A BILL FOR AN ACT

RELATING TO PUBLIC SCHOOL LANDS.

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

SECTION 1. Act 155, Session Laws of Hawaii 2013, was approved by the governor on June 21, 2013. The purpose of Act 155 was to optimize the use of public-school lands to generate opportunities to improve public-school facilities and infrastructure to meet the challenges of the twenty-first century and to improve the overall quality of education in Hawaii. Specifically, Act 155 established a pilot program to generate revenue from uses for public purposes, such as workforce housing, to build and retrofit twenty-first century schools and create more school-centered communities. The pilot program lays important groundwork for a statewide approach and plan to optimize public-school lands and modernize public-school facilities.

In subsequent discussions with government agencies and private developers, the existing fifty-five-year lease term allowed for in Act 155 was found to be problematic in financing redevelopment projects. Furthermore, the department of
education has been working closely with the Hawaii housing finance and development corporation in the implementation of redevelopment projects on land controlled by the department of education. The Hawaii housing finance and development corporation is pursuing ninety-nine-year leasehold condominiums for some of its housing projects on state-owned lands. Extending lease terms will allow prospective developers greater flexibility to secure financing as well as provide a better long-term return to the State for the use of its lands.

SECTION 2. Section 302A-1151.1, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

"(b) Notwithstanding sections 171-13 and 302A-1151, or any other law to the contrary, the department may lease public school land on terms it deems appropriate, including a leaseback of all or a portion of the improvements constructed; provided that:

(1) The board may identify and select up to five public school land sites as candidates for participation in the pilot program; provided that:

(A) During the identification and selection process, the board shall be subject to chapter 92, shall
hold at least one public meeting in each affected
community, and shall foster school and community
participation; and

(B) If the site is on land owned by the county, the
department shall consult with the county;

(2) The department may lease public school land for no
more than three public school land sites identified
and selected by the board pursuant to paragraph (1)
under leases for a term of not more than [fifty-five]
ninety-nine years per lease[, unless extended pursuant
to section 171-36,] to lessees who shall be required
to modify, construct, or utilize facilities to benefit
public educational purposes, in accordance with
specific request for proposal or request for
information guidelines;

(3) Each lease shall stipulate that the lessee may retain
any revenue generated from the facilities; provided
that:

(A) The lessee shall be obligated to maintain and
operate the facilities to benefit public
educational purposes for the length of the lease;
(B) The lessee shall be obligated to pay to the county all applicable property tax on the value of any improvements;

(C) A leasehold premium may be charged to the lessee for the right to use the public school land based on a competitive process that complies with applicable sections of chapter 103D;

(D) Upon the expiration of the lease, the facilities shall revert to the department; and

(E) All revenues and proceeds derived by the State under this section shall be deposited in the school facilities subaccount pursuant to section 302A-1151.2; and

(4) Notwithstanding any law to the contrary, the department may enter into leaseback agreements that allow the department to lease or sublease the property to a third party. The department may lease back the property from the third-party lessee or sublessee for a contractual period of time, after which the department shall own any improvements."
SECTION 3. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 4. This Act shall take effect on July 1, 2019.

INTRODUCED BY:

[Signatures]

JAN 2 2 2019
Report Title:
Public School Lands; Ninety-nine-year Leases

Description:
Extends the lease term for public-school lands from 55 to 99 years.

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