

STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
Land Division
Honolulu, Hawaii 96813

January 22, 2016

Board of Land and Natural Resources
State of Hawaii
Honolulu, Hawaii

Hawai'i

Assignment of Chairperson Suzanne Case, Board Member Stanley Roehrig and Board Member Chris Yuen to an Investigative Committee of the Board of Land and Natural Resources on Issues Pertaining to the Rehabilitation, Redevelopment or Future Planning of State Lands in the Banyan Drive and Kanoelehua Industrial Areas, Waiakea, South Hilo, Hawaii, Tax Map Keys: 3rd/ 2-1- and 2-2- multiple plats and parcels.

LEGAL AUTHORITY:

Chapter 92, Hawaii Revised Statutes.

BACKGROUND:

There are a number of important issues relating to State lands in the South Hilo area that warrant the designation of an investigative committee of the Board of Land and Natural Resources.

First, 22 of 67 leases in the Kanoelehua Industrial Area (KIA) are scheduled to expire in 2016, with additional leases expiring in later years. The Board has approved 10-year extensions of most of the leases expiring in 2016 under applicable law. In a few cases, the lessees are not interested in seeking extensions and the leases will expire in accordance with their terms. There are also four parcels under month-to-month revocable permit. The department has commissioned three studies to assist with the department's future planning of this area. The goal of the studies is to improve the management effectiveness of the Board's KIA lands. The three studies are posted on Land Division's website and a public meeting to solicit comments on the studies will be held on January 15, 2016 in Hilo. See Exhibit A, which is a copy of the notice of the meeting sent to the department's lessees in KIA.

Second, three hotel and resort leases on Banyan Drive are at the end of their lease terms. One-year holdovers on two of the leases will expire in March 2016, and the other property is currently on a revocable permit. The department commissioned three studies to assist with the future planning of this area as well. These studies are likewise posted on Land Division's website and a public meeting to solicit comments on the studies will

be held on January 15, 2016 in Hilo. See Exhibit B, which is a copy of the notice of the meeting sent to the department's lessees in the Banyan Drive area.¹

Third, the Naniloa Hotel property leased to WHR LLC is undergoing major renovations. Many in the Hilo community believe that the success of the hotel is crucial to the revitalization of East Hawaii's economy.

DISCUSSION:

Hawaii Revised Statutes Section 92.5 authorizes the Board to create an investigative committee. Specifically, subsection 92.5(b) states:

(b) Two or more members of a board, but less than the number of members which would constitute a quorum for the board, may be assigned to:

(1) Investigate a matter relating to the official business of their board; provided that:

(A) The scope of the investigation and the scope of each member's authority are defined at a meeting of the board;

(B) All resulting findings and recommendations are presented to the board at a meeting of the board; and

(C) Deliberation and decisionmaking on the matter investigated, if any, occurs only at a duly noticed meeting of the board held subsequent to the meeting at which the findings and recommendations of the investigation were presented to the board; or

(2) Present, discuss, or negotiate any position which the board has adopted at a meeting of the board; provided that the assignment is made and the scope of each member's authority is defined at a meeting of the board prior to the presentation, discussion, or negotiation.

Staff is recommending that the Board assign Chairperson Suzanne Case, Board Member Stanley Roehrig and Board Member Chris Yuen to an investigative committee to investigate issues pertaining the rehabilitation, redevelopment or future planning of State lands in the Banyan Drive area and KIA. The three committee members would constitute less than a quorum of the Board's seven members. The committee would be authorized to participate in inspections, tenant meetings, government meetings, and public meetings relating to State lands in Banyan Drive and KIA. The committee would report any resulting findings and recommendations to the Board at its regular, duly noticed meetings. Any decisionmaking on the matters investigated would occur only at a duly noticed meeting of the Board held subsequent to the meeting at which the findings and recommendations of the investigation were presented to the Board. Finally, the committee members would be authorized to present, discuss or negotiate any position

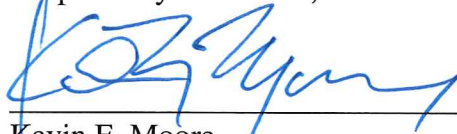
¹ In addition, the department has contracted an architectural consultant to evaluate the condition of the existing structures on the properties, and determine the buildable envelope for the properties under current laws and county ordinances in the event the Board decides to demolish the existing structures. However, the architect's reports are not yet completed.

which the Board has adopted at a meeting of the Board, provided, however, that the committee and its individual members would not have authority to bind or commit the Board to any action.

RECOMMENDATION: That the Board:

1. Assign Chairperson Suzanne Case, Board Member Stanley Roehrig and Board Member Chris Yuen to an investigative committee to investigate issues pertaining the rehabilitation, redevelopment or future planning of State lands in the Banyan Drive and Kanoelehua Industrial Areas in South Hilo, Hawaii, subject to the conditions set forth above and further subject to:
 - a. The committee and its members are authorized to participate in inspections, tenant meetings, government meetings, and public meetings relating to the rehabilitation, redevelopment or future planning of State lands in Banyan Drive and KIA;
 - b. The committee shall report any resulting findings and recommendations to the Board at its regular, duly noticed meetings;
 - c. Any decisionmaking on the matters investigated shall occur only at a duly noticed meeting of the Board held subsequent to the meeting at which the findings and recommendation of the investigation are presented to the Board;
 - d. The committee members are authorized to present, discuss or negotiate any position which the Board has adopted at a meeting of the Board, provided, however, that the committee and its individual members shall have no authority to bind or commit the Board to any action, unless pursuant to a vote of the Board at a duly noticed meeting of the Board that meets the requirements of subparagraph 1.c above; and
 - e. Such other conditions as may be prescribed by the Chairperson which are in the best interests of the State.

Respectfully Submitted,



Kevin E. Moore
Assistant Administrator

APPROVED FOR SUBMITTAL:



Suzanne D. Case, Chairperson

DAVID Y. IGE
GOVERNOR OF
HAWAII



STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES

POST OFFICE BOX 621
HONOLULU, HAWAII 96809

December 8, 2015

SUZANNE D. CASE
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT

KEKOA KALUHIWA
FIRST DEPUTY

JEFFREY T. PEARSON P.E.
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES
BOATING AND OCEAN RECREATION
BUREAU OF CONVEYANCES
COMMISSION ON WATER RESOURCE MANAGEMENT
CONSERVATION AND COASTAL LANDS
CONSERVATION AND RESOURCES ENFORCEMENT
ENGINEERING
FORESTRY AND WILDLIFE
HISTORIC PRESERVATION
KAHOOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS

Dear Sir or Madam:

The Department of Land and Natural Resources (DLNR) leases lands in Hilo within the Kanoelehua Industrial Area (KIA). Revenue from these leases supports important DLNR programs, including those conducted by the Division of Forestry and Wildlife, Division of State Parks, Engineering Division, Office of Conservation and Coastal Lands, and Commission on Water Resource Management.

As you may be aware, some leases within KIA are scheduled to expire in the next several years. In anticipation of the expiration of these leases, DLNR commissioned studies to provide information to assist with the Department's planning for the future of these areas. The goal of the studies is to improve the management effectiveness of DLNR's Kanoelehua lands.

To do so, the studies seek to obtain an understanding of conditions, limitations and opportunities for the effective management of KIA properties.

Three (3) studies were conducted for KIA and are summarized below.

- **Market Study** – To determine market demand for industrial-commercial uses in the Hilo region for the near- and long-term.
- **Lot Consolidation Analysis** – To identify opportunities for consolidating/resubdividing lots to maximize functionality and value for DLNR.
- **Master Lease Feasibility Analysis** – To investigate the feasibility and desirability of placing management of DLNR's Kanoelehua properties under a single master lease.

These studies are available online for public review and comment at the DLNR Land Division website: <http://dlnr.hawaii.gov/ld/kanoelehua-and-banyan-drive-studies/>.

DLNR will be hosting a public meeting to discuss the Kanoelehua Studies on January 15, 2016 at 9:00 a.m. at:

EXHIBIT A

County of Hawaii
Aupuni Center
101 Pauahi Street, Suite 1
Hilo, Hawaii 96720

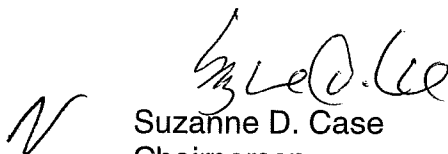
A brief presentation on the studies will be made and members of the public will be given the opportunity to ask questions and provide comments.

If you are not able to attend the meeting, please provide your written comments to the following address. Please provide your comments by **February 1, 2016**.

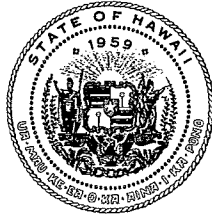
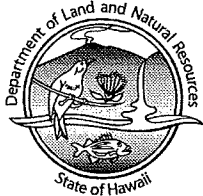
Munekiyo Hiraga
KANOELEHUA COMMENTS
305 High Street, Suite 104
Wailuku, Hawaii 96793

Should you have any questions regarding the meeting, please call Gordon Heit at 961-9590.

Sincerely,


Suzanne D. Case
Chairperson

DAVID Y. IGE
GOVERNOR OF
HAWAII



STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES

POST OFFICE BOX 621
HONOLULU, HAWAII 96809

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SUZANNE D. CASE
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KEKOA KALUHIWA
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ENGINEERING
FORESTRY AND WILDLIFE
HISTORIC PRESERVATION
KAHOOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS

Dear Sir or Madam:

The Department of Land and Natural Resources (DLNR) leases lands in Hilo along Banyan Drive. Revenue from these leases supports important DLNR programs, including those conducted by the Division of Forestry and Wildlife, Division of State Parks, Engineering Division, Office of Conservation and Coastal Lands, and Commission on Water Resource Management.

As you may be aware, one of the leases at Banyan Drive has expired and has been placed on a month-to-month revocable permit. Other leases at Banyan Drive will expire next year. In anticipation of the expiration of these leases, DLNR commissioned studies to provide information to assist with the Department's planning for the future of these areas. The goal of the studies is to support the Banyan Drive Working Group's efforts to address the future of Banyan Drive.

To do so, the studies seek to obtain an understanding of conditions, limitations and opportunities for the formulation of revitalization strategies.

Three (3) studies were conducted for Banyan Drive and are summarized below.

- **Tourism Market Study** – To analyze the tourism industry and determine market demand for a new hotel in Hilo.
- **Sea Level Rise Assessment** – To assess sea level rise effects on Banyan Drive parcels.
- **Master Lease Feasibility Analysis** – To investigate the feasibility of placing management of Reed's Bay Hotel, Country Club Condominium, and Uncle Billy's Hotel under a single master lease.

These studies are available online for public review and comment at the DLNR Land Division website: <http://dlnr.hawaii.gov/ld/kanoelehua-and-banyan-drive-studies/>.

It is noted that a Remaining Useful Life Analysis was also conducted by a structural engineer to determine the remaining useful life of existing structures at Reed's Bay Hotel, Country Club Condominium, and Uncle Billy's Hotel. DLNR has hired an architect to do further analysis of these three (3) properties to assess options for

EXHIBIT B

December 8, 2015
Page 2

renovating existing buildings or demolishing and redeveloping the properties. The assessment by the architect is currently underway and is anticipated to be completed next year.

DLNR will be hosting a public meeting to discuss the Banyan Drive Studies on January 15, 2016 at 1:00 p.m. at:

County of Hawaii
Aupuni Center
101 Pauahi Street, Suite 1
Hilo, Hawaii 96720

A brief presentation on the studies will be made and members of the public will be given the opportunity to ask questions and provide comments.


If you are not able to attend the meeting, please provide your written comments to the following address. Please provide your comments by **February 1, 2016**.

Munekiyo Hiraga
BANYAN DRIVE COMMENTS
305 High Street, Suite 104
Wailuku, Hawaii 96793

Should you have any questions regarding the meeting, please call Gordon Heit at 961-9590.

Sincerely,



 Suzanne D. Case
Chairperson