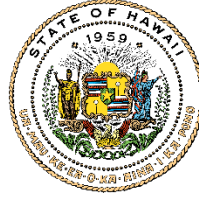


JOSH GREEN, M.D.
GOVERNOR | KE KIA'ĀINA

SYLVIA LUKE
LIEUTENANT GOVERNOR | KA HOPE KIA'ĀINA



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

P.O. BOX 621
HONOLULU, HAWAII 96809

DAWN N.S. CHANG
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE
MANAGEMENT
LAURA H.E. KAAKUA
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

Testimony of
DAWN N. S. CHANG
Chairperson

Before the House Committee on
FINANCE

Wednesday, February 28, 2023
11:30 AM

State Capitol, Conference Room 308 & Videoconference

In consideration of
HOUSE BILL 1385, HOUSE DRAFT 2
RELATING TO PUBLIC LANDS

House Bill 1385, House Draft 2 proposes to: 1) authorize the designation of areas or regions of public lands classified as commercial and industrial; hotel, apartment, and motel; or resort, and establish and implement guidelines for the redevelopment of the areas or regions; 2) designate the public lands on the Waiakea Peninsula on the Island of Hawai'i as the Waiakea Peninsula Redevelopment District (WPRD); 3) transfer management of the state leases in the WPRD and 50% of the revenues generated by such leases from the Department of Land and Natural Resources (Department) to the WPRD Planning Committee; 4) and appropriate funds. House Draft 2 of the measure clarifies the powers of the planning committees provided for under the bill and the reporting requirements to the Governor and Legislature by the Board of Land and Natural Resources (Board). **The Department of Land and Natural Resources (Department) opposes this measure.**

The Department has engaged in significant renewal efforts over the past several years of the two signature Banyan Drive hotels and a signature restaurant and has been actively working on a new disposition for another hotel property, as well as planning for the demolition of the former Uncle Billy's Hilo Bay Hotel (Uncle Billy's). The Department recognizes the economic opportunities of a comprehensive master planning process and does not believe establishing the WPRD will accelerate this ongoing process. This year the Department is looking to work with the Hawaii Community Development Authority (HCDA) to develop a master plan with County of Hawaii and community input as well as an infrastructure assessment for the Waiakea Peninsula. The

Department recognizes that the creation of a master plan with community input will assist the Department in planning for the redevelopment of this area.

Over the last several years, the Department has expended considerable resources and efforts to revitalize the Banyan Drive area, including:

- Since 2014, the Department has spent more than \$525,000 from the Special Land and Development Fund (SLDF) on consultant services and studies dedicated to the public lands at Banyan Drive, including, 1) a planning consultant prepared a market study support a new hotel, 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, 2) an architectural consultant conducted a detailed architectural and engineering study on whether existing improvements on the expired lease premises should be demolished or rehabilitated, 3) A planning consultant completed a study on the cost of securing the necessary permitting for demolishing the improvements on the expired leases and completing the demolition, and 4) the Department procured an engineering consultant to assist in reviewing the renovation plans for the Grand Naniloa Hotel.
- In 2014, the lease for the Hilo Hawaiian Hotel underwent significant renovations, in exchange for the lessee making substantial improvements to the structures on the property.
- In 2018, the lessee of the Grand Naniloa Hotel spent \$20 million in renovations.
- In 2017, Uncle Billy's was closed and unfortunately, the lease did not include a provision requiring the lessee to remove and restore the site. As a consequence, the Department has expended over \$200,000 in funds to secure the site and conduct sweeps by the Department's Division of Conservation and Resources Enforcement of the premises for public health and safety concerns. In 2022, the Department was unsuccessful in obtaining the necessary funds to demolition Uncle Billy's. However, it has committed \$1.5 million of SLDF funds for the planning and permitting of the demolition and the current Administrative Budget includes a request of \$15 million for demolition, removal of the structures, and restore the site for a potential hotel lease.
- In 2019, the Department obtained Board authorization for an request for quote/request for proposal (RFQ/RFP) to renovate the County Club Hotel under a new long-term lease. In 2022, two proposals were timely received under this RFQ/RFP and staff is preparing a recommendation to the Board to approve the proposal ranked highest by the evaluation committee.

This bill will have a direct financial impact on the Department. It directs 50% the revenues from the Department's leases on Banyan Drive to the WPRD Revolving Fund, 20% of the revenue from ceded are paid to OHA, leaving the Department with only 30% of the revenues from the leases in the proposed district. House 1385, House Draft 2 provides that management of the lands within shall be transferred to the district, however PART IV of the bill, appears to only transfer the public lands to the planning committee and is silent as to the management of the

leases on those lands. It would be untenable for the Department to continue to perform all the management responsibilities of the leases with a substantially reduced revenue.

In addition, PART III of the measure proposes amendments to various provisions of Chapter 171, Hawaii Revised Statutes, that appear to be designed to repeal the current prohibition against options to extend leases and to delete the maximum lease term of 65 years under present law. The Department does not believe that the proposed amendments are necessary nor in the best interests of the State.

The Department requests that this measure be held to permit, 1) the Department to timely proceed with the RFQ/RFP process for new lease of Country Club, 2) secure sufficient funding to demolition Uncle Billy's, and 3) the Department, in collaboration with HCDA, engage the County and community in a master planning process for the Banyan Drive area.

Mahalo for the opportunity to testify on this measure.

HB-1385-HD-2

Submitted on: 2/26/2023 3:38:32 AM

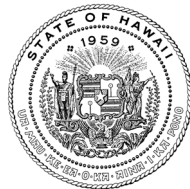
Testimony for FIN on 2/28/2023 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Russell Tsuji	DLNR	Oppose	Remotely Via Zoom

Comments:

Request for zoom link to testify on behalf of DLNR. Written testimony in opposition submitted on DLNR's Testimony account and additional staff will be present at the hearing. Thank you!

JOSH GREEN, M.D.
GOVERNOR



LUIS P. SALAVERIA
DIRECTOR

SABRINA NASIR
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
Ka 'Oihana Mālama Mo'ohelu a Kālā
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT

WRITTEN ONLY
TESTIMONY BY LUIS P. SALAVERIA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 1385, H.D. 2

February 28, 2023
11:30 a.m.
Room 308 and Videoconference

RELATING TO PUBLIC LANDS

The Department of Budget and Finance (B&F) offers comments on this bill.

House Bill (H.B.) No. 1385, H.D. 2: 1) establishes the Waiakea Peninsula Redevelopment District (WPRD) for the redevelopment of public lands classified as commercial, industrial, resort, and hotel parcels on the island of Hawai'i; 2) provides for redevelopment of the district; 3) creates a nine-member planning committee for the district to provide policy direction and prepare a redevelopment plan; 4) amends lease provisions; 5) creates the WPRD Revolving Fund 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 6) appropriates an unspecified amount of general funds for FY 24 for deposit into the revolving fund and an unspecified amount of revolving funds for FY 24 and FY 25 to be expended by the WPRD planning committee for redevelopment of the Waiakea Peninsula District.

As a matter of general policy, B&F 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 regards to H.B. No. 1385, H.D. 2, it is difficult to determine whether the proposed source of revenues will be self-sustaining for the revolving fund that is created.

Thank you for your consideration of our comments.



HB1385 HD2
RELATING TO PUBLIC LANDS
House Committee on Finance

February 28, 2023

11:30 AM

Room 308

The Administration of the Office of Hawaiian Affairs (OHA) will recommend to the Board of Trustees, **COMMENT** on HB1385 HD2, which would remove the 65-year aggregate on lease terms for ALL public lands. **OHA wishes to emphasize that long term multi-generational leases have led to the permanent alienation of public lands and a breach of the State’s trust obligations to the Native Hawaiian people. OHA asks the Legislature to amend this measure by removing the proposed amendments on page 24, lines 12-13, and page 26, lines 15 -16.**

The Crown and Government lands of the Hawaiian Kingdom, often referred to as “Ceded Lands” of the Public Land Trust corpus, are continuously held in trust for the betterment of the conditions of Native Hawaiians.¹ In addition to its codification within the Hawai‘i Admissions Act, lawmakers sought to ensure the continuous uplifting of Native Hawaiian socio-economic status through the creation of OHA and the enacting of these principles into State law.² OHA serves as the principal public agency of the State responsible for the programs and activities of Native Hawaiians,³ whose well-being is often positively impacted by the programs and services funded by revenue from the public land trust.

This measure would essentially establish a mechanism that would violate the State’s fiduciary obligations under the public trust and public land trust by leading to the alienation of public and “ceded” lands. Under Chapter 171, Hawai‘i Revised Statutes (HRS), the State holds in trust approximately 1.3 million acres of public lands, including the natural and cultural resources they contain, for the benefit of present and future generations. Much of these lands are also subject to the Public Land Trust created by Article 12 of the Hawai‘i State Constitution and section 5(f) of the Admission Act, which requires that a portion of revenues derived from Public Land Trust lands be dedicated to OHA, for the purpose of bettering the conditions of Native Hawaiians. **The trust status of these lands imposes upon the State specific fiduciary obligations of due diligence and undivided loyalty in ensuring its trust corpus is productive and that its benefits are maximized for Native Hawaiian and public beneficiaries.**

¹ Pub. L. 86-3, 73 Stat. 4; Hawai‘i Admissions Act of 1959.

² HRS §10-3.

³ Id.



HB1385 HD2
RELATING TO PUBLIC LANDS
House Committee on Finance

OHA strongly believes that the thrust of this measure, to facilitate revitalization of public lands in the Waiakea Peninsula Redevelopment District, can still be achieved without creating a forever-lease mechanism for the commercial interests therein. By maintaining the 65-year aggregate, essentially a lifetime lease, the State will have the opportunity to re-evaluate the best use of its public lands, which may ultimately favor a different path and purpose. For the reasons expressed in this testimony, **OHA asks the Legislature to amend this measure by removing the proposed repeal of the 65-year aggregate lease term on page 24, lines 12-13, and page 26, lines 15-16.**

OHA appreciates the opportunity to testify on HB1385 HD2 and respectfully asks the Legislature to take into consideration OHA's recommendations for the betterment of conditions of Native Hawaiians. Mahalo nui loa.



HOUSE COMMITTEE ON FINANCE
Tuesday, February 28, 2023, 11:30 am, State Capitol Room 308 & Videoconference
HB 1385, HD2
Relating to Public Lands

TESTIMONY

Douglas Meller, Legislative Committee, League of Women Voters of Hawaii

Chair Yamashita, Vice Chair Kitagawa, and Committee Members:

The League of Women Voters of Hawaii opposes HB 1385, HD2.

There should be uniform, fair procedures for development agreements, commercial leases, and lease extensions on public lands throughout the State. The Legislature should reject proposals to establish different boards or procedures for redevelopment or lease of public lands in Hilo than in other parts of the State. Even if Article XI Section 5 of the Hawaii Constitution does not prohibit what is proposed by HB1385, HD2, it is simply, obviously wrong to encourage existing lessees of public lands to “play politics” to gain special unfair treatment.

The League supports public planning for redevelopment of public lands and has no objection to creation of advisory bodies which make recommendations concerning specific legislatively-designated public lands. However, the League opposes legislation to authorize an unaccountable “committee” of legislatively-selected political appointees, who may have a conflict of interest and won't file public financial disclosure statements, to negotiate or extend leases, negotiate development agreements, regulate land use and override county land use controls, or waive lease rent for private use of any specific legislatively-selected area of State property.

Thank you for the opportunity to submit testimony.

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



COMMITTEE ON FINANCE

Rep. Kyle T. Yamashita, Chair
Rep. Lisa Kitagawa, Vice Chair

Date: Tuesday, February 28, 2023

Time: 11:30 a.m.

Place: Room 308

HB 1385, HD2 – RELATING TO PUBLIC LANDS – STRONG OPPOSITION

Is HB 1385 the beginning of another HB 499 / Act 236 (2021)? But worse?

Aloha Chair Yamashita, Vice Chair Kitagawa and Members of the Committee on Finance,

Kūpuna for the Mo'opuna, a network of Hawaiian Homes Commission Act kūpuna farmers from Pana'ewa, Hawai'i, submit this testimony in **STRONG OPPOSITION to HB 1385, HD2.**

HB 1385 appears to be another HB 499 / Act 236 (2021), another public land grabbing attempt, profiting a few to the detriment of Native Hawaiians and the public, present and future generations.

PART III of HB 1385 proposes amendments to various provisions of Chapter 171, Hawai'i Revised Statutes, that appear to be designed to repeal the current prohibition against options to extend leases and to delete the maximum lease term of 65 years under present law, proposing instead to authorize leases for **any duration** and with **any number of renewal options**. Numerous land-grabbing attempts with bills targeting public lands in the same specific Hilo area resulted in broader longer lease extension authorities *throughout the state* in HB 499/ Act 236. Now comes HB 1385 proposing another attempt at permanent alienation of public lands in the same targeted area for profit by a few, but now with leases of **any duration, any number of renewal options**, with a **management "plan" to be decided by a politically handpicked committee funded with taxpayer money.**

We have no confidence in a handpicked political committee developing "guidelines" and establishing a "plan" for the targeted area with "district-wide improvements coordinated with state and county land use and planning policies" **based on an outdated Hawai'i County General Plan 2005 (GP 2040 way overdue) and an outdated South Hilo Community Development Plan 1975 – a CDP wherein lies the targeted area - with no plans to update and enable the South Hilo CDP in the County Code in spite of numerous attempts at engagement by the community.**

Bad. Public. Policy.

HB 1385, HD1: Committee Report 139 by the Committee on Water and Land, Rep. Linda Ichiyama, Chair, amendments include:

(1) Specifying that the Governor must select within sixty days of receipt of the applicable lists the members of the planning committee whose names were submitted for selection by the President of the Senate and Speaker of the House of Representatives;

HB 1385, HD2: Committee Report 694 by the Committee on Judiciary and Hawaiian Affairs, Rep. David Tarnas, Chair and introducer of HB 499 (2021), amendments include:

(1) Clarifying that the planning committee has the power and duty to prepare or cause to be prepared plans, specifications, design criteria, landscaping, and estimates of costs for the development, construction, reconstruction, improvement, rehabilitation, or repair of any project contained in the redevelopment plan for the designated district, and from time to time modify the plans, specifications, design criteria, landscaping, or estimates;

(2) Clarifying that the Board of Land and Natural Resources must submit its report to the Governor and the Legislature, no later than twenty days prior to the convening of the regular session immediately following the submission of the plan to the Board, with a request for the required appropriations or bond authorization as applicable;

(3) Changing the appropriations to unspecified amounts; [with the following:]

[JHA] respectfully requests your Committee on Finance, should it deliberate on this measure, to consider an appropriation amount of \$500,000 for deposit into the Waiakea Peninsula Redevelopment District Revolving Fund and \$250,000 out of the Waiakea Peninsula Redevelopment District Revolving Fund for each fiscal year for the Waiakea Peninsula Redevelopment District.

Under Article 11, section 1 of the Hawai'i State Constitution and Chapter 171, HRS, the State, through the Board of Land and Natural Resources, **holds in trust** Hawai'i's public lands, including the natural and cultural resources they contain, for the benefit of present and future generations. Much of these lands are also subject to the Public Land Trust created by Article 12 of the Hawai'i State Constitution and section 5(f) of the Admission Act, which requires that a portion of revenues derived from Public Land Trust lands be dedicated to OHA, for the purpose of bettering the conditions of Native Hawaiians. The trust status of these lands imposes upon the State specific fiduciary obligations of due diligence and undivided loyalty in ensuring its trust corpus is productive and that its benefits are maximized for Native Hawaiian and public beneficiaries. HB 1385 disregards all of this. **Do not pass HB 1385.**

Mahalo,
Kūpuna for the Mo'opuna
Pana'ewa, Hawai'i

Ua mau ke ea o ka 'āina i ka pono!



February 27, 2023

Committee: House Committee on Finance
Bill Number: HB 1385 HD2, Relating to Public Lands
Hearing Date and Time: February 28, 2023 at 11:30am
Re: Testimony of HPM Building Supply in Support

Dear Chair Yamashita, Vice Chair Kitagawa, and Committee Members:

I would like to submit this letter and testimony written in support of HB 1385 HD2, Relating to Public Lands. HB 1385 HD2 designates the public lands on the Waiakea peninsula on the island of Hawaii as the Waiakea peninsula redevelopment district and appropriates funds.

HPM Building Supply is a 100% employee-owned company serving Hawaii's home improvement market and building industry for over 100 years since 1921. With 17 locations across Hawaii and Washington State, HPM offers various services and products, including retail stores, building supply and lumber yards, home design centers, drafting and design services, and manufacturing facilities. HPM is dedicated to enhancing homes, improving lives, and transforming communities. The company is guided by its core values of Heart, Character, and Growth, striving to provide top-quality products and build exceptional customer loyalty. HPM has earned recognition as a leader in the industry for its products, services, and commitment to its community. HPM has been operating on Hawaii Island for 101 years and views the island as our "home base".

This bill would help with driving the revitalization of East Hawaii as many properties in the Waiakea peninsula are in poor shape, disrepair or obsolete. This area was developed many years ago and proper redevelopment will benefit businesses and the community of East Hawaii.

Thank you for the opportunity to provide testimony in support on HB 1385 HD2. I strongly encourage your support and passage of this measure.

Sincerely,

Dennis Lin
Community Relations Administrator



(808) 966-5466 • FAX (808) 966-7564
16-166 MELEKAHIWA STREET • KEAAU, HAWAII 96749

HPMHAWAII.COM



HB-1385-HD-2

Submitted on: 2/25/2023 4:31:59 PM

Testimony for FIN on 2/28/2023 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Will Caron	Individual	Oppose	Written Testimony Only

Comments:

I strongly oppose this bill. This is not how the state should go about redeveloping public lands. Please defer this measure.

HB-1385-HD-2

Submitted on: 2/26/2023 5:56:18 PM

Testimony for FIN on 2/28/2023 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Moke	Individual	Oppose	Written Testimony Only

Comments:

Aloha Chair Yamashita; Vice Chair Kitagawa

I strongly oppose HB1385.

I live in Hilo and enjoy the Banyan Drive area. This bill creates another layer of bureaucracy, transfer management to another authority and eliminates the 65 year term for leases. The DLNR states they are already working on the plan. Let that agency do its job. Please do not pass this bill.

Mahalo