

GENTRY'S
KONA MARINA
HONOKOHAU HARBOR

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January 15, 2021

Ms. Suzanne Case, Chairperson and Board Members
Department of Land and Natural Resources
Main Office - Kalanimoku Building
1151 Punchbowl St.
Honolulu, HI 96813

Via email: blnr.testimony@hawaii.gov

Re: Board of Land and Natural Resource (BLNR) Meeting January 22, 2021 Agenda Item J-2
TESTIMONY in **OPPOSITION** of the Adoption of the DLNR Division of Boating and Ocean
Recreation Rent Participation Policy

Dear Ms. Case and Board Members:

GKM, Inc. continues to oppose the adoption of a Rent Participation Policy for the Division of Boating and Ocean Recreation.

As previously communicated at the December 9, 2016 Board of Land and Natural Resources (BLNR) meeting by our former attorney, Greg Kugle, and submitted testimony by GKM, Inc., we oppose the adoption of a Rent Participation Policy for Division of Boating and Ocean Recreation.

Also when the matter came up again at the BLNR meeting on January 13, 2017 for Item J-4, GKM submitted testimony in Opposition of a Rent Participation Policy for the Division of Boating and Ocean Recreation (DOBOR).

Key points in our prior testimony included the following:

- A policy like this would be counterproductive towards the viability of state leased property. A reasonable business person would not invest in improvements on state leased property if down the road a policy could change the term and or condition of that state lease.
- Not good land use management – a lessee would not take on the risk of investing in improvements on leased State land if later in the term a policy allowing the State to participate in the revenues generated from the lessee improvements was added.
- Revenue generated from improvements by the lessee, should be retained by the lessee. The state did not participate in the risk, or expense, developing the improvements they should not receive any benefit from these improvements.
- With a participation policy a lessee would not be able to obtain the necessary financing to improve state leased lands.

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- We believe that HRS 171-36 (a) (6) was created in the event a lessee leasing state property makes little or no improvement to the leased property and then subleases for a windfall profit. GKM, Inc. has spent millions of dollars on improvements.
- At the end of the lease, GKM, Inc. will have paid fair market value for the property and hold no equity or ownership.
- The tenants at Gentry's Kona Marina sublease improved space (i.e. workshops). They are not subleasing unimproved property. Sub-tenants would not sublease space unless it was improved. It would not serve their needs.
- Rent participation certainly doesn't encourage public-private partnerships.

Thank you for considering the above.

Sincerely,

A handwritten signature in black ink, appearing to read "Tina Prettyman". The signature is fluid and cursive, with a large initial "T" and a long, sweeping underline.

Tina Prettyman
General Manager for GKM, Inc.