

EXECUTIVE CHAMBERS

HONOLULU

JUNE 18, 2001

STATEMENT OF OBJECTIONS TO HOUSE BILL NO. 503

Honorable Members
Twenty-First Legislature
State of Hawaii

Pursuant to Section 16 of Article III of the Constitution of the State of Hawaii, I am returning herewith, without my approval, House Bill No. 503, entitled "A Bill for an Act Relating to State Leases."

The purpose of House Bill No. 503 is to provide a solution to the uncertainty faced by agricultural lessees whose state leases are nearing expiration. This bill allows the Board of Land and Natural Resources (BLNR), without public auction, to enter into a lease extension or a new agricultural lease with the existing lessee if: (1) the lease has expired or will expire within five years; (2) there are no other qualified bidders for a leased property, or there are other comparable lands available to other potential lessees; (3) the land is being actively and productively used for the purposes stated in the lease; (4) the current lessee is not otherwise in default under the terms of the lease or permit; and (5) the BLNR has not determined that the public interest dictates that the land should be converted to other uses.

This bill is not necessary because lease extensions are already authorized under the current statutes. Presently, to qualify for an extension, a loan to fund leasehold improvements is required. This assures that the State will be obtaining value in return for the additional lease period. Under this bill, there is no requirement for a loan; the lease is extended without the State's obtaining some value in return for the additional lease period. Furthermore, the public interest may not be served because there are no limits on the number of times a lease can be extended, which may result in the properties subject to extended


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leases being essentially privatized.

This bill authorizes the BLNR to negotiate an extended lease if it is determined that there are other comparable lands available in the same area that are of similar size and suitable for similar purposes. The determination of what property is substantially comparable is subjective because, unlike parcels in a subdivision, state lands are of different sizes and contain different geographical features. Suitability would be difficult to determine. Moreover, this bill may result in increased time, effort, and costs in preparing advertising and solicitation notices for these extended leases, because, in cases where the proposed lease extension is advertised and other interested parties qualify to bid on the lease, the BLNR is required to conduct the process of advertising and qualifying bidders a second time.

For the foregoing reasons, I am returning House Bill No. 503 without my approval.

Respectfully,


BENJAMIN J. CAYETANO
Governor of Hawaii