

STATE OF HAWAII
DEPARTMENT OF AGRICULTURE
AGRICULTURAL RESOURCE MANAGEMENT DIVISION
HONOLULU, HAWAII 96814

October 26, 2021

Board of Agriculture
Honolulu, Hawaii

Subject: RESUBMITTAL REQUEST FOR ACCEPTANCE OF ANNUAL LEASE RENTS AS DETERMINED BY INDEPENDENT APPRAISAL FOR RENT REOPENINGS, LEASE CONVERSIONS, LEASE EXTENSIONS, AND NEW LEASES FOR VARIOUS LOTS LOCATED STATEWIDE; TMK NOS.: (1) 4-1-008:071, 072 por; (1) 4-1-018:049; (1) 4-1-027:027; (1) 4-1-035:001, 002, 004, 005, 006, 007, 008, 009, 011, 013, 014; (2) 2-2-004:001, 002, 029, 031, 066; (2) 2-2-005:047, 053; (3) 2-2-056:027, 028, 029, 030, 032, 033, 034, 035, 036, 037, 038, 039, 040, 041, 042, 043, 044, 045; (3) 5-5-003:004, 005, 006, 5-5-005:001, 5-5-006:002, 003, 004, 015; (3) 7-3-049:002, 003, 005, 007, 008, 009, 010, 011, 012

Authority: Sections 166-9 and 166E-6, Hawaii Revised Statutes (HRS), and Sections 4-153-3(b)(10) and 18, and Sections 4-158-2(a)(11) and 21, Hawaii Administrative Rules (HAR)

Lease: Various listed in Exhibit "A"

Lessee: Various

Land Status: Properties set aside to the Department of Agriculture by various Governor's Executive Orders

Character of Use: Various

REMARKS:

Pursuant to the provisions of sections 4-153-3(b)(10) and 18, 4-158-2(a)(11) and 21, and 4-158-8(b)(1), HAR, the Board of Agriculture (Board) is required to establish and approve annual lease rentals by independent appraisal for issuance of new leases, extensions of leases, and reopenings of base and additional rentals for existing leases in the Agricultural Park and Non-Agricultural Lands programs.

The Department of Agriculture contracted ACM Consultants, Inc. to determine the fair market rents of various Agricultural Park and Non-Agricultural Park Lands leases for rents reopened on various dates, lease conversions, and dispositions of new leases. ACM Consultants,

Al

Inc. recently completed the appraisal reports and the new lease rents are presented in the table attached as Exhibit "A."

Staff believes the new rental rates are fair and reflect the current market conditions for the agricultural leases. Accordingly, staff recommends that the Board accept the new rental values as determined by ACM Consultants, Inc.

RECOMMENDATION:

That the Board accept the fair market rentals for the various Agricultural Park and Non-Agricultural Park Lands leases as listed in Exhibit "A." The new rental rates will take effect upon the stated rent reopening dates or upon issuance of a new lease, as may be appropriate for each lease. Any reopened rental for which the current rate exceeds the appraised rate shall remain at the current rate.

Respectfully submitted,



BRIAN KAU, P.E.
Administrator & Chief Engineer
Agricultural Resource Management Division

ATTACHMENT: EXHIBIT "A"

APPROVED FOR SUBMISSION:


PHYLLIS SHIMABUKURO-GEISER
Chairperson, Board of Agriculture

Exhibit "A"

SUMMARY OF VALUE CONCLUSIONS

Board of Agriculture October 26, 2021

Parcel TMK	Lease No.	Program	Gross Acres	Appraised Fair Market Rental	% Rent on Gross Proceeds	PURPOSE
------------	-----------	---------	-------------	------------------------------	--------------------------	---------

ISLAND OF OAHU

(1) 4-1-008:071, 072 por	RP-7889	Non-Ag Park	14.387	\$22,313.00	1.5%	conversion
(1) 4-1-018:049	RP-7713	Non-Ag Park	0.800	\$25.00	0.0%	conversion
(1) 4-1-027:027	S-3768	Non-Ag Park	6.836	\$12,570.00	1.5%	conversion
(1) 4-1-035:001	S-4922	Ag Park	11.432	\$13,658.00	1.5%	extension
(1) 4-1-035:002	S-4923	Ag Park	6.148	\$9,608.00	1.5%	extension
(1) 4-1-035:004	S-4925	Ag Park	10.171	\$14,145.00	1.5%	extension
(1) 4-1-035:005	S-4926	Ag Park	10.027	\$12,713.00	1.5%	extension
(1) 4-1-035:006	S-4927	Ag Park	10.209	\$13,350.00	1.5%	extension
(1) 4-1-035:007	S-4928	Ag Park	9.983	\$12,735.00	1.5%	extension
(1) 4-1-035:008	S-4929	Ag Park	10.052	\$10,718.00	1.5%	reopening
(1) 4-1-035:009	S-4930	Ag Park	9.250	\$14,550.00	1.5%	extension
(1) 4-1-035:011	S-4932	Ag Park	7.289	\$10,215.00	1.5%	extension
(1) 4-1-035:013	S-4934	Ag Park	7.164	\$9,473.00	1.5%	extension
(1) 4-1-035:014	S-4935	Ag Park	4.665	\$6,923.00	1.5%	disposition

ISLAND OF MAUI

(2) 2-2-004:001		Non-Ag Park	22.000	\$180.00	0.0%	disposition
(2) 2-2-004:002		Non-Ag Park	13.000	\$100.00	0.0%	disposition
(2) 2-2-004:029		Non-Ag Park	20.980	\$170.00	0.0%	disposition
(2) 2-2-004:031		Non-Ag Park	139.280	\$1,120.00	0.0%	disposition
(2) 2-2-004:066		Non-Ag Park	149.030	\$1,175.00	0.0%	disposition
(2) 2-2-005:047		Non-Ag Park	19.100	\$310.00	0.0%	disposition
(2) 2-2-005:053		Non-Ag Park	223.290	\$1,790.00	0.0%	disposition

Exhibit "A"

SUMMARY OF VALUE CONCLUSIONS

Board of Agriculture October 26, 2021

Parcel TMK	Lease No.	Program	Gross Acres	Appraised Fair Market Rental	% Rent on Gross Proceeds	PURPOSE
------------	-----------	---------	-------------	------------------------------	--------------------------	---------

ISLAND OF HAWAII

(3) 2-2-056:027	S-4748	Ag Park	10.033	\$4,100.00	1.5%	reopening
(3) 2-2-056:028	S-4749	Ag Park	10.191	\$4,120.00	1.5%	reopening
(3) 2-2-056:029	S-4750	Ag Park	10.052	\$4,110.00	1.5%	reopening
(3) 2-2-056:030	S-4751	Ag Park	10.112	\$4,120.00	1.5%	reopening
(3) 2-2-056:032	S-4753	Ag Park	10.212	\$4,120.00	1.5%	reopening
(3) 2-2-056:033	S-4754	Ag Park	10.170	\$4,120.00	1.5%	disposition
(3) 2-2-056:034	S-4755	Ag Park	10.083	\$4,110.00	1.5%	reopening
(3) 2-2-056:035	S-4756	Ag Park	10.021	\$4,090.00	1.5%	reopening
(3) 2-2-056:036	S-4757	Ag Park	10.042	\$4,100.00	1.5%	reopening
(3) 2-2-056:037	S-4758	Ag Park	20.065	\$5,510.00	1.5%	reopening
(3) 2-2-056:038	S-4759	Ag Park	20.016	\$5,500.00	1.5%	reopening
(3) 2-2-056:039	S-4760	Ag Park	18.698	\$5,360.00	1.5%	reopening
(3) 2-2-056:040	S-4761	Ag Park	20.099	\$5,520.00	1.5%	reopening
(3) 2-2-056:041	S-4762	Ag Park	20.650	\$5,570.00	1.5%	reopening
(3) 2-2-056:042	S-4763	Ag Park	20.025	\$5,500.00	1.5%	reopening
(3) 2-2-056:043	S-4764	Ag Park	10.003	\$4,090.00	1.5%	reopening
(3) 2-2-056:044	S-4765	Ag Park	10.087	\$4,110.00	1.5%	reopening
(3) 2-2-056:045	S-4766	Ag Park	10.030	\$4,100.00	1.5%	reopening
(3) 5-5-003:004, 005, 006, (3) 5-5-005:001, (3) 5-5-006:002, 003, 004, 015	S-6024	Non-Ag Park	879.549	\$31,390.00	0.0%	reopening
(3) 7-3-049:002	S-4681	Ag Park	4.551	\$2,890.00	1.5%	reopening
(3) 7-3-049:003	S-4682	Ag Park	5.007	\$3,310.00	1.5%	reopening
(3) 7-3-049:005	S-4684	Ag Park	6.023	\$3,580.00	1.5%	reopening
(3) 7-3-049:007	S-4686	Ag Park	5.047	\$3,130.00	1.5%	reopening
(3) 7-3-049:008	S-4687	Ag Park	4.758	\$2,990.00	1.5%	reopening
(3) 7-3-049:009	S-4688	Ag Park	8.164	\$4,520.00	1.5%	reopening
(3) 7-3-049:010	S-4689	Ag Park	5.061	\$3,140.00	1.5%	reopening
(3) 7-3-049:011	S-4690	Ag Park	4.758	\$2,990.00	1.5%	reopening
(3) 7-3-049:012	S-4691	Ag Park	5.047	\$3,130.00	1.5%	reopening

AO

Exhibit "A" Waimanalo, Island of Oahu

(1) 4-1-018:049



TAXATION MAPS BUREAU	
TERRITORY OF HAWAII	
TAX MAP	
ZONE	PLAT
4	1 18
CONTAINING PARCELS	
SCALE: 1 IN. = 100 FT.	

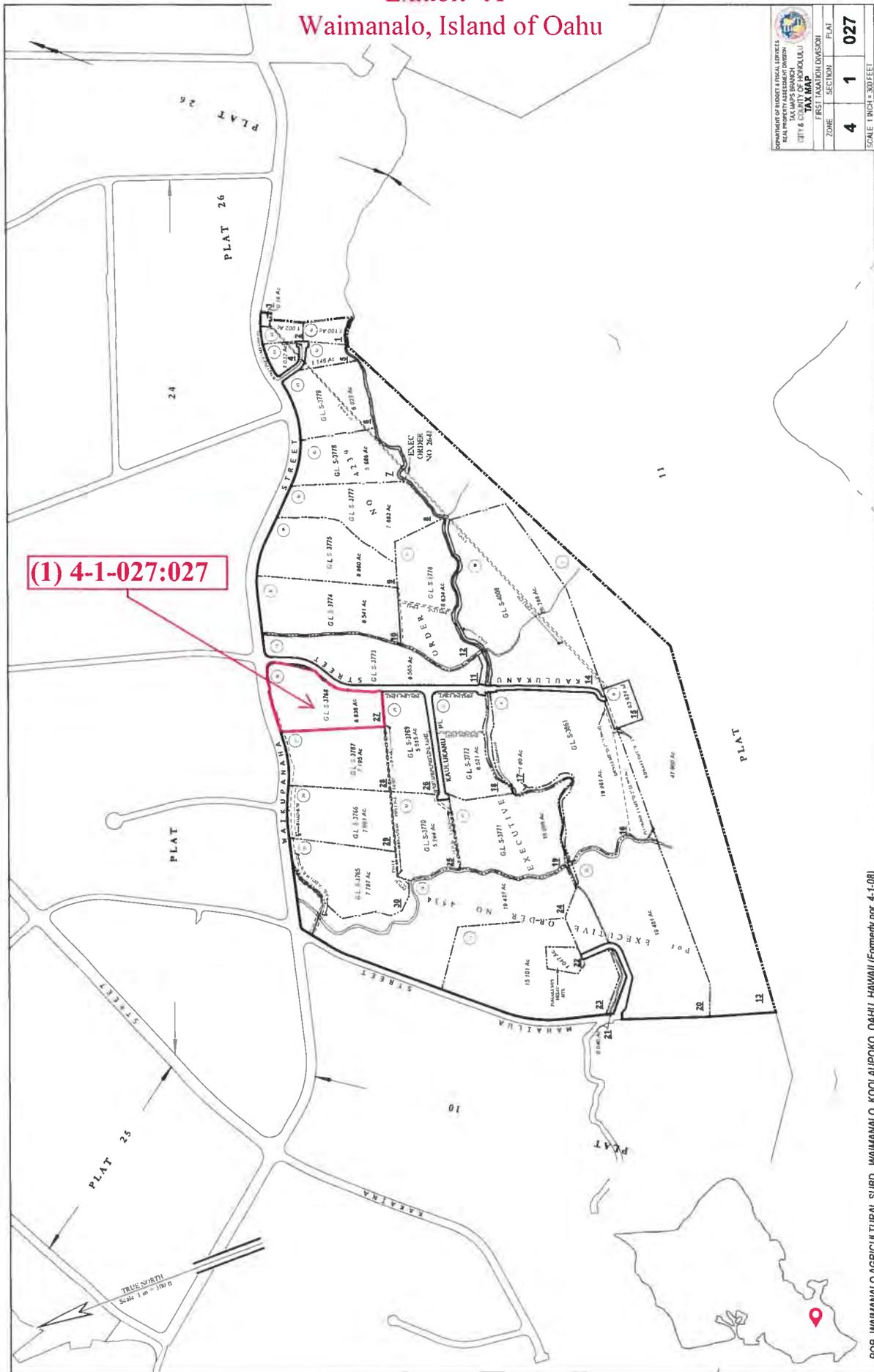
All lots owned by Waimanalo
 unless otherwise noted

SUBJECT TO CHANGE

Map No. 4-1-18
 Date: January 1937
 Source: H. L. S. Co.

Exhibit "A"

Waimanalo, Island of Oahu



(1) 4-1-027:027

DEPARTMENT OF BUDGET & FINANCIAL SERVICES REAL PROPERTY VALUATION DIVISION TAX MAPS BRANCH CITY & COUNTY OF HONOLULU HAWAII			
ZONE	SECTION	PLAT	
4	1	027	
SCALE: 1 INCH = 300 FEET			

POR, WAIMANALO AGRICULTURAL SUBD., WAIMANALO, KOOLAUPOKO, OAHU, HAWAII (Formerly por 4-1-08)

A7

Exhibit "A"
Kula, Makawao,
Island of Maui

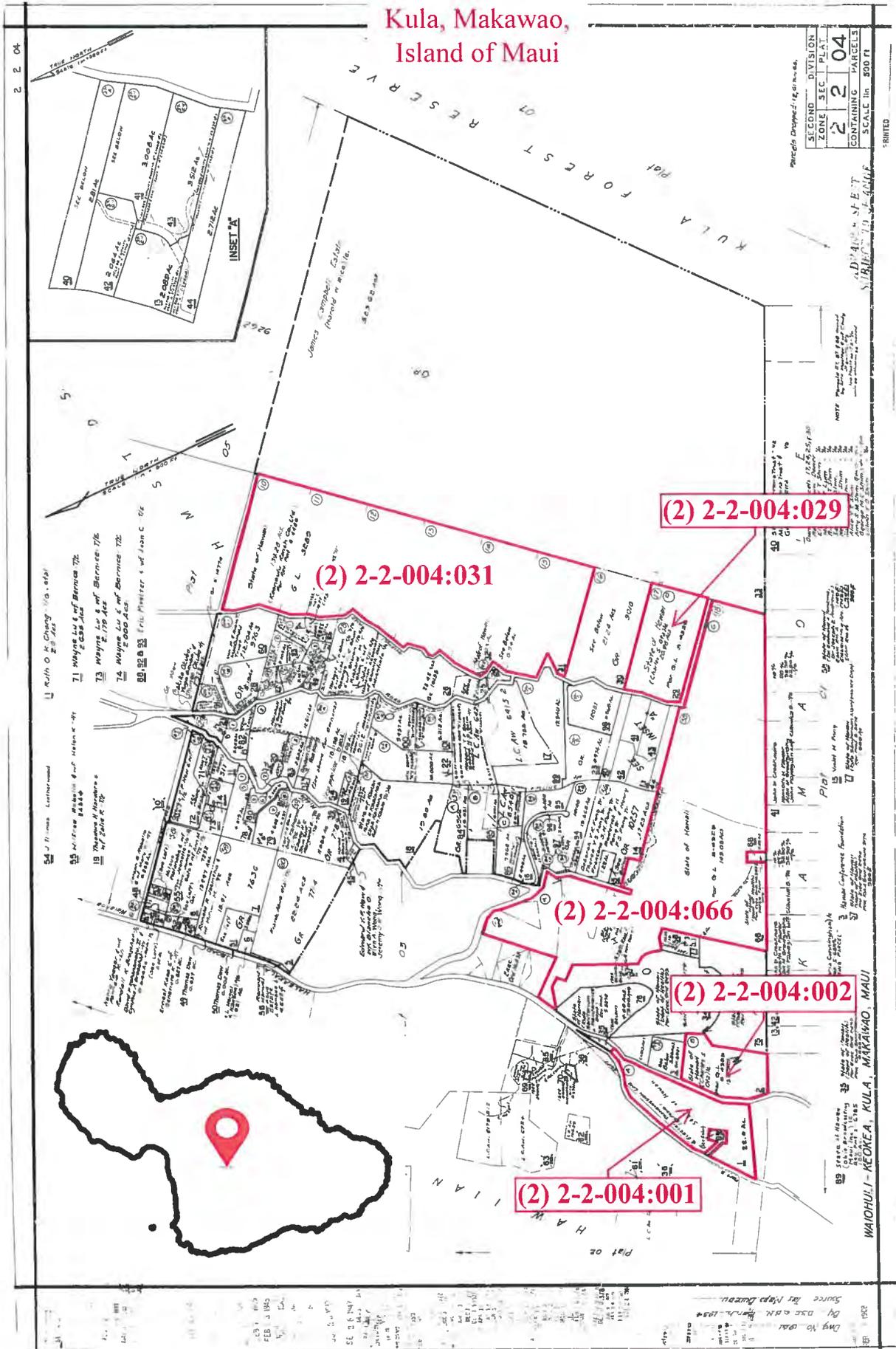
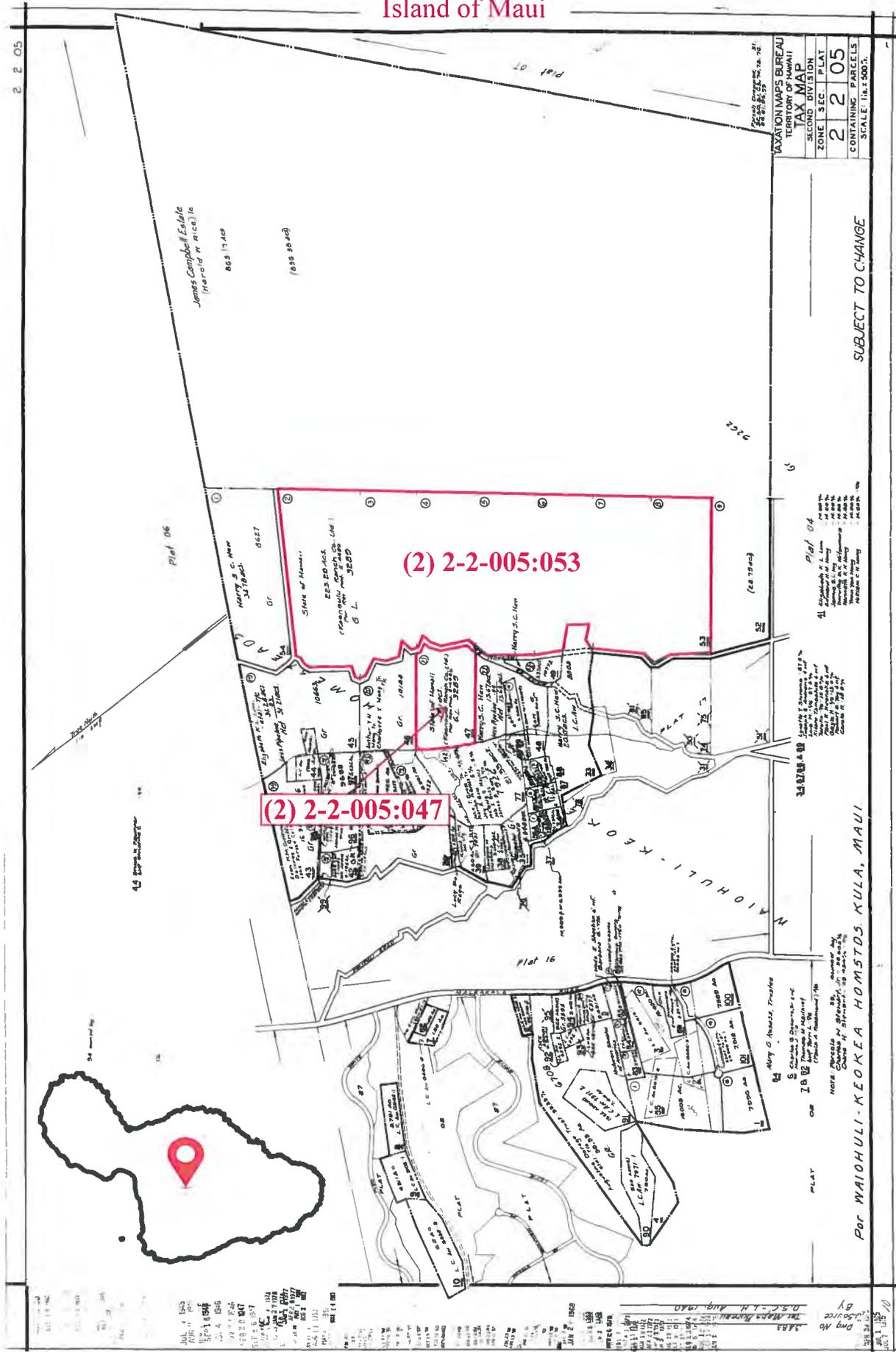


Exhibit "A"
Kula, Makawao,
Island of Maui

A10



TAXATION MAPS BUREAU
TERRITORY OF HAWAII
SECOND CLASS PLAT
ZONE 13 EC PLAT
2 2 05
CONTAINING PARCELS
SCALE: 1 in. = 500'

SUBJECT TO CHANGE

(2) 2-2-005:047

(2) 2-2-005:053



2 2 05

9120

(48 7240)

53

52

51

50

49

48

47

46

45

44

43

42

41

40

39

38

37

36

35

34

33

32

31

30

29

28

27

26

25

24

23

22

21

20

19

18

17

16

15

14

13

12

11

10

9

8

7

6

5

4

3

2

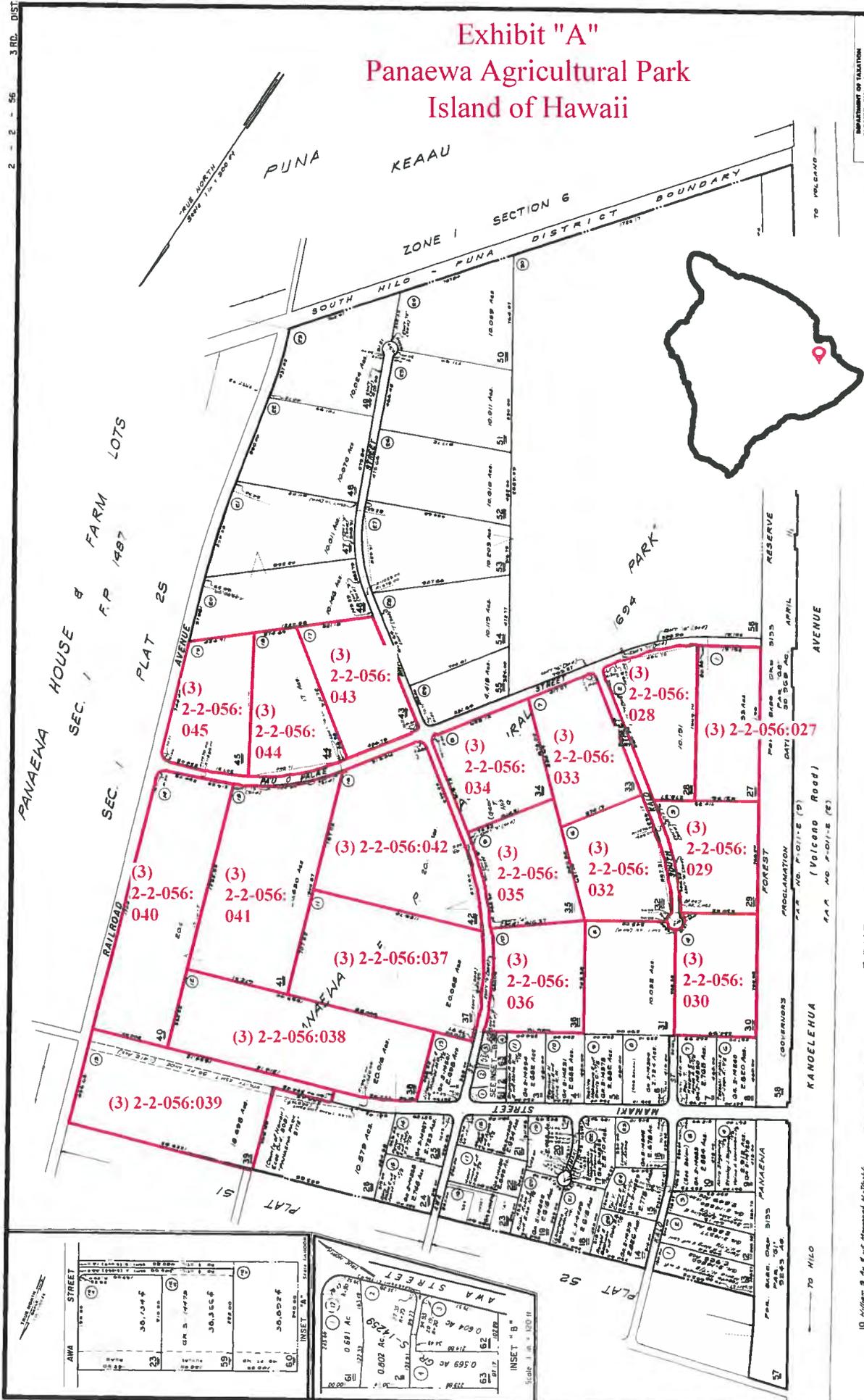
1

Exhibit "A"

Panaewa Agricultural Park Island of Hawaii

DEPARTMENT OF LAND AND NATURAL RESOURCES	2	2	56
PROPERTY INFORMATION DIVISION			
TAX MAPS BRANCH			
TAX MAP			
ZONE	2	2	56
PLAT			

VT PURPOSES
NOE

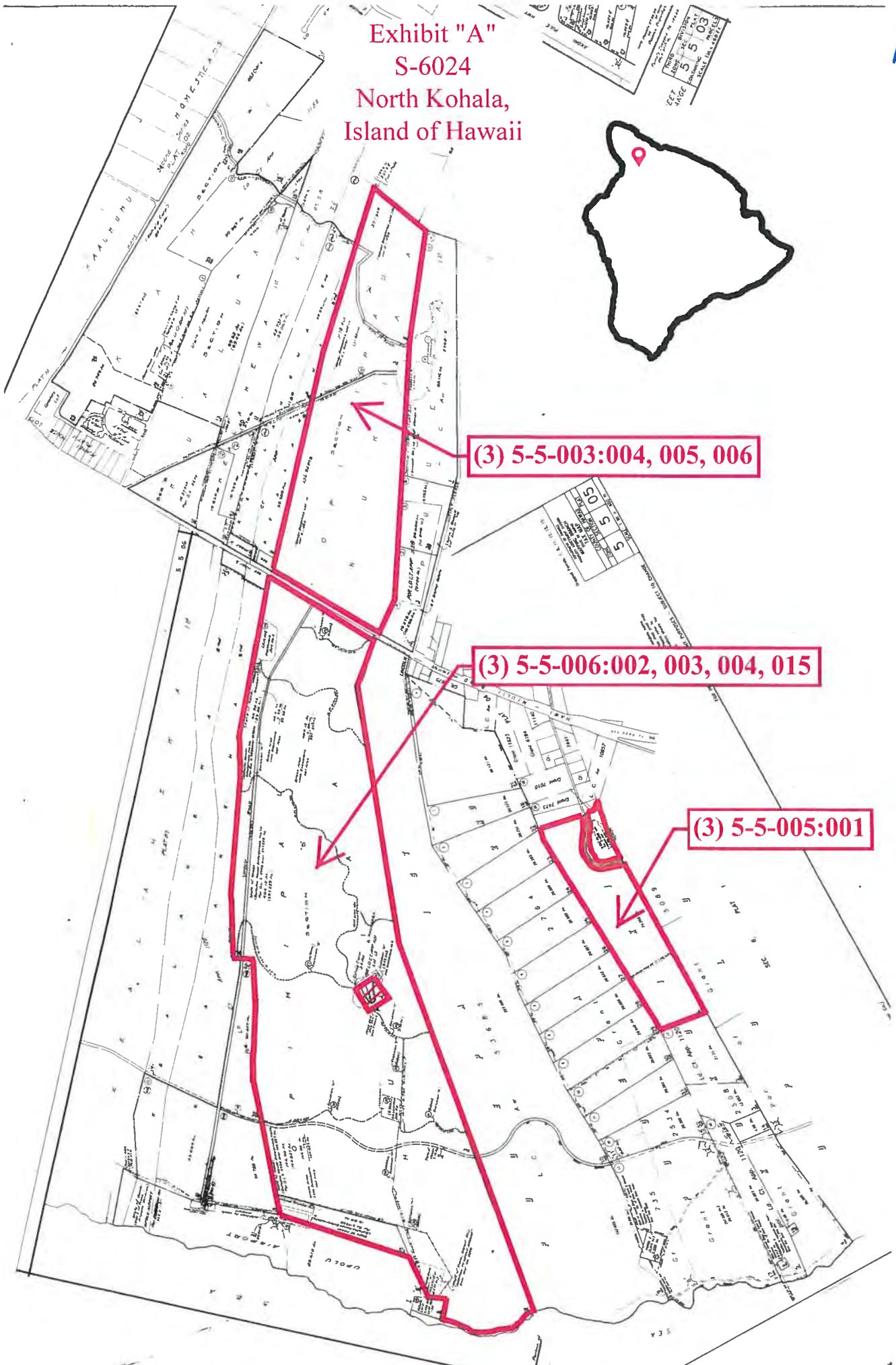


19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60
61
62
63
64
65
66
67
68
69
70
71
72
73
74
75
76
77
78
79
80
81
82
83
84
85
86
87
88
89
90
91
92
93
94
95
96
97
98
99
100

All

Exhibit "A"
S-6024
North Kohala,
Island of Hawaii

A12



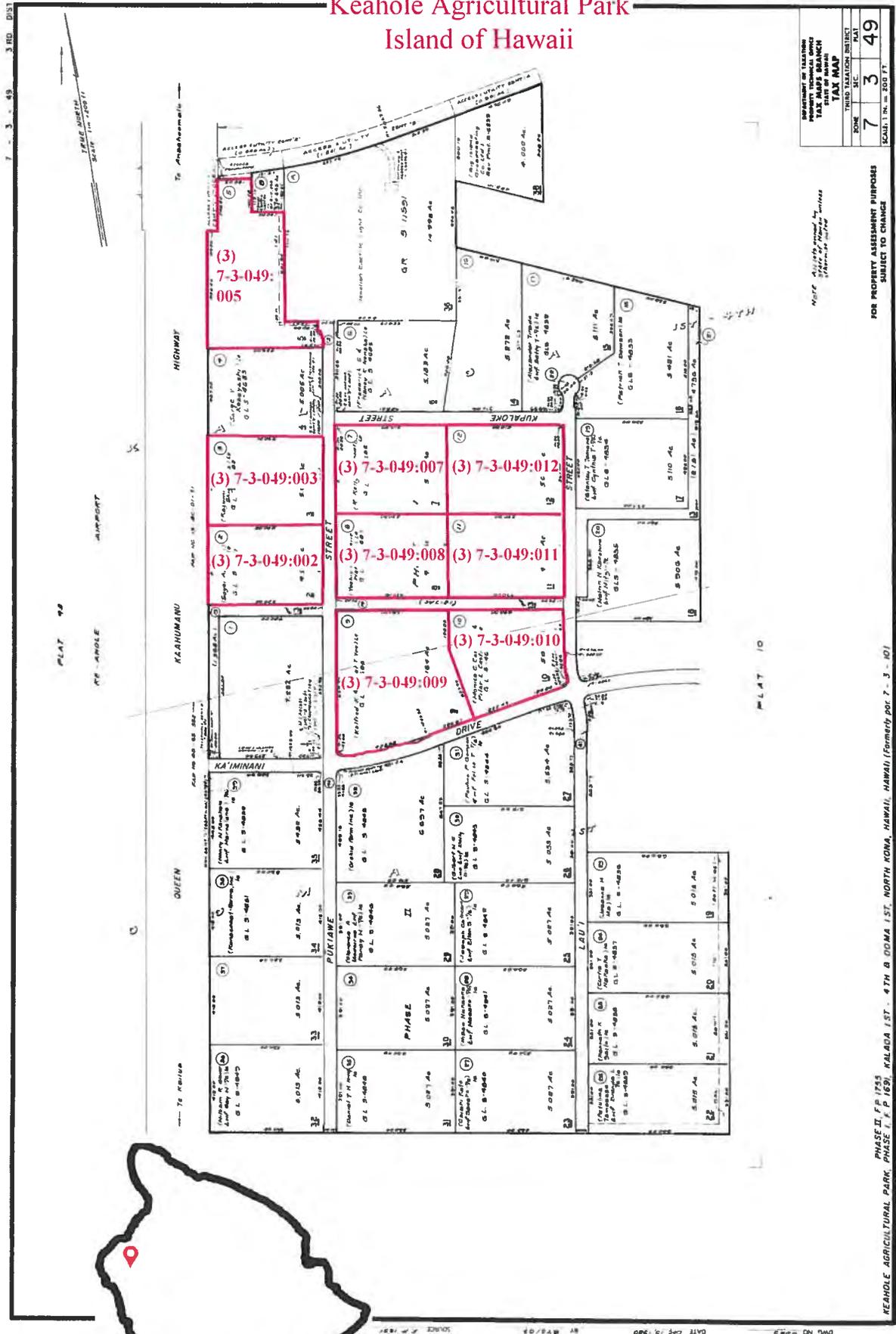
(3) 5-5-003:004, 005, 006

(3) 5-5-006:002, 003, 004, 015

(3) 5-5-005:001

Exhibit "A"

Keahole Agricultural Park Island of Hawaii



DEPARTMENT OF TAXATION HAWAIIAN TERRITORY TAX MAPS BRANCH STATE OF HAWAII			
TAX MAP			
7	3	49	
7	3	49	

NOTE: All other parcels shown on this map are subject to change.

FOR PROPERTY ASSESSMENT PURPOSES
SUBJECT TO CHANGE

PHASE II, P.P. 1753
KEAHOLE AGRICULTURAL PARK, PHASE I, P.P. 1691, KALADA 1ST - 4TH B, DOONA 1ST, NORTH KONA, HAWAII, (Formerly p.p. 7 - 3 - 101)

A13

STATE OF HAWAII
DEPARTMENT OF AGRICULTURE
AGRICULTURAL RESOURCE MANAGEMENT DIVISION
HONOLULU, HAWAII

October 26, 2021

Board of Agriculture
Honolulu, Hawaii

Subject: REQUEST FOR CONSENT TO ASSIGNMENT OF GENERAL LEASE NO. S-3764; HAWAIIAN FLORAL NURSERY, LLC, LESSEE/ASSIGNOR, TO SCOTLAND C. WILLSON, ASSIGNEE; TMK: (1) 4-1-010-008, KOOLAUPOKO, WAIMANALO, ISLAND OF OAHU, HAWAII

Authority: Section 166E-6, Hawaii Revised Statutes (HRS), and Sections 4-158-2(a)(9) and 4-158-19(a)(4)(A), Hawaii Administrative Rules (HAR)

Lessee/Assignor: Hawaiian Floral Nursery, LLC

Assignee: Scotland C. Willson

Land Area: 3.228 gross acres

Tax Map Key: (1) 4-1-010:008 (see Exhibit "A")

Land Status: Encumbered by Governor's Executive Order No. 4257 to the Department of Agriculture for Non-Agricultural Park Lands purposes

Lease Term: 35 years, 1/1/2013 to 12/31/2048

Annual Rental: \$3,600.00 per year until reopening on January 1, 2023

Additional Rent: 1.5 % of the gross revenue

Permitted Use: Diversified agriculture purposes

Consideration: \$500,000.00

A14

BACKGROUND:

The subject lease was awarded to Evergreen Nurseries, Inc. by the Board of Land and Natural Resources effective December 2, 1963 by way of public auction. In June 1993, the lease was assigned to Sugita Enterprises, Ltd. which continued to utilize the property for nursery purposes. In 1993 and 2004, Lessee requested and was granted two, 10-year extensions of the lease term to qualify for lending purposes, which proceeds were used to rehabilitate a farm dwelling and shadehouses on the property.

In 2008, the lease was transferred to the Department of Agriculture for management by Governor's Executive Order No. 4257. On November 27, 2012, the Board of Agriculture approved the Lessee's request to assign General Lease No. S-3764 to Hawaiian Floral Nursery, LLC (Uriah Dombrowski, member) and to convert the lease to a new 35-year term commencing January 1, 2013 to December 31, 2048.

In 2014, Uriah Dombrowski notified the Department of Agriculture that due to illness he intended to assign his leasehold interest. In June 2015, an agreement of sale contract was signed with Scotland Willson who continued to operate Hawaiian Floral Nursery, LLC. Mr. Dombrowski passed away in 2020 and his estate requests to conclude the Agreement of Sale and assign the leasehold intent to Mr. Willson, Assignee, pursuant to Section 4-158-19(a)(4)(A), HAR.

Pursuant to Sections 4-158-1 and 27, HAR, Scotland Willson qualifies as a bona fide farmer with more than two years of full-time nursery experience and meets residency eligibility requirements.

There is a consideration of \$500,000.00 for the assignment of lease. In accordance with Exhibit "C" ASSIGNMENT OF LEASE EVALUATION POLICY of General Lease No. S-3764, any net proceeds are subject to a Premium Percentage charge benefiting the Lessor. Calculations in accordance with this provision net \$0.00 to the Lessor (see Exhibit "B").

RECOMMENDATION:

That the Board of Agriculture consent to the assignment of General Lease No. S-3764 from Hawaiian Floral Nursery, LLC, Lessee/Assignor, to Scotland C. Willson, Assignee, pursuant to Section 4-158-2(a)(9), HAR, and approve the consideration amount of \$500,00.00 for Assignment of General Lease No. S-3764 to be paid by the Assignee. All documents shall be subject to the review and approval as to form by the Department of the Attorney General, and such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully submitted,



BRIAN KAU, P.E.
Administrator and Chief Engineer
Agricultural Resource Management Division

Attachments – Exhibits “A” and “B”

APPROVED FOR SUBMISSION:


PHYLLIS SHIMABUKURO-GEISER
Chairperson, Board of Agriculture

EXHIBIT "B"

ASSIGNMENT OF LEASE CALCULATIONS FOR
GENERAL LEASE NO. S-3764

Adjusted Depreciation Cost of Improvements or Renovations

Total Consideration:	\$ 500,000.00
Less Inventory:	<u>\$793,949.00</u>
Net Consideration:	\$ (293,949.00)

Actual Cost:	\$0.00
CCI (most recent):	n/a
CCI (base):	n/a
Expired Term:	106
Whole Term:	420

1. Adjusted Cost of Improvements or Renovations:

Actual Cost x CCI (most recent)/CCI (Base)

CCI (recent) n/a

CCI (base) n/a

CCIR/CCIB

Actual Cost x CCI(R)/CCI(B) =

\$0.00 0.00 \$0.00

2. Depreciation:

Adjust. Cost Impr./Whole Term x Expired Term =

\$0.00 420 106 \$0.00

3. Adjusted Depreciated Cost of Improvements:

Adjust cost - Depreciated cost =

\$ - \$ - \$ -

1. TOTAL NET CONSIDERATION		\$ (293,949.00)
2. Adj Cost of Imp/Renov	\$ -	
	\$ -	\$ -
3. Adj. cost of Trade Fixtures	\$ -	
	\$ -	
4. Excess		\$0.00
5. Premium	Percentage: 40%	\$0.00

STATE OF HAWAII
DEPARTMENT OF AGRICULTURE
AGRICULTURAL RESOURCE MANAGEMENT DIVISION
HONOLULU, HAWAII

October 26, 2021

Board of Agriculture
Honolulu, Hawaii

Subject: REQUEST FOR APPROVAL OF EXTENSION OF LEASE AND
CONSENT TO ASSIGNMENT OF GENERAL LEASE NO. S-4008;
WALTER FOOK LOY CHONG, TRUSTEE, AND EVELYN MEU
LANG CHONG, TRUSTEE, LESSEE/ASSIGNOR, TO SUSTAINABLE
IDEATION, LLC, ASSIGNEE; TMK: (1) 4-1-027:014, KOOLAUPOKO,
WAIMANALO, ISLAND OF OAHU, HAWAII

Authority: Sections 166E-5 and 166E-6, Hawaii Revised Statutes (HRS), and
Sections 4-158-2(a)(9), 4-158-9, 10, 11 and 12, and 4-158-19(a)(4)(A),
Hawaii Administrative Rules (HAR)

Lessee/Assignor: Walter Fook Loy Chong, As Trustee Under That Certain Unrecorded Walter
Fook Loy Chong Self Trusteed Trust Dated November 22, 1991, and Evelyn
Meu Lang Chong, As Trustee Under That Certain Unrecorded Evelyn Meu
Lang Chong Self Trusteed Trust Dated November 22, 1991

Assignee: Sustainable Ideation, LLC

Land Area: Approximately 20.395 acres

Tax Map Key: (1) 4-1-027:014 (see Exhibit "A")

Land Status: Encumbered by Governor's Executive Order No. 4535, dated August 29,
2017, to the Department of Agriculture for Non-Agricultural Park Lands
purposes

Annual Rental: \$12,900.00 per year

Character of Use: Diversified Agriculture

Lease Term: 56 years, September 12, 1966 to March 11, 2022

Consideration: None

A19

REMARKS:

General Lease No. S-4008 was awarded to Walter F. L. Chong and Evelyn Z. Chong in 1966 by the Board of Land and Natural Resources. In 1992 the lease was assigned to Walter Fook Loy Chong, As Trustee Under That Certain Unrecorded Walter Fook Loy Chong Self Trusteed Trust Dated November 22, 1991, and Evelyn Meu Lang Chong, As Trustee Under That Certain Unrecorded Evelyn Meu Lang Chong Self Trusteed Trust Dated November 22, 1991. In 2017 General Lease No. S-4008 was set aside and transferred to the Department of Agriculture by Governor’s Executive Order No. 4535.

In 2017 the premises was in extremely poor condition as Mr. Chong passed away in 2015 and Mrs. Chong had been unable to farm due to deteriorating health. Malia Smith, member of Sustainable Ideation, LLC, and her husband Kevin Vaccarello entered into an agreement with the Lessee to restore and develop the premises to be in compliance with the lease provisions. Ms. Smith and Mr. Vaccarello invested a tremendous amount of time, effort and finances clearing the overgrown land, hauling debris, and planting banana, avocado, coconut, papaya, breadfruit, taro, kale, eggplant, mango, jabong, lime, and various herbs. The products are sold to their restaurant ‘Ai Love Nalo, farmer’s markets, and food programs.

Evelyn Chong passed away this year, and Robert Chong, as trustee of his late parents’ trusts, is requesting to extend the term of the lease for an additional nine years to the maximum 65-year term pursuant to Section 166E-5, HRS, and Sections 4-158-9, 10, 11, and 12, HAR. The lease term may be extended commencing March 12, 2022 through September 11, 2031. The requirements of the above referenced sections state, in pertinent parts, the following:

- The holder of an encumbrance shall be satisfactorily performing in full compliance with the terms and conditions of the existing lease.
- The holder of the encumbrance shall not be in arrears in the payment of taxes, rents, or other obligations owed to the State or any county.
- The holder of an encumbrance's agricultural activity or farming operation shall be fully and economically viable as specified in section 4-158-11.
- All extensions shall require the determination of the base rent and additional rents. The rental value shall be based on the appraisal conducted by a disinterested appraiser or appraisers contracted by the administrator. In no case shall the base annual rent of the existing encumbrance be reduced from its current rate.

Robert Chong also requests to assign the lease to Sustainable Ideation, LLC pursuant to Section 4-158-19(a)(4)(A), HAR. The lease may be assigned to Sustainable Ideation, LLC, which qualifies as an agricultural company with at least 75 percent of its members who qualify as bona fide farmers and meet residency eligibility requirements. Malia Smith, the sole member of Sustainable Ideation, LLC, qualifies as a bona fide farmer with more than two years of fulltime farming experience and meets the eligibility residency requirement commensurate with Section 4-158-1 and 27, HAR.

Board of Agriculture
October 26, 2021
Page 3

The Lessee is in good standing. An appraisal has been ordered by the Lessor for the purpose of determining the fair market annual base rental and additional rents for the extension period.

There is no consideration for the assignment of lease.

RECOMMENDATION:

That the Board of Agriculture approve the extension of General Lease No. S-4008 to expire September 11, 2031, and consent to the assignment of General Lease No. S-4008 from Walter Fook Loy Chong, Trustee and Evelyn Meu Lang Chong, Trustee, Lessee/Assignor, to Sustainable Ideation, LLC, Assignee. All documents shall be subject to review and approval as to form by the Department of the Attorney General, and such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully Submitted,



BRIAN KAU, P.E.
Administrator and Chief Engineer
Agricultural Resource Management Division

Attachments – Exhibit “A”

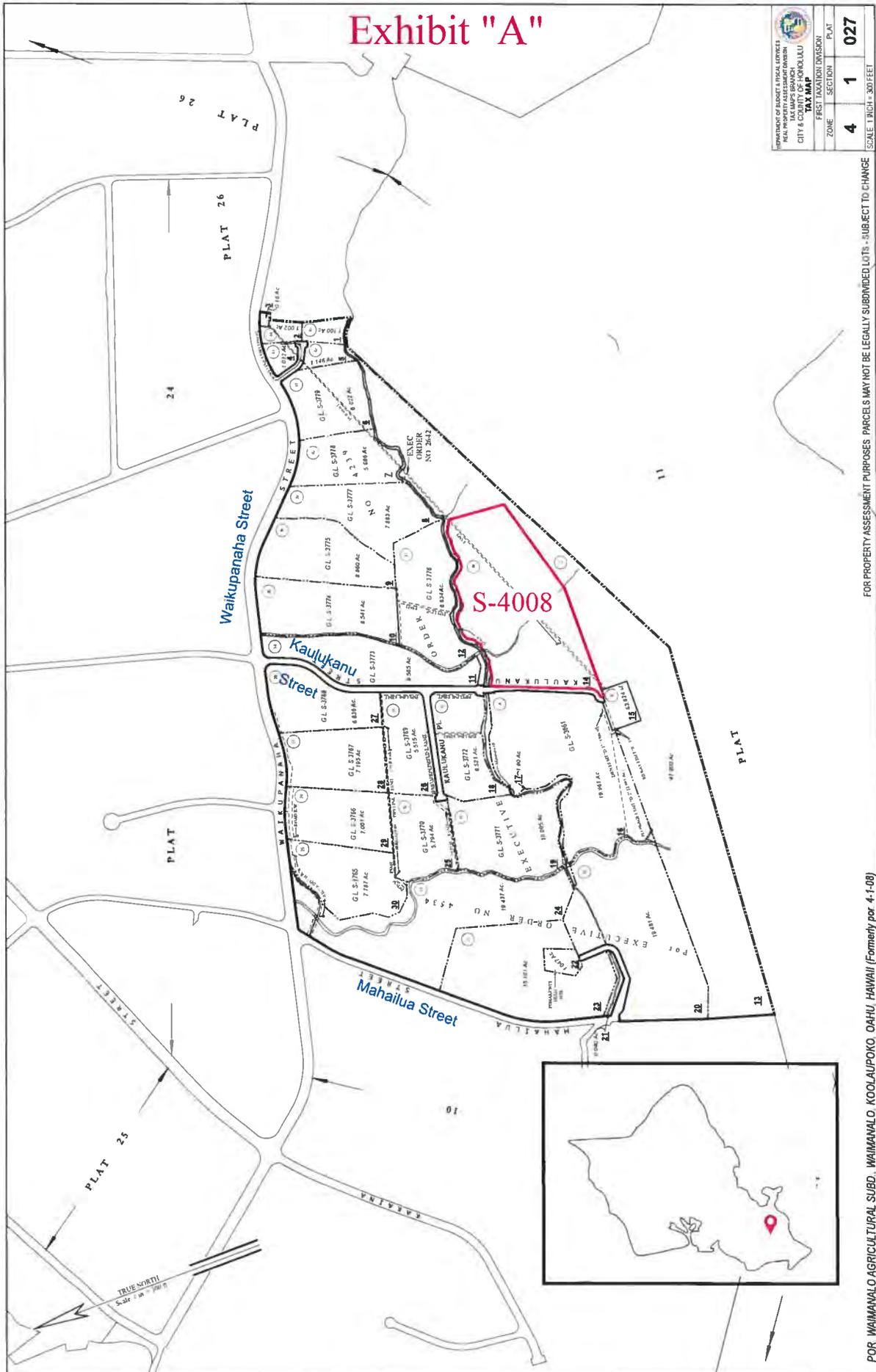
APPROVED FOR SUBMISSION:


PHYLLIS SHIMABUKURO-GEISER
Chairperson, Board of Agriculture

A21

Exhibit "A"

DEPARTMENT OF REVENUE - FISCAL SERVICES TAX MAPS BRANCH CITY & COUNTY OF HONOLULU TAX MAP			
ZONE	SECTION	PLAT	
4	1	027	
FIRST TAXATION DIVISION			
SCALE 1 INCH = 300 FEET			



FOR PROPERTY ASSESSMENT PURPOSES, PARCELS MAY NOT BE LEGALLY SUBDIVIDED LOTS - SUBJECT TO CHANGE.

POS. WAIMANALO AGRICULTURAL SUBD., WAIMANALO, KOOLAUPOKO, OAHU, HAWAII (Formerly par. 4-1-05)

A22

STATE OF HAWAII
DEPARTMENT OF AGRICULTURE
AGRICULTURAL RESOURCE MANAGEMENT DIVISION
HONOLULU, HAWAII

October 26, 2021

Board of Agriculture
Honolulu, Hawaii

Subject: REQUEST FOR CONSENT TO ASSIGNMENT OF GENERAL LEASE NO. S-5586; BIG ISLAND DAIRY, LLC, LESSEE/ASSIGNOR, TO HAWAII SECURE FOODS, LLC, ASSIGNEE; TMK: 3RD DIV/3-9-001:001 AND 002; 3RD DIV/3-9-002:007 AND 008; 3RD DIV/4-1-001:006 AND 3RD DIV/4-1-005:001, NORTH HILO, ISLAND OF HAWAII, HAWAII

Authority: Section 166E-3, Hawaii Revised Statutes, (HRS), Section 4-158-19(a)(4)(B), Hawaii Administrative Rules (HAR)

Lessee/Assignor: Big Island Dairy, LLC

Assignee: Hawaii Secure Foods, LLC

Land Area: Approximately 2,324.293 acres

Tax Map Key: 3rdDiv/3-9-001:001 (Exhibit "A")
3rdDiv/3-9-001:002
3rdDiv/3-9-002:007
3rdDiv/3-9-002:008
3rdDiv/4-1-001:006
3rdDiv/4-1-005:001

Lease Term: S-5586 – 50-years, June 5, 1998 through June 4, 2048

Land Status: Encumbered by Governor's Executive Order No. 4419, dated September 21, 2012 to the Department of Agriculture for non-agricultural park land purposes.

Annual Base Rent: \$57,645.00 (until 6/5/2028 re-opening)

Character of Use: Dairy and Allied Purposes

Consideration: \$969,538.88

A23

BACKGROUND:

General Lease S-5586 was originally awarded to Island Dairy Inc., effective June 5, 1998 by way of public auction. The subject lease was assigned from Island Dairy Inc. to Big Island Dairy, LLC with the approval of the Board of Land and Natural Resources at its meeting on November 10, 2011. This lease was transferred to the Department of Agriculture by Governor's Executive Order No. 4419, dated September 21, 2012.

In 2019, Big Island Dairy, LLC ceased dairy operations for financial reasons and have since been unable to viably resume business. Commensurate with Section 4-158-19(a)(4)(B), HAR, Big Island Dairy is requesting the assignment of General Lease S-5586 to Hawaii Secure Foods, LLC, due to extreme economic hardship. The assignment of lease will include improvements, trade fixtures, livestock, and milk quota.

Kees Kea, Malena Kea and Cornell Kea, general members of Hawaii Secure Foods, LLC, have a lifetime of involvement in the dairy and farming industry. Since December 16, 2019, the Kea's have owned and operated Dutch-Hawaiian Dairy Farms, LLC. Additionally, Kees and Malena Kea have been successful owners and operators of Mauna Kea Moo since 2008 located in O'okala Hawaii, where they raise Holstein cows and grow grass feed. They also owned and operated Paramount Dairy in Tillamook, Oregon from 1989 until 2013. Kees and Malena Kea have over 31 years of experience in the dairy industry.

Chad Buck is also a general member of Hawaii Secure Foods, LLC. However, he is a non-qualifying member.

Hawaii Secure Foods, LLC plans to operate an artisanal grass-fed dairy that will produce high quality products: fluid milk, butter and yogurt to support Hawaii's dairy needs and to provide additional food security and sustainability for the State of Hawaii. They also plan to grow feed for other local livestock producers.

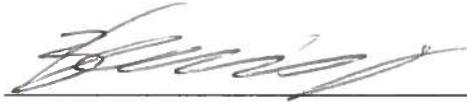
Hawaii Secure Foods, LLC qualifies as an agricultural company as seventy-five percent of its members qualify individually as bona fide farmers with more than two years of full-time farming experience and meets application and residency requirements in accordance with sections 4-158-1 and 27, HAR.

There is a consideration of \$969,538.88 for the assignment of lease. In accordance with Exhibit "C" ASSIGNMENT OF LEASE EVALUATION POLICY, of General Lease S-5586, any net proceeds are subject to a Premium Percentage charge benefiting the Lessor. Calculations in accordance with this provision net \$0.00 to the Lessor (see Exhibit "B").

RECOMMENDATION:

That the Board of Agriculture approve the assignment of lease from Big Island Dairy, LLC, Lessee/Assignor, to Hawaii Secure Foods, LLC, Assignee, under General Lease S-5586 and the consideration of \$969,538.88. All related documents are subject to the review and approval as to form by the Department of the Attorney General, and such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully submitted,



BRIAN KAU, P.E.
Administrator and Chief Engineer
Agricultural Resource Management Division

Attachments - Exhibits "A" and "B"

APPROVED FOR SUBMISSION:

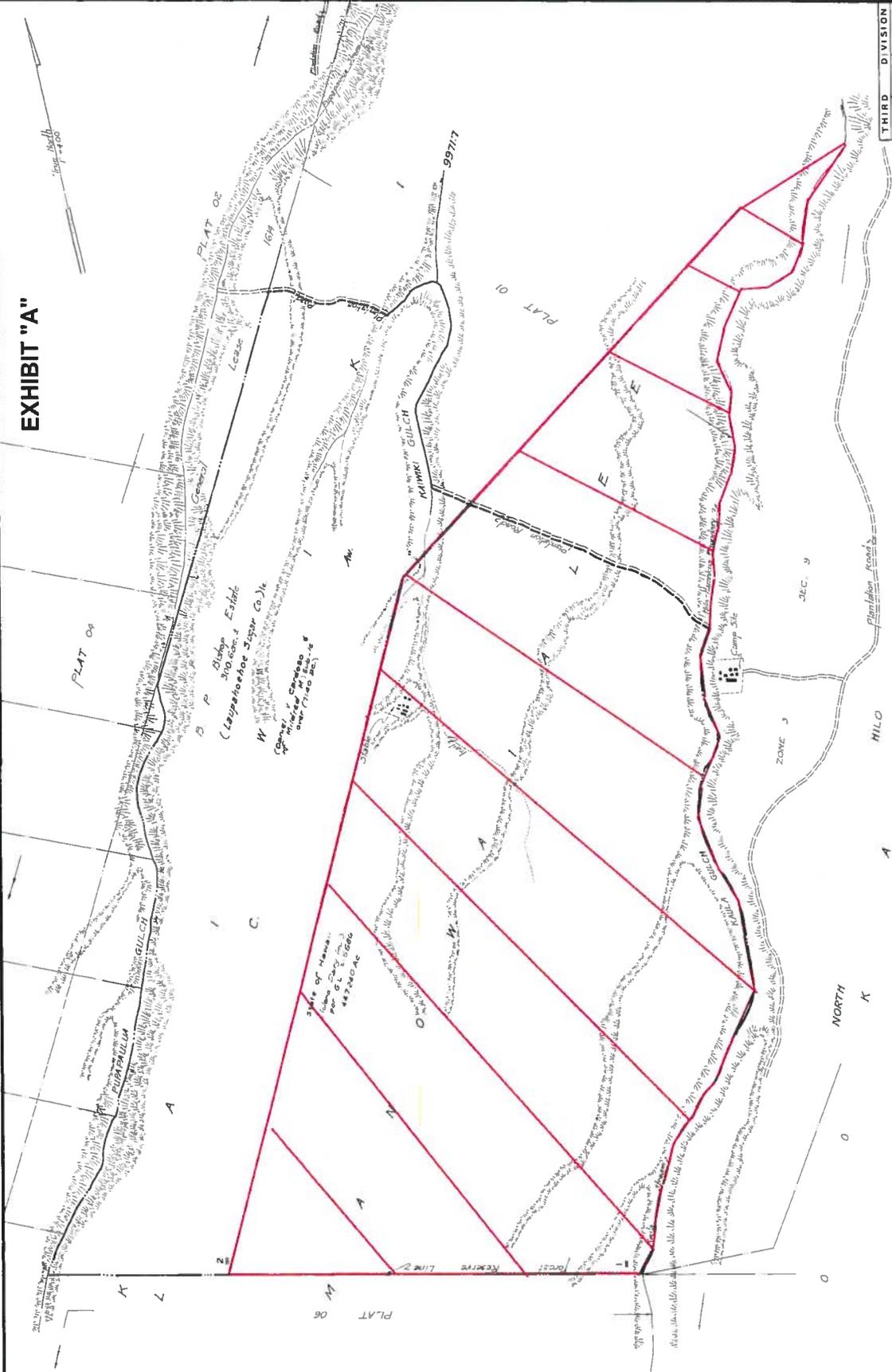


PHYLLIS SHIMABUKURO-GEISER
Chairperson, Board of Agriculture

A25

4 1 05

EXHIBIT "A"



THIRD DIVISION	PLAT
ZONE	4
SEC.	1
PLAT	05
CONTAINING PARCELS	
SCALE 1 in. = 400 ft.	

ADVANCE SHEET
SUBJECT TO CHANGE

DISTRICT

A

L

A

K

0

W

PLAT 08

PLAT 09

PLAT 01

9971.7

9

MILO

NORTH

STATE OF HAWAII

PLAT 08

PLAT 09

PLAT 01

9971.7

9

MILO

NORTH

STATE OF HAWAII

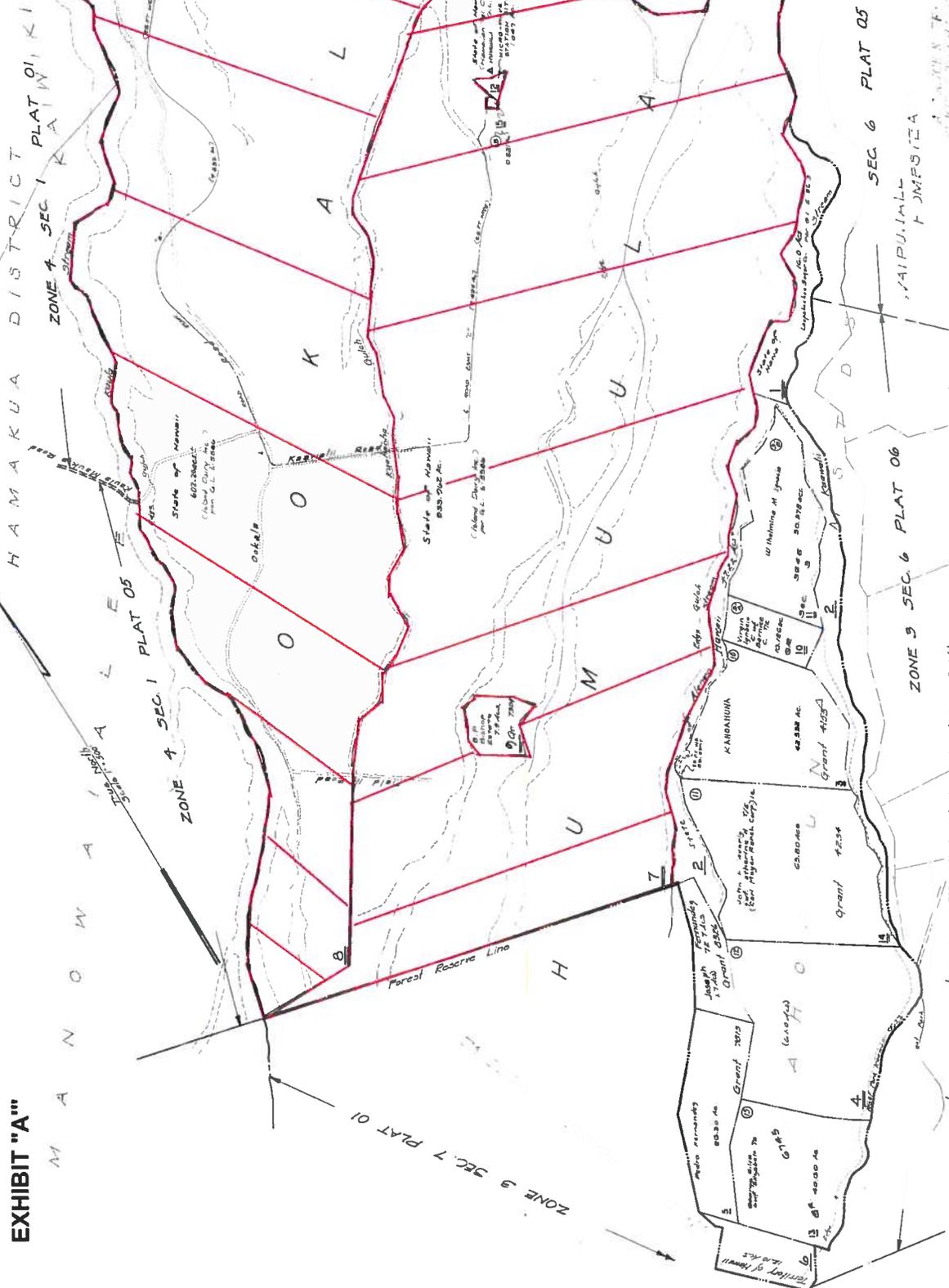
For of MANOWAIWALEE & KAHIKI, IIMAKUA, HAWAII.

Drawn No: 2349
Source: Tax Maps Bureau of Survey Department
By: L.R.M. April 1935
Revised to:

PRINTED

3 9 02

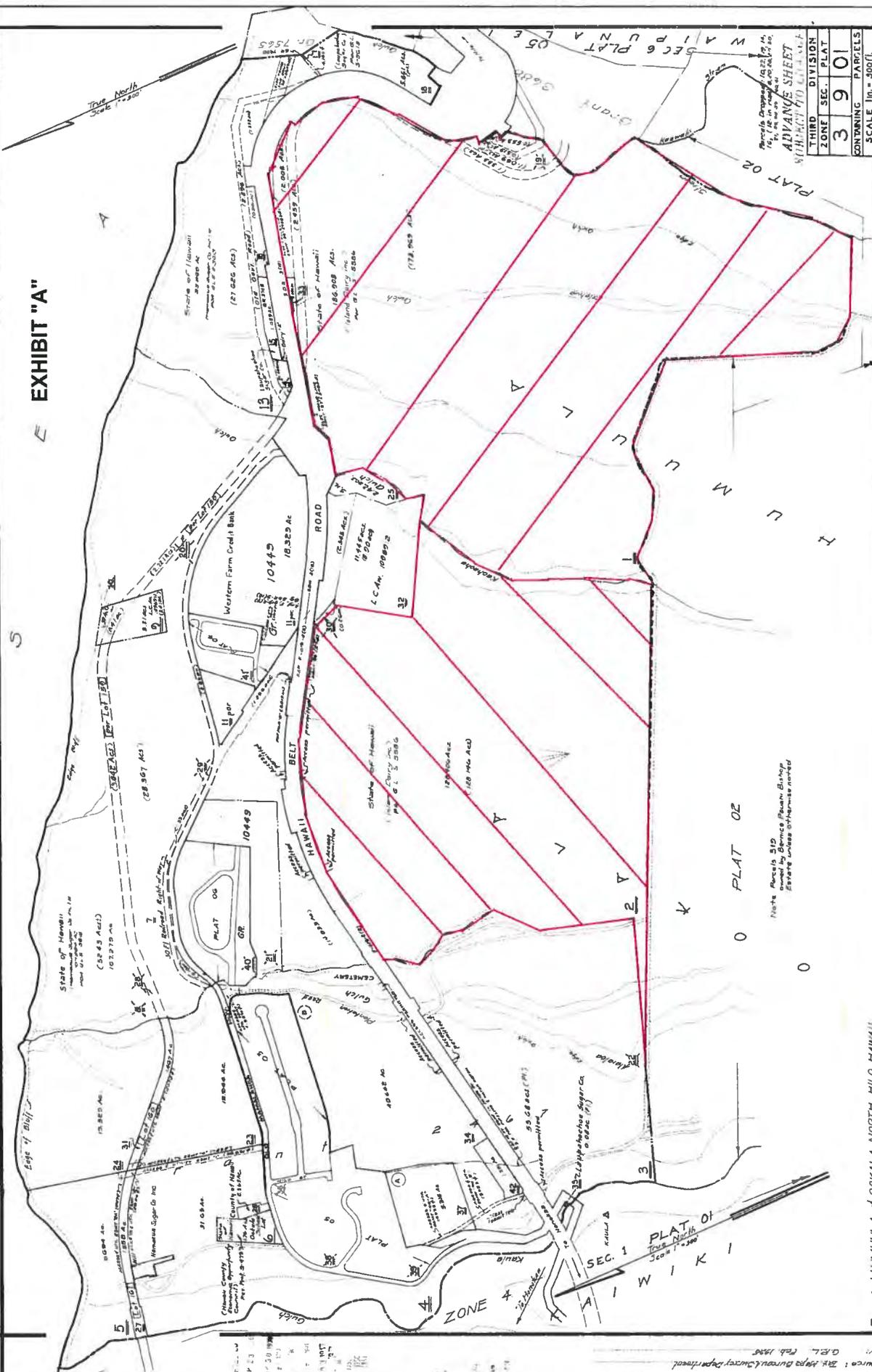
EXHIBIT "A"



THIRD DIVISION	PLAT
ZONE SEC.	3 9 02
CONTAINING PARCELS	
SCALE: 1 in. = 500 ft.	

1980
 1979
 1978
 1977
 1976
 1975
 1974
 1973
 1972
 1971
 1970
 1969
 1968
 1967
 1966
 1965
 1964
 1963
 1962
 1961
 1960
 1959
 1958
 1957
 1956
 1955
 1954
 1953
 1952
 1951
 1950
 1949
 1948
 1947
 1946
 1945
 1944
 1943
 1942
 1941
 1940
 1939
 1938
 1937
 1936
 1935
 1934
 1933
 1932
 1931
 1930
 1929
 1928
 1927
 1926
 1925
 1924
 1923
 1922
 1921
 1920
 1919
 1918
 1917
 1916
 1915
 1914
 1913
 1912
 1911
 1910
 1909
 1908
 1907
 1906
 1905
 1904
 1903
 1902
 1901
 1900
 1899
 1898
 1897
 1896
 1895
 1894
 1893
 1892
 1891
 1890
 1889
 1888
 1887
 1886
 1885
 1884
 1883
 1882
 1881
 1880
 1879
 1878
 1877
 1876
 1875
 1874
 1873
 1872
 1871
 1870
 1869
 1868
 1867
 1866
 1865
 1864
 1863
 1862
 1861
 1860
 1859
 1858
 1857
 1856
 1855
 1854
 1853
 1852
 1851
 1850
 1849
 1848
 1847
 1846
 1845
 1844
 1843
 1842
 1841
 1840
 1839
 1838
 1837
 1836
 1835
 1834
 1833
 1832
 1831
 1830
 1829
 1828
 1827
 1826
 1825
 1824
 1823
 1822
 1821
 1820
 1819
 1818
 1817
 1816
 1815
 1814
 1813
 1812
 1811
 1810
 1809
 1808
 1807
 1806
 1805
 1804
 1803
 1802
 1801
 1800
 1799
 1798
 1797
 1796
 1795
 1794
 1793
 1792
 1791
 1790
 1789
 1788
 1787
 1786
 1785
 1784
 1783
 1782
 1781
 1780
 1779
 1778
 1777
 1776
 1775
 1774
 1773
 1772
 1771
 1770
 1769
 1768
 1767
 1766
 1765
 1764
 1763
 1762
 1761
 1760
 1759
 1758
 1757
 1756
 1755
 1754
 1753
 1752
 1751
 1750
 1749
 1748
 1747
 1746
 1745
 1744
 1743
 1742
 1741
 1740
 1739
 1738
 1737
 1736
 1735
 1734
 1733
 1732
 1731
 1730
 1729
 1728
 1727
 1726
 1725
 1724
 1723
 1722
 1721
 1720
 1719
 1718
 1717
 1716
 1715
 1714
 1713
 1712
 1711
 1710
 1709
 1708
 1707
 1706
 1705
 1704
 1703
 1702
 1701
 1700
 1699
 1698
 1697
 1696
 1695
 1694
 1693
 1692
 1691
 1690
 1689
 1688
 1687
 1686
 1685
 1684
 1683
 1682
 1681
 1680
 1679
 1678
 1677
 1676
 1675
 1674
 1673
 1672
 1671
 1670
 1669
 1668
 1667
 1666
 1665
 1664
 1663
 1662
 1661
 1660
 1659
 1658
 1657
 1656
 1655
 1654
 1653
 1652
 1651
 1650
 1649
 1648
 1647
 1646
 1645
 1644
 1643
 1642
 1641
 1640
 1639
 1638
 1637
 1636
 1635
 1634
 1633
 1632
 1631
 1630
 1629
 1628
 1627
 1626
 1625
 1624
 1623
 1622
 1621
 1620
 1619
 1618
 1617
 1616
 1615
 1614
 1613
 1612
 1611
 1610
 1609
 1608
 1607
 1606
 1605
 1604
 1603
 1602
 1601
 1600
 1599
 1598
 1597
 1596
 1595
 1594
 1593
 1592
 1591
 1590
 1589
 1588
 1587
 1586
 1585
 1584
 1583
 1582
 1581
 1580
 1579
 1578
 1577
 1576
 1575
 1574
 1573
 1572
 1571
 1570
 1569
 1568
 1567
 1566
 1565
 1564
 1563
 1562
 1561
 1560
 1559
 1558
 1557
 1556
 1555
 1554
 1553
 1552
 1551
 1550
 1549
 1548
 1547
 1546
 1545
 1544
 1543
 1542
 1541
 1540
 1539
 1538
 1537
 1536
 1535
 1534
 1533
 1532
 1531
 1530
 1529
 1528
 1527
 1526
 1525
 1524
 1523
 1522
 1521
 1520
 1519
 1518
 1517
 1516
 1515
 1514
 1513
 1512
 1511
 1510
 1509
 1508
 1507
 1506
 1505
 1504
 1503
 1502
 1501
 1500
 1499
 1498
 1497
 1496
 1495
 1494
 1493
 1492
 1491
 1490
 1489
 1488
 1487
 1486
 1485
 1484
 1483
 1482
 1481
 1480
 1479
 1478
 1477
 1476
 1475
 1474
 1473
 1472
 1471
 1470
 1469
 1468
 1467
 1466
 1465
 1464
 1463
 1462
 1461
 1460
 1459
 1458
 1457
 1456
 1455
 1454
 1453
 1452
 1451
 1450
 1449
 1448
 1447
 1446
 1445
 1444
 1443
 1442
 1441
 1440
 1439
 1438
 1437
 1436
 1435
 1434
 1433
 1432
 1431
 1430
 1429
 1428
 1427
 1426
 1425
 1424
 1423
 1422
 1421
 1420
 1419
 1418
 1417
 1416
 1415
 1414
 1413
 1412
 1411
 1410
 1409
 1408
 1407
 1406
 1405
 1404
 1403
 1402
 1401
 1400
 1399
 1398
 1397
 1396
 1395
 1394
 1393
 1392
 1391
 1390
 1389
 1388
 1387
 1386
 1385
 1384
 1383
 1382
 1381
 1380
 1379
 1378
 1377
 1376
 1375
 1374
 1373
 1372
 1371
 1370
 1369
 1368
 1367
 1366
 1365
 1364
 1363
 1362
 1361
 1360
 1359
 1358
 1357
 1356
 1355
 1354
 1353
 1352
 1351
 1350
 1349
 1348
 1347
 1346
 1345
 1344
 1343
 1342
 1341
 1340
 1339
 1338
 1337
 1336
 1335
 1334
 1333
 1332
 1331
 1330
 1329
 1328
 1327
 1326
 1325
 1324
 1323
 1322
 1321
 1320
 1319
 1318
 1317
 1316
 1315
 1314
 1313
 1312
 1311
 1310
 1309
 1308
 1307
 1306
 1305
 1304
 1303
 1302
 1301
 1300
 1299
 1298
 1297
 1296
 1295
 1294
 1293
 1292
 1291
 1290
 1289
 1288
 1287
 1286
 1285
 1284
 1283
 1282
 1281
 1280
 1279
 1278
 1277
 1276
 1275
 1274
 1273
 1272
 1271
 1270
 1269
 1268
 1267
 1266
 1265
 1264
 1263
 1262
 1261
 1260
 1259
 1258
 1257
 1256
 1255
 1254
 1253
 1252
 1251
 1250
 1249
 1248
 1247
 1246
 1245
 1244
 1243
 1242
 1241
 1240
 1239
 1238
 1237
 1236
 1235
 1234
 1233
 1232
 1231
 1230
 1229
 1228
 1227
 1226
 1225
 1224
 1223
 1222
 1221
 1220
 1219
 1218
 1217
 1216
 1215
 1214
 1213
 1212
 1211
 1210
 1209
 1208
 1207
 1206
 1205
 1204
 1203
 1202
 1201
 1200
 1199
 1198
 1197
 1196
 1195
 1194
 1193
 1192
 1191
 1190
 1189
 1188
 1187
 1186
 1185
 1184
 1183
 1182
 1181
 1180
 1179
 1178
 1177
 1176
 1175
 1174
 1173
 1172
 1171
 1170
 1169
 1168
 1167
 1166
 1165
 1164
 1163
 1162
 1161
 1160
 1159
 1158
 1157
 1156
 1155
 1154
 1153
 1152
 1151
 1150
 1149
 1148
 1147
 1146
 1145
 1144
 1143
 1142
 1141
 1140
 1139
 1138
 1137
 1136
 1135
 1134
 1133
 1132
 1131
 1130
 1129
 1128
 1127
 1126
 1125
 1124
 1123
 1122
 1121
 1120
 1119
 1118
 1117
 1116
 1115
 1114
 1113
 1112
 1111
 1110
 1109
 1108
 1107
 1106
 1105
 1104
 1103
 1102
 1101
 1100
 1099
 1098
 1097
 1096
 1095
 1094
 1093
 1092
 1091
 1090
 1089
 1088
 1087
 1086
 1085
 1084
 1083
 1082
 1081
 1080
 1079
 1078
 1077
 1076
 1075
 1074
 1073
 1072
 1071
 1070
 1069
 1068
 1067
 1066
 1065
 1064
 1063
 1062
 1061
 1060
 1059
 1058
 1057
 1056
 1055
 1054
 1053
 1052
 1051
 1050
 1049
 1048
 1047
 1046
 1045
 1044
 1043
 1042
 1041
 1040
 1039
 1038
 1037
 1036
 1035
 1034
 1033
 1032
 1031
 1030
 1029
 1028
 1027
 1026
 1025
 1024
 1023
 1022
 1021
 1020
 1019
 1018
 1017
 1016
 1015
 1014
 1013
 1012
 1011
 1010
 1009
 1008
 1007
 1006
 1005
 1004
 1003
 1002
 1001
 1000
 999
 998
 997
 996
 995
 994
 993
 992
 991
 990
 989
 988
 987
 986
 985
 984
 983
 982
 981
 980
 979
 978
 977
 976
 975
 974
 973
 972
 971
 970
 969
 968
 967
 966
 965
 964
 963
 962
 961
 960
 959
 958
 957
 956
 955
 954
 953
 952
 951
 950
 949
 948
 947
 946
 945
 944
 943
 942
 941
 940
 939
 938
 937
 936
 935
 934
 933
 932
 931
 930
 929
 928
 927
 926
 925
 924
 923
 922
 921
 920
 919
 918
 917
 916
 915
 914
 913
 912
 911
 910
 909
 908
 907
 906
 905
 904
 903
 902
 901
 900
 899
 898
 897
 896
 895
 894
 893
 892
 891
 890
 889
 888
 887
 886
 885
 884
 883
 882
 881
 880
 879
 878
 877
 876
 875
 874
 873
 872
 871
 870
 869
 868
 867
 866
 865
 864
 863
 862
 861
 860
 859
 858
 857
 856
 855
 854
 853
 852
 851
 850
 849
 848
 847
 846
 845
 844
 843
 842
 841
 840
 839
 838
 837
 836
 835
 834
 833
 832
 831
 830
 829
 828
 827
 826
 825
 824
 823
 822
 821
 820
 819
 818
 817
 816
 815
 814
 813
 812
 811
 810
 809
 808
 807
 806
 805
 804
 803
 802
 801
 800
 799
 798
 797
 796
 795
 794
 793
 792
 791
 790
 789
 788
 787
 786
 785
 784
 783
 782
 781
 780
 779
 778
 777
 776
 775
 774
 773
 772
 771
 770
 769
 768
 767
 766
 765
 764
 763
 762
 761
 760
 759
 758
 757
 756
 755
 754
 753
 752
 751
 750
 749
 748
 747
 746
 745
 744
 743
 742
 741
 740
 739
 738
 737
 736
 735
 734
 733
 732
 731
 730
 729
 728
 727
 726
 725
 724
 723
 722
 721
 720
 719
 718
 717
 716
 715
 714
 713
 712
 711
 710
 709
 708
 707
 706
 705
 704
 703
 702
 701
 700
 699
 698
 697
 696
 695
 694
 693
 692
 691
 690
 689
 688
 687
 686
 685
 684
 683
 682
 681
 680
 679
 678
 677
 676
 675
 674
 673
 672
 671
 670
 669
 668
 667
 666
 665
 664
 663
 662
 661
 660
 659
 658
 657
 656
 655
 654
 653
 652
 651
 650
 649
 648
 647
 646
 645
 644
 643
 642
 641
 640
 639
 638
 637
 636
 635
 634
 633
 632
 631
 630
 629
 628
 627
 626
 625
 624
 623
 622
 621
 620
 619
 618
 617
 616
 615
 614
 613
 612
 611

EXHIBIT "A"



Part of HILUWULA and OOKALA, NORTH HILO, HAWAII

PRINTED

Date: No. 2321
 Source: 284 Maps Bureau Survey Department
 Date: 027 Feb 1958
 Revised to:

A29

A30

EXHIBIT "B"

**ASSIGNMENT OF LEASE CALCULATIONS FOR
GENERAL LEASE NO. S-5586**

Adjusted Depreciation Cost of Improvements or Renovations

Total Consideration:	\$	969,538.88
Less Lease Purchase Price by Assignor:	\$	-
Less Inventory:	\$	2,200,000.00
Net Consideration:		<u>(\$1,230,461.12)</u>

Actual Cost:	\$1,230,461.12
CCI (most recent):	12464
CCI (base):	9173
Expired Term:	119
Whole Term:	440

1. Adjusted Cost of Improvements or Renovations:

Actual Cost x CCI (most recent)/CCI (Base)

CCI (recent) 12464

CCI (base) 9173

CCIR/CCIB

Actual Cost x CCI(R)/CCI(B) =

\$1,230,461.12 0.00 \$0.00

2. Depreciation:

Adjust. Cost Impr./Whole Term x Expired Term =

\$0.00 440 119 \$0.00

3. Adjusted Depreciated Cost of Improvements:

Adjust cost - Depreciated cost =

\$ - \$ - \$ -

1. TOTAL NET CONSIDERATION		\$	-
2. Adj Cost of Imp/Renov	\$	-	
	\$	-	\$ -
3. Adj. cost of Trade Fixtures	\$	-	
	\$	-	
4. Excess		\$	-
5. Premium	Percentage:	\$	-

STATE OF HAWAII
DEPARTMENT OF AGRICULTURE
AGRICULTURAL RESOURCE MANAGEMENT DIVISION
HONOLULU, HAWAII

October 26, 2021

Board of Agriculture
Honolulu, Hawaii

Subject: RESUBMITTAL REQUEST FOR APPROVAL OF EXTENSION OF LEASE TERM, GENERAL LEASE NOS. S-7000, S-7014, S-7015 AND S-7016; HAWAII BEEF LEASE, LLC, LESSEE; TMK: 3RD DIV/4-3-005:002; 3RD DIV/4-3-005-002-5002; 3RD DIV/4-3-005-002-5003 AND DIV/4-3-005-002-5004, HAMAKUA AGRICULTURAL PARK, POHAKUHAKU AND KEMAU 1ST, HAMAKUA DISTRICT, ISLAND OF HAWAII, HAWAII

Authority: Section 166-6, Hawaii Revised Statutes, (HRS), Section 4-153-33(a)(2) and (b), Hawaii Administrative Rules (HAR)

Lessee: Hawaii Beef Lease, LLC

Land Area: Approximately 152.385 gross acres, 120.791 net acres
General Lease No. S-7000: Lot No. 4a - 7.470 acres
General Lease No. S-7014: Lot No. 2 - 45.911 acres
General Lease No. S-7015: Lot No. 3 - 54.348 acres
General Lease No. S-7016: Lot No. 4 - 44.656 acres

Tax Map Key: 3rdDiv/4-3-005:002 (por) (Exhibit "A")
3rdDiv/4-3-005-002-5002
3rdDiv/4-3-005-002-5003
3rdDiv/4-3-005-002-5004 (por)

Lease Term: S-7000 - 35 years, January 1, 1996 to December 31, 2030
S-7014 - 35 years, June 30, 1998 to June 29, 2033
S-7015 - 35 years, June 30, 1998 to June 29, 2033
S-7016 - 35 years, June 30, 1998 to June 29, 2033

Land Status: Hamakua Agricultural Park lands were acquired in fee by the Department of Agriculture under foreclosure and Bankruptcy Settlement Agreement with Hamakua Sugar Company, Inc.

A31

Annual Base Rent: S-7000 - \$2,906.08/year – until December 31, 2021 (Reopening biennial)
S-7014 - \$4,030.00/year – until June 30, 2028 (Reopening date)
S-7015 - \$670.00/year – until June 30, 2028 (Reopening date)
S-7016 - \$450.00/year – until June 30, 2028 (Reopening date)

Character of Use: S-7000 - Livestock slaughtering and processing purposes
S-7014 - Diversified Agriculture or Pastoral and related purposes
S-7015 - Pastoral related purposes
S-7016 - Pastoral related purposes

BACKGROUND:

On January 1, 1996, the Board of Agriculture (BOA) awarded General Lease No. S-7000, a 35 direct-year lease to Hawaii Beef Producers, LLC. On June 30, 1998, the BOA awarded a 35 direct-year leases to Hawaii Beef Producers, LLC (HBPL), under General Lease Nos. S-7014, S-7015 and S-7016. On June 30, 2020, the BOA consented to the assignment of General Lease Nos. S-7000, S-7014, S-7015 and S-7016, to Hawaii Beef Lease, LLC.

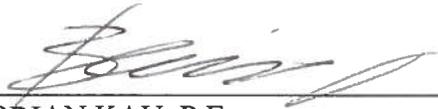
The character of use for General Lease No S-7000 is solely for livestock slaughtering and processing purposes and for the distribution of food products. The existing slaughter facility is in poor condition and in need of extensive repairs and renovations. Hawaii Beef Lease, LLC proposes to make extensive capital improvements including, but not limited to, the replacement of support beams throughout the facility, repairs to the men's and women's bathrooms/locker rooms, replacement of walls throughout the processing areas, handicap accessibility improvements, repairs to the on-site water well, fencing repairs, repairs and or replacement of numerous equipment, etc.

Hawaii Beef Lease, LLC requests a 20-year extension of the lease terms for General Lease S-7000, commencing from January 1, 2030 through December 31, 2050, and for General Lease Nos. S-7014, S-7015 and S-7016, commencing from June 30, 2033 through June 29, 2053, for a cumulative total of not more than fifty-five years per lease pursuant to Section 4-153-33(a)(2) HAR. The BOA may extend the term of the lease to qualify the lease for mortgage lending purposes, pursuant to Section 4-153-33(b) HAR. Consequently, the Lessee applied for and has been preapproved for an \$8 million Line of Credit, subject to the BOA approval of the extension of the lease terms. The loan proceeds will be used solely for capital improvements of the demised premises.

RECOMMENDATION:

That the Board of Agriculture approve the request for extension of General Lease S-7000, commencing from January 1, 2030 through December 31, 2050, and General Lease Nos S-7014, S-7015 and S-7016, commencing from June 30, 2033 through June 29, 2053, subject to the review and approval as to form by the Department of the Attorney General, and such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully submitted,



BRIAN KAU, P.E.
Administrator and Chief Engineer
Agricultural Resource Management Division

Attachments - Exhibit "A"

APPROVED FOR SUBMISSION:



PHYLLIS SHIMABUKURO-GEISER
Chairperson, Board of Agriculture

EXHIBIT "A"

