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# A BILL FOR AN ACT

RELATING TO THE HILO COMMUNITY ECONOMIC DISTRICT.

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

1           SECTION 1. The legislature finds that the State has a  
2 fiduciary duty to manage state lands in the best interests of  
3 the public by enhancing state revenues and promoting social,  
4 environmental, and economic well-being of Hawaii's people. As  
5 the majority landowner in East Hawaii, the State has an enormous  
6 influence on the vision, economic development, and overall  
7 success of the East Hawaii community.

8           The legislature further finds that, under current laws,  
9 many public land lessees face uncertain futures following  
10 expiration of their leases. The legislature further finds that  
11 these lessees have little incentive to make major investments in  
12 infrastructural improvements or to ensure the long-term  
13 maintenance of facilities on the land. As a result, the  
14 infrastructure and facilities on public lands in East Hawaii  
15 have been deteriorating in many locations.

16           The legislature also finds that the Banyan Drive area on  
17 the Waiakea Peninsula in East Hawaii, Wailoa State Park, Wailoa



1 Estuary, and the commercial leases in the Kanoelehua Industrial  
2 Area are currently facing this difficult challenge. Due to the  
3 uncertainty regarding continued tenancy, improvements have not  
4 been made and infrastructure has deteriorated. The improvement  
5 of these properties is important to creating and maintaining the  
6 economic vitality of East Hawaii.

7 The legislature further finds that Hilo has the potential  
8 for increased growth that can improve workforce and affordable  
9 housing, parks and open space, public facilities, and  
10 commercial, industrial, and hotel facilities. The purpose of  
11 this Act is to establish the Hilo community economic district to  
12 facilitate efficient and effective improvement, and economic  
13 opportunity, in the area.

14 SECTION 2. Chapter 206E, Hawaii Revised Statutes, is  
15 amended by adding a new part to be appropriately designated and  
16 to read as follows:

17 **"PART . HILO COMMUNITY ECONOMIC DISTRICT**

18 **§206E-A Definitions.** As used in this part:

19 "District" means the Hilo community economic district,  
20 excluding all lands owned or managed by the department of  
21 Hawaiian home lands.



1 "Fund" means the Hilo community economic revolving fund.  
2 **§206E-B Hilo community economic district; established;**  
3 **boundaries.** (a) There is established a community development  
4 district pursuant to section 206E-5 named the Hilo community  
5 economic district. The district shall include the area  
6 beginning at the intersection of Manono Street and Kamehameha  
7 Avenue, extending south to Piilani Street, west to tax map key  
8 3-2-2-031-001, extending south on Mililani Street to E Kawili  
9 Street, to tax map key 3-2-2-050-001, including all lands  
10 abutting or bounded west to east to Kanoelehua Avenue, all  
11 streets including Kuawa Street, Piilani Street, Hualani Street,  
12 Kekuanaoa Street, Leilani Street, E Lanikaula Street, and Kawili  
13 Street; from tax map key 3-2-2-031-001 inclusive along the  
14 coastline to Maile Street until its intersection with Kilauea  
15 Avenue and then to Aupuni Street and beyond to include the  
16 following tax map keys until intersection with Ponahawai Street:  
17 3-2-2-013-003, 3-2-2-012-001, 3-2-2-012-016, 3-2-2-011-01, and  
18 3-2-2-007-018; extending makai to tax map key 3-2-3-002-016,  
19 along the coastline and including tax map key 3-2-2-001-006  
20 until intersection with Lihiwai Street; those lands bounded or  
21 abutting Lihiwai Street, inclusive through Banyan Drive until



1 its intersection with Kamehameha Avenue; from Kamehameha Avenue  
2 at its intersection with Kalaniana'ole Avenue and extending east  
3 on Kalaniana'ole Avenue to include those abutting lands until tax  
4 map key 3-2-1-010-033 on the mauka side of the road and tax map  
5 key 3-2-1-01-1010 on the makai side of Kalaniana'ole Avenue, to  
6 include also any of those lands on Ocean View Drive makai of  
7 Kalaniana'ole Avenue and the lands mauka on Silva Street and Keaa  
8 Street; the lands within the Hilo airport area managed by the  
9 department of land and natural resources as identified on tax  
10 map key 3-2-1-12; and the lands abutting or bounded by  
11 Kanoelehua Avenue extending south to Makaala Street, then east  
12 on Makaala Street to Railroad Avenue then north on Railroad  
13 Avenue until Leilani Street and east on Leilani Street until tax  
14 map key 3-2-2-037-144, then west on Leilani Street until its  
15 intersection with Kanoelehua Avenue; and all those lands  
16 abutting or bounded by Pohaku Street, Kukila Street, Halekauila  
17 Street, and Lanikaula Street as identified on tax map key 3-2-2-  
18 58; on Kanoelehua Avenue heading north from Makaala Street those  
19 lands mauka including those lands on Makaala Street, Holumua  
20 Street, Pookela Street, Wiwoole Street, and Kawili Street as  
21 identified on tax map key 3-2-2-049 and 3-2-2-050; then all



1 lands abutting or bounded on Kanoelehua Avenue North from Kawili  
2 Street and Manono Street until they intersect with Kamehameha  
3 Avenue.

4 (b) The authority shall serve as the local redevelopment  
5 authority of the district. In addition to any of its other  
6 duties under this chapter, the authority's duties relating to  
7 this district shall include:

8 (1) Providing leases in accordance with section 206E-C;

9 (2) Working with federal, state, county, and other  
10 agencies to ensure infrastructural support is provided  
11 for the district; and

12 (3) Improving the infrastructure necessary to support the  
13 implementation of the district.

14 (c) Seven additional voting members shall, except as  
15 otherwise provided in this subsection, be appointed to the  
16 authority by the governor pursuant to section 26-34 to represent  
17 the district. These seven members shall be considered in  
18 determining quorum and majority only on issues relating to the  
19 district and may vote only on issues related to the district.

20 **§206E-C District guidance policies; lease restrictions;**  
21 **revenue, income, and receipts.** (a) The district shall be used



1 for economic purposes including hotel, resort, commercial, and  
2 industrial uses on lands that are currently under lease,  
3 available to lease, or able to be improved for lease. Lease  
4 restrictions pursuant to section 171-36 shall apply to leases  
5 negotiated by the authority for land within the district.

6 (b) Notwithstanding any law to the contrary, including  
7 section 206E-14, the authority may grant leases to any person if  
8 the authority finds that the lease is in conformity with the  
9 community improvement plan; provided that prior to granting or  
10 renewing a lease of land within the district that was or is  
11 currently leased, whether pursuant to this chapter or chapter  
12 171, for a term of sixty-five years in the aggregate, the  
13 authority shall dispose of the land at public auction, pursuant  
14 to section 171-14, and the relinquishing lessee may bid on the  
15 new lease. Leases issued by the authority shall contain:

- 16 (1) The specific use or uses to which the land is to be  
17 employed;
- 18 (2) The improvements required; provided that a minimum  
19 reasonable time be allowed for the completion of the  
20 improvements;



1 (3) The rent, as established by the authority or at public  
2 auction, which shall be payable not more than one year  
3 in advance in monthly, quarterly, semiannual, or  
4 annual payments;

5 (4) Adequate protection of forests, watershed areas, game  
6 management areas, wildlife sanctuaries, and public  
7 hunting areas, where applicable;

8 (5) Reservation of rights-of-way and access to other  
9 public lands, public hunting areas, game management  
10 areas, or public beaches, where applicable, and  
11 prevention of nuisance and waste; and

12 (6) Other terms and conditions as the authority deems  
13 necessary to effectuate the purposes of this part.

14 (c) All revenue, income, and receipts of the authority for  
15 the district shall be deposited into the Hilo community economic  
16 revolving fund.

17 **§206E-D Hilo community economic revolving fund. (a)**

18 There is established in the state treasury the Hilo community  
19 economic revolving fund, into which shall be deposited:



1 (1) Notwithstanding any law to the contrary, including  
2 section 206E-16, all revenue, income, and receipts of  
3 the authority for the district;

4 (2) Moneys directed, allocated, or disbursed to the  
5 district from government agencies or private  
6 individuals or organizations, including grants, gifts,  
7 awards, donations, and assessments of landowners for  
8 costs to administer and operate the district; and

9 (3) Moneys appropriated by the legislature.

10 (b) Moneys in the fund shall be used only for the purpose  
11 of this part; provided that per cent of all revenue,  
12 income, and receipts generated from land leased or managed by  
13 the department of land and natural resources within the district  
14 boundaries, as described in section 206E-B, shall be transferred  
15 to the special land and development fund.

16 (c) Investment earnings credited to the assets of the fund  
17 shall become part of the fund.

18 **§206E-E Rules; adoption.** The authority shall adopt rules  
19 in accordance with chapter 91 to carry out the purpose of this  
20 part."





1 SECTION 3. Section 171-19, Hawaii Revised Statutes, is  
2 amended by amending subsection (a) to read as follows:

3 "(a) There is created in the department a special fund to  
4 be designated as the "special land and development fund".

5 Subject to the Hawaiian Homes Commission Act of 1920, as  
6 amended, and section 5(f) of the Admission Act of 1959, all  
7 proceeds of sale of public lands, including interest on deferred  
8 payments; all moneys collected under section 171-58 for mineral  
9 and water rights; all rents from leases, licenses, and permits  
10 derived from public lands; all moneys collected from lessees of  
11 public lands within industrial parks; all fees, fines, and other  
12 administrative charges collected under this chapter and chapter  
13 183C; the portion of revenue, income, and receipts of the Hawaii  
14 community development authority for the Hilo community economic  
15 district designated in section 206E-D; a portion of the highway  
16 fuel tax collected under chapter 243; all moneys collected by  
17 the department for the commercial use of public trails and trail  
18 accesses under the jurisdiction of the department; transient  
19 accommodations tax revenues collected pursuant to section  
20 237D-6.5(b)(5); and private contributions for the management,  
21 maintenance, and development of trails and accesses shall be set



1 apart in the fund and shall be used only as authorized by the  
2 legislature for the following purposes:

3 (1) To reimburse the general fund of the State for  
4 advances made that are required to be reimbursed from  
5 the proceeds derived from sales, leases, licenses, or  
6 permits of public lands;

7 (2) For the planning, development, management, operations,  
8 or maintenance of all lands and improvements under the  
9 control and management of the board pursuant to title  
10 12, including but not limited to permanent or  
11 temporary staff positions who may be appointed without  
12 regard to chapter 76; provided that transient  
13 accommodations tax revenues allocated to the fund  
14 shall be expended as provided in section  
15 237D-6.5(b)(5);

16 (3) To repurchase any land, including improvements, in the  
17 exercise by the board of any right of repurchase  
18 specifically reserved in any patent, deed, lease, or  
19 other documents or as provided by law;



- 1           (4) For the payment of all appraisal fees; provided that  
2           all fees reimbursed to the board shall be deposited in  
3           the fund;
- 4           (5) For the payment of publication notices as required  
5           under this chapter; provided that all or a portion of  
6           the expenditures may be charged to the purchaser or  
7           lessee of public lands or any interest therein under  
8           rules adopted by the board;
- 9           (6) For the management, maintenance, and development of  
10          trails and trail accesses under the jurisdiction of  
11          the department;
- 12          (7) For the payment to private land developers who have  
13          contracted with the board for development of public  
14          lands under section 171-60;
- 15          (8) For the payment of debt service on revenue bonds  
16          issued by the department, and the establishment of  
17          debt service and other reserves deemed necessary by  
18          the board;
- 19          (9) To reimburse the general fund for debt service on  
20          general obligation bonds issued to finance  
21          departmental projects, where the bonds are designated



1 to be reimbursed from the special land and development  
2 fund;

3 (10) For the protection, planning, management, and  
4 regulation of water resources under chapter 174C; and

5 (11) For other purposes of this chapter."

6 SECTION 4. Section 206E-3, Hawaii Revised Statutes, is  
7 amended by amending subsection (b) to read as follows:

8 "(b) The authority shall consist of the director of  
9 finance or the director's designee; the director of  
10 transportation or the director's designee; a cultural  
11 specialist; an at-large member; an at-large member nominated by  
12 the senate president; an at-large member nominated by the  
13 speaker of the house; provided that membership for Heeia  
14 district matters shall include three representatives of the  
15 Heeia community development district, comprising two residents  
16 of that district or the Koolaupoko district, which consists of  
17 sections 1 through 9 of zone 4 of the first tax map key  
18 division, and one owner of a small business or one officer or  
19 director of a nonprofit organization in the Heeia community  
20 development district or Koolaupoko district, nominated by the  
21 county council of the county in which the Heeia community



1 development district is located; provided further that  
2 membership for Kalaeloa district matters shall include three  
3 representatives of the Kalaeloa community development district,  
4 comprising two residents of the Ewa zone (zone 9, sections 1  
5 through 2) or the Waianae zone (zone 8, sections 1 through 9) of  
6 the first tax map key division, and one owner of a small  
7 business or one officer or director of a nonprofit organization  
8 in the Ewa or Waianae zone, nominated by the county council of  
9 the county in which the Kalaeloa community development district  
10 is located; provided further that membership for Kakaako  
11 district matters shall include three representatives of the  
12 Kakaako community development district, comprising two residents  
13 of the district and one owner of a small business or one officer  
14 or director of a nonprofit organization in the district,  
15 nominated by the county council of the county in which the  
16 Kakaako community development district is located; provided  
17 further that membership for Hilo district matters shall include  
18 seven representatives of the Hilo community economic district,  
19 four of whom shall be residents of the district of South Hilo  
20 nominated jointly by senatorial and representative seat holders  
21 representing the district of South Hilo, three of whom shall be



1 nominated by the council of the county of Hawaii, and all of  
2 whom shall be individuals who reside or work within a one-mile  
3 radius of the district boundary established under section 206E-  
4 B; provided further that the director of planning and permitting  
5 of each county in which a community development district is  
6 located or the director's designee, who shall serve in an ex  
7 officio, nonvoting capacity; and the chairperson of the Hawaiian  
8 homes commission or the chairperson's designee, who shall serve  
9 in an ex officio, nonvoting capacity.

10 All members except the director of finance, director of  
11 transportation, county directors of planning and permitting, and  
12 chairperson of the Hawaiian homes commission or their designees  
13 shall be appointed by the governor pursuant to section 26-34.  
14 The two at-large members nominated by the senate president and  
15 speaker of the house and the [~~nine~~] sixteen representatives of  
16 the respective community development districts shall each be  
17 appointed by the governor from a list of three nominees  
18 submitted for each position by the nominating authority  
19 specified in this subsection.

20 The authority shall be organized and shall exercise  
21 jurisdiction as follows:



- 1           (1) For matters affecting the Heeia community development  
2           district, the following members shall be considered in  
3           determining quorum and majority and shall be eligible  
4           to vote:
- 5           (A) The director of finance or the director's
  - 6           designee;
  - 7           (B) The director of transportation or the director's
  - 8           designee;
  - 9           (C) The cultural specialist;
  - 10          (D) The three at-large members; and
  - 11          (E) The three representatives of the Heeia community
  - 12          development district;
- 13           provided that the director of planning and permitting  
14           of the relevant county or the director's designee  
15           shall participate in these matters as an ex officio,  
16           nonvoting member and shall not be considered in  
17           determining quorum and majority;
- 18          (2) For matters affecting the Kalaeloa community  
19          development district, the following members shall be  
20          considered in determining quorum and majority and  
21          shall be eligible to vote:



- 1 (A) The director of finance or the director's
- 2 designee;
- 3 (B) The director of transportation or the director's
- 4 designee;
- 5 (C) The cultural specialist;
- 6 (D) The three at-large members; and
- 7 (E) The three representatives of the Kalaeloa
- 8 community development district;
- 9 provided that the director of planning and permitting
- 10 of the relevant county and the chairperson of the
- 11 Hawaiian homes commission, or their respective
- 12 designees, shall participate in these matters as ex
- 13 officio, nonvoting members and shall not be considered
- 14 in determining quorum and majority;
- 15 (3) For matters affecting the Kakaako community
- 16 development district, the following members shall be
- 17 considered in determining quorum and majority and
- 18 shall be eligible to vote:
- 19 (A) The director of finance or the director's
- 20 designee;





1 (B) The director of transportation or the director's  
2 designee;

3 (C) The cultural specialist;

4 (D) The three at-large members; and

5 (E) The three representatives of the Kakaako  
6 community development district;

7 provided that the director of planning and permitting  
8 of the relevant county or the director's designee  
9 shall participate in these matters as an ex officio,  
10 nonvoting member and shall not be considered in  
11 determining quorum and majority[-]; and

12 (4) For matters affecting the Hilo community economic  
13 district, the following members shall be considered in  
14 determining quorum and majority and shall be eligible  
15 to vote:

16 (A) The director of finance or the director's  
17 designee;

18 (B) The director of transportation or the director's  
19 designee;

20 (C) The cultural specialist;

21 (D) The three at-large members; and



1           (E) The seven representatives of the Hilo community  
2           economic district;  
3           provided that the director of planning and permitting  
4           of the relevant county or the director's designee  
5           shall participate in these matters as an ex officio,  
6           nonvoting member and shall not be considered in  
7           determining quorum and majority.

8           In the event of a vacancy, a member shall be appointed to  
9 fill the vacancy in the same manner as the original appointment  
10 within thirty days of the vacancy or within ten days of the  
11 senate's rejection of a previous appointment, as applicable.

12           The terms of the director of finance, director of  
13 transportation, county directors of planning and permitting, and  
14 chairperson of the Hawaiian homes commission or their respective  
15 designees shall run concurrently with each official's term of  
16 office. The terms of the appointed voting members shall be for  
17 four years, commencing on July 1 and expiring on June 30;  
18 provided that the initial terms of all voting members initially  
19 appointed pursuant to Act 61, Session Laws of Hawaii 2014, shall  
20 commence on March 1, 2015. The governor shall provide for  
21 staggered terms of the initially appointed voting members so



1 that the initial terms of four members selected by lot shall be  
2 for two years, the initial terms of four members selected by lot  
3 shall be for three years, and the initial terms of the remaining  
4 [five] members shall be for four years.

5 The governor may remove or suspend for cause any member  
6 after due notice and public hearing.

7 Notwithstanding section 92-15, a majority of all eligible  
8 voting members as specified in this subsection shall constitute  
9 a quorum to do business, and the concurrence of a majority of  
10 all eligible voting members as specified in this subsection  
11 shall be necessary to make any action of the authority valid.  
12 All members shall continue in office until their respective  
13 successors have been appointed and qualified. Except as herein  
14 provided, no member appointed under this subsection shall be an  
15 officer or employee of the State or its political subdivisions.

16 For purposes of this section, "small business" means a  
17 business which is independently owned and which is not dominant  
18 in its field of operation."

19 SECTION 5. In codifying the new sections added by section  
20 2 of this Act, the revisor of statutes shall substitute



1 appropriate section numbers for the letters used in designating  
2 the new sections in this Act.

3 SECTION 6. To effectuate the purpose of this Act and to  
4 ultimately transition the redevelopment authority of the Hilo  
5 community development economic district to the county of Hawaii,  
6 the Hawaii community development authority established pursuant  
7 to section 206E-3, Hawaii Revised Statutes, shall engage in  
8 discussions with the county of Hawaii to determine the  
9 feasibility of the county of Hawaii:

- 10 (1) Assuming redevelopment powers and duties over the  
11 lands within the Hilo community economic district as a  
12 redevelopment area pursuant to chapter 53, Hawaii  
13 Revised Statutes; or
- 14 (2) Establishing a special improvement district, pursuant  
15 to section 46-80.5, Hawaii Revised Statutes, that  
16 encompasses the lands within the Hilo community  
17 economic district, as established under section 2 of  
18 this Act, to provide and finance supplemental  
19 maintenance and security services and other  
20 improvements, services, and facilities within the  
21 special improvement district as the council of the



1 county determines will restore or promote business  
2 activity in the special improvement district.

3 SECTION 7. Statutory material to be repealed is bracketed  
4 and stricken. New statutory material is underscored.

5 SECTION 8. This Act shall take effect on July 1, 2017, and  
6 shall be repealed on:

7 (1) June 30, 2037;

8 (2) The inclusion of the lands within the Hilo community  
9 economic district, as established under section 2 of  
10 this Act, within a redevelopment area pursuant to  
11 chapter 53, Hawaii Revised Statutes; or

12 (3) The establishment of a special improvement district,  
13 pursuant to section 46-80.5, Hawaii Revised Statutes,  
14 that encompasses the lands within the Hilo community  
15 economic district, as established under section 2 of  
16 this Act,

17 whichever occurs first; provided that upon repeal of this Act,  
18 sections 171-19 and 206E-3, Hawaii Revised Statutes, shall be  
19 reenacted in the form in which they read on the day prior to the  
20 effective date of this Act.

21



**Report Title:**

Hilo Community Economic District; HCDA

**Description:**

Establishes the Hilo Community Economic District as a community development district located in East Hawaii under the Hawaii Community Development Authority. Establishes the Hilo Community Economic Revolving Fund. Repeals on the earliest of 6/30/2037, inclusion of lands within the District within a redevelopment area, or establishment of a special improvement district that encompasses the lands within the District. (SD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

