

STAND. COM. REP. NO.

948

Honolulu, Hawaii

MAR 24 2011

RE: H.B. No. 845
H.D. 2
S.D. 1

Honorable Shan S. Tsutsui
President of the Senate
Twenty-Sixth State Legislature
Regular Session of 2011
State of Hawaii

Sir:

Your Committee on Commerce and Consumer Protection, to which was referred H.B. No. 845, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO GROUND LEASES,"

begs leave to report as follows:

The purpose and intent of this measure is to provide relief for lessees in long-term residential ground leases that will expire imminently by permitting a lessee to request an extension of the lease, requiring a lessor to sell a fee simple interest in the land subject to the lease pursuant to specified conditions, and establishing a dispute resolution process.

Your Committee received testimony in support of this measure from West Maui Improvement Foundation; Waikiki Neighborhood Board No. 9; Waikiki Area Residents Association; 'Iolani Banyan Cooperative Association; Date-Laau Community Association; 'Ulalena at Maui Theatre; Lani Home Apartment Association; Sans Souci, Inc.; and two hundred twenty-three individuals. Your Committee received testimony in opposition to this measure from the Mayor of the City and County of Honolulu; Land Use Research Foundation of Hawaii; Building Industry Association of Hawaii; Royal Contracting Co., Ltd.; Kamehameha Schools; Hawai'i Association of REALTORS; Queen Emma Land Company; Building Futures, LLC; Hawaii Reserves, Inc.; Ashford & Wriston; Hawaii Association of Independent Schools; and four individuals. Your Committee received comments on this measure from one private individual.



Your Committee finds that the shortage of affordable housing in this State has reached crisis levels with a projected shortfall of over 24,000 affordable housing units in the State by 2015. Your Committee also finds that Hawaii's long-standing and only recently abolished land oligarchy created a real estate market in which fee simple home ownership was unavailable to the majority of residents until the Legislature and eventually the United States Supreme Court intervened. Your Committee further finds that the imminent expiration of long-term ground leases combined with the lack of affordable housing options puts an entire class of Hawaii homeowners, individuals who own their housing units but hold only a leasehold interest in the underlying land, at risk of homelessness upon the expiration of their leases and removal from their current homes. Finally, your Committee finds that the State has an interest in promoting the property rights of lessors and lessees to long-term residential ground leases.

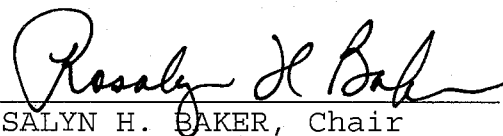
Your Committee has amended this measure by deleting its contents and replacing them with:

- (1) A purpose section that accurately describes the purpose of this measure and related legislative findings;
- (2) The requirement that a lessor notify a lessee no later than five years before the expiration of a long-term residential ground lease of the lessor's intended disposition of the lease and the land subject to the lease;
- (3) Authorization for the extension of long-term residential ground leases on property that is not subject to development or redevelopment;
- (4) A tax credit to incentivize the extension of long-term residential ground leases;
- (5) Provisions for conversion of owner-occupancy or long-term tenancy of land subject to a long-term residential lease to tenancy subject to the Landlord-tenant Code and specified conditions; and
- (6) An effective date of July 1, 2050, to allow for further discussion.



As affirmed by the record of votes of the members of your Committee on Commerce and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 845, H.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 845, H.D. 2, S.D. 1, and be referred to the Committee on Judiciary and Labor.

Respectfully submitted on
behalf of the members of the
Committee on Commerce and
Consumer Protection,

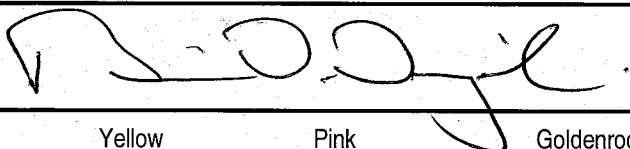


ROSALYN H. BAKER, Chair



The Senate
 Twenty-Sixth Legislature
 State of Hawai'i

Record of Votes
Committee on Commerce and Consumer Protection
CPN

Bill / Resolution No.:*	Committee Referral:	Date:		
HB 845, HD2	CPN, JDL	22 3/8/2011		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
BAKER, Rosalyn H. (C)	✓			
TANIGUCHI, Brian T. (VC)	✓			
GALUTERIA, Brickwood	✓			
GREEN, M.D., Josh	✓			
NISHIHARA, Clarence K.	✓			
SOLOMON, Malama	✓			
SLOM, Sam			✓	
TOTAL	6	0	1	0
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes