



February 9, 2021

Representative Mark Nakashima, Chair
Representative Scott Matayoshi, Vice Chair
House Committee on Judiciary and Hawaiian Affairs
Hawaii State Legislature

Comments on HB467 HD1

Dear Representative Nakashima, Representative Matayoshi and Members of the House Committee on Judiciary and Hawaiian Affairs,

The Kohala Coast Resort Association appreciates the Legislature's intent to support redevelopment of the Banyan Drive Area with the establishment of the Waiakea Peninsula Redevelopment District. A healthy and vibrant tourism economy on both sides of the island of Hawaii is important to the economic future of our island as a whole.

We believe that a strong inventory of visitor accommodations in Hilo will improve our visitors' overall experience, hopefully leading to a longer length of stay, and a better of appreciation of the diverse opportunities our island has to offer. We also believe that a strong accommodations sector in Hilo will continue to help airlines consider direct service to our island, through either the Ellison Onizuka Kona International Airport at Keahole or the Hilo International Airport.

We appreciate that you are seeking a representative from the hotel sector to serve on this important committee, so that everyone has a chance to understand the corporate perspective in decision making about long-term land use and leases.

KCRA is a collection of master-planned resorts and hotels, situated north of the Kona International Airport which represents more than 3,500 hotel and timeshare accommodations and an equal number of resort residential units. This is approximately 35 percent of the visitor accommodations available on the Island of Hawai'i. KCRA member properties annually pay more than \$25 million in TAT, \$25 million in GET and \$11 million in property taxes. KCRA members employ more than 5,000 Hawaii Island residents.

Thank you for your favorable consideration of HB467 HD1.

Sincerely,

A handwritten signature in black ink that reads "Stephanie P. Donoho". The signature is written in a cursive, flowing style.

Stephanie Donoho
Administrative Director

DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LT. GOVERNOR



ISAAC W. CHOY
DIRECTOR OF TAXATION

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
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To: The Honorable Mark M. Nakashima, Chair;
The Honorable Scot Z. Matayoshi, Vice Chair;
and Members of the House Committee on Judiciary & Hawaiian Affairs

From: Isaac W. Choy, Director
Department of Taxation

Date: February 11, 2021
Time: 2:00 P.M.
Place: Via Video Conference, State Capitol

Re: H.B. 467, H.D. 1, Relating to Public Lands

The Department of Taxation (Department) provides the following comments regarding H.B. 467, H.D. 1, for your consideration.

With respect to taxation, H.B. 467, H.D. 1, exempts the costs of construction of work or improvements of a redevelopment project, including material and tools, from general excise and use taxes. H.D. 1 has a defective effective date of January 1, 2050.

First, the Department notes that the exemption from the general excise tax extends to labor and materials, while the exemption from the use tax applies to material, parts, or tools. The Department suggests that the exemptions be made the same for both to avoid any conflict or confusion.

Second, the Department notes that it will be difficult for a seller to determine if material, parts, or tools are being used by the purchaser on a qualified redevelopment project. The Department suggests that some means be established so that sellers can be protected from improper claims that an item is being purchased for a qualified project.

Finally, the Department requests that the general excise and use tax exemption be made applicable no earlier than January 1, 2021 to allow the Department sufficient time to make the necessary form, instruction, and computer system changes.

Thank you for the opportunity to provide comments.

February 11, 2021

The Honorable Mark M. Nakashima, Chair
House Committee on Judiciary & Hawaiian Affairs
Via Videoconference

RE: House Bill 467, HD1, Relating to Public Lands

HEARING: Thursday, February 11, 2021, at 2:00 p.m.

Aloha Chair Nakashima, Vice Chair Matayoshi, and Members of the Committee,

I am Ken Hiraki, Director of Government Affairs Committee, testifying on behalf of the Hawai'i Association of REALTORS® (“HAR”), the voice of real estate in Hawai'i, and its over 10,000 members. HAR **supports** House Bill 467, HD1, which authorizes the designation of areas or regions of public lands classified as commercial, industrial, resort and hotel, and the establishment and implementation of guidelines for the redevelopment of the areas or regions.

The State currently leases state land to many entities for commercial, industrial, hotel and resort purposes. Unfortunately, lessees have virtually no economic incentive to invest in the property within the last 10 to 15 years, knowing their lease will expire. In turn, with uncertainty of one's lease extension, it has led to public lands that are underused and deteriorating.

Many of the circumstances that faced the State of Hawai'i and the City & County of Honolulu when the future of Kaka'ako was at risk can be related to the issues of the Waiakea Peninsula (Banyan Drive) and Kanoelehua Industrial Area. Existing regulations and state policies do not address the needs of Hilo businesses operating on Public Lands resulting in a less-than-thriving commercial zone.

This measure will encourage revitalization of public lands. As a result, from a taxation perspective, this measure will enhance the revenue generating potential of these properties, including increases in the Transient Accommodations Tax from revitalized hotel and resort areas.

Mahalo for the opportunity to testify.

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
DIRECTOR

ROBERT YU
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
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ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY
TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON JUDICIARY & HAWAIIAN AFFAIRS
ON
HOUSE BILL NO. 467, H.D. 1

February 11, 2021
2:00 p.m.
Room 325

RELATING TO PUBLIC LANDS

The Department of Budget and Finance offers comments on House Bill (H.B.) No. 467, H.D. 1.

H.B. No. 467, H.D. 1: establishes a framework to identify areas of public lands that are classified as commercial, industrial, resort, and hotel parcels in need of revitalization; provides for redevelopment of the parcels; creates a nine-member planning committee for each redevelopment district to provide policy direction and prepare a redevelopment plan; authorizes a local redevelopment agency to contract with a developer for construction of non-residential projects within a redevelopment area; establishes a revolving fund for each redevelopment district that would generate revenues through 50% of the income, revenues and receipts from the public lands in the redevelopment district, legislative appropriations, grants, gifts, and other funds; and creates the Waiakea Peninsula Redevelopment District on the island of Hawai'i, the Waiakea Peninsula Redevelopment District Planning Committee, and the Waiakea Peninsula Redevelopment District Revolving Fund.

As a matter of general policy, the department does not support the creation of any revolving fund which does not meet the requirements of Section 37-52.4, HRS. Revolving funds should: 1) serve a need as demonstrated by the purpose, scope of work and an explanation why the program cannot be implemented successfully under the general fund appropriation process; 2) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries or a clear link between the program and the sources of revenue; 3) provide an appropriate means of financing for the program or activity; and 4) demonstrate the capacity to be financially self-sustaining. In regard to H.B. No. 467, H.D. 1, it is difficult to determine whether the proposed source of revenues will be self-sustaining for each revolving fund that is created.

Thank you for your consideration of our comments.

Kūpuna for the Mo'opuna
committed to the well-being of Hawai'i for the next generations to come
kupuna4moopuna@gmail.com



STOP LEGAL THIEVERY!

COMMITTEE ON JUDICIARY & HAWAIIAN AFFAIRS

Rep. Mark M. Nakashima, Chair

Rep. Scot Z. Matayoshi, Vice Chair

DATE: Thursday, February 11, 2021

TIME: 2:00PM

PLACE: Room 325

Testimony of Kūpuna for the Mo'opuna

HB 467 HD 1 - RELATING TO PUBLIC LANDS. **STRONG OPPOSITION**

HB 467 HD1 inhibits the State from fulfilling its fiduciary obligations in the disposition of public lands. Before voting on this measure, we urge you to watch the video "PUBLIC LAND TRUST: JUSTICE DELAYED IS JUSTICE DENIED" to know what you are voting on.

<https://www.kamakakoi.com/plt>



Now that you KNOW, vote NO to HB 467 HD 1.

Ua mau ke ea o ka 'āina i ka pono!



BEFORE THE HOUSE JUDICIARY AND HAWAIIAN AFFAIRS COMMITTEE

February 10, 2021

HOUSE BILL 467
Relating to Public Lands

Aloha Chair Nakashima, Vice Chair Matayoshi, and Members of the Committee,

Ka Lāhui Hawai'i Kōmike Kalai'āina submits the following written testimony in **STRONG OPPOSITION** to House Bill 467 which would allow the Department of Land and Natural Resources to issue a rent reduction or waiver for certain lessee's expenses for demolition or provision of basic infrastructure and authorizes a local redevelopment agency to contract with a developer for construction of non-residential projects on any Public lands within a redevelopment area.

The majority of Public lands held by the State of Hawai'i are "ceded lands" or Hawaiian Kingdom crown and government lands which were illegally seized by the US. As a condition of Statehood 1.8 million acres of "ceded lands" was transferred from the federal government to the State of Hawai'i to be held as a public trust for 5 purposes including the betterment of the conditions of native Hawaiians as defined in the Hawaiian Homes Commission Act, 1920. The Admissions Act further states that any other object besides the 5 purposes shall constitute a breach of trust for which suit may be brought by the United States.

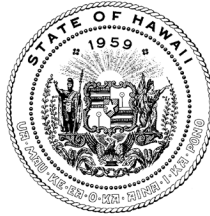
Ka Lāhui Hawai'i Kōmike Kalai'āina has concerns over the misuse and mismanagement of these lands especially if it is being used outside of the 5 purposes set out in the Hawai'i State constitution for resort use rather than the public good. Furthermore, this measure sets up loopholes for corporations to get cheaper rent and and get contracts without going through the set public process on Public lands within a designated "redevelopment" area. The measure sets up the powers of another unelected committee that would determine hotel or resort uses and contract with developers outside of the set public process.

Lastly, this measure is not entirely specific to the Waiakea penninsula but allows for the creation and appointment of 'local redevelopment agencies' for all areas designated a "redevelopment" area. The description of the measure is misleading.

Me ka oiai'o,

M. Healani Sonoda-Pale
Public Affairs Officer, Ka Lāhui Hawai'i Kōmike Kalai'āina

DAVID Y. IGE
GOVERNOR OF
HAWAII



**STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES**

POST OFFICE BOX 621
HONOLULU, HAWAII 96809

**Testimony of
SUZANNE D. CASE
Chairperson**

**Before the House Committee on
JUDICIARY & HAWAIIAN AFFAIRS**

**Thursday, February 11, 2021
2:00 PM**

State Capitol, Via Video Conference, Conference Room 325

**In consideration of
HOUSE BILL 467, HOUSE DRAFT 1
RELATING TO PUBLIC LANDS**

House Bill 467, House Draft 1 proposes to authorize the designation of areas or regions of public lands classified as commercial, industrial, resort and hotel use and the establishment and implementation of guidelines for the redevelopment of such areas or regions. PART III of the measure proposes to establish Waiakea Peninsula Redevelopment District in Hilo, Hawaii. PART IV proposes to amend Section 171-6, Hawaii Revised Statutes (HRS), to increase the amount of rent credits for leases of public lands that require substantial demolition or infrastructure improvement costs in order for the lessee to utilize the premises. House Draft 1 of the measure removes the seed money appropriations into and out of the Waiakea Peninsula Redevelopment District Revolving Fund, changes the effective date to January 1, 2050, to encourage further discussion, and makes technical, non-substantive amendments for the purposes of clarity, consistency, and style. **The Department of Land and Natural Resources (Department) opposes all parts of this measure, except PART IV relating to rent credits to lessees who incur significant demolition or infrastructure costs.**

There are a number of long-term leases of public lands in the Waiakea Peninsula area originally entered into in the 1940s that have expired in recent years. Some of these leases were used for hotels, and significant hotel improvements were constructed on the premises during the lease term. In some cases, the leasehold improvements have exceeded their useful life and require costly demolition in the range of \$8-10 million for a single property. However, the lease forms used for these leases did not require the lessee to remove the improvements at the expiration of the lease term. As a result, the demolition cost falls on the State unless new lessees are willing to rehabilitate and operate the properties under new long-term leases. In this regard, the Department is close to selecting proposals for the repair and renovation of two properties on

SUZANNE D. CASE
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT

ROBERT K. MASUDA
FIRST DEPUTY

M. KALEO MANUEL
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

Banyan Drive under new 65-year leases, and plans to present the selected proposals to the Board of Land and Natural Resources soon.

Additionally, the Department is currently conducting planning for projects to develop State lands for resort, commercial, industrial, and other business or residential use on various islands, for the purpose of generating income to support the Department's resource management and protection programs. However, substantial investments in infrastructure including drainage, sewer, water, electricity, and other utilities will be required to facilitate development of the lands with costs in the tens of millions of dollars. As with the previous scenario, rather than rely solely on public funds, the State seeks to defer, either whole or in part, the infrastructure and other development costs of these lands on to a future lessee of the lands. PART IV of this measure would facilitate that objective, while also helping to ensure the long-term success of projects that benefit the Department and the State as a whole.

The remaining provisions of the measure are intended to promote redevelopment of the Waiakea Peninsula area. Under Chapter 171, HRS, the Board of Land and Natural Resources (Board) is authorized to issue leases up to a maximum term of 65 years. Section 171-32, HRS, provides that it is the policy of the State to issue leases by public auction. As the preamble to this bill indicates, at the end of their lease terms, lessees have little incentive to invest in improvements to their leasehold properties because the leases cannot be extended further. Rather, new leases of the lands must be issued pursuant to the public auction process. As a result, the properties frequently fall into disrepair.

House Bill 467, House Draft 1 seeks to promote the redevelopment of public lands in commercial, industrial, resort and hotel use. The redevelopment districts would have their own nine-member planning committees to act as the policy-making body for the district. In addition to preparing redevelopment plans for the district, the planning committee would have authority to renew or renegotiate any lease in connection with any project contained in the redevelopment plan for the district. The planning committee would also be empowered to reduce or waive the lease rental on any lease of public land for any project in the district that requires substantial improvements, provided that the reduction or waiver shall not exceed one year. The measure would further authorize the planning committee to enter into development agreements with a developer for any project contained in a development plan, and specifies the contents of the development plan.

The bill proposes to designate the Waiakea Peninsula Redevelopment District in Hilo as a redevelopment district under the measure. This area constitutes the Department's primary hotel/resort landholdings on Hawaii Island. The Department has been working with the private sector lessees and permittees to move Banyan Drive buildings on State land into redevelopment in phases. Key state parcels in which the Department is engaged in redevelopment of Banyan Drive include:

- 1) Hilo Hawaiian Hotel: ground lease from the Department; renovated.
- 2) Hilo Bay Café (former Nihon restaurant site): ground lease from the Department; renovated.

- 3) Grand Naniloa Hotel: ground lease from the Department; \$20 million in renovations completed in 2018.
- 4) Golf Course: part of Grand Naniloa ground lease from the Department; requires participation of lessee for redevelopment.
- 5) Uncle Billy's: closed in 2017 by the Board; formerly under Revocable Permit (RP) to Tower Development, Inc. (TDI), who is an affiliate of the lessee of the Grand Naniloa (RP ended in August 2020); In March 2018, the Department published a request for interest (RFI) regarding the potential demolition of existing structures and reconstruction of a hotel on the former Hilo Bay Hotel site. One response (from TDI) was received with a proposal to substantially demolish and reconstruct a branded hotel on the site consisting of approximately 125 guest rooms, fitness room, appropriate back of house spaces and food and beverage venue. TDI additionally proposed to contribute \$1.5 million toward demolition costs (projected by the Department's consultants to exceed \$8 million in total). At its meeting of December 13, 2019, the Board authorized the publication of a Request for Qualifications (RFQ)/Request for Proposals (RFP) for the demolition, renovation, or partial demolition and partial renovation of the hotel under a new long-term lease. The RFQ/RFP was published on August 23, 2020, a statement of qualifications was submitted on September 30, 2020, and a proposal was submitted on November 30, 2020. The proposal is currently under review by an evaluation committee.
- 6) Country Club: under RP. At its meeting of December 13, 2019, the Board authorized the publication of an RFQ/RFP for renovation of the hotel under a new long-term lease. The RFQ/RFP was published on August 23, 2020, statements of qualification were submitted on September 30, 2020, and proposals were submitted on November 30, 2020. Proposals are currently under review by an evaluation committee.
- 7) Reed's Bay Resort Hotel: under RP; has some remaining useful life.

Since 2014, the Department has spent approximately \$524,500 from the Special Land and Development Fund (SLDF) on consultant services and studies dedicated to the public lands at Banyan Drive.

- One consultant prepared a market study on tourism to determine if the area could support a new hotel, as well as studies on sea level rise, the viability of master leasing multiple parcels in the area, and the remaining useful life of existing structures on expiring lease premises.
- Another consultant conducted a much more detailed architectural and engineering study on whether existing improvements on the expired lease premises should be demolished or rehabilitated.
- Another consultant recently completed a study on the cost of securing the necessary permitting for demolishing the improvements on the expired leases and completing the demolition.
- Additionally, the Department procured an engineering consultant to assist in reviewing the renovation plans for the Grand Naniloa Hotel.

- Apart from the fees for consultant services, a significant amount of staff time has been invested in planning for the area including attendance at the Banyan Drive Hawaii Redevelopment Agency (BDHRA) meetings, and in preparing the RFQs/RFPs for Uncle Billy's and Country Club and reviewing the submitted proposals.

The Department requests that this measure be held. The Department is confident that the RFQ/RFP process for new leases of the former Uncle Billy's and former Country Club Condominium Hotel will go a long way in rehabilitating the Banyan Drive area.

In addition, the Department identifies the following issues with respect to this measure:

The bill creates an additional layer of bureaucracy in government

The bill provides that the Legislature may designate an area of public lands as a redevelopment district. Upon such designation, a nine-member planning committee is to be established as a policy-making board for the district. The planning committee, who serves without compensation, then appoints an administrator for the district who is to be compensated. The planning committee may hire additional staff as well.

With respect to Banyan Drive in Hilo, the bill would create a new layer of redevelopment process in addition to the task force and the BDHRA: the Waiakea Peninsula Redevelopment District and a planning committee to serve as a policy-making board for the district. In addition to the administrator, the planning committee would likely require a secretary and perhaps more staff for proper administration, as well as office equipment, supplies, and travel expenses for the nine committee members. There will be added expense for the committee to comply with Chapter 92, HRS, sunshine law requirements. Further, the committee's actions may be subject to contested case hearings and appeals. A conservative budget for such a planning committee, including payroll, fringe benefits, hearing officer fees, and other costs and expenses, would be \$500,000 annually. House Draft 1 of the measure deletes the unspecified general fund appropriation to the Waiakea Peninsula Redevelopment District revolving fund, and the unspecified appropriation out of the fund for Fiscal Year 2021-2022 that the original version included to fund the purposes of PART III of the measure. As a result of this change to the bill, the functions of the planning committee for the Waiakea Peninsula Redevelopment District would be unfunded.

The bill proposes an unnecessary, bureaucratic addition to the Department's operations. As explained above, the Department has been working with the BDHRA regarding plans for the Banyan Drive area. In fact, two BDHRA staff presently serve on the evaluation committee reviewing proposals submitted under the Department's RFQ/RFP for the two Banyan Drive properties. Additionally, as mentioned above, the Department has procured consultants for Banyan Drive to analyze market trends, and explore options for redevelopment and rehabilitation of specific parcels or areas. After the 2013 legislative session, former Governor Abercrombie approved the formation of a Banyan Drive Task Force that met a number of times to discuss many of the issues covered by the bill as they relate to the Banyan Drive area. The task force members included representatives from local businesses, the former executive director of the Big Island Visitors Bureau, the executive director of the 'Imiloa Astronomy Center of Hawaii, and

representatives from the Hawaii County Mayor's Office and state legislators also attended the meetings. This informal task force worked well and at limited expense to the State.

There are practical problems with the bill

As noted above, the measure allows the Legislature to designate redevelopment districts on public lands. As defined in Section 171-2, HRS, public lands exclude lands used as roads and streets. While the State owns some contiguous parcels in the Banyan Drive area of Hilo, it does not own or manage the roads, which often include utility lines and other infrastructure.

Accordingly, to the extent the bill seeks to improve infrastructure in a given area, a redevelopment district designated by the Legislature would likely not include important infrastructure components. Rather, the district would be confined to the particular parcels under the Department's management.

The Department relies on the revenues from leases of public lands to fulfill its fiduciary duties

The bill proposes to deposit 50% of the revenues, income and receipts of the Department from the public lands in the Waiakea Peninsula Redevelopment District into the District's revolving fund. These lands are ceded and the Office of Hawaiian Affairs is currently receiving 20% of the revenues and is seeking to increase its share above the \$15.1 it receives annually. Neither this bill nor the redevelopment agency bills relieve the Department of the lease management duties. Therefore, if these measures were all to pass and become law, the Department would be left in the very unfortunate situation of having to manage all of those leases (bill, collect, inspect, procure and pay for professionals for rental and reopening valuations) but receive nominal revenue in return.

The Department and the Board are responsible for managing approximately 1.3 million acres of public lands comprising sensitive natural, cultural and recreational resources. The Department's responsibilities include managing and maintaining the State's coastal lands and waters, water resources, conservation and forestry lands, historical sites, small boat harbors, parks, and recreational facilities; performing public safety duties (e.g., flood and rockfall prevention); issuing and managing leases of public lands (agriculture, pasture, commercial, industrial, and resort leases); maintaining unencumbered public lands; and enforcing the Department's rules/regulations.

To properly perform these fiduciary duties, the Board determined that the Department should utilize a portion of the lands it manages to generate revenues to support the Department's operations and management of public lands/programs. Annual lease revenues currently support the SLDF, with revenues coming primarily from leases for commercial, industrial, resort, geothermal and other renewable energy projects.

The SLDF is a critical and increasingly important funding source for various divisions within the Department to deal with emergency response to natural catastrophes such as fire, rockfall, flood or earthquake and hazard investigation and mitigation. The SLDF also is critical for staff support of various programs and funding conservation projects on all state lands. It has also become an important source of State match for federally funded endangered species and invasive species initiatives that otherwise would not go forward. The Department opposes transferring

funds from the SLDF to planning committees formed under this measure for redevelopment purposes.

The authority to construct, improve, renovate and revitalize areas within the counties is already authorized under Section 46-80.5 and Chapter 53, HRS.

The bill seeks to redevelop the infrastructure and facilities within designated redevelopment districts. However, the bill is unnecessary because there are already existing laws and ordinances that provide the process and financing to make such improvements, as evidenced by the County of Hawaii's creation of BDHRA under Chapter 53, HRS. The measure appears to recognize the ability of a Chapter 53 agency to assist in the redevelopment of the Banyan Drive area, but goes too far in delegating authority to such an agency without oversight by the Board to negotiate and enter into a development agreement with a developer for commercial, business, or hotel or resort uses on public lands within a redevelopment area. Moreover, the measure does not explain how a Chapter 53 agency would coordinate with the Waiakea Peninsula Redevelopment District planning committee in formulating a development plan for the area. This could lead to conflicting development goals being established by the planning committee and Chapter 53 for the same lands. In dealings between the Department and BDHRA to date, it has been understood that BDHRA's role would be to develop a plan for the area and possibly assist in streamlining the County zoning and entitlement process for any redevelopment.

Section 46-80.5, HRS, authorizes the various counties to enact ordinances to create special improvement districts for the purpose of providing and financing such improvements, services, and facilities within the special improvement district as the applicable county council determines necessary or desirable to restore or promote business activity in the special improvement district. This is the same purpose sought by this bill.

Under the authority of Section 46-80.5, HRS, the County of Hawaii, as an example, enacted Chapter 12 of the Hawaii County Code, which authorizes the County to create improvement districts to construct new, or improve existing infrastructure and facilities, including roadways and utility infrastructure and improvements. It should also be noted that the responsibilities for maintaining such improvements within the proposed redevelopment districts are already vested with the County. Most, if not all, of the public roadways and utility infrastructure within any potentially designated district boundaries have been dedicated to the County.

Finally, Chapter 171, HRS, limits the amount of rent reduction or waiver that a lessee of public lands can receive for redeveloping or improving public lands to one year's rent for land leased for resort, commercial, industrial or other business use. In many cases, a rent reduction or waiver equal to one year of ground rent would be an insufficient incentive to induce a developer to invest in the demolition of aged improvements on and redevelopment of public land, or in the provision of basic infrastructure necessary to facilitate the further development of unimproved public land. The Department supports PART IV of this measure that 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.

Thank you for the opportunity to comment on this measure.