
A BILL FOR AN ACT

RELATING TO REAL PROPERTY LEASES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that, due to historic
2 factors, concentrations of Hawaii land ownership in far too few
3 owners has resulted in an artificial restriction on the
4 availability of land for Hawaii businesses and impacted the free
5 market for such land, which in turn has caused an excessive rise
6 in the cost of land. The result has led to land rents rising
7 above levels that are economic for those businesses, loss of
8 economic value of improvements by businesses, bankruptcies,
9 suppression of the creation and development of Hawaii's business
10 sector, suppression of available jobs and careers available to
11 Hawaii residents, and downward pressure on wages paid to workers
12 in the State.

13 The legislature finds that one major practice of lessors
14 has been the resetting of long-term lease rents during the term
15 of a lease at levels above the economic use to which the
16 property is put under the lease. Additionally, tenants often
17 forfeit tenant-created buildings, infrastructure, and



1 improvements upon termination of long-term leases. These
2 practices, among other factors, make it challenging for Hawaii
3 businesses to survive.

4 The purpose of this Act is to:

5 (1) Prohibit the resetting of lease rents for long-term
6 commercial leases above a level that is economic for
7 lessee's actual use of the property; and

8 (2) Require that a lessee whose long-term commercial lease
9 has been terminated be compensated for the value of
10 buildings, infrastructure, and businesses created by
11 the lessee that will be retained by the lessor.

12 SECTION 2. Section 519-1, Hawaii Revised Statutes, is
13 amended to read as follows:

14 "[+]§519-1[+] **Lease renegotiations; calculation of rent;**
15 **long-term commercial leases; compensation; right to purchase;**
16 **appeals; definition.** (a) Whenever any agreement or document

17 for the lease of private lands provides for the renegotiation of
18 the rental amount or other recompense during the term of the
19 lease and such renegotiated rental amount or other recompense is
20 based, according to the terms of the lease, in whole or in part
21 upon the fair market value of the land, or the value of the land



1 as determined by its highest and best use, or words of similar
2 import, such value, for the purposes of determining the amount
3 of rental or other recompense, shall be calculated upon the use
4 to which the land is restricted by the lease document.

5 (b) Notwithstanding any law to the contrary, lessors,
6 lessees, appraisers, and arbitrators involved in resetting lease
7 rents for long-term commercial leaseholds shall not reset the
8 rental amount above a level that is economic for the lessee's
9 actual use of the leased property, including provision for a
10 lessee's return on investment for improvements, infrastructure,
11 and businesses created or constructed by the lessee.

12 (c) Upon termination of any long-term commercial lease, a
13 lessee shall be compensated by the lessor for the value of
14 buildings, infrastructure, and businesses created or constructed
15 by the lessee that are remaining on the property and retained by
16 the lessor.

17 (d) A lessee operating a business on land under a long-
18 term commercial lease shall have the right to purchase the land
19 from the lessor in fee simple at the fair market value of the
20 land, which shall be determined based on the use to which the
21 land is put by the lessee.



1 (e) Notwithstanding any language in the lease or
2 otherwise, appraisers determining:

3 (1) The value of the land, improvements, or businesses for
4 purposes of rent resetting;

5 (2) Compensation of lessees for improvements or
6 compensating lessors for land acquired by the lessee;
7 and

8 (3) Value for lessee purchase of land from the lessor,
9 shall adhere to this section.

10 (f) Notwithstanding any law to the contrary or provision
11 in a lease regarding arbitration, any party aggrieved by an
12 arbitration decision under this section shall be entitled to
13 appeal to the circuit court where the land is located and to a
14 full trial de novo on all issues by the court.

15 [~~b~~] (g) The term "lease", "lease agreement", or
16 "document" as used in this section, means a conveyance leasing
17 privately-owned land by a fee simple owner as lessor, or by a
18 lessee as sublessor, to any person, for a term exceeding five
19 years, in consideration of a return of rent or other
20 recompense."



1 SECTION 3. This Act does not affect rights and duties that
2 matured, penalties that were incurred, and proceedings that were
3 begun before its effective date.

4 SECTION 4. Statutory material to be repealed is bracketed
5 and stricken. New statutory material is underscored.

6 SECTION 5 This Act shall take effect upon its approval.

7

INTRODUCED BY:



JAN 21 2025



Report Title:

Long-term Commercial Lease; Rent Renegotiations; Lessees;
Lessors

Description:

Prohibits the resetting of lease rents for long-term commercial leases above a level that is economic for the lessee's actual use of the property. Requires that a lessee whose long-term commercial lease has been terminated be compensated for the value of buildings, infrastructure, and businesses created by the lessee that will be retained by the lessor. Allows a lessee the right to purchase the property at fair market value.

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