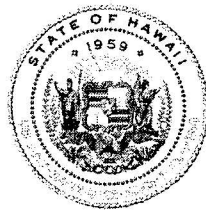


LINDA LINGLE
GOVERNOR OF HAWAII



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

POST OFFICE BOX 621
HONOLULU, HAWAII 96809

**Testimony of
LAURA H. THIELEN
Chairperson**

**Before the House Committee on
FINANCE**

**Tuesday, February 23, 2010
3:00 p.m.
State Capitol, Conference Room 308**

**In consideration of
HOUSE BILL 2833
RELATING TO PUBLIC LANDS**

House Bill 2833 would allow leases of public lands used for hotel or resort purposes to be extended for up to an additional 55 years beyond the existing term. The Department of Land and Natural Resources (Department) opposes this bill.

House Bill 2833 requires a proposed lease extension to be subject to the Department and lessee negotiating and agreeing upon a development agreement, which would require the Department to, among other things, review the lessee's plans and specifications for improvements to the property and subsequently negotiate the value of the proposed improvements, length of the lease extension, market value of the demised premises, and annual rent to be paid under the extended lease.

The Department continues to face severe budget cutbacks. The Department's general fund appropriations and special fund revenues have dropped over 32% and 35%, respectively, in less than three years, and the Department lost more than 10% of its positions (over 80 positions) this past year. The bill imposes duties that would require a substantial amount of staff time and funding for appraisals to determine the value of the improvements, demised premises, and new annual rent. The Department simply does not have the resources and staffing necessary to undertake the additional duties that would be required under this bill.

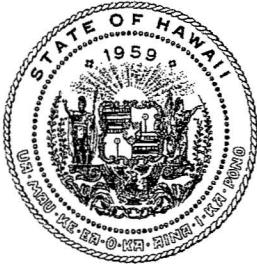
Furthermore, leases of public lands are governed by Chapter 171, Hawaii Revised Statutes, which imposes a maximum lease term of 65 years. This limit is intended to allow a lessee sufficient time to occupy the property and recoup its investment, while also precluding that lessee from using and occupying public lands in perpetuity. House Bill 2833 ignores these public policies and grants hotel/resort leases special status over all public land leases by allowing a hotel/resort lessee to have exclusive use of public lands for up to 120 years.

LAURA H. THIELEN
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BOARD OF LAND AND NATURAL RESOURCES
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BOATING AND OCEAN RECREATION
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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



LINDA LINGLE
Governor

MIKE MCCARTNEY
President and
Chief Executive Officer

Hawai'i Tourism Authority

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Testimony of
Mike McCartney
President and Chief Executive Officer
Hawai'i Tourism Authority
on
H.B. 2833
Relating to Public Lands

House Committee on Finance
Tuesday, February 23, 2010
3:00 p.m.
Conference Room 308

The Hawai'i Tourism Authority (HTA) strongly supports H.B. 2833 which provides for the extension of leases of public lands for commercial, hotel, resort, or industrial use if substantial improvements are made to the premises.

The HTA is tasked with marketing and promoting Hawai'i as a visitor destination, with the goal of increasing visitor spending. One of the keys to branding Hawai'i's visitor industry and increasing visitor spending is the improvement of the tourism product, which includes the physical infrastructure. For this reason, H.B. 2833 is particularly important for the upgrading of visitor industry facilities in the Banyan Drive area on the Island of Hawai'i. Banyan Drive is the only significant resort area in East Hawai'i and is on land entirely owned by the State. With the majority of leases expiring in 2015, there is little incentive for the lessees to reinvest in their premises.

It should also be noted that during the HTA's annual meeting with stakeholders of the visitor industry in East Hawai'i, the subject of up-grading the visitor facilities on Banyan Drive is always raised. These facilities are vital to events such as the Merrie Monarch Festival, the Hawaii Island Festival-30 Days of Aloha, Hawaii Volcanoes National Park's Cultural Festival, and the Hilo Chinese New Year's Festival. In addition, East Hawaii is being considered as the site for an educational tourism experience, however, the lack of facilities from a quantitative and qualitative standpoint, may prevent the full development of this niche market.

As such, the HTA supports H.B. 2833 which would provide for a lease extension to enable the private sector the incentive to improve Hawai'i's hotel facilities which in turn, ensures that Hawai'i remains competitive as a destination while providing enhancements to the visitor experience.

Furthermore, when improvements are made to these facilities, the real property assessments and the average daily room rate should rise, resulting in a rise in real property taxes and transient accommodations taxes.

We urge you favorable consideration of this measure.