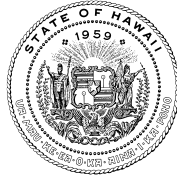


JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



KEITH A. REGAN
COMPTROLLER
KA LUNA HO'OMALU HANA LAULĀ

MEOH-LENG SILLIMAN
DEPUTY COMPTROLLER
KA HOPE LUNA HO'OMALU HANA LAULĀ

STATE OF HAWAI'I | KA MOKU'ĀINA O HAWAI'I
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES | KA 'OIHANA LOIHELU A LAWELAWÉ LAULĀ
P.O. BOX 119, HONOLULU, HAWAII 96810-0119

WRITTEN TESTIMONY
OF
KEITH A. REGAN, COMPTROLLER
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
TO THE

COMMITTEE ON FINANCE

FEBRUARY 27, 2026, 2:00 P.M.
CONFERENCE ROOM 308 AND VIA VIDEOCONFERENCE, STATE CAPITOL

H.B. 1842, H.D. 2

RELATING TO GOVERNMENT

Chair Todd, Vice Chair Takenouchi, and members of the Committee, thank you for the opportunity to submit testimony on H.B. 1842, H.D.2.

The Department of Accounting and General Services (DAGS) offers its **support** for H.B. 1842, H.D. 2 which amends Act 289, Session Laws of Hawai'i 2025, by replacing the Senior Residence at Iwilei parcel with the Westridge parcel, and changing the transfer date for the Ali'i Tower parcel to 12/31/2026. The bill also changes the deadline for approval by the City and County of Honolulu to 12/31/2027 and changes the repeal date to 1/1/2028.

Thank you for the opportunity to provide testimony on this measure.

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

SYLVIA LUKE
LIEUTENANT GOVERNOR | KA HOPE KIA'ĀINA



STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAII'
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

RYAN K.P. KANAKA'OLE
FIRST DEPUTY

CIARA W.K. KAHANE
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
RYAN K.P. KANAKA'OLE
Acting Chairperson

Before the House Committee on
FINANCE

Friday, February 27, 2026
2:00 PM
State Capitol, Conference Room 308

In consideration of
HOUSE BILL 1842, HOUSE DRAFT 2
RELATING TO GOVERNMENT

House Bill 1842, House Draft 2 proposes to amend Act 289, Session Laws of Hawai'i 2025, to replace the Senior Residence at Iwilei parcel with the Westridge parcel, change the transfer date for the Ali'i Tower parcel to 12/31/2026, change the deadline for approval by the City and County of Honolulu (City) to 12/31/2027, and change the repeal date to 1/1/2028. **The Department of Land and Natural Resources (Department) opposes this measure for the reasons provided below.**

The measure amends Act 289 by replacing Tax Map Key (TMK) 1-1-5-7-2 (Senior Residence at Iwilei) with TMK 1-9-8-13-14 (Westridge). The Westridge parcel consists of the Westridge Shopping Center and is the Department's fourth highest revenue generating property, generating approximately \$664,000 per year. While the proposed amendment would provide revenue for the City, it could result in a substantial loss to the Department.

Act 289 required the transfer of the Ali'i Tower Parcel to the Department, it also amended Hawai'i Revised Statutes (HRS), Section 171-2 regarding the definition of public lands to exclude the Ali'i Tower parcel. It is unclear which agency would have jurisdiction over this parcel if it were to be transferred to the Department but exempted from the list of lands subject to the authority of the Board of Land and Natural Resources (Board). The Department has formally requested the Department of the Attorney General's assistance to determine whether the Department will have statutory authority to manage the property if it were to be conveyed, but not subject to HRS Section 171-2.

Furthermore, because the parcel is already encumbered by a ground lease to the building owner, the most that could be conveyed by the City to the Department is the leased fee interest in the parcel. Upon conveyance, it is assumed that the ground lessee would attorn to the

Department as the new ground lessor, but the current lessee would retain its rights to manage the space leases in the building and collect the rents. Moreso, the revenues generated by Ali'i Tower for the City have yet to be disclosed to the Department, thus there is no way for the Department to determine actual impacts to the revenue stream of the Special Land and Development Fund (SLDF) from the proposed swap of the Westridge Parcel.

To properly perform its public trust fiduciary duties, the Legislature and the Board determined that the Department should use a portion of the lands it manages to generate revenues to support the Department's operations and management of public lands and programs. Annual lease revenues currently support the SLDF, with revenues coming primarily from leases for commercial, industrial, resort, geothermal and other renewable energy projects. SLDF revenues collected by the Department's Land Division cover the entire annual operating budget for the Land Division, the Department's Office of Conservation and Coastal Lands, and the Dam Safety and Mineral Resources Programs of the Department. The revenues fund over 80 Department staff positions, including 5 positions within the Commission on Water Resource Management, and provide funding support to the Division of State Parks and various resource protection programs administered by the Division of Forestry and Wildlife such as the protection of threatened and endangered species, removal of invasive species, wildland firefighting, and lifeguard services.

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 also notes that the Senior Residence at Iwilei is an affordable housing tower physically located between TMK 1-1-5-007-001 (the proposed Liliha Civic Center site) and TMK 1-1-5-007-030, which was recently purchased by the City. The centralized ownership of these properties would generally be ideal for any redevelopment.

Mahalo for the opportunity to comment on this measure.

**OFFICE OF THE MAYOR
KE KE'ENA O KA MEIA
CITY AND COUNTY OF HONOLULU**

530 SOUTH KING STREET, ROOM 300 • HONOLULU, HAWAII 96813
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RICK BLANGIARDI
MAYOR
MEIA



MICHAEL D. FORMBY
MANAGING DIRECTOR
PO'O HO'OKELE

KRISHNA F. JAYARAM
DEPUTY MANAGING DIRECTOR
HOPE PO'O HO'OKELE

February 26, 2026

The Honorable Chris Todd, Chair
The Honorable Jenna Takenouchi, Vice Chair
and Members of the House Committee on Finance
Hawaii'i House of Representatives
Hawaii'i State Capitol
415 South Beretania Street
Honolulu, Hawaii'i 96813

SUBJECT: Concerns with House Bill 1842, HD2
Relating to Government

Dear Chair Todd and Committee Members:

The City and County of Honolulu respectfully submits **comments** to House Bill 1842, HD2. This bill seeks to amend the statutory land transfers mandated by Act 289 (2025) but fails to resolve concerns voiced by the City in 2025.

The City owns the fee simple interest in the property underneath the Ali'i Place building; the City does not own the building itself. However, the City receives annual revenue in the form of lease rent from the building owner as well as the use of over 60,000 square feet of office space (currently used by the Department of the Prosecuting Attorney). Given the City's present use of the property for a public purpose – providing sustainable operating income to the City, saving taxpayer funds that would otherwise be expended on office space for the Prosecutor's Office near the District and Circuit Courts of the State of Hawaii'i, and providing low cost public parking spaces in the downtown area, the City does not view HB 1842, HD2 as a pure land transaction offset against other parcels owned by the State. Respectfully, the proposed land exchange, as framed, is simply best resolved by way of negotiation between the City and the State, subject to necessary Council approval.

Via HB 1842, HD2, the State has substituted TMK 1-9-8-13-14 (Westridge) in lieu of TMK 1-1-5-7-2 (senior residence at Iwilei) and the City appreciates that substitution, as Westridge offers revenue as an offset against revenue generated by Ali'i Place and the potential for Transit Oriented Development near the Pearl Ridge Rail Station.

The Honorable Chris Todd, Chair
The Honorable Jenna Takenouchi, Vice Chair
and Members of the House Committee on Finance
February 26, 2026
Page 2

The City's request at this time is that it continue to have time to evaluate the proposed land exchanges with an eye towards negotiating a package that the City believes it can take to Council and advocate for approval. Approval by Council is a current requirement of Act 289 (2025).

The City intends to continue evaluating the pros and cons of HB 1842, HD2 with a goal of arriving at a fair and mutually beneficial outcome. We thank you for the opportunity to testify and for your consideration of the City's comments. If you have any questions, please feel free to contact me or Anthony Miranda, Legislative Liaison, at (808) 768-6608.

Sincerely,

A handwritten signature in black ink, appearing to read 'M. Formby', with a long horizontal line extending to the right.

Michael D. Formby
Managing Director

HONCRE1 LLC
c/o Avison Young
1099 Alakea Street, Suite 2440
Honolulu, HI 96813

Submitted to: Committee on Finance

Date: February 26, 2026

Submitted by: HONCRE1 LLC

Position: Comments for Consideration – HB1842 HD2 Relating to Government (“**HB1842**”)

The Honorable Chris Todd, Chair, and Members of the Committee:

As the legislature considers a potential land swap or acquisition that would result in the State of Hawaii (the “**State**”) succeeding the City and County of Honolulu (the “**City**”) as the fee owner of 1099 Alakea Street (“**Alii Place**”), we wish to clarify the existing legal framework governing the site. We respectfully submit the following information for your consideration.

1. **Current Ground Lease Structure and Timeline.** The property is currently subject to a long-term ground lease (the “**Ground Lease**”) to HONCRE1 LLC (the “**Ground Lessee**”). Should the State step into the City’s position as the fee owner, the State’s interest would be subject to the terms of Ground Lease. Please note the following facts regarding the Ground Lease:

- a. **Expiration Date:** The current ground lease termination date is February 5, 2072.
- b. **Remaining Term:** There are approximately 46 years remaining on the lease term.
- c. **Notice of Term in Public Records:** The most recent extension of the Ground Lease is filed as Land Court Document No. T-12908270.

2. **Financial Considerations.** Should the State step into the City’s position as fee owner of the property, it is our understanding that the State would be entitled to collect the negotiated ground lease rent from the Ground Lessee. The specific rental terms are detailed in the Ground Lease and the 2023 letter agreement referenced in the recorded memorandum of lease extension, which the City should be able to provide upon request for the State’s planning and budgeting purposes and a more precise accounting of anticipated revenues.

3. **Existing Tenancies; Non-Disturbance Assurance.** It is important to note that a successor ground lessor would customarily be obligated to honor the terms of the Ground Lease and all existing leases between the Ground Lessee and the office and retail tenants at Alii Place. HB1842, as written, would indeed position the State as a successor fee owner only; the Bill would not have the State assume the Ground Lessee and landlord role vis-à-vis the tenants at Alii Place. We trust that any acquisition or land swap contemplated by this legislation would not disturb any existing tenants, under either the Ground Lease or the various tenant leases, including any extension rights, nor alter the Ground Lessee’s right to enter into market-rate leases as vacancies arise. Notably, the public records show that Hawaiian Electric Company (HECO) currently leases approximately 199,000 square feet, with a lease term extending until approximately 2033, representing over half of the building’s rentable space.¹ The continuity of such lease arrangements is essential for maintaining stable operations for all parties involved.

¹ See the notices of lease filed as Land Court Document No. T-10937062 and recorded in the Bureau of Conveyances at Document No. A-72850229, as amended by the First Amendment to Lease dated December 31, 2020, and Second Amendment to Lease dated August 15, 2024.

4. **Working Relationship.** We would also like to note for the record that we have enjoyed a productive working relationship with the City as ground lessor and tenant of Alii Place.

5. **Conclusion.** We appreciate your careful consideration of the foregoing. The existing lease structure has provided stability and predictability for all stakeholders. A transition in fee ownership, if ultimately pursued, should be approached with close attention to these details to ensure that the rights and expectations of all parties are preserved.

Thank you for your time and consideration.

Respectfully submitted,

HONCRE1 LLC

By: _____

Name: Jack Bates

Title: Authorized Signatory