
SENATE CONCURRENT RESOLUTION

REQUESTING THE LEGISLATIVE REFERENCE BUREAU TO UPDATE THEIR 2003 REPORT ANALYZING THE MAJOR PROBLEMS FACED BY COMMERCIAL LESSEES BY INCORPORATING AN ECONOMIC ANALYSIS TO DETERMINE IF THERE IS A NEXUS BETWEEN THE EXISTENCE OF HIGH LEASE RENTS IN HAWAII AND THE STAGNATION OF HAWAII'S ECONOMY.

1 WHEREAS, commercial properties in the State remain in the
2 hands of a few large landowners who maintain a system of
3 leasehold tenure and continue to establish long-term leases; and
4

5 WHEREAS, in 2003 the Legislature requested the Legislative
6 Reference Bureau to study the major problems facing commercial
7 lessees; and
8

9 WHEREAS, the Legislative Reference Bureau's report
10 contained feedback from lessees and lessors, and also reviewed
11 information from real estate analysts, real property tax data,
12 an economic report prepared by SMS, and information from the
13 Department of Business, Economic Development, and Tourism; and
14

15 WHEREAS, one of the concluding observations noted in the
16 report was that the feedback for the report indicated there was
17 a lack of available fee simple commercial property on the
18 market; and
19

20 WHEREAS, the report also observed that the primary problem
21 lessees in the State face tended to stem from supply and demand;
22 and
23

24 WHEREAS, there has been an increase in the outlying areas
25 on Oahu of fee simple, zoned properties since the 2003 report,
26 thus allowing for a comparative analysis of market behaviors
27 through changing economic conditions; and
28



1 WHEREAS, ground rents have been previously identified as a
2 major expense to business and have continued to increase at
3 rates that may inhibit robust economic growth; and
4

5 WHEREAS, the State's need for economic revitalization would
6 be furthered by a healthy leasehold system in which the risks
7 assumed by the respective parties of the lease, the benefits
8 created by the development, and activities established on the
9 leasehold property are equitably reflected in the setting of the
10 ground rents under the terms of the lease; and
11

12 WHEREAS, potential legislation that mandates the alteration
13 of existing lease agreements must meet certain criteria,
14 including whether the legislation was designed to promote a
15 significant and legitimate public purpose; and
16

17 WHEREAS, the Legislature finds that sustained economic
18 growth of the State's economy is a significant and legitimate
19 public purpose; and
20

21 WHEREAS, a thorough economic analysis should be conducted
22 to determine if there is a nexus between the existence of high
23 lease rents in Hawaii and the stagnation of Hawaii's economy;
24 and
25

26 WHEREAS, almost ten years have passed since an economic
27 analysis was undertaken and incorporated into a report on the
28 problems faced by commercial lessees; now, therefore,
29

30 BE IT RESOLVED by the Senate of the Twenty-sixth
31 Legislature of the State of Hawaii, Regular Session of 2012, the
32 House of Representatives concurring, that the Legislative
33 Reference Bureau is requested to update their 2003 report
34 analyzing the major problems faced by commercial lessees by
35 incorporating an economic analysis to determine if there is a
36 nexus between the existence of high lease rents in Hawaii and
37 the stagnation of Hawaii's economy; and
38

39 BE IT FURTHER RESOLVED that the Research and Economic
40 Analysis Division of the Department of Business, Economic
41 Development, and Tourism and the Economic Research Organization
42 at the University of Hawaii at Manoa are requested to conduct
43 the economic analysis; and
44



1 BE IT FURTHER RESOLVED that the Research and Economic
2 Analysis Division of the Department of Business, Economic
3 Development, and Tourism and the Economic Research Organization
4 at the University of Hawaii at Manoa are requested to transmit a
5 draft report of the economic analysis, including any proposed
6 legislation, to the Legislative Reference Bureau no later than
7 November 1, 2012; and
8

9 BE IT FURTHER RESOLVED that the Legislative Reference
10 Bureau is requested to submit a final report of the economic
11 analysis, including any proposed legislation, to the Legislature
12 no later than twenty days prior to the convening of the Regular
13 Session of 2013; and
14

15 BE IT FURTHER RESOLVED that certified copies of this
16 Concurrent Resolution be transmitted to the Director of the
17 Legislative Reference Bureau, Director of Business, Economic
18 Development, and Tourism, and Economic Research Organization at
19 the University of Hawaii at Manoa.

