

STATE OF HAWAI'I
DEPARTMENT OF AGRICULTURE
AGRICULTURAL RESOURCE MANAGEMENT DIVISION
HONOLULU, HAWAI'I

November 26, 2024

Board of Agriculture
Honolulu, Hawai'i

Subject: REQUEST FOR APPROVAL TO: (1) EURUS TO SUBDIVIDE TMK: (1) 9-1-031:001 INCLUDING GENERAL LEASE S-3138, HAWAII LAND & LIVESTOCK, LLC, INTO TWO PARCELS CONSISTING OF 18 AND 92.106 ACRES, RESPECTIVELY; (2) MODIFY GENERAL LEASE S-3138; HAWAII LAND & LIVESTOCK, LLC, CONTINGENT UPON COMPLETION OF THE SUBDIVISION OF TMK: (1) 9-1-031:001, REFLECTING A REDUCTION IN AREA FROM 110.106 TO 18 ACRES; AND (3) SUPPORT WITHDRAWAL OF GOVERNOR'S EXECUTIVE ORDER 4584 (DATED MAY 15, 2019) APPROXIMATELY 92.106 ACRES, MORE OR LESS, FOR REVERSION TO THE DEPARTMENT OF LAND AND NATURAL RESOURCES CONTINGENT UPON COMPLETION OF BOTH (i) THE SUBDIVISION OF TMK (1) 9-1-031:001 AND (ii) THE MODIFICATION AND APPROVAL OF GENERAL LEASE S-3138; HAWAII LAND & LIVESTOCK, LLC, HONO'ULI'ULI, 'EWA, O'AHU, HAWAI'I

Authority: Sections 166E-3, Hawai'i Revised Statutes (HRS), and Sections 4-158-2(a)(13) and 4-158-2(c)(5), Hawai'i Administrative Rules (HAR)

Lessee: Hawaii Land & Livestock, LLC

Land Area: 110.106 gross acres

Tax Map Key: (1) 9-1-031:001 (see Exhibit "A")

Land Status: Encumbered by Governor's Executive Order No. 4584 to the Department of Agriculture for agricultural land purposes in May 15, 2019

Lease Terms: 35 years, January 1, 2020 – December 31, 2055

Current Rent: \$18,300.00 per year

Additional Rent: 1.5 % of the gross proceeds from the sale of commodities produced on the demised premises which exceed the base rental

Permitted Use: Solely for diversified agriculture including animal feedlot purposes for finishing prior to slaughter of livestock

BACKGROUND:

Pursuant to Section 171-11, HRS, as amended, Executive Order No. 4584, dated May 15, 2019, set aside 110.106 acres for agricultural purposes, and established a non-agricultural park parcel currently under the control and management of the Department of Agriculture (HDOA), Agricultural Resource Management Division (ARMD).

The Board of Agriculture (BOA) awarded General Lease No. S-3138 to HAWAII LAND & LIVESTOCK, LLC, (HL&L) for a term of THIRTY-FIVE (35) years commencing on January 1, 2020, upon which HL&L has been using solely for diversified agriculture including animal feedlot purposes for finishing prior to slaughter of livestock.

HDOA and the Department of Land and Natural Resources (DLNR) have come to an agreement to develop a solar farm on a portion of a property, currently under HDOA jurisdiction and leased out to HL&L. To accomplish this, the following must occur:

- 1) American Hauling must vacate the property, identified as TMK: (1) 9-1-031:001, also known as the Feedlot at Kalaeloa.
- 2) The land that DLNR intends to utilize for the solar farm must be subdivided.
- 3) The lease that HDOA currently has with HL&L will be amended to reduce the acreage to 18 acres.
- 4) The newly subdivided land will be withdrawn from HDOA back to DLNR.

Staff understands that HL&L is willing to reduce its acreage to approximately 18 acres of the total 110 acres of the feedlot parcel to buffer harvest cattle supply to accommodate weather events. Staff further understands that HL&L and EURUS will identify the location of the 18 acres on the feedlot parcel that will not interfere with either EURUS's and HL&L's operations. This requires a subdivision. To move forward with the subdivision, staff requests that the Board approve the intention to subdivide the property into two parcels consisting of 18 and 92.106 acres, respectively.

Once this Board approves, then DLNR, with Eurur, will move toward subdivision of the property. Concurrently, relevant parties will work toward American Hauling vacating the

property. On March 22, 2023, HL&L filed a Complaint for Ejectment and Damages in the First Circuit Court of the State of Hawai'i to evict American Hauling from the property. HL&L received a Writ of Possession from the Court to eject American Hauling from the property. Staff understands that American Hauling is working to remove their equipment from the property, but American Hauling does not currently have a new place to store their equipment due to the amount and size of the equipment.

After the subdivision, DLNR intends to withdraw the Executive Order that originally set aside the lands to HDOA. The withdrawal of the Executive Order will only withdraw the 92.106 acres from HDOA, and the remaining 18 acres will stay with HDOA. Accordingly, the HL&L lease will need to be amended to reflect the decrease in leased acreage from 110 acres to 18 acres.

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RECOMMENDATION:

That the Board of Agriculture:

1. Approve EURUS's request to subdivide TMK: (1) 9-1-031:001 including General Lease No. S-3138 into two parcels consisting of 18 and 92.106 acres, respectively;
2. Approve modification of General Lease No. S-3138; Hawaii Land & Livestock, LLC, to reflect a reduction in area from 110.106 to 18 acres contingent upon completion of the subdivision of TMK: (1) 9-1-031:001;
3. Authorize issuance of lease modifications documents to be executed by the chairperson and recorded at the Bureau of Conveyances contingent upon completion of all the above; and
4. Support the withdrawal of approximately 92.106 acres, more or less, from Governor's Executive Order No. 4584 (dated May 15, 2019) for reversion to the Department of Land and Natural Resources contingent upon the completion of both (i) the subdivision of TMK: (1) 9-1-031:001 and (ii) the modification to General Lease S-3138 for a reduction in area to 18 acres.

All related documents are subject to approval as to form by the Office 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

Attachment – Exhibit “A”

APPROVED FOR SUBMISSION:


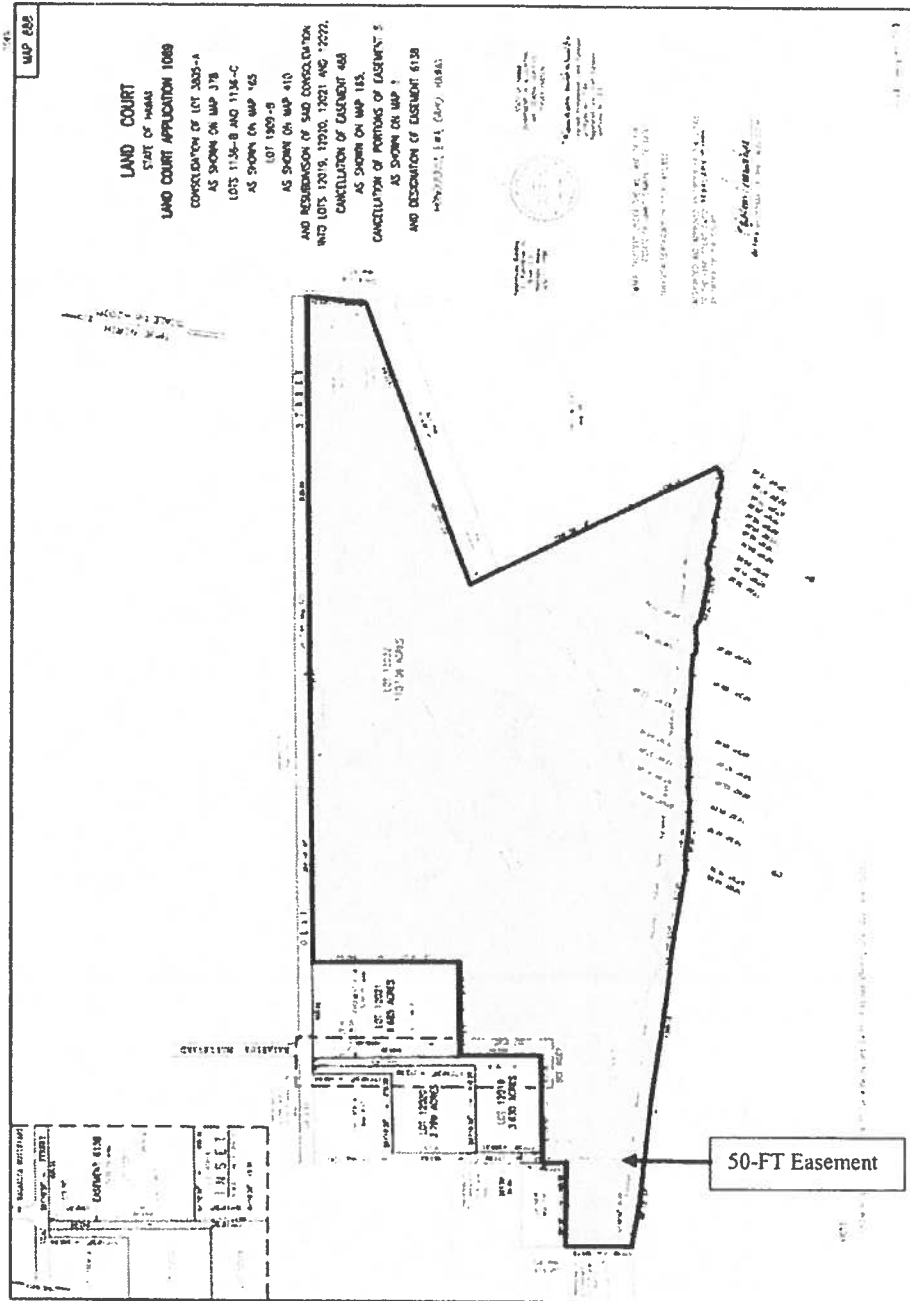

SHARON HURD
Chairperson, Board of Agriculture

EXHIBIT "A"



TMK (1) 9-1-031:001

STATE OF HAWAI'I
DEPARTMENT OF AGRICULTURE
AGRICULTURAL RESOURCE MANAGEMENT DIVISION
HONOLULU, HAWAI'I

November 26, 2024

Board of Agriculture
Honolulu, Hawai'i

Subject: REQUEST FOR ACCEPTANCE FOR ANNUAL RENEWAL OF
REVOCABLE PERMITS FOR TMK NOS.: (1) 4-1-008:071 & 072;
(1) 9-4-002:080; (2) 1-1-003:028; (3) 3-1-004:001; (3) 4-6-002:001;
(3) 4-7-004:009; (3) 4-9-011:002; (3) 5-5-007:011; (4) 1-9-002:019;
(4) 1-9-003:006; (4) 1-9-003:010; (4) 1-9-012:011; (4) 4-1-001:007;
(4) 4-1-001:012; and (4) 4-1-009:005 & 006; STATEWIDE

Authority: Section 166E-6, Hawai'i Revised Statutes (HRS), and
Section 4-158-2(a)(8), Hawai'i Administrative Rules (HAR)

Revocable Permit: See Exhibit "A"

Permittee: See Exhibit "A"

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

Character of Use: See Exhibit "A"

BACKGROUND:

At the end of each calendar year, staff reviews its list of current revocable permits issued statewide. The revocable permits in that are in good standing are recommended for renewal.

REMARKS:

The list of revocable permits statewide that staff recommends for renewal for 2025 is attached as Exhibit "A". The exhibit is in the table format with information that includes tax map key, revocable permit number, permittee, land area, original commencement date of the permit, annual rent, and character of use. A location map of the revocable permits to be renewed is attached as Exhibit "B". Staff recommends no rent increases.

RECOMMENDATION:

That the Board approve the continuation of the revocable permits listed in Exhibit "A" on a month-to-month basis effective January 1, 2025 for a one-year period through December 31, 2025.

Respectfully submitted,

BRIAN KAU, P.E.



Administrator and Chief Engineer
Agricultural Resource Management Division

Attachments - Exhibits "A" & "B"

APPROVED FOR SUBMISSION:

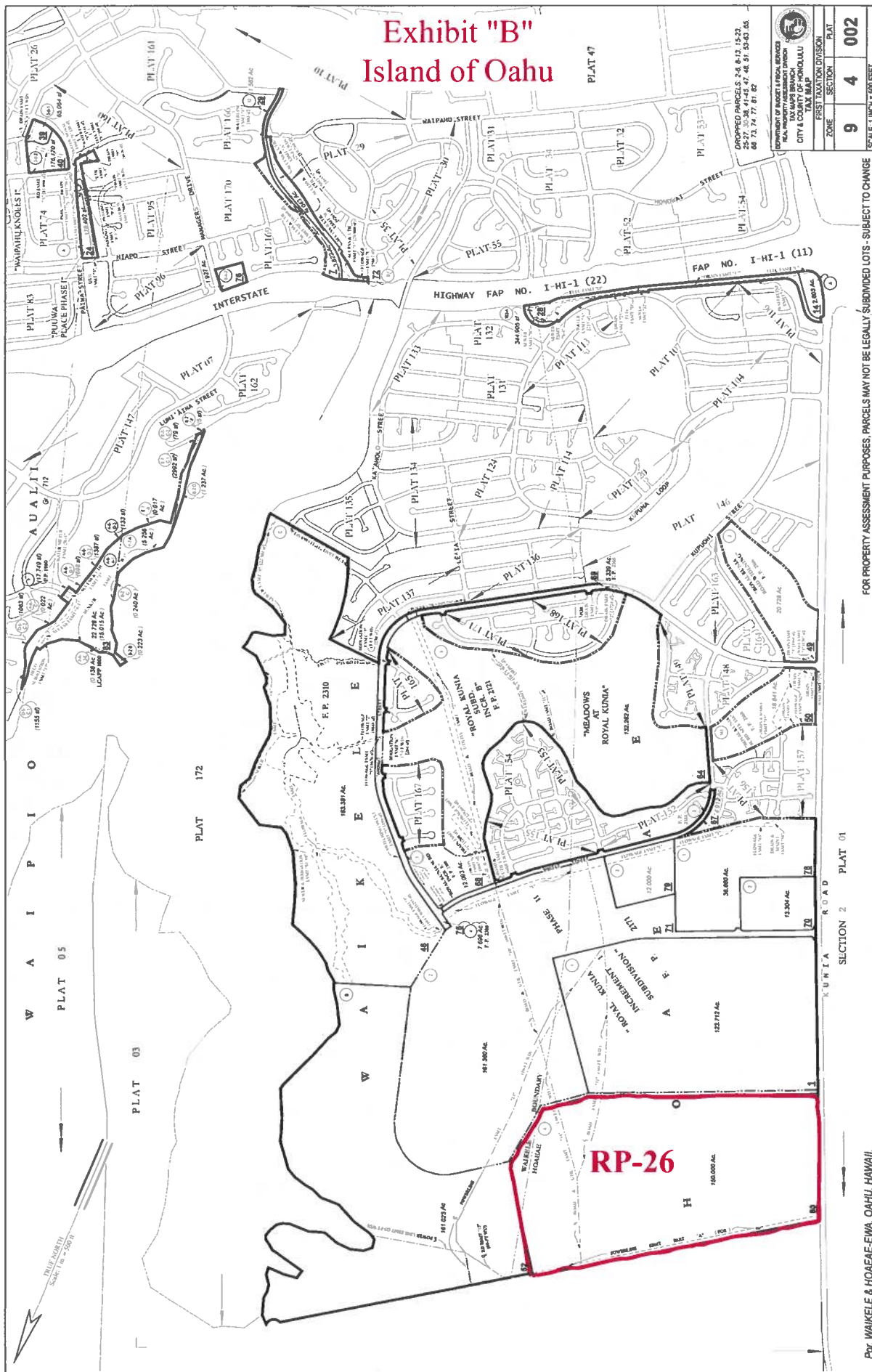


SHARON HURD
Chairperson, Board of Agriculture

EXHIBIT "A"

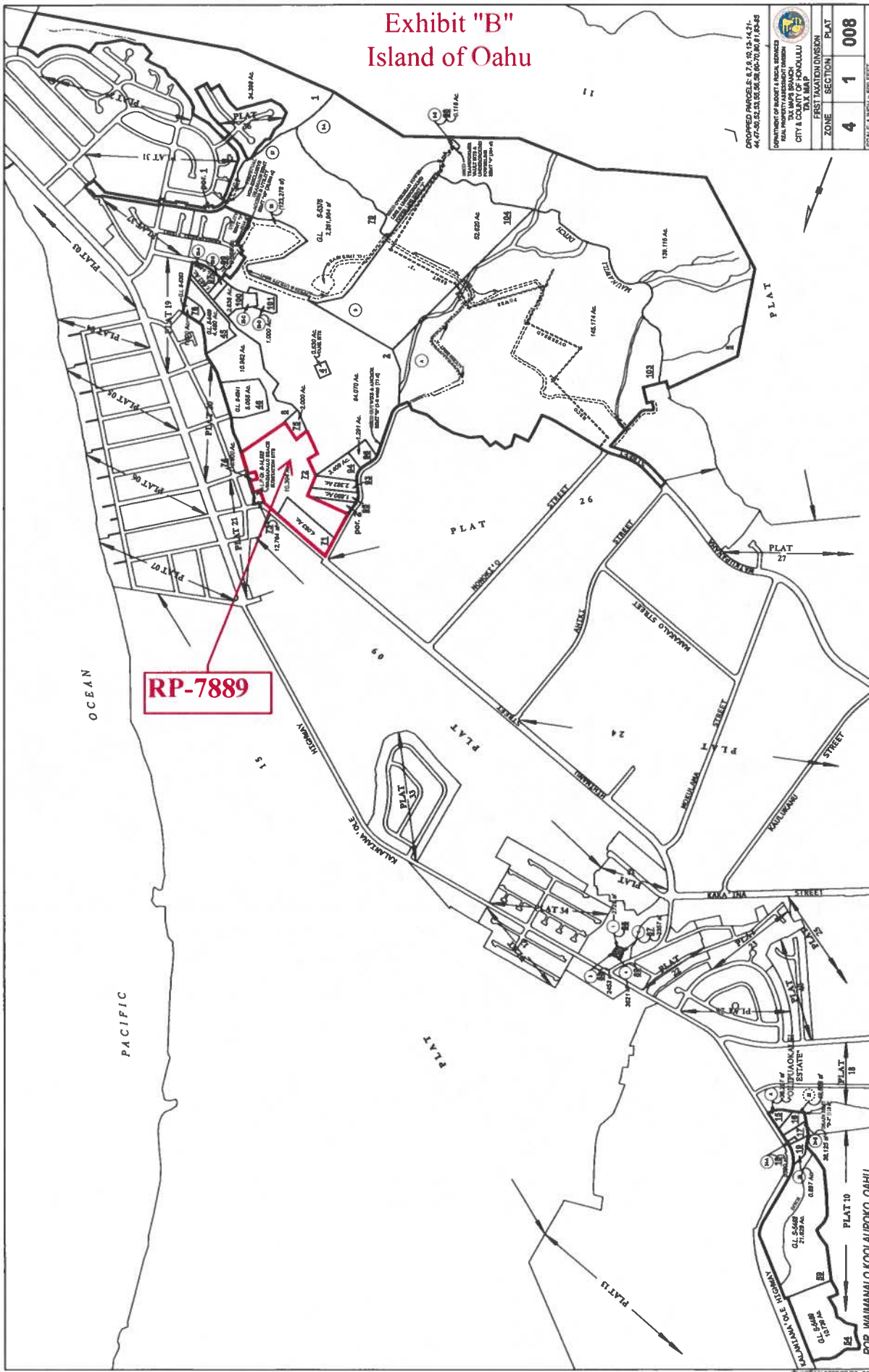
REVOCABLE PERMIT LIST 2024

Tax Map Key	Permit No.	Permittee	EO Date	Acres	2024 Annual Rent	Proposed 2025 Rent	Character of Use
ISLAND OF OAHU							
(1) 4-1-008:071 & 072	RP-7889	Kazuto Yamada	8/29/2017	14.387	\$1,670.64	\$1,670.64	Diversified Agriculture
(1) 9-4-002:080	RP-26	Waikele Farms, Inc. (Larry Lefts)	6/3/2004	150.000	\$17,895.00	\$17,895.00	Diversified Agriculture
ISLAND OF MAUI							
(2) 1-1-003:028	RP-5932	Isaac Kanoa, Jr.	7/20/2009	1.100	\$156.00	\$156.00	Diversified Agriculture
ISLAND OF HAWAII							
(3) 3-1-004:001	RP-7775	Norman Medeiros, Sr.	4/11/2023	489.670	\$996.00	\$996.00	Pasture
(3) 4-6-002:001	RP-2001	Stephen DeLuz	10/22/2008	90.800	\$1,480.00	\$1,480.00	Pasture
(3) 4-7-004:009	RP-3131	George M. Olival	10/22/2008	35.500	\$3,600.00	\$3,600.00	Pasture
(3) 4-9-011:002	RP-7839	Ainslie, Anita A.N. & Nicole K. Loo	7/31/2015	11.600	\$1,716.00	\$1,716.00	Diversified Agriculture
(3) 5-5-007:011	RP-7732	George Freitas Dairy, Inc.	4/11/2023	77.400	\$756.00	\$756.00	Pasture
ISLAND OF KAUAI							
(4) 1-9-002:019	RP-7317	Helen B. H. Chu	2/7/2017	1.140	\$608.00	\$608.00	Diversified Agriculture
(4) 1-9-003:006	RP-7045	Shoichi Nagamine	2/7/2017	7.826	\$2,235.00	\$2,235.00	Diversified Agriculture
(4) 1-9-003:010	RP-7794	Francis P. & Laura Mission	2/7/2017	4.037	\$1,275.00	\$1,275.00	Diversified Agriculture
(4) 1-9-012:011	RP-7321	Scot J. & Shari T. Nonaka	2/7/2017	0.950	\$723.96	\$723.96	Diversified Agriculture
(4) 4-1-001:007	RP-7738	Mary Thronas Trust	2/7/2017	19.980	\$320.00	\$320.00	Pasture
(4) 4-1-001:012	RP-7771	Thomas T. & Dennis T. Takatsuki	2/7/2017	6.130	\$608.00	\$608.00	Diversified Agriculture
(4) 4-1-009:005 & 006	RP-2102	Michael Fernandes	2/7/2017	10.444	\$170.00	\$170.00	Pasture



POT. WAIKELE & HOAEAE-EWA, OAHU, HAWAII.

Exhibit "B" Island of Oahu



D-11



Exhibit "B" Island of Hawaii

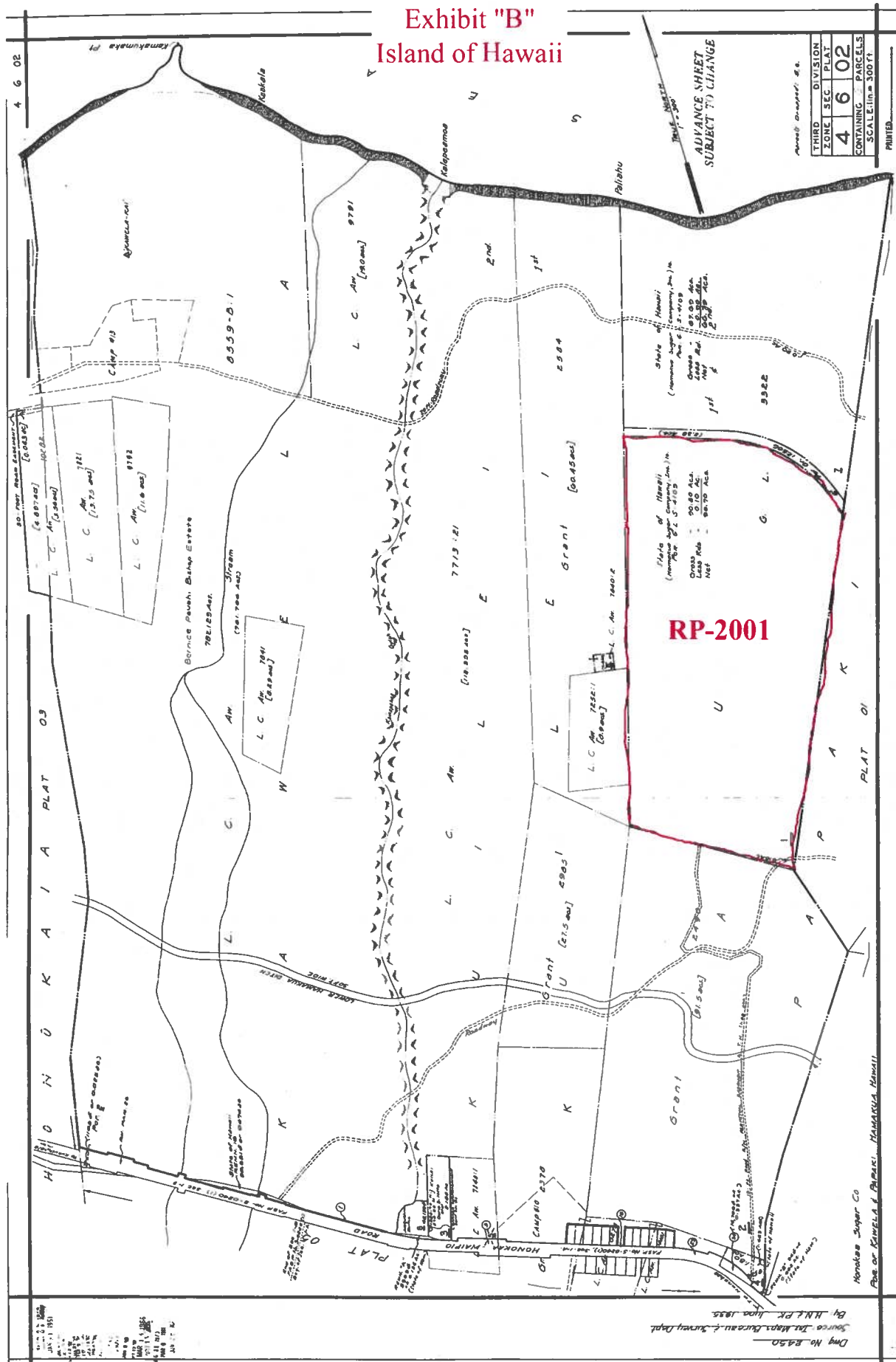


Exhibit "B" Island of Hawaii

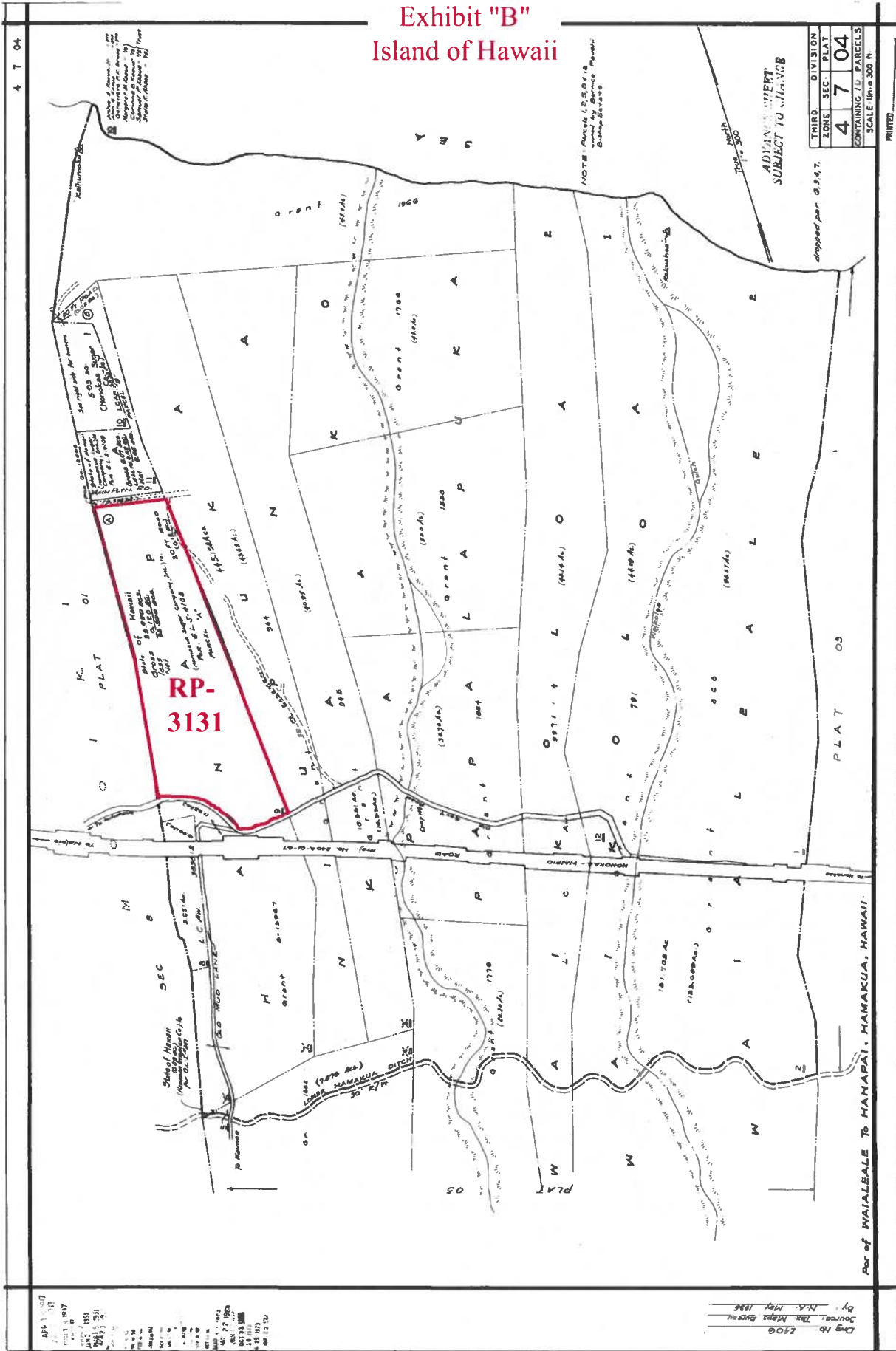
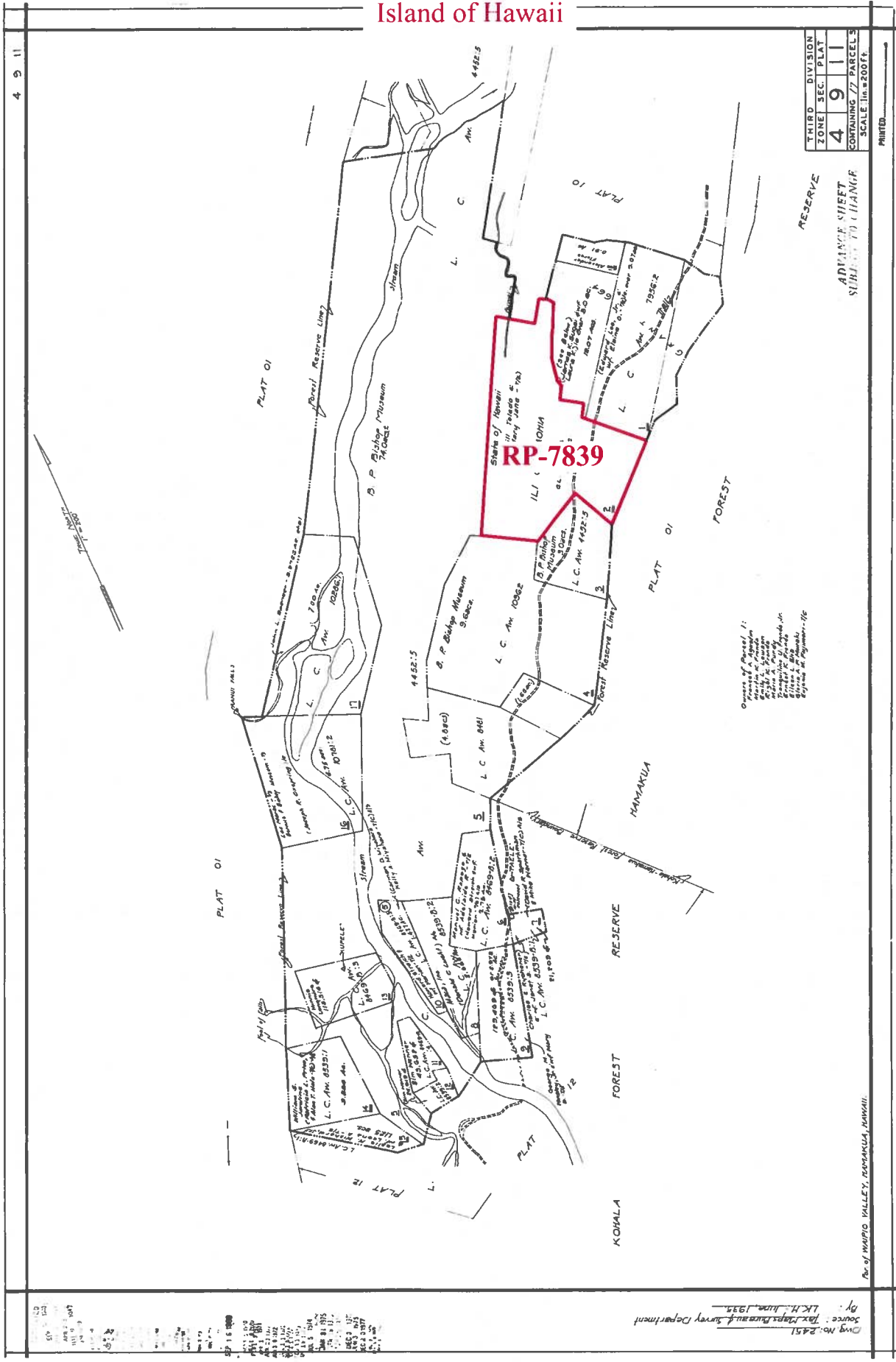


Exhibit "B"
Island of Hawaii



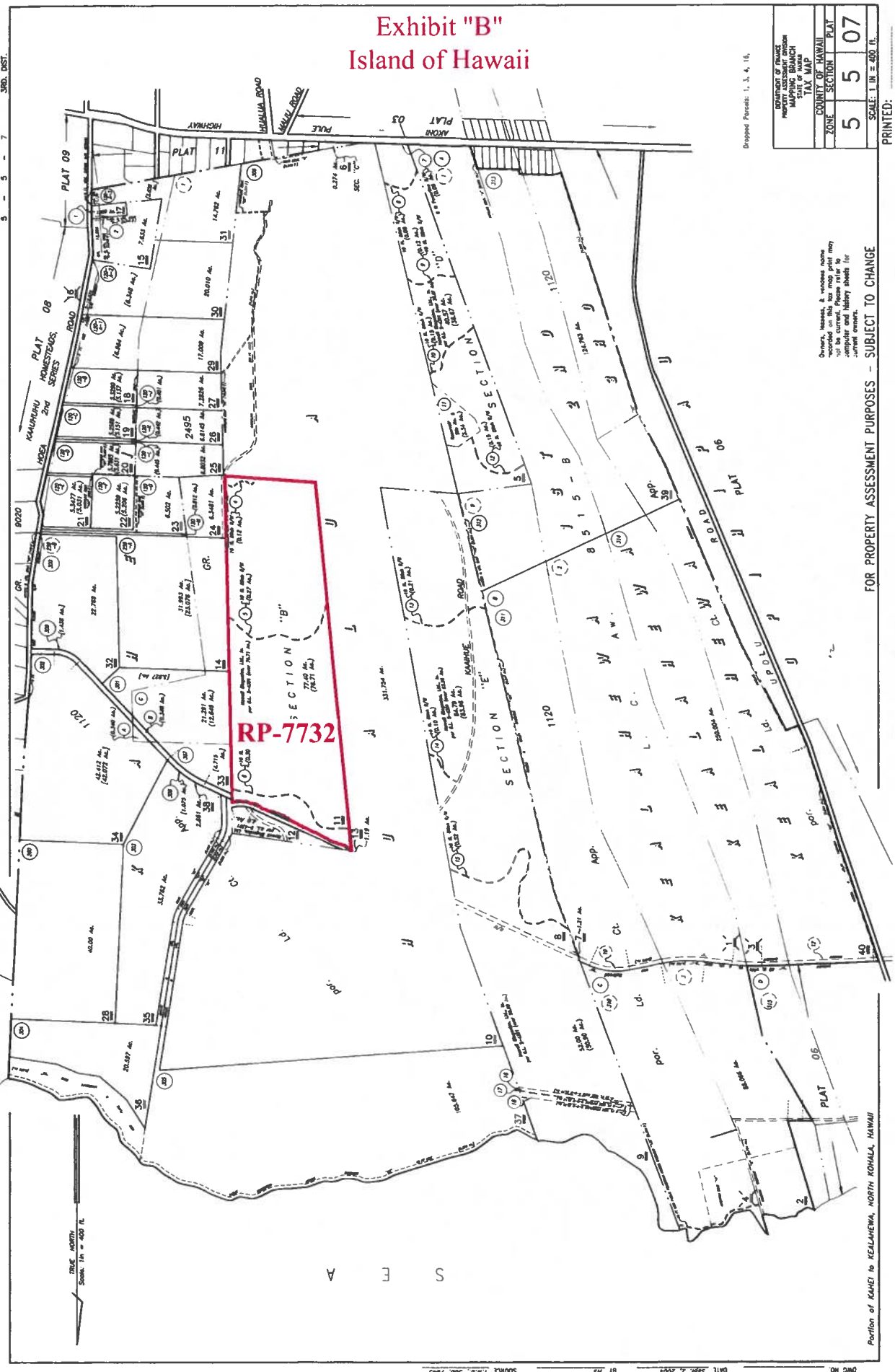
THIRD	DIVISION
ZONE	SEC. PLAT
4	9 11
CONTAINING 17 PARCELS	
SCALE 1 in = 200 ft.	

RESERVE
ADVANCE SHEET
SUBJECT TO CHANGE

Original of Parcel 1:
L.C. AN. 10862
L.C. AN. 10862.5
L.C. AN. 10863
L.C. AN. 10864
L.C. AN. 10865
L.C. AN. 10866
L.C. AN. 10867
L.C. AN. 10868
L.C. AN. 10869
L.C. AN. 10870
L.C. AN. 10871
L.C. AN. 10872
L.C. AN. 10873
L.C. AN. 10874
L.C. AN. 10875
L.C. AN. 10876
L.C. AN. 10877
L.C. AN. 10878
L.C. AN. 10879
L.C. AN. 10880

By: L.K.H. Luna, 1935
Source: Tax Maps Bureau Survey Department
Orig. No. 2451

Exhibit "B" Island of Hawaii



Dropped Parcels: 1, 3, 4, 16.

COUNTY OF HAWAII PROPERTY ASSESSMENT DIVISION TAX MAP			
ZONE	SECTION	PLAT	
5	5	07	

PRINTED:

Queries, lawsuits, & notices shall be recorded on this map prior to any sale or transfer of title. Failure to do so may result in the loss of title.

FOR PROPERTY ASSESSMENT PURPOSES - SUBJECT TO CHANGE

Portion of KAMEHAMEHA HIGHWAY, NORTH KONA, HAWAII

9/12/04
3/10/04
3/18/10
9/29/10
7/16/18

SOURCE: T.M.B. Sub. 7443

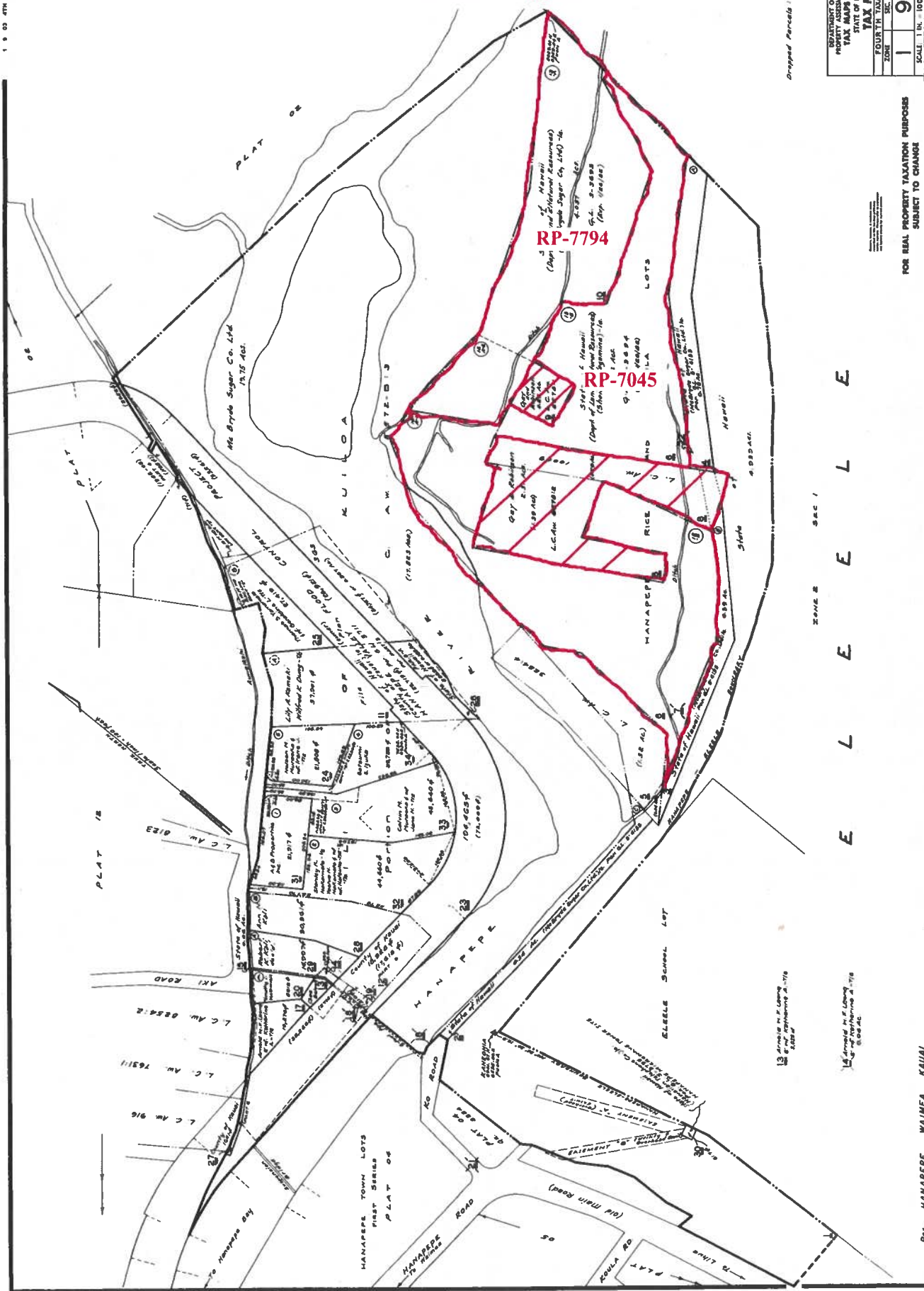
BY: MS

DATE: Sept. 2, 2004

DWG. NO.

D-16

Island of Kauai



DEPARTMENT OF TAXATION PROPERTY ASSESSMENT DIVISION TAX MAPS BRANCH STATE OF HAWAII TAX MAP			
FOURTH TAXATION DIVISION		PLAT	
ZONE	SEC	03	
1	9		
SCALE 1 IN. = 100 FT.			

**FOR REAL PROPERTY TAXATION PURPOSES
SUBJECT TO CHANGE**

3 7 3 3 1 3

POC. HANAPEPE, WAIMEA, KAUAI

DWG. NO. 2056

SOURCE, T.M.B. State Survey Division & County of Kauai - Map - 116

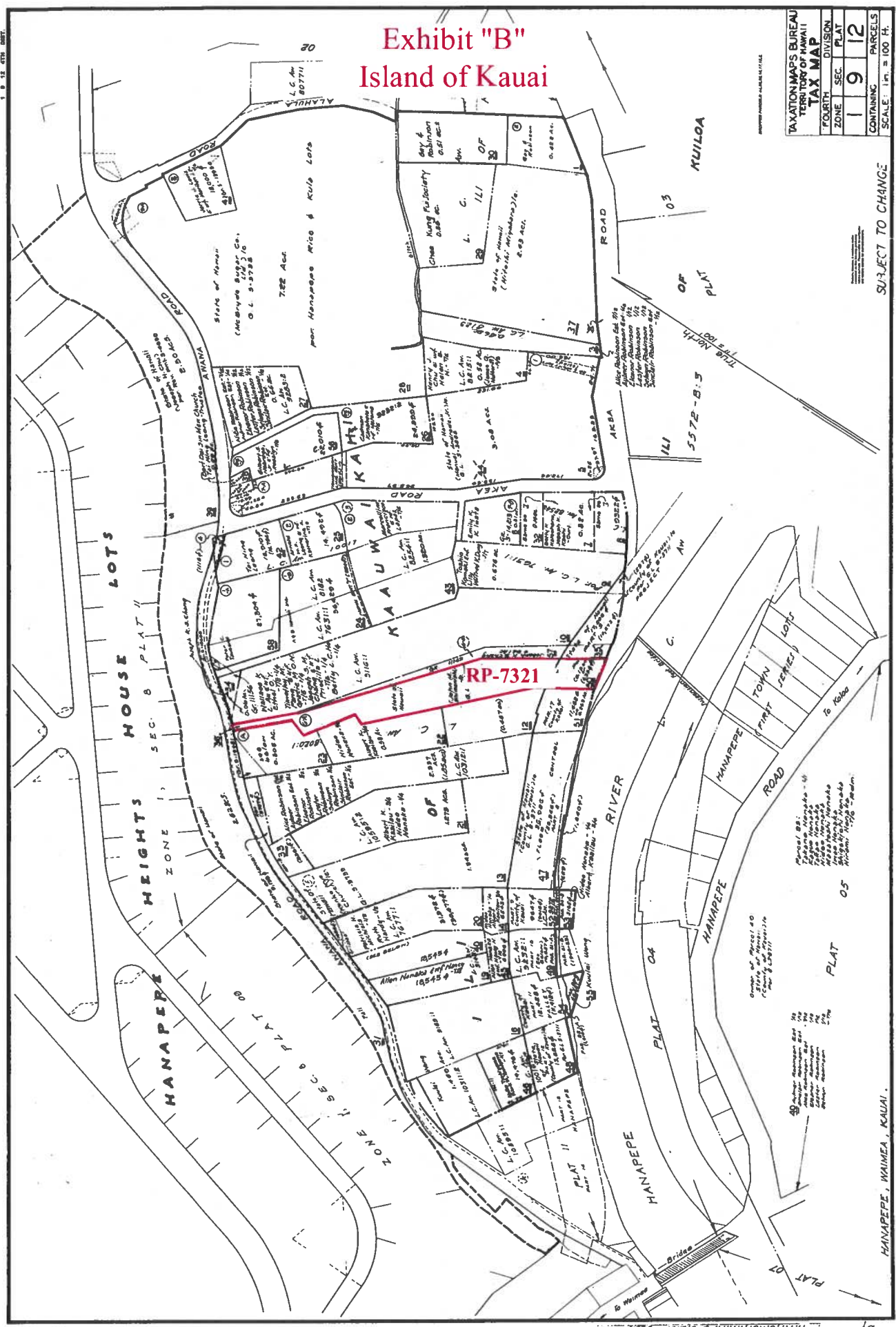
BY P.K./A.S DATE (Revised) December 1968

SEP 2 2 435
OCT 1 1968

D-18

D-19

Exhibit "B" Island of Kauai



TAXATION MAPS BUREAU TERRITORY OF HAWAII			
TAX MAP			
FOURTH	DIVISION	PLAT	SECTION
1	9	12	
CONTAINING PARCELS			SCALE: 1 in. = 100 ft.

SUBJECT TO CHANGE

HANAPEPE, WAINAENA, KAUAI.

1 9 12 4724 1936

5127
Tax Map Bureau
H.N. G.V. L.H. & J.L.C. Dec. 1936
Dwg. No. 5127
Source

TAXATION MAPS BUREAU TERRITORY OF HAWAII			
TAX MAP			
FOURTH	DIVISION		
ZONE	SEC.	PLAT	
4	1	01	
CONTAINING		PARCELS	
SCALE 1 in. = 100 ft.			

SUBJECT TO CHANGE

PRINTED

PORTION OF WAILUA RICE AND KULA LOTS, KAWAIIHAU, KAUAI.

Lmg No. 2883
 Source: Tax Maps Bureau & Survey Dept.
 By: L.H.H. & B.S.G. August, '96

D-20

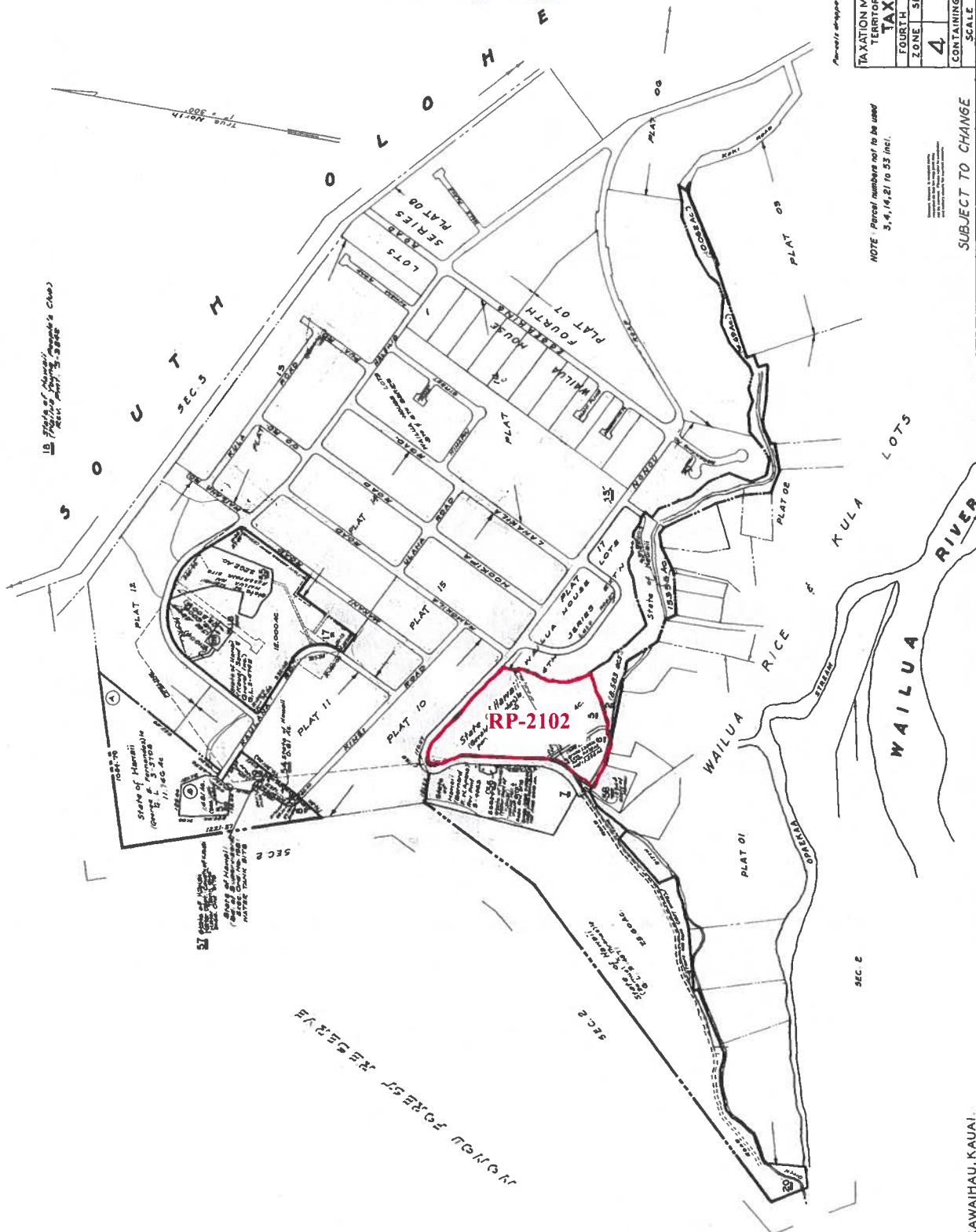
Source: *Journal of the American Statistical Association*, 1997, 92, 1171-1182.

TAXATION MAPS BUREAU TERRITORY OF HAWAII			
TAX MAP			
FOURTH DIVISION			
ZONE	SEC	PLAT	
4	1	09	
CONTAINING PARCELS			
SCALE			1 in = 300 ft

NOTE: Parcel numbers not to be used
3, 4, 14, 21 to 53 incl.

SUBJECT TO CHANGE

PORTION OF WAILUA, KAWAIHAU, KAUAI.

[illegible]

STATE OF HAWAI'I
DEPARTMENT OF AGRICULTURE
AGRICULTURAL RESOURCE MANAGEMENT DIVISION
HONOLULU, HAWAI'I

November 26, 2024

Board of Agriculture
Honolulu, Hawai'i

Subject:	REQUEST FOR CONVERSION OF GENERAL LEASE NO. S-4392; LOIS N. HASHIMOTO, CLYDE T. HASHIMOTO, AND LYNNE N. TAMASHIRO, LESSEE; TMK: (4) 1-9-001:011, LOT 25, HANAPĒPĒ RICE AND KULA LOTS, HANAPĒPĒ, WAIMEA (KONA), ISLAND OF KAUA'I, HAWAI'I
Authority:	Section 166E-4, Hawai'i Revised Statutes (HRS), and Sections 4-158-8, Hawai'i Administrative Rules (HAR)
Lessee:	Lois N. Hashimoto, Clyde T. Hashimoto, and Lynne N. Tamashiro
Land Area:	4.08 gross acres
Tax Map Key:	(4) 1-9-001:011 (see Exhibit "A")
Land Status:	Encumbered by Governor's Executive Order No. 4526 to the Department of Agriculture (DOA) for Non-Agricultural Park Lands purposes dated January 30, 2017
Lease Term:	12/20/1973 through 5/25/2031
Annual Rental:	\$2,483.00 per year
Character of Use:	Taro cultivation, residence

REMARKS:

General Lease No. S-4392 was awarded by the Board of Land and Natural Resources to Toshio Hashimoto and Lois N. Hashimoto in 1973. In 2013, the lease was assigned to Lois N. Hashimoto, Clyde T. Hashimoto and Lynne N. Tamashiro. In 2017 the lease was transferred to the DOA via Governor's Executive Order for management purposes. The lessee has successfully grown various types of taro to sell to producers of poi and other value added products on the island of Kaua'i.

The Lessee is in good standing according to the provisions of the lease and is requesting a conversion of said lease in accordance with Section 4-158-8, HAR, to a long-term lease of thirty-five (35) years for the initial lease term, subject to the requirements of the administrative rules which are stated, in pertinent sections as follows:

The department shall:

- Require an appraisal of the parcels in accordance with Section 4-158-21, HAR;
- Impose other lease terms provisions, restrictions, and conditions as provided in this chapter as may be required to protect the State's interest; and
- Require the payment of annual lease rents by appraisal and a premium computed at twenty-five percent (25%) of the annual base rents for each year of the leases equal to the number of years that person occupied the land, but not to exceed seven (7) years.

An appraisal will be ordered pursuant to Section 4-158-21, HAR, for the purpose of determining the fair market rental for the subject parcel. The new appraised annual rental for this lease shall be set for the first fifteen years of the term versus 1.5% of gross sales, whichever is greater. The appraised annual rental will be applied to the converted lease starting from the commencement date. Additionally, in accordance with the administrative rules, the Lessee will pay a premium equal to 25% of the rental for the new lease for a period of seven (7) years from the commencement of the converted term.

Further, the Board and Lessee mutually agree to cancel the existing General Lease No. S-4392 by executing a Mutual Cancellation of General Lease No. S-4392, subject to execution of the converted general lease documenting the effective date, so that only one lease is in full force and effect. Since the mutual cancellation of lease is agreed upon and executed by the parties and is not due to breach or default by Lessee, Lessee is eligible and qualified for the new general lease, in this respect only. All other eligibility terms must be met to the satisfaction of the Board.

RECOMMENDATION:

That the Board of Agriculture:

1. Approve Lessee's request to convert General Lease No. S-4392 to new Non-Agricultural Park Lands lease of thirty-five (35) years for the initial lease term subject to the conversion provisions of Chapter 4-158-8, HAR.
2. Approve the Mutual Cancellation of General Lease No. S-4392, subject to the execution of the effective date of the new general lease.

All documents are 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” map
Exhibit “B” photos

APPROVED FOR SUBMISSION



SHARON HURD
Chairperson, Board of Agriculture

EXHIBIT "A"

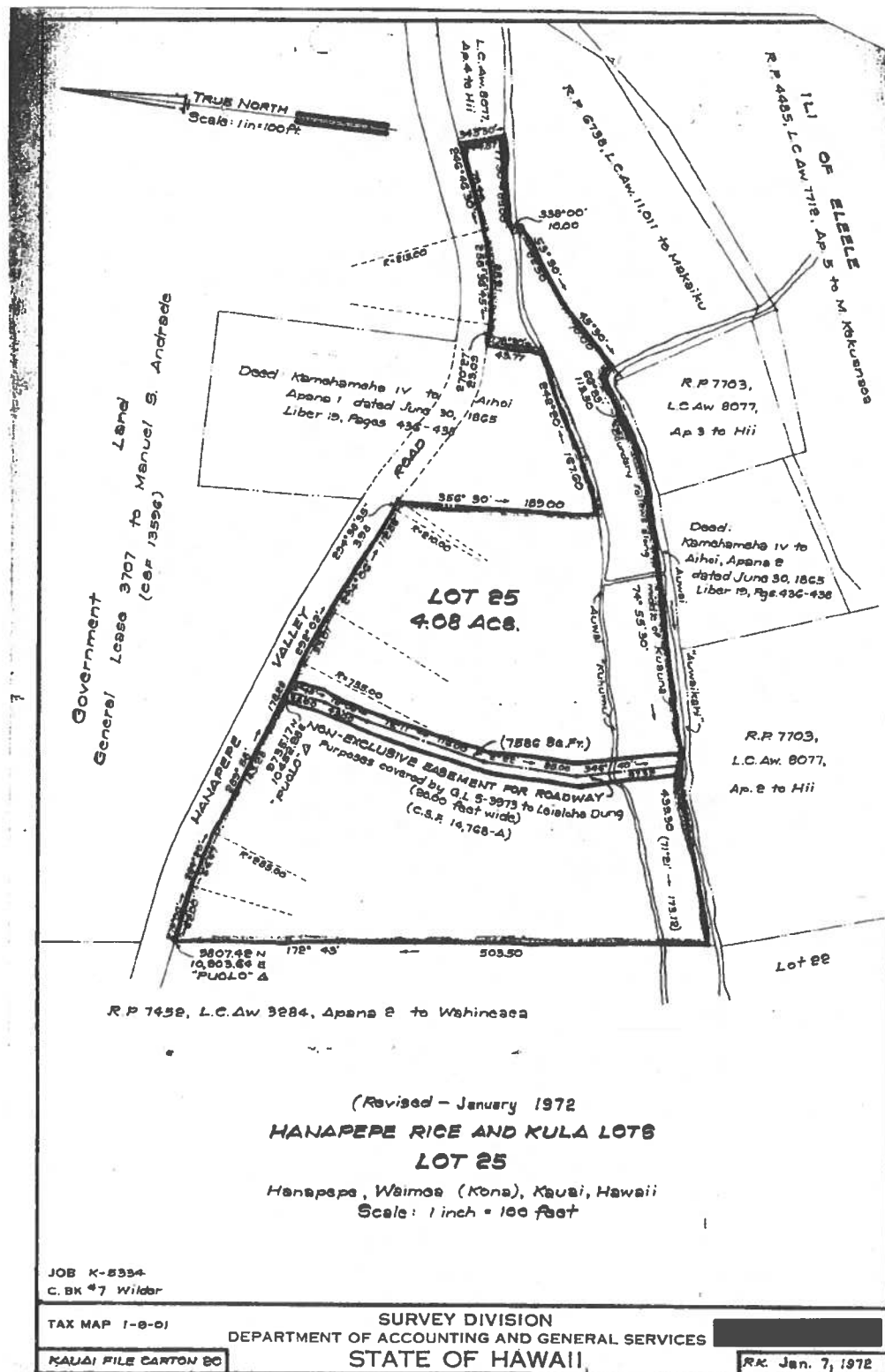


EXHIBIT "B"



STATE OF HAWAI'I
DEPARTMENT OF AGRICULTURE
AGRICULTURAL RESOURCE MANAGEMENT DIVISION
HONOLULU, HAWAI'I

November 26, 2024

Board of Agriculture
Honolulu, Hawai'i

Subject: REQUEST FOR APPROVAL TO (1) CANCEL GENERAL LEASE NOS. S-9000 AND S-9008; WILLIAM PFEIL, LESSEE, (2) ISSUE THE CANCELLATION DOCUMENT AND (3) DISPOSE OF THE PARCELS TO THE PUBLIC BY NEGOTIATION; TMKS: (2) 5-2-001:010 AND 016, MOLOKA'I AGRICULTURAL PARK, HO'OLEHUA, ISLAND OF MOLOKA'I, HAWAI'I

Authority: Sections 166-6, Hawai'i Revised Statutes (HRS), and Sections 4-153-3, 13, and 19, Hawai'i Administrative Rules (HAR)

Lessee: William Pfeil

Land Area: S-9000 23.701 gross acres
S-9008 26.890 gross acres

Tax Map Key: S-9000 (2) 5-2-001:010 (see Exhibit "A")
S-9008 (2) 5-2-001:016

Land Status: Encumbered by Governor's Executive Order No. 3696 to the Department of Agriculture (DOA) for agricultural park land purposes in December 27, 1996

Lease Terms: S-9000 35 years, April 1, 1999 – March 31, 2034
S-9008 35 years, April 1, 1999 – March 31, 2034

Current Rent: S-9000 \$1,230.00 per year
S-9008 \$1,395.00 per year

Additional Rent: 1.5% of the gross proceeds from the sale of commodities produced on the demised premises which exceed the base rental

Permitted Use: Diversified agriculture purposes

BACKGROUND:

The Board of Agriculture awarded General Lease Nos. S-9000 and S-9008 to William Pfeil commencing April 1, 1999 on which he produced papaya, mango and avocados. Subsequently, Mr. Pfeil left Moloka'i intending to return. To keep the parcels in active agricultural farming during his absence, Mr. Pfeil hired managers to manage and operate the farming activities on the parcels, however, these relationships eventually terminated on unsatisfactory terms.

Eventually, at Mr. Pfeil's request, Grant Schule agreed to manage both parcels which were in poor condition at that time. Since Mr. Schule took over managing the parcels, he revitalized the farms and continues to manage the parcels on which he produces papaya for sale on Moloka'i and statewide.

In 2019, Mr. Schule received communication from Mr. Pfeil's wife of his passing while in Thailand and informed the DOA staff shortly after. Mr. Pfeil's wife did not notify DOA staff about his passing.

To date, no one has come forward as being named by the appropriate Courts as a personal representative for William Pfeil's estate to legally act on his behalf. After reviewing the Hawai'i State Judiciary website, no probate matters were opened. As of this date, there are unpaid and delinquent real property taxes. Failure to pay real property taxes is a lease violation.

Staff deems the Lessee to be in breach and default on both leases due to violations of the lease provisions. The account is uneconomical and impractical to remedy and collect, and staff recommends cancellation of the leases and referral of the accounts to the Office of the Attorney General to expedite resolution of the outstanding lease rent balances due.

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RECOMMENDATION:

That the Board of Agriculture:

1. Approve the cancellation of General Lease Nos. S-9000 and S-9008 pursuant to section 4-153-34, HAR, and terminate all right, title, and interest granted to the Lessee therein effective as of the date of approval of this submittal;
2. Authorize issuance of lease cancellation documents to be executed by the chairperson and recorded at the Bureau of Conveyances;
3. Authorize staff to prepare TMK: (2) 5-2-001:010 and (2) 5-2-001:016 for disposition to the public by negotiation, pursuant to Sections 4-153-3, 13, and 19, HAR; and
4. Approve the request to refer General Lease Nos. S-9000 and S-9008 as delinquent accounts to the Office of the Attorney General for review and disposition in accordance with Section 40-82, HRS.

All related documents are subject to approval as to form by the Office 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

Attachment – Exhibit “A”

APPROVED FOR SUBMISSION:



SHARON HURD
Chairperson, Board of Agriculture

EXHIBIT "A"

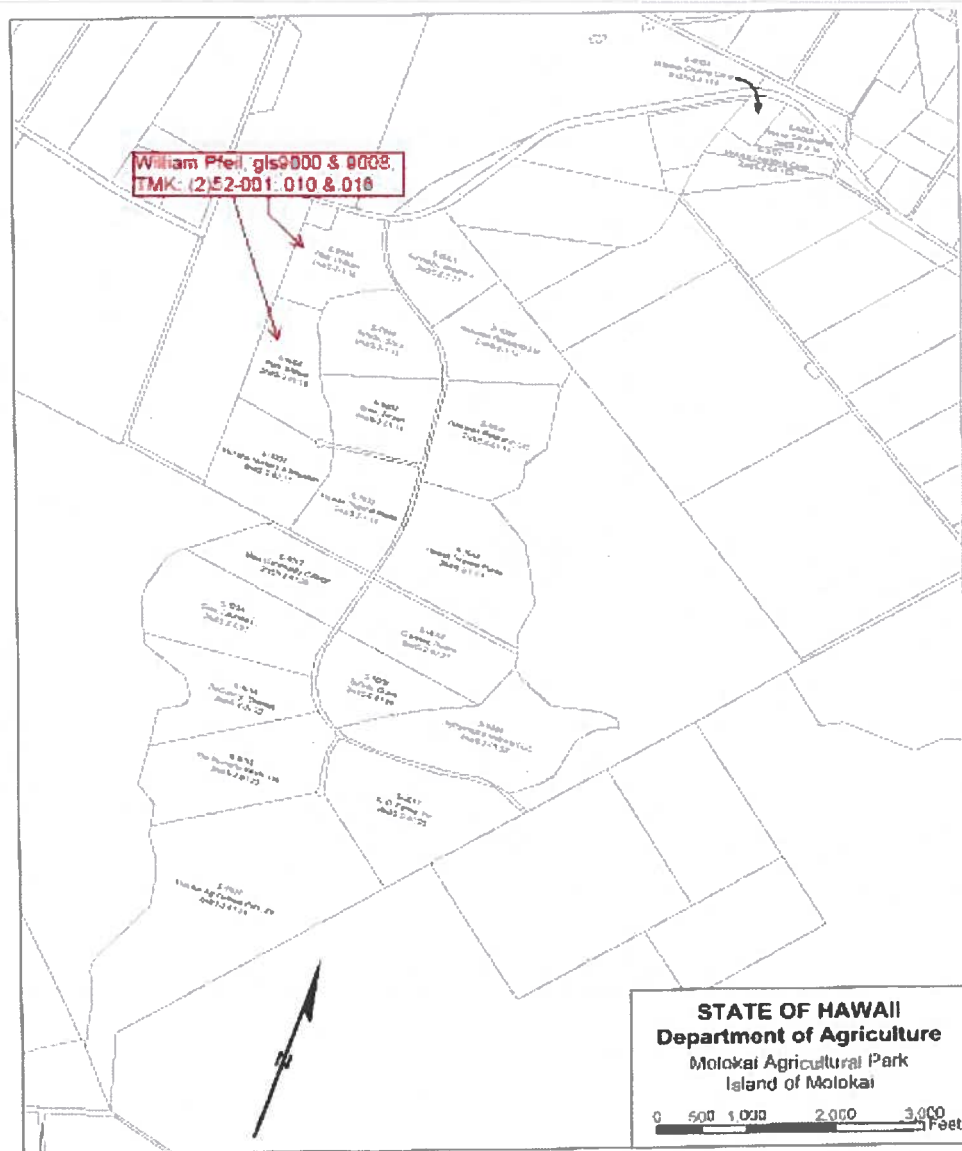


EXHIBIT "B" – PHOTOS



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

November 26 , 2024

Board of Agriculture
Honolulu, Hawai'i

Subject: REQUEST FOR CONSENT TO MORTGAGE; GENERAL LEASE NO. S-3003; HAWAII 'ULU PRODUCERS COOPERATIVE, LESSEE; TMK: (3) 7-9-016:018 AND 019, HONALO, NORTH KONA, ISLAND OF HAWAII, HAWAII

Authority: Section 171-22, Hawai'i Revised Statutes (HRS)

Lessee: Hawai'i 'Ulu Producers Cooperative

Land Area: Parcel 18: 1.91 acres
Parcel 19: 0.125 acres
Total: 2.035 acres

Tax Map Key: (3) 7-9-016:018 and 019 (Exhibit "A")

Lease Term: 50 years, December 1, 1993 to November 30, 2043

Land Status: Encumbered by Governor's Executive Order No. 3503 to the Department of Agriculture for marshalling yard purposes in 1991

Annual Base Rent: \$2,330.00 per year

Character of Use: Solely for agricultural processing; defined by the lease as "the processing of agricultural products, including marshalling, cooling, treating or transshipping, which are grown, raised or produced with the State."

BACKGROUND:

In 1993, General Lease No. S-3003, a 25-year lease, was awarded by the Board of Agriculture (BOA) to Kona Producers Cooperative (KPC). By Extension of General Lease No. S-3003, the term of this lease was extended for 25-years to expire on November 30, 2043. On June 28, 2022, the BOA consented to the assignment of lease from Kona Producers Cooperative to Hawai'i 'Ulu Producers Cooperative (HUPC).

The HUPC facility currently serves as an aggregation center for 'ulu (breadfruit), kalo, and pala'ai at which they process, store and market these products as well as process value-added 'ulu products.

HUPC is requesting approval to enter into a mortgage in the amount of \$1,000,000.00 for operating funds and to complete capital improvements and upgrades to the Honalo Facility. These improvements include the construction of a building intended for crop intake, the installation of a wash water septic tank and the construction of a temperature-controlled packing room. The planned improvements and upgrades will enable the co-op to quadruple facility aggregation and processing capacity from 500,000 to 2 million pounds per year of Hawai'i grown staple crops, thereby helping the state meet its food self-sufficiency and sustainability goals.


The proposed \$1,000,000.00 loan will be led by the Feed the Hunger Fund (FTHF), who will disburse \$500,000.00 at a 5% interest rate. Mission Driven Financing through the Aina Aloha Economy Fund will serve as the participating lender, disbursing the remaining \$500,000.00 at a 5.67% interest rate, resulting in a blended interest rate of 5.34%. The loan is structured as a seven (7) year loan with monthly interest only payments and six (6) principal payments of \$25,000.00 from 2026-2028. FTHF will provide a grant of \$50,000 toward the principal with a balloon payment of \$800,000.00 at maturity. The loan is further secured by a junior financing statement on all business assets, including accounts, equipment and inventory.

On October 22, 2024, the Board of Agriculture approved a request for the Department of Agriculture's Agricultural Loan Division, for a limited guaranty on the loan. An 80% reimbursement of the principal will be provided in the unlikely event the Lessee defaults on the mortgage.

RECOMMENDATION:

That the Board of Agriculture approve and consent to a \$1,000,000.00 mortgage on General Lease S-3003. 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 - Exhibit "A"

APPROVED FOR SUBMISSION:


SHARON HURD
Chairperson, Board of Agriculture

STATE OF HAWAI'I
DEPARTMENT OF AGRICULTURE
AGRICULTURAL RESOURCE MANAGEMENT DIVISION
HONOLULU, HAWAI'I

November 26, 2024

Board of Agriculture
Honolulu, Hawai'i

Subject: REQUEST TO: (1) RESCIND PRIOR BOARD ACTION APPROVING ASSIGNMENT OF GENERAL LEASE NO. S-4775; HENRY M. TERADA AND LORAIN Y. TERADA, LESSEE/ASSIGNOR; JIANGUO WANG, ASSIGNEE; AND (2) CONSENT TO ASSIGNMENT OF GENERAL LEASE NO. S-4775; HENRY M. TERADA AND LORAIN Y. TERADA, LESSEE/ASSIGNOR; JAMES WILLIAM MCCULLY, ASSIGNEE; TMK: 3rd DIV/2-2-056:054, LOT 28, PANAEWA AGRICULTURAL PARK, WAIĀKEA, SOUTH HILO, ISLAND OF HAWAI'I, HAWAI'I

Authority: Section 166-7 and 9 Hawai'i Revised Statutes, (HRS), and Section 4-153-33(a)(6)(B) Hawai'i Administrative Rules (HAR)

Lessee/Assignor: Henry M. Terada and Loraine Y. Terada

Assignee: James William McCully

Land Area: 10.119 acres

Tax Map Key: 3rdDiv/2-2-056:054 (Exhibit "A")

Lease Term: Initial 55-year lease, extended to an 85-year lease, January 1, 1982, through December 31, 2066, in accordance with Act 213, SLH 2023, codified as Section 166-11e, HRS

Land Status: Encumbered by Governor's Executive Order No. 3378, dated February 26, 1988, to the Department of Agriculture for Agricultural Park Purposes

Annual Base Rent: \$3,140.00 per year

Character of Use: Nursery

Consideration: \$125,000.00

BACKGROUND:

On April 27, 1982, the Board of Land and Natural Resources issued General Lease S-4775, a 55-year lease, to Henry M. Terada and Lorraine Y. Terada. General Lease S-4775 was transferred to the Department of Agriculture by Governor's Executive Order No. 3378, dated February 26, 1988. On May

8, 2024, the lessees' request for a 30-year extension of General Lease S-4775, in accordance with Act 213, Session Laws of Hawaii 2023, now codified as Section 166-11(e), HRS, was approved and executed by the Board of Agriculture. This extension lengthens the lease term by 30 years, beginning on January 1, 2037, and running through December 31, 2066.

For the past 42 plus years, Mr. and Mrs. Terada have been excellent stewards of the land. They developed a thriving and successful anthurium operation. However, due to physical ailments, their ability to maintain the farm has become more and more difficult. In accordance with Section 4-153-33(a)(6)(B), HAR, and the terms of the lease, Mr. and Mrs. Terada are requesting to assign General Lease S-4775 to James William McCully.

James McCully has over 45-years of farming experience. He is the owner of Mauna Kea Orchids, which is one of the leading breeders in the Oncidium Alliance, worldwide. Mr. McCully's Plan of Utilization and Development is to continue the current anthurium operation. He also plans on planting coffee using nursery grown plants from his coffee farm.

Mr. McCully qualifies as a Bona fide farmer with more than two (2) years of full-time farming experience and satisfies the eligibility requirements pursuant to Sections 4-153-1 and 13, HAR.

There is a consideration of \$125,000.00 for the assignment of lease. This assignment will include a farm structure, shade houses and a large plant inventory. General Lease S-4775 does not include a participation clause.

RECOMMENDATION:

That the Board of Agriculture rescind its prior approval of assignment to General Lease S-4775 from Henry M. Terada and Loraine Y. Terada, Lessee/Assignor, to Jianguo Wang, Assignee, and consent to the assignment of General Lease S-4775 from Henry M. Terada and Loraine Y. Terada, Lessee/Assignor, to James William McCully, Assignee, and the consideration of \$125,000.00. 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 - Exhibit "A"

APPROVED FOR SUBMISSION:



SHARON HURD
Chairperson, Board of Agriculture

Photos
General Lease S-4775



