

# Chronological: Real Estate Industry, Government Surplus Lands, Cannon Club

Senator Daniel K. Inouye Papers  
Speeches, Chronological, Box SP5, Folder 58  
<https://hdl.handle.net/10524/72382>

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(READ BY DAVID M. PETERS)

STATEMENT BY U.S. SENATOR DANIEL K. INOUE  
GOVERNMENT SURPLUS LANDS AND THE IMPACT THE SALE THEREOF  
ON THE REAL ESTATE INDUSTRY

JULY 28, 1933  
CANNON CLUB

OBVIOUSLY, WHENEVER PARCELS OF PUBLIC LAND ARE MADE AVAILABLE FOR SALE, SUCH ACTION WILL HAVE SOME IMPACT ON THE REAL ESTATE INDUSTRY. THE INDUSTRY ON A NATIONAL LEVEL HAS, THEREFORE, UNIFORMLY SUPPORTED THE CURRENT ADMINISTRATION'S INITIATIVE TO SELL SURPLUS FEDERAL LANDS.

IN HAWAII, HOWEVER, I BELIEVE THAT ANY IMPACT ON REAL ESTATE PRICES AND SALES WOULD BE MINIMAL. FOR WHILE THE FEDERAL GOVERNMENT HOLDS TITLE TO ALMOST 400,000 ACRES OF OUR LAND, THE MAJORITY OF THESE LANDS, OVER 225,000 ACRES,

ARE COMMITTED TO PARKS AND HISTORIC SITES AND THEREFORE PROBABLY NEVER WILL OR SHOULD BE RELEASED. MOST OF THE REMAINING ACREAGE, SOME 163,000 ACRES, ARE COMMITTED TO MILITARY USE SO THAT THE LIKELIHOOD OF THE WHOLESALE FEDERAL SURRENDER OF THE LANDS ARE SIMILARLY MINIMAL.

WHEN A FEDERAL AGENCY DOES FIND LAND TO BE EXCESS TO ITS NEEDS, THE LAND MUST FIRST BE MADE AVAILABLE TO ANY OTHER FEDERAL AGENCY WHICH MAY BE ABLE TO USE IT. IF NO FEDERAL NEED FOR THE LAND IS FOUND, IT IS DECLARED TO BE SURPLUS.

AT THIS POINT, HOWEVER, THE ADMISSIONS ACT REQUIRES THAT SUCH LANDS BE TURNED DIRECTLY OVER TO THE STATE GOVERNMENT IF THEY ARE PART OF THE APPROXIMATELY 250,000 ACRES OF "CEDED LANDS" TRANSFERRED TO THE FEDERAL GOVERNMENT AT THE TIME OF HAWAII'S ANNEXATION.

CLEARLY THEN, WE ARE NOT SPEAKING OF A SITUATION WHERE THE ADMINISTRATION IS ATTEMPTING OR ABLE TO SELL VAST TRACTS OF UNUSED LANDS. THIS IS THE CASE IN SOME WESTERN STATES -- BUT IT IS NOT SO IN HAWAII.

WHAT, THEN, OF THE NON-CEDED OR "FEE" LANDS FOUND TO BE SURPLUS?

AS YOU KNOW, THE ADMINISTRATION, BY WAY OF THE  
PRESIDENTIALLY-CREATED PROPERTY REVIEW BOARD, HAS ANNOUNCED  
AND BEGUN TO IMPLEMENT A PROGRAM OF DISPOSING OF SURPLUS  
FEDERAL LAND FOR THE HIGHEST PRICE OBTAINABLE IN ORDER TO  
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WHEN LOCAL JURISDICTIONS PRESENT THE GENERAL SERVICES ADMINISTRATION  
(GSA) WITH FEDERALLY-APPROVED PLANS FOR THE DEDICATION OF THE  
PROPERTY TO EDUCATIONAL, RECREATIONAL OR CONSERVATION PURPOSES.

HISTORICALLY, SUCH APPLICATIONS HAVE BEEN ABLE TO DEDICATE SURPLUS FEDERAL LANDS TO THE WELL-BEING OF THE JURISDICTION'S RESIDENTS.

UNDER THE PROPERTY REVIEW BOARD'S CURRENT INITIATIVE, SUCH DISCOUNTS ARE RARELY GRANTED AND SURPLUS PROPERTIES HAVE BEEN PLACED ON PUBLIC SALE.

THIS INITIATIVE HAS BEEN APPLAUDED BY MUCH OF THE PRIVATE SECTOR. HOWEVER, I WOULD LIKE TO SUGGEST THAT A CLOSE EXAMINATION OF FOUNDATION AND EFFECTS OF THE PROGRAM MUST LEAD TO A CALLING INTO QUESTION OF ITS WISDOM. FIRST, IN MANY, IF NOT MOST CASES, A FAIR MARKET VALUE SALE OF THE PROPERTY WOULD UNJUSTLY ENRICH THE GOVERNMENT. FOR EXAMPLE, FORT DE RUSSY WAS PURCHASED IN 1908 FOR \$197,000.

THE GOVERNMENT HAS NOW SPOKEN OF SELLING THE LAND FOR UPWARDS OF \$221 MILLION. BUT WHILE THIS FANTASTIC INCREASE IN PROPERTY VALUE IS, OF COURSE, PRINCIPALLY ATTRIBUTABLE TO THE DEVELOPMENT OF THE NEIGHBORING AREAS, THE GOVERNMENT HAS PAID NOTHING IN PROPERTY TAX FOR 70 YEARS, CONTRIBUTED NOTHING FOR THE IMPROVEMENT OF THE INFRASTRUCTURE, AND TAKEN ABSOLUTELY NO RISKS. THE COSTS AND RISKS HAVE BEEN BORNE BY THE COMMUNITY. THE PROFITS WILL NOT BE PROPORTIONALLY RETURNED.

SECOND, THE VIRTUAL ABANDONMENT OF THE "PUBLIC BENEFIT DISCOUNT" PROGRAM WILL PLACE AN INCREASED BURDEN UPON STATE AND LOCAL TAXPAYERS. THE FACT REMAINS THAT LOCALITIES WILL NOW HAVE TO PURCHASE FORMERLY PUBLIC PROPERTY WITH THEIR TAXPAYERS MONEY IF THEY ARE TO PROCEED WITH CERTAIN NECESSARY PROJECTS.

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IF THE CURRENT ADMINISTRATION POLICY CONTINUES, OUR LOCAL TAXPAYERS MAY END UP BEING THE ULTIMATE SOURCE OF ANTICIPATED FEDERAL LAND SALES PROFITS IN HAWAII.

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IN CONCLUSION, I BELIEVE THE SALABLE FEDERAL HOLDINGS IN HAWAII ARE NOT SUFFICIENTLY EXTENSIVE TO HAVE A SIGNIFICANT IMPACT UPON THE LOCAL REAL ESTATE INDUSTRY. MORE IMPORTANTLY, I FEAR THAT THE UNFAIRNESS IN THE BASIS AND IMPACT OF THE CURRENT FEDERAL SURPLUS LAND SALES PROGRAM IN HAWAII MORE THAN OUTWEIGHS ANY POSITIVE EFFECTS.

THANK YOU FOR PERMITTING ME TO PRESENT MY VIEWS ON THIS MATTER.

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OK

STATEMENT FOR PRESENTATION TO A GROUP OF REALTORS REGARDING  
GOVERNMENT SURPLUS LANDS AND THE IMPACT THE SALE THEREOF WILL  
HAVE ON THE REAL ESTATE INDUSTRY. July 28, 1983

Obviously, whenever parcels of public land are made available for sale, such action will have some impact on the real estate industry. The industry on a national level has, therefore, uniformly supported the current administration's initiative to sell surplus federal lands.

In Hawaii, however, I believe that any impact on real estate prices and sales would be minimal. For while the federal government holds title to almost 400,000 acres of our land, the majority of these lands, over 225,000 acres, are committed to parks and historic sites and therefore probably never will or should be released. Most of the remaining acreage, some 163,000 acres, are committed to military use so that the likelihood of the wholesale federal surrender of the lands are similarly minimal.

When a federal agency does find land to be excess to its needs, the land must first be made available to any other federal agency which may be able to use it. If no federal need for the land is found, it is declared to be surplus. At this point, however, the Admissions Act requires that such lands be turned directly over to the state government if they are part of the approximately 250,000 acres of "ceded lands" transferred to the federal government at the time of Hawaii's annexation.

Clearly then, we are not speaking of a situation where the administration is attempting or able to sell vast tracts of unused lands. This is the case in some western states -- but it is not so in Hawaii.

What, then, of the non-ceded or "fee" lands found to be surplus?

As you know, the administration, by way of the presidentially-created Property Review Board, has announced and begun to implement a program of disposing of surplus federal land for the highest price obtainable in order to defray the federal deficit. Prior to the implementation of this program, surplus lands were first made available for purchase by state and local governments at "public benefit discounts". Such discounts are permitted by federal law when local jurisdictions present the General Services Administration (GSA) with federally-approved plans for the dedication of the property to educational, recreational or conservation purposes. Historically, such applications have been able to dedicate surplus federal lands to the well-being of the jurisdiction's residents. Under the Property Review Board's current initiative, such discounts are rarely granted and surplus properties have been placed on public sale.

This initiative has been applauded by much of the private sector. However, I would like to suggest that a close examination of foundation and effects of the program must lead to a calling into question of its wisdom. First, in many, if not most cases,

a fair market value sale of the property would unjustly enrich the government. For example, Fort DeRussy was purchased in 1908 for \$197,000. The government has now spoken of selling the land for upwards of \$221 million. But while this fantastic increase in property value is, of course, principally attributable to the development of the neighboring areas, the government has paid nothing in property tax for 70 years, contributed nothing for the improvement of the infrastructure, and taken absolutely no risks. The costs and risks have been borne by the community. The profits will not be proportionally returned.

Second, the virtual abandonment of the "public benefit discount" program will place an increased burden upon state and local taxpayers. The fact remains that localities will now have to purchase formerly public property with their taxpayers money if they are to proceed with certain necessary projects. As an example, federal property at Honouliuli was recently sold at public auction to an Eskimo tribal organization which is paying for the property with federal script obtained as a part of the Alaskan reparations program. A state application for the discounted purchase of part of the area for recreation and harbor purposes had previously been denied. Upon the completion of the sale, the purchasers offered to sell the state the land it desired and the state must now decide whether it can afford the purchase. In this exchange the federal government

profited, the Eskimo group stands to profit, and the costs are likely to be carried by Hawaii's taxpayers. If the current administration policy continues, our local taxpayers may end up being the ultimate source of anticipated federal land sales profits in Hawaii.

Finally, the administration's unwillingness to accommodate local needs ignores the fact that the majority of federal landholdings in Hawaii was obtained at no cost to the government. Ceded lands were simply turned over at the time of annexation and territorial and state administrations have made numerous cost-free or very favorable land use agreements. The administration is thus in the enviable position of retaining and using vast holdings of state lands received at no cost while at the same time profiting from the sale of other unneeded property. This does not strike me as being entirely fair.

In conclusion, I believe the salable federal holdings in Hawaii are not sufficiently extensive to have a significant impact upon the local real estate industry. More importantly, I fear that the unfairness in the basis and impact of the current federal surplus land sales program in Hawaii more than outweighs any positive effects.

Thank you for permitting me to present my views on this matter.