30, 2028 as this language impairs the City's ability to develop affordable housing in the county, most especially in the Iwilei district, for which the City is acquiring private property for the express purpose of developing a vibrant affordable housing community on the rail line and within walking distance to downtown Honolulu.

In closing, respectfully and consistent with our discussions with Finance Chair Yamashita, the sunset date in Act 45, Session Laws of Hawai'i 2024 should be repealed and the City and State should sit down and discuss meaningful land exchanges that do not negatively impact City taxpayers on terms to be mutually agreed upon by the City and State for the properties listed in HB 800.

Thank you for the opportunity to testify.

Sincerely,

A handwritten signature in black ink, appearing to read 'M. Formby', with a long horizontal line extending to the right.

Michael D. Formby
Managing Director

THE SENATE
THE THIRTY-THIRD LEGISLATURE REGULAR SESSION OF 2025
COMMITTEE ON WAYS AND MEANS

HB No. 800)	Written Testimony of the Association of Unit Owners of
)	Senior Residence at Iwilei RE: HB No. 800
RELATING TO GOVERNMENT)	
Provides for the transfer of certain parcels)	Hearing Date: Tuesday, April 1, 225
in the Liliha Civic Center area and Iwilei)	Time: 10:01 a.m.
Fire Station area from various state agencies)	Place: Room 211 State Capitol
to the City and County of Honolulu.)	415 South Beretania Street
Provides for the transfer of the parcel of)	Honolulu, Hawaii 96823
land on which Alii Place is sited from the)	
City and County of Honolulu to the State.)	
Repeals the sunset provision of Act 4, SLH)	
2024. Requires the City and County of)	
Honolulu to accept the properties)	
transferred in satisfaction of all amounts)	
owed by Hawaii Housing Finance and)	
Development Corporation under the)	
Kapolei roadways, drainage, and sewer)	
settlement. Exempts the land transferred)	
from the definition of public lands for)	
<u>purposes of chapter 171, HRS</u>)	

WRITTEN TESTIMONY OF
THE ASSOCIATION OF UNIT OWNERS OF
SENIOR RESIDENCE AT IWILEI

RE: HB NO. 800

1 The subject of this written testimony involves HB No. 800 which proposes to transfer the
2 leased fee interest in, among other lands, TMK 1-1-5-7—2 (Senior Residence at Iwilei) (“SRI
3 Land”) from the State of Hawaii, as grantor, to the City and County of Honolulu, a municipal
4 corporation of the State of Hawaii and is being presented by Pacific Housing Assistance
5 Corporation (“PHAC”), a Hawaii nonprofit corporation, on behalf of the Senior Residence at
6 Iwilei project (“Project”), including the following:

7 (1) Association of Unit Owners of Senior Residence at Iwilei, an unincorporated
8 association of condominium owners (“AUO”);

9 (2) Senior Residence at Iwilei Limited Partnership, a Hawaii limited partnership
10 (“SRILP”); and

11 (3) PHAC

12 as their respective interests appear below.

13 There exists a critical shortage of affordable housing opportunities in the State of Hawaii.
14 PHAC was organized in 1980 in furtherance of the charitable purpose of developing and
15 sponsoring the development of affordable rental housing opportunities for persons and families,
16 including the elderly and persons with disabilities of very low and low incomes and to the extent
17 permissible moderate incomes. Since its inception, PHAC has sponsored the development and
18 the ownership, management and operation of over 2,200 affordable rental dwelling units through
19 single purpose development organizations, including the Project.

20 **State/HHFDC is the Leased Fee Owner of the SRI Land**

21 The State of Hawaii, by its Department of Land and Natural Resources, is the fee simple
22 owner of the SRI Land. By Executive Order No. 4130 dated October 24, 2005, recorded in the
23 Bureau of Conveyances of the State of Hawaii as Document No. 2007-071971 and filed in the

1 Office of the Assistant Registrar of the Land Court of the State of Hawaii as Document No.
2 3591387 and noted on Certificate of Title No. 85,214, the State of Hawaii, by its Board of Land
3 and Natural Resources, set aside and transferred control over the SRI Land to the Hawaii
4 Housing Finance and Development Corporation (“HHFDC”), public body and a body corporate
5 and politic of the State of Hawaii, for the purpose of developing thereon what is known today as
6 the Senior Residence at Iwilei (“Project”). The Project was developed as a two-unit
7 condominium property regime in furtherance of the public and charitable purpose of providing
8 affordable rental housing opportunities for the elderly and administrative offices for PHAC and
9 Steadfast Housing Development Corporation, a Hawaii nonprofit corporation, who provides or
10 sponsors the development of affordable rental housing opportunities, together with supportive
11 services, for persons with disabilities.

12 SRILP was the developer of the Project. After the Project was completed, HHFDC, as
13 lessor, entered into the following condominium conveyance documents (i.e., leases):

14 (1) Residential Unit. HHFDC, as lessor, leased the Residential Unit to SRILP, as
15 lessee. The Residential Units is a 15-story high rise building which includes 160 dwelling units
16 which provide affordable rental housing opportunities for the elderly of very low and low
17 incomes.

18 (2) Commercial Unit. HHFDC, as lessor, leased the Commercial Unit to PHAC, as
19 lessee. The Commercial Unit includes ~~administrative~~ offices for PHAC and Steadfast Housing
20 Development Corporation, a Hawaii nonprofit corporation which provides or sponsors the
21 development of affordable rental housing, together with related services, for persons with
22 disabilities. The Commercial Unit also includes an adult day care facility which provides day
23 care facilities for adult persons, including the elderly and persons with cognitive disabilities.

1 **Financing for the Project**

2 The sources of financing and other assistance for the development of the Project included
3 the following:

4 (1) Issuance of State of Hawaii Revenue Bonds; Mortgage Loan Financing. The
5 State of Hawaii issued and sold revenue bonds. HHFDC made mortgage loans, which were
6 funded by bond proceeds, to finance the development of the Project. HHFDC assigned the
7 primary mortgages, which were insured by the Federal Home Loan Mortgage Corporation
8 (“FHLMC”), to U.S. Bank National Association, as trustee for the bond holders. With a portion
9 of the bond proceeds, HHFDC, as mortgagee, provided subordinate financing for the Project.

10 (2) Federal Home Loan Bank Subordinate Affordable Housing Project Mortgage
11 Loan Financing. The Federal Home Loan Bank provided subordinate financing for the
12 Residential Unit..

13 (3) Federal ~~HOME~~ Community Development Block Grant (“CDBG”) Program
14 Financing. The City and County of Honolulu, which administers the Federal ~~HOME~~CDBG
15 Program for the City and County of Honolulu, provided ~~HOME~~CDBG financing for the
16 development of the ~~Commercial Unit~~Adult Day Care facility.

17 (4) Low Income Housing Tax Credits (“LIHTC”). HHFDC allocated LIHTCs to the
18 Residential Unit.

19 (5) Regulatory Requirements. For financing and other assistance, the Residential
20 Unit and Commercial Unit are subject to regulatory restrictions governing the use, rents,
21 operation and management thereof.

22 **Notify Parties in Interest and Obtain Their Consents and,**
23 **If Necessary, Amending Housing Finance and Development Documents**

The Project, AOUO, SRILP and PHAC, as their respective interests appear, should not be responsible for paying any and all fees and costs, including but not limited to attorneys' fees and costs, to:

(1) notify parties in interest, including mortgagees, bond trustee, HHFDC, City and County of Honolulu and any other entities having regulatory or other jurisdiction over the Project, LIHTC investors and others to whom notices must be given and obtain their consents, if required; and

(2) amend, if necessary, any Project, including the Residential Unit and Commercial Unit, housing finance and development documents, arising out of the enactment of HB No. 800 and the State's action to convey the leased fee interest in the SRI Land from the State/HHFDC, as grantor, to the City and County of Honolulu, as grantee.

Amendment to HB No. 800

The Committee on Water and Land is respectfully requested to amend and include in HB No. 800 (and ultimately in the final Bill for an Act) provisions for funding for all fees and costs, including but not limited to legal fees and costs and consent fees, which the Project, AUO, SRILP and PHAC, as their respective interests appear, incur to:

(1) notify parties in interest, including mortgagees, bond trustee, HHFDC, City and County of Honolulu and any other entities having regulatory or other jurisdiction over the Project, LIHTC investors and others to whom notices must be given and obtain their consents, if required; and

(2) amend, if necessary, any Project, including the Residential Unit and Commercial Unit, housing finance and development documents.