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Hawaiian homestead bills advance

A proposal that would give \$600 million to ramp up development is widely praised

By Andrew Gomes
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A plan backed by most Hawaii lawmakers to give a historic sum of money to ramp up development of homesteads for potentially thousands of Native Hawaiians took two initial steps forward Thursday at the Legislature. Separate committees in

the state House and Senate unanimously voted to advance a pair of bills aimed at delivering \$600 million this year to the state Department of Hawaiian Home Lands so the agency can dramatically reduce an immense backlog of around 28,700 beneficiaries waiting for homesteads. The identical bills, House

Bill 2511 and Senate Bill 3359, were passed respectively by the House Committee on Judiciary and Hawaiian Affairs and the Senate Committee on Hawaiian Affairs. House Speaker Scott Saiki publicly unveiled the DHHL funding goal during an opening-day speech at this year's legislative session Jan. 19, and the two



bills were introduced or sponsored by a majority of lawmakers: 46 of 51 House members and 16 out of 25 Senate members. Public testimony submitted on the bills for Thursday's initial hearings was overwhelmingly supportive and included 94 pages of written comments on the Senate measure. Molokai resident and

Hawaiian activist Walter Ritte conveyed just two capitalized words in his written comment: "FINALLY!!!! JUSTICE." Organizations expressing support for the proposal included the Council for Native Hawaiian Advancement, Office of Hawaiian Affairs, Catholic Charities of Hawaii and League of Women Voters of Hawaii. A fair amount of testimony came from DHHL beneficiaries who had received a homestead and expressed

how it has helped their lives as well as those who have been waiting a long time for the same thing. The homestead program was created in 1921 through the federal Hawaiian Homes Commission Act. Beneficiaries by law must be at least 50% Hawaiian. "What is most hurtful to me is that we have lost kupauna who waited, and two generations of our children Please see DHHL, A6

Rule changes needed to sustain industry, isle dispensaries say

By **Christie Wilson**
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Cure Oahu opened a new medical cannabis dispensary Thursday in Kapolei, the only one in West Oahu, where a large number of registered patients reside.

It is the company's second Oahu location and Hawaii's 18th medical cannabis dispensary overall, well below the number of retail outlets needed to serve the state's 34,000-plus registered medical cannabis patients or to sustain the fledgling industry amid statutory constraints, according to a new report by the Hawaii Cannabis Industry Association.

The study says that approximately only a third of patients with "329 cards" statewide use licensed dispensaries and that the state's medical cannabis program "is failing to meet its main policy objectives,

which is leaving patients heavily reliant on the illicit market where cannabis is untested and unregulated."

Hawaii's medical cannabis dispensary program, launched in 2016, allows only eight licensees statewide: three on Oahu, two each on Hawaii island and Maui, and one on Kauai. Each licensee may operate only two retail outlets and two production centers, although the state Department of Health has the discretion to approve one additional retail or production site and has done so in several instances.

The law also allows registered patients to grow up to 10 plants.

"One of the things we've really been trying to address is lack of patient access," said HICIA Executive Director Randy Gonc.

The industry group is

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BY THE NUMBERS

Hawaii's medical cannabis program

34,125

Registered medical cannabis patients

2,764

Registered caregivers

963

Out-of-state patients

8

Dispensary licensees

18

Dispensary outlets

\$50M

Estimated 2021 gross sales

Source: Hawaii DOH, Hawaii Cannabis Industry Association



CINDY ELLEN RUSSELL / CRUSSELL@STARADVERTISER.COM

Cure Oahu is a Honolulu-based medical cannabis dispensary that opened its second location Thursday at Kapolei Village Center. The 2,200-square-foot dispensary features a lobby and dispensing area called The Garden. Above, a view of the lobby.



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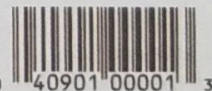
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CANNABIS

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proposing legislative changes that would expand geographic access by allowing up to three retail locations per licensee, with the possibility of two more with DOH approval.

Other changes recommended by HICIA would open the way for each licensee to operate up to three production centers, each limited to 5,000 plants, an increase from the current 3,000, with the possibility of an additional 2,500 plants with an OK from DOH.

The industry group also would like approval for wholesale transactions between licensees as "a supply chain safeguard should an individual licensee's crop fail or other production disruptions occur," the report says.

Another recommendation would redefine the term "medical cannabis production center" to include any series of structures located within the same secured property. Currently, for example, Gonce said two buildings — one for growing, the other for processing — on a single property count as the maximum two production centers.

The proposals are contained in House Bill 2260, introduced by Rep. Ryan Yamane (D, Mililani-Waipio Gentry-Waikele) and scheduled to be heard by the Committee on Health, Human Services and Homelessness at 9 a.m. Tuesday via videoconference.

DOH did not respond to Honolulu Star-Advertiser requests for comment on the measure or its medical cannabis program.

AT THE end of 2021, there were 34,125 registered medical cannabis patients in Hawaii, up from 13,150 in 2015, according to DOH statistics. Over that span an average of 3,450 new patients were registered annually.

Oahu had the highest number of registered patients at 16,231, followed by Hawaii island (8,961), Maui (6,572) and Kauai (2,332).

Patients may claim more than one "debilitating condi-



PHOTOS BY CINDY ELLEN RUSSELL / CRUSSELL@STARADVERTISER.COM

Cure Oahu customers can select from an array of locally grown, medical-grade cannabis products. Brandon Nielsen, left, assistant dispensary director, and dispensary store manager Monique Nuuanu stand in the dispensing area known as The Garden. At top, an overall view of the space.

tion" to qualify for medical cannabis, and "severe pain" was cited by 84% of patients, followed by post-traumatic stress disorder (16%), persistent muscle spasms (7%) and severe nausea or cancer (each at roughly 6%). Other conditions mentioned include glaucoma, rheumatoid arthritis, cachexia/wasting syndrome, seizures, HIV/AIDS, lupus, epilepsy, multiple sclerosis and ALS.

Fifty-eight percent of patients were male, and 42% were female, the latest data shows. The average age for male patients was 50.79, and for females, 49.1.

However, 10 of the registered patients were under the age of 10, with seizures the most commonly cited condition, and 40 were age 11 to 17. At the other end of the spectrum, 1,227 patients were age 76 or older, according to DOH data.

Hawaii began allowing medical cannabis registration for out-of-state patients in 2019, and at the end of 2021 there were 963 from 30 states and the District of Columbia.

An economic study prepared by Paul Brewbaker of TZ Economics that is included in the HICIA's "2022 Status of Hawaii Cannabis

Industry Report" says annual medical cannabis product sales leveled off at an estimated \$50 million in 2021, up from \$44 million in 2020 and just under \$18.2 million in 2018, the first full year of dispensary operations.

The study estimated the industry's economic impact in Hawaii in 2021 through "direct, indirect and induced economic activity" at \$99 million, and said dispensaries provided the state with \$2.25 million in general excise tax revenue and 781 jobs.

WHEN THE medical cannabis dispensary program began in 2016, winning the DOH lottery for a coveted license was seen by many as a "golden ticket," Gonce said. "But this is Year Five, and no dispensary has gotten to that place and it doesn't look like it's going to happen anytime soon with the current program."

The report says "a point of no return for some industry investors is approaching" in the face of large capital outlays, slowing growth in sales and patient registrations, and a heavy federal tax burden, namely IRS Section 280E, which prohibits dispensaries from writing off normal business expenses

since marijuana remains illegal under federal drug laws.

"There were years when some of our dispensaries didn't make any money but had to pay tons of taxes," Gonce said.

Ty Cheng, president of the Aloha Green Cannabis Collection, which began operations in 2017 and has three dispensaries on Oahu, said the report dispels "the perception that a medical cannabis dispensary license is a profitable business in Hawaii."

He said Aloha Green has yet to provide any return on investment to its initial investors "as we focus on reaching an economy of scale which allows us to compete against the illicit market. In the current regulatory regime, we forecast only a break-even scenario without repayment or dividends to investors until regulations change."

Cheng, board chairman of HICIA, also said that when the medical dispensary program was first launched, "Hawaii regulators were overly focused on product diversion, security and testing rather than patient access and product mix, which led to higher operating costs and an unsustainable business model."

"These security concerns were fueled by the historic

West Oahu region has large segment of registered medical cannabis patients

By Christie Wilson
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The growing West Oahu community now has its first medical cannabis dispensary with Thursday's opening of Cure Oahu's 2,200-square-foot facility in Kapolei.

The region is home to a large segment of the island's registered medical cannabis patients, according to state Department of Health data. Like Cure Oahu's first dispensary, at 727 Kapahulu Ave., the company's newest outlet, at Kapolei Village Center, sells locally grown cannabis products, educational materials and merchandise.

"We are excited to establish a safe and secure location on Oahu's west side for our customer's medical cannabis needs," Cure Oahu Dispensary Director George Bullock said in a statement.

'war on drugs' thinking and have not materialized in the Hawaii market. We welcome the regulators and legislators' refocus on patient access and product safety."

The legislative recommendations proposed by HICIA to ramp up medical cannabis production and sales also are important to help dispensaries compete with illicit cannabis dealers, according to Gonce.

The group's study says Hawaii dispensaries recorded about 13,000 monthly average unique patient encounters in 2021, meaning more than 20,000 other patients are either growing their own plants or, more likely, buying from the unregulated black market.

Gonce acknowledged that many patients choose that route because dispensary prices often are far more expensive, but for good reason.

"This medicine is of the highest, tested, regulated quality on the islands," he explained.

"Providing clients with expanded facilities across Oahu is extremely important to the growth of the industry."

Monique Nuuanu is store manager at the Kapolei dispensary, which features a lobby and dispensing area with electronic kiosks where clients can discuss their medical needs with customer specialists, according to a news release. Products include a selection of indica, sativa and hybrid strains, as well as lozenges, tinctures, oils and concentrates.

In accordance with DOH regulations, the secure facility is open only to patients with state-issued "329 cards" and a valid driver's license, state ID or passport. Hours are 10 a.m. to 7 p.m. Monday through Sunday.

Visit CureOahu.com for ordering and additional information.

As a registered patient himself, Gonce said, "I know for a fact that when I go to the dispensary, when I read the label, that it is exactly what it is and it's tested, and I know the exact dosage that I get."

But perhaps more critical to pricing, he said, is that restrictions on retail locations and plant counts are preventing licensees from reaching "economies of scale" that would put legitimate operations on a more competitive level with the black market, "which doesn't have a single dime in overhead costs. They don't have to build to code, they don't have to do a yearly audit — they don't have to do the things a dispensary does just to operate and to pay taxes and pay their employees."



DHHL

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who moved away, during the period because they couldn't afford to live here," Homelani Schaedel, a homestead resident in Kapolei, told both committees by videoconference. "It's time to give the Department of Hawaiian Home Lands the resources it needs to fulfill its fiduciary duty."

Marie Eckart, a single parent, said she has been

waiting since 1975 for a homestead and that her mother died in 1996 waiting.

According to an analysis by the Honolulu Star-Advertiser and ProPublica, more than 2,000 DHHL beneficiaries have died while on the homestead wait-list.

"Please don't let another homestead waitlist Hawaiian die waiting," Eckart said in written testimony.

Many testifiers called the proposed funding for DHHL long overdue and a trigger for generational change.

In 2021 Hawaii lawmakers appropriated a record \$78 million for DHHL to develop more than 700 homestead lots. The \$600 million proposal this year equals a sum the Legislature approved in 1995 as part of a settlement over state obligations to the program, though the \$600 million settlement was paid out over 20 years.

DHHL Director William J. Aila Jr. said in written testimony that it would take at least a century to meet the needs of all beneficiaries if

funding remains at current levels and that he strongly supports the proposed extra funding.

Even with a \$600 million boost, DHHL would still have a huge unmet need, given that the agency estimates the cost to develop enough lots on its land for all beneficiaries is at least \$6 billion, based on a conservative per-lot estimate of over \$150,000. At that price 4,000 lots could be developed with \$600 million.

Under DHHL's homestead

program, beneficiaries receive 99-year land leases for \$1 a year but have to pay for or build their own homes.

DHHL beneficiary Cheri Richards said in written testimony on SB 3359 that she hopes to receive a homestead after being on the agency's wait-list since 1986.

"PLEASE do what is PONO and way overdue," she said.

Both DHHL funding bills are headed next to financial oversight committees: the Senate Ways and Means Committee and House

Finance Committee.

The Senate bill was amended to remove the dollar amount of funding as a customary change in deference to the financial oversight committee, according to Sen. Maile Shimabukuro, chairwoman of the Senate Committee on Hawaiian Affairs.

Shimabukuro (D, Kalaeloa-Waianae-Makaha) was among the bill's introducers, and said after the committee's decision, "Our intent is definitely to provide DHHL with the \$600 million."