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 WATER, LAND, AND HAWAIIAN AFFAIRS

> **Friday, March 15, 2019** 10:00 A.M. **State Capitol, Conference Room 325**

In consideration of SENATE BILL 1257, SENATE DRAFT 2 RELATING TO USE PERMITS FOR SMALL BOAT HARBOR FACILITIES

Senate Bill 1257, Senate Draft 2 proposes to clarify that mooring and liveaboard fees for state small boat harbors and certain boating facilities be set by appraisal by a state-licensed appraiser at fair market value; and to amend the calculation of the liveaboard fee for persons using their principal habitation vessel for commercial purposes. The Department of Land and Natural Resources (Department) strongly supports this Administration measure and offers comments.

The Department's Division of Boating and Ocean Recreation (DOBOR) is responsible for operating and maintaining 16 small boat harbors; 14 boat launch ramps; 5 piers, wharves, and docks; 3 anchoring and offshore mooring facilities; portions of Kā'anapali Beach; portions of Waikīkī Beach; and a portion of the Waika'ea Canal. DOBOR is also responsible for regulating all ocean recreation activity occurring in and on ocean waters out to three nautical miles from shore.

The State currently has a total of 164 liveaboard slips located in the Ala Wai small boat harbor (129 slips) and Ke'ehi Lagoon small boat harbor (35 slips). Liveaboard permittees pay an additional fee to reside on their vessels. This liveaboard fee has not been increased since 1991. The additional fee charged to liveaboard tenants is intended to offset the cost of providing additional services such as increased use of utilities, showers and restrooms, security, and other administrative costs.

To date, DOBOR has identified \$310 million in deferred maintenance at small boat harbors and boating facilities statewide. Being able to assess fair market value at small boat harbors and

CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT

M. KALEO MANUEL

AQUATIC RESOURCES BOATING AND OCEAN RECREATION 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

boating facilities will allow DOBOR to maximize its revenue generating potential and perform much needed repairs and maintenance on these facilities.

This measure is a much-needed first step in reducing DOBOR's deferred maintenance backlog. The Department recognizes that it is appropriate to maximize revenue generation in small boat harbors and boating facilities before making any additional funding requests to the Legislature, and DOBOR intends to use increased fee revenues to improve sanitation, maintenance, and cleanliness of boat harbor facilities.

The Department received comments regarding the liveaboard fee on page 3, suggesting that language on page 3, lines 14-15 be amended to read as follows:

established by appraisal by a state-licensed appraiser approved by the department; provided that the department shall not appraise liveaboard fees more than once every twenty-four months and shall not increase liveaboard fees more than once every twelve months; provided further that the amount of any increase in liveaboard fees shall be no more than fifty per cent of the difference between the appraised liveaboard fee and the existing liveaboard fee;

Should the Committee wish to incorporate this language, the Department is amenable to the change.

Thank you for the opportunity to testify on this measure.

The Voice for Hawaii's Ocean Tourism Industry 1188 Bishop St., Ste. 1003**Honolulu, HI 96813-2938 (808) 537-4308 Phone (808) 533-2739 Fax timlyons@hawaiiantel.net

COMMITTEE ON WATER, LAND, & HAWAIIAN AFFAIRS

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Tarnas

NOTICE OF HEARING

DATE:

Friday, March 15, 2019

TIME:

10:00am

PLACE: Conference Room 325

TESTIMONY OF THE OCEAN TOURISM COALITON WITH CONDITONAL SUPPORT OF SB1257 SD1 RELATING TO USE PERMITS FOR SMALL BOAT HARBOR **FACILITIES**

Chair Yamane, Vice Chair Todd and Members of WLH Committee:

My name is James E. Coon, President of the Ocean Tourism Coalition (OTC). OTC supports the intent of this However, we cannot support the current language.

We want to ensure that the appraisal process follows the normal State procedures in accordance with Haw.Rev. Stat. § 171-17.

OTC offers the following small edit to section 7:

(7) All fees established by appraisal pursuant to this subsection shall be set at fair market value determined in accordance with Haw.Rev. Stat. § 171-17.

OTC would support passing SB 1250 SD2 with the above amendment.

Sincerely

James E. Coon, President, Ocean Tourism Coalition

Submitted on: 3/13/2019 9:52:29 AM

Testimony for WLH on 3/15/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Katherine Lindell	HawaiiOceanNews.com	Oppose	No

Comments:

Testimony of

Katherine Lindell, Editor, Hawaii Ocean News

In consideration of

SENATE BILL 1257 SD2

RELATING TO THE STATEWIDE BOATING PROGRAM

March 12, 2019

Liveaboards use more water (at their dock) than most regular tenants, this being the sum total of their "additional services." Liveaboards do not receive any value-added for the additional five dollars per foot of vessel length per month. None. And this is exactly the reason why there hasn't been justification to increase these fees since 1991. This is well known to Suzanne Case and her staff at the DLNR.

In reality, the whole fee-for-liveaboard scheme seems to be nothing more than State-sponsored protection racketeering. Non-permitted liveaboards live under the perpetual fear of being caught on their vessels after midnight and risking heavy fines and possibly being ejected from the harbor system. What permitted liveaboards are paying for is the peace of mind that they will not be punished for living on their own vessels. Aside from that, they are not entitled to anything more than non-liveaboards.

During a recent survey by HON (Hawaii Ocean News), it was found that approximately 75% of permitted harbor liveaboards at the Ala Wai Small Boat Harbor use the bathroom facilities "very infrequently", or, "not at all," opting, instead, to join nearby yacht clubs in order to use those facilities, or, alternatively, having installed, on their own vessels, the proper shower and bathroom equipment. The reason given by liveaboards for avoiding the bathroom facilities at the Ala Wai Small Boat Harbor was that the perpetually "deplorable" state of those facilities made them difficult to use.

There are no appreciable 'additional services' available to the liveaboard in the State harbor system. None.

It is a well-known fact that the DLNR provides no security at the Ala Wai Small Boat Harbor.

There are negligible additional administrative costs associated with processing harbor liveaboards as opposed to regular tenants.

Dear Hawaii Senators, here is the truth about liveaboards in the State of Hawaii's harbor system:

Living aboard in the Ala Wai is not the same as renting a condo. Legal liveaboards bring their own housing to the small space provided by the State. Liveaboards are paying for a space, not a unit + space. And, while they don't burden our harbor any more than a non-live-aboard, legal liveaboards pay a much higher rate while, at the same time, performing a valuable service for the State and the surrounding community: liveaboards are the eyes and ears of security in the current harbor system. It is common knowledge that DOCARE is incapable of enforcing in the harbor system and so the burden falls on the Honolulu Police Department, at the behest of alert *liveaboard residents*. Rescind, or reduce, the liveaboard fee and properly acknowledge the service that liveaboards provide. Again, liveaboards do not receive any value-added amenities for the additional fees that they are being charged, and they do provide the State with a much needed service.

Please note: this testimony has been published online at: https://hawaiioceannews.com/index.php/2019/03/04/dlnr_chair_lies_to_senate/

Submitted on: 3/13/2019 3:37:20 PM

Testimony for WLH on 3/15/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing	
Alana Rask	Individual	Oppose	No	

Comments:

TESTIMONY OF ALANA B. RASK IN OPPOSITION TO S.B. 1257, S.D. 2, RELATING TO USE PERMITS FOR SMALL BOAT HARBOR FACILITIES

BEFORE THE COMMITTEE ON WATER, LAND, & HAWAIIAN AFFAIRS

DATE: Friday, March 15, 2019

TIME: 10:00 A.M.

LOCATION: State Capitol, Conference Room 325

WRITTEN TESTIMONY ONLY (due to travel) - For more information, please call Alana

B. Rask at (808) 429-0479

Chair Yamane and members of the Committee,

I, as a live-aboard resident of the Ala Wai Small Boat Harbor, slip 731, provide the following testimony in opposition to this bill.

The last audit of DOBOR, which was completed in 2001, stated that:

Inadequate management of state boating facilities has been a recurring problem. Our prior audits in 1993 and 1998 reported on these deficiencies. In our present audit, we found that little had changed in the poor conditions of these state boating facilities. The boating program's mismanagement and neglect have deteriorated facilities to the point where their continued use threatens public safety.

The audit further stated, "the boating division lacks adequate controls to ensure the accuracy and integrity of its financial affairs. The boating division is still unable to accurately determine the cost of operating its boating facilities. In addition, inventory and cash collection controls are inadequate . . . delinquent user fees (now totaling approximately \$500,000) continue to increase."

Despite this extremely worrisome report, no follow-up audit was ever conducted. DOBOR did not create a master plan for its harbors. And, considering the current state of the Keehi and Ala Wai Small Boat Harbors, there has been no showing that DOBOR remedied its management practices or the integrity of its financial affairs.

Respectfully, boaters and live-aboard residents like myself should not be penalized with new, higher, and perhaps arbitrary fees in order to support DOBOR's decades of inefficiency. Many harbor residents are on a fixed income, and the ability to live aboard a boat is their alternative to homelessness.

I request that the legislature direct the Office of the Auditor to conduct a management and financial audit of DOBOR before any legislation is passed that would allow DOBOR to raise or otherwise change its small boat harbor fees.

Thank you for the opportunity to provide this testimony.

Submitted on: 3/13/2019 5:31:12 PM

Testimony for WLH on 3/15/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Ryan Lager	Individual	Oppose	Yes

Comments:

I am of the opinion that the state's position of using current housing costs in the Waikiki area to justify a liveaboard fee increase is unfounded. If they compare slip fees to maintenance fees then that is logical. The maraina is like a 600 unit building with all individual owners. This building offers an average space of about 13 feet x 35 feet or 450 sq feet- tiny apartments. And offers only one water spigot and one electric outlet; very minimal. We currently pay 10\$ per foot per month so that 450 sq foot waterway with one outlet and one spigot costs \$350 per month, plus fees for water, electric (most through heco), storage locker, and permits. No elevators, no roofs, no trash, no water incuded, no parking included, nothing. A fee increase of 3% a year with an audit of harbors division monetary usage and appropriate maintenance would be reasonable. This proposed doubling of the slip rent is ludicrous. They stated the harbor generates \$650,000 anually and is \$150,000 in the red. So, the that pays \$150,000 to employ dozens of employees, offer housing for a few hundred people, boat slips for several hundred abd recreation for thousands. Seems like a success! Now, maybe it's best to use funds to bring occupancy up to 100% and use profits to maintain the facilities! Invest in your investment! Mahalo for your consideration.

Submitted on: 3/14/2019 8:30:26 AM

Testimony for WLH on 3/15/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Ben Kuenzli-League	Individual	Oppose	No

Comments:

Harbors operated better than recently for decades without raising fees. Fees were recently raised. Harbors are now neglected. Therefore, if not neglected, then harbors can operate better than recently without raising fees.

I propose an audit similar to the one performed in 2001 to account for revenues and expenses. Like any government facility or service, the boating department should be transparent and demonstrate why they are in the red. Raising mooring fees is also not the only way or most efficient way to increase total revenue. Surcharges of \$1 per day for any water based commercial activity, including tours, charters, rentals, cruises etc., in state waters is one option.

Mahalo

TESTIMONY OF ERIK RASK IN OPPOSITION TO S.B. 1257, S.D. 2, RELATING TO USE PERMITS FOR SMALL BOAT HARBOR FACILITIES

BEFORE THE COMMITTEE ON WATER, LAND, & HAWAIIAN AFFAIRS

DATE: Friday, March 15, 2019

TIME: 10:00 A.M.

LOCATION: State Capitol, Conference Room 325

WRITTEN TESTIMONY ONLY (due to travel) - For more information, please call Erik Rask at (808) 286-1577

Chair Yamane and members of the Committee,

I, as a live-aboard resident of the Ala Wai Small Boat Harbor, slip 731, provide the following testimony in opposition to this bill.

The last audit of DOBOR (Report No. 01-09), which was completed in 2001, stated that:

Inadequate management of state boating facilities has been a recurring problem. Our prior audits in 1993 and 1998 reported on these deficiencies. In our present audit, we found that little had changed in the poor conditions of these state boating facilities. The boating program's mismanagement and neglect have deteriorated facilities to the point where their continued use threatens public safety.

The audit further stated, "the boating division lacks adequate controls to ensure the accuracy and integrity of its financial affairs. The boating division is still unable to accurately determine the cost of operating its boating facilities. In addition, inventory and cash collection controls are inadequate . . . delinquent user fees (now totaling approximately \$500,000) continue to increase."

Despite this extremely worrisome report, no follow-up audit was ever conducted. DOBOR did not create a master plan for the harbor under its jurisdiction. And, considering the current state of the Ala Wai Small Boat Harbors, there has been no showing that DOBOR remedied its management practices or the integrity of its financial affairs.

DOBOR says that it cannot maintain the Ala Wai Harbor, although the Ala Wai Harbor is its largest source of revenue. But it has given no explanation regarding how that revenue is currently being spent. DOBOR will not disclose this to this Committee, but <u>all</u> of the money collected from the Ala Wai Harbor by DOBOR goes to DOBOR <u>payroll</u>, with nothing left for any Ala Wai Harbor or DOBOR purpose. December FY2018 data pasted here:

Total Revenue	631,139.14
EXPENSES	HARBORS
Payroll	651,704.49

If a child is unable to manage his money and does not know where the money is going or why, you don't double or triple his allowance and expect that things will change. Taking this approach would be highly irresponsible.

This bill, S.B. 1257, S.D. 2, must not pass unless and until there is a full and complete audit of DOBOR and all issues are resolved by a comprehensive plan going forward.

Respectfully, boaters and live-aboard residents like myself should not be penalized with new, higher, and perhaps arbitrary fees in order to support DOBOR's decades of inefficiency. Many harbor residents are on a fixed income, and the ability to live aboard a boat is their alternative to homelessness.

I request that the legislature direct the Office of the Auditor to conduct a management and financial audit of DOBOR before any legislation is passed that would allow DOBOR to raise or otherwise change its small boat harbor fees.

Thank you for the opportunity to provide this testimony.

Submitted on: 3/14/2019 9:30:48 AM

Testimony for WLH on 3/15/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Peter Plotzeneder	Individual	Oppose	No

Comments:

An audit should be performed before a bill should be passed. The state has spent excessive amounts of money on new boats and new trucks and continues to neglect the piers, every condemned slip is lost income for the state, repair the broken piers and income can be generated. Another option would be to add daily fees to the commercial traffic for water usage, etc. There has been no audit of DOBOR since 2001. It's time to stop the spending and repair the income generating slips.

<u>SB-1257-SD-2</u> Submitted on: 3/14/2019 9:56:16 AM

Testimony for WLH on 3/15/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Raphael Mora	Individual	Oppose	No

Comments:

This is illegal. The world will know.



OPPOSE: Title 13 Section # HAR Chapters 13-234 and 13-253

FROM:

Wailoa River and Reeds Bay Boating Association Wailoa River Hilo, Hawaii 96720

contact: Robert Duerr 808-937-9104 surf77@mac.com

TO: Division of Boating and Ocean Recreation 4 Sand Island Access Road Honolulu, Hawaii 96819

The members of Wailoa River and Reeds Bay Boating Association unanimously oppose the DBOR proposed rates increases in Title 13 Section # HAR Chapters 13-234 and 13-253.

Hilo is Not Honolulu. DBOR needs to understand that Hilo is not Honolulu. DBOR used worldwide real estate corporation CBRE to do a market analysis.

DBOR now wants to charge Hilo boaters market rate using CBRE's Honolulu harbors as their standard. Boaters using DBOR facilities in Hilo are responsible for setting their own moorings and cleaning up runoff debris. The bathrooms are locked and services are minimal.

Wailoa River moorings are constantly reset due to heavy rain runoff and ocean surges including small non-life threatening tsunamis. Debris coming from mauka rains are hazards to property and navigation that boaters deal with constantly.

Reeds Bay boaters recently had to get Army Corps of engineering permits costing thousands of dollars to relieve DBOR of its Clean Rivers and Harbors Act violations. Neither Wailoa or Reeds Bay boaters accounts are credited for harbors work.

DBOR Has Not Been Transparent. DBOR has not been transparent in fee increase communication facts suggest they have been cunningly sneaky.

We formed the Wailoa River and Reeds Bay Boating Association after the DBOR March 7th public meeting proposed rates increases in Title 13 Section # HAR Chapters 13-234 and 13-253.

A gag order on DBOR employees not to talk about the regulations was in place at this public meeting. Boaters could only give testimony. At the Hilo



harbormasters office there was no notice or documents for the Strategic Plan or CBRE analysis. Public ignorance seems to be a virtue at DBOR.

It was our association members that shared DBOR's CBRE market analysis that wants to raise rates as much as 300%. The DBOR Strategic Plan 2019 advocates privatization and it was no where to be found in Hilo.

Certainly DBOR did not announce at the public meeting that there were bills in both the House and Senate that want to raise rates according to market rates seemingly preparing the way privatization.

Locked doors at the State Building on March 7th is how the public was greeted. There were boaters who didn't testify because they could not get in.

Sure it's state government and things get overlooked, lost in the shuffle. However the timing, manner and consistent behavior of Honolulu DBOR suggests they are cunningly sneaky.

Highest and Best Use. Our members say: Honolulu DBOR is a landlord that doesn't visit. No one in the harbor remembers when a head of DBOR visited and did a walk through.

If Honolulu DBOR visited they would see that Wailoa River is used as a state park with many folks coming to fish, enjoy meals, and have family time. Reeds Bay is a place where moorings are offshore and access dinghies are launched from car tops.

CBRE with annual sales of \$22 billion dollars says of itself on its website "CBRE is the top-ranked firm for commercial real estate investment activity globally for the eighth consecutive year." Price of ahi landed in Hilo hasn't gone up in over 30 years.

DBOR should inform CBRE that Hilo has not traditionally been a high priced yacht town. The Hilo Yacht Club in fact has no yachts and no boats. In fact DBOR should let CBRE understand that Wailoa River is a cultural fishing port that is struggling to survive.

Mismanagement and Negligence. The highest and best use of Honolulu DBOR's time is to pay attention to harbors before raising fees astronomically.

Recently, the Kauai district manager for DBOR Joseph V. Borden resigned after he was fined \$15,000 by the Hawaii State Ethics Commission. The 12 page ethics commission report reads like a criminal accounting course on how not to run a harbor business.

"Internal control mechanisms did not uncover any potential problems regarding the purchase of nearly \$1,000,000 in goods and services – on more than 100 separate occasions – from a private contractor," the commission writes about DBOR's negligence and DLNR's lack of oversight.

"Higher fees and what returns? We get nothing is what we get," is what one of our members said.



Perhaps the best analysis that DLNR should have had CBRE do was ask "Should DBOR continue doing business as usual at a higher rate of pay."

Sincerely, Wailoa River and Reeds Bay Boating Association.

Marilyn Johnson, Van Eden, John Flaherty, Robert Duerr, Shawn Zenor, Mel Tanaka, Bruce Tajiri, Alvin Maeda, Steve Paulmier, Winston Albright, Ed Torrison, Roger Antonio, Tom Farrell, Jack Furtado.



Submitted on: 3/14/2019 3:49:53 PM

Testimony for WLH on 3/15/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Christine Bothmer- Stinson	Individual	Oppose	No

Comments:

RE: SB1257 SD2

I am writing in regards to the 49.46% rate increase proposed by DOBOR. This rate increase is based on an appraisal performed by CBRE, a real estate service and investment company located in Honolulu.

Please consider this statement from CBRE's Investor Relations/Corporate Profile web page:

"CBRE is the world's largest commercial real estate services and investment company, with the #1 global market position in leasing, property sales, outsourcing, property management and valuation. CBRE is also the largest commercial property developer in the United States, and has more than \$105B of Assets Under Management within our Global Investors business. Our more than 90,000 employees serve clients in over 100 countries, including over 90% of the Fortune 100."

When "the world's largest commercial real estate services and investment company" makes the appraisal, is it any wonder these fee increases are driving out recreational boaters and small business owners not making six- or 7-figure incomes and clearing the way for the ultra-wealthy?

In addition, SB1257 SD2 removes lower fees for residents. It also eliminates the provision that further rate increases be based on cost of living increases and uses fair market value instead.

Whether intentional or not, this 2-pronged approach of raising rates and shifting the burden onto local residents, the scales are tipped in favor of the ultra-wealthy and you can say bye-bye (or is it buy-buy) to the local-style recreational and small business boating we have today.

We need changes in the laws regarding how appraisals of Hawaii lands, oceans and facilities are awarded and calculated. Appraisals should be based on the value to the local community, not to the wealthiest people on the planet.



Please disallow this rate increase and let's start a debate on the value of Hawaii lands, oceans and facilities to the local community. It's time to turn away from the winner-take-all mentality and return to fostering community.

Sincerely,

Christine Bothmer-Stinson, Keeau, HI



Submitted on: 3/14/2019 5:38:20 PM

Testimony for WLH on 3/15/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing	
Van Eden	Individual	Oppose	No	Ī

Comments:

I oppose SB 1257 on the grounds that it allows non-residents to pay the same moorage fees as residents.

I oppose SB 1257 on the grounds that it sets market rates based on "fair market value", with the implication being that these rates are set State wide.

Different Islands in the state are different markets. A market is defined as a region in which supply and demand for a resources exists - and a change in supply or demand affects market rates. Clearly, adding supply on one island, for instance Hawaii, does not affect demand or rates on other islands, for instance Oahu.

Furthermore, the socio-economic differences between islands are significant.

As evidence of this, consider real estate. Like harbors, supply and demand for real estate determine "fair market rates" on an island by island basis. The is why the average house price (2017) on Oahu is \$660,000 and on the Big Island is only \$350,000. Building more houses on the Big Island will affect house prices on the Big Island, but not on Oahu. Thus, these are separate markets with separate, and different, "fair market value".

The bill contains this statement:

(7) All fees established by appraisal pursuant to this subsection shall be set at fair market value."

If rates are set state wide based on a single appraisal, I believe that this rate could and should be challenged, because a) each island is a separate market, b) "fair market value" on each island is different. Therefore by definition, setting rates across the State based on a single appraisal fails to meet (7) as written because the "fair market value" will apply only to the biggest island of Oahu, and no where else. As written, (7) would be like the state determining that the fair market value for all houses in the state should be the same as Oahu. That makes no sense.

I propose that this be changed to



(7) All fees established by appraisal pursuant to this subsection shall be set at a fair market value determined for each island individually."

An objection to this may be made that having to perform 5 or more appraisals is too expensive. However, on the scale of the annual budget of DOBOR, this is small change, especially if it avoids a disaster scenario where Oahu-based rates are applied on islands that cannot afford them, resulting in many people losing their slips - ordinary people who take their families out on the water, fishermen who have fished their whole lives, etc. The slips will be taken by the affluent, and the non-residents. That will be a public relations disaster for DLNR.

Finally, why does the Bill (as placed on the State Web site) state:

SECTION 4. This Act shall take effect on December 31, 2050.

I will likely be dead by then!

Respectfully,

Van L Eden

Pahoa, Hawaii.