

Honolulu, Hawaii

APR 27 2018

RE: S.B. No. 3058
S.D. 2
H.D. 2
C.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Twenty-Ninth State Legislature
Regular Session of 2018
State of Hawaii

Honorable Scott K. Saiki
Speaker, House of Representatives
Twenty-Ninth State Legislature
Regular Session of 2018
State of Hawaii

Sirs:

Your Committee on Conference on the disagreeing vote of the Senate to the amendments proposed by the House of Representatives in S.B. No. 3058, S.D. 2, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO PUBLIC LANDS,"

having met, and after full and free discussion, has agreed to recommend and does recommend to the respective Houses the final passage of this bill in an amended form.

The purpose of this measure is to:

- (1) Establish a ten-year pilot project for the redevelopment of the Banyan Drive and the Kanoelehua Industrial Area of the County of Hawaii and the guidelines for the pilot project;
- (2) Appropriates funds for the establishment of the pilot project; and
- (3) Modify the request for interest and public auction process under section 171-41.6, Hawaii Revised Statutes, for



certain public land leases and apply the modified process to lessees within the last twenty, rather than ten, years of their lease terms.

Your Committee on Conference finds that leases of certain public lands have a maximum term of sixty-five years and during the last few years remaining in the lease term, lessees are apprehensive to further invest in the properties prior to the expiration of the leases, which has led to the dilapidation and deterioration of properties in certain areas, such as the Banyan Drive region and the Kanoelehua Industrial Area in the County of Hawaii.

Your Committee on Conference finds that authorizing the Board of Land and Natural Resources to extend or modify fixed rental periods or terms of leases for public lands within those areas beyond the customary lease terms, or to modify any of the lease restrictions, presents an opportunity to provide existing lessees with greater certainty in their potential future tenancy on those lands and therefore greater incentive to make substantial improvements to the lands. Your Committee on Conference also finds that the increased security presented by this measure should be balanced by mandatory commitments on the part of the lessees as well, including a proposed development agreement by lessees to make substantial improvements to the lands and a deposit of a percentage of leasehold improvements by qualified bidders during the public auction process.

Your Committee on Conference finds that a pilot project in East Hawaii, which has served as a center of tourism in the State, has the potential to revitalize the local infrastructure and community and generate valuable lessons and mechanisms that may be applied and replicated in other areas of the State similarly needing revitalization.

Your Committee on Conference has amended this measure by:

- (1) Deleting language that would have established the redevelopment district pilot project for the Banyan Drive region and Kanoelehua Industrial Area and the planning committee and its powers;
- (2) Deleting the appropriation for the redevelopment district pilot project;



- (3) Defining a specific area of East Hawaii, generally known as the Banyan Drive region and Kanoelehua Industrial Area, as the "Hilo community economic district";
- (4) Authorizing the Board of Land and Natural Resources to extend or modify the fixed rental periods, terms, or restrictions on certain public land leases within the Hilo community economic district upon approval of a lessee's proposed development agreement to make substantial improvements or construct new substantial improvements on the land, provided that the extension does not extend the original lease term by more than forty years;
- (5) Establishing conditions for the Board of Land and Natural Resources to approve the proposed development agreement or any extension of the fixed rental period or term of certain leases within the Hilo community economic district;
- (6) Establishing causes of significant economic hardship for which the Board of Land and Natural Resources may modify or eliminate any restrictions on public land leases in the Hilo community economic district, extend or modify the fixed rental period of the leases, or extend the terms of the leases;
- (7) Amending the conditions for the Board of Land and Natural Resources' approval of any modification, elimination, or extension of fixed rental periods or terms of leases within the last ten years of the lease term;
- (8) Establishing a separate request for interest process for public lands in the Hilo community economic district that requires qualified bidders to deposit an amount equal to one percent of the value of the leasehold improvements;
- (9) Deleting amendments to section 171-41.6, Hawaii Revised Statutes, that would have modified the request for interest and public auction process for certain public land leases and would have applied the modified process to lessees within the last twenty years of their lease terms;
- (10) Requiring the Department of Land and Natural Resources to submit a report of its findings and recommendations to the Legislature no later than twenty days prior to convening of the Regular Session of 2019 and every year thereafter;



- (11) Changing the effective date to July 1, 2018;
- (12) Amending the purpose section to reflect its amended purpose; and
- (13) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the managers of your Committee on Conference that is attached to this report, your Committee on Conference is in accord with the intent and purpose of S.B. No. 3058, S.D. 2, H.D. 2, as amended herein, and recommends that it pass Final Reading in the form attached hereto as S.B. No. 3058, S.D. 2, H.D. 2, C.D. 1.

Respectfully submitted on behalf of the managers:

ON THE PART OF THE HOUSE

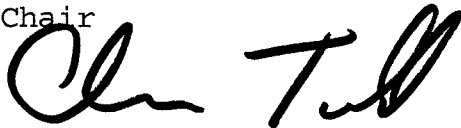
ON THE PART OF THE SENATE



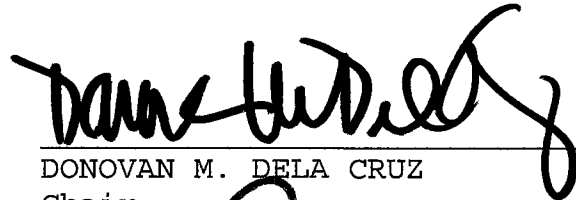
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Co-Chair



CINDY EVANS
Co-Chair



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