

ACT 235

H.B. NO. 1164

A Bill for an Act Relating to Public Lands.

Be It Enacted by the Legislature of the State of Hawaii:

SECTION 1. The legislature finds that in 1992, the department of land and natural resources entered into a fifty-five year lease with the Sand Island Business Association for the Sand Island industrial park, which covers approximately seventy-four acres divided into one hundred twelve lots. The lease required the Sand Island Business Association to develop the infrastructure improvements, sublease the lots to existing lessees, and manage the Sand Island industrial park

on behalf of the department of land and natural resources. In 1999, the Sand Island Business Association completed the infrastructure improvements at a cost of more than \$41,000,000. In addition, the members of the Sand Island Business Association have invested more than \$20,000,000 in leasehold improvements to the individual lots.

As a result of these substantial investments, members of the Sand Island Business Association have expressed a strong interest in purchasing the fee interest of their leasehold lots. In addition to securing these investments, as the lease period shortens, it becomes more difficult for the members to rely on the leasehold as an asset when attempting to secure bank loans for additional improvements.

The legislature understands that the department of land and natural resources relies on the lease revenue from the Sand Island industrial park to support the operations and management of public lands programs, and that the lease revenue constitutes nearly one-half of all lease revenues supporting the special land and development fund.

The purpose of this Act is to authorize the department of land and natural resources to consider the sale or exchange of Sand Island parcels to leaseholders, and to report its findings and recommendations to the legislature.

SECTION 2. (a) The department of land and natural resources may review and consider:

- (1) The current terms of the lease between the department and the Sand Island Business Association;
- (2) Lease income to date; projected income through the twenty-five-year fixed-rent period, which ends in 2017; and estimated income after the fixed-rent period;
- (3) Whether a Sand Island parcel proposed for exchange to the department has a present and future value that is greater than or equal to that of a Sand Island parcel currently under the control of the department;
- (4) Whether a Sand Island parcel proposed for exchange to the department has a tenant that would provide an income stream that is greater than or equal to the income stream generated by a tenant of a Sand Island parcel under an existing lease;
- (5) The uses of the lease revenues to date, pursuant to section 171-19, Hawaii Revised Statutes; and any projected uses of future lease revenues; and
- (6) Any other considerations that would affect a decision to proceed with the sale or exchange of Sand Island parcels to leaseholders.

(b) The department of land and natural resources shall report to the legislature no later than twenty days prior to the convening of the regular session of 2012, on its review and consideration of the sale or exchange of Sand Island parcels to leaseholders, and its recommendations for further action.

SECTION 3. This Act shall take effect on July 1, 2011.

(Approved July 12, 2011.)