

STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES  
Land Division  
Honolulu, Hawaii 96813

February 11, 2011

Board of Land and Natural Resources  
State of Hawaii  
Honolulu, Hawaii

Hawai'i

Consent to Extension of Lease Term, General Lease No. S-4474, Parker Ranch, Inc., Lessee, for Parcels 14-A and 14-B, Government Land of Puu Kawaiwai, Panoluukia and Kapia, South Kohala, Hawaii, Tax Map Keys: 3<sup>rd</sup>/6-2-01:03, 05.

APPLICANT AND REQUEST:

Lessee, Parker Ranch, Inc., for extension of General Lease No. S-4474 as to approximately 2,602.64 acres to amortize self-financed improvements in the amount of \$77,309. In order for Lessee to amortize this expenditure, the Lessee is requesting an extension of the remaining area of General Lease No. S-4474 for a term of 20 years, commencing on March 1, 2011 and expiring on February 28, 2031 for an aggregate term (initial term plus all extensions) of 55 years.

LEGAL REFERENCE:

Sections 171-11, 36(b), 36(d) and 37, Hawaii Revised Statutes (HRS), as amended.

LOCATION:

Portion of Government lands of Parcel 14-A and 14-B, Government Land of Puu Kawaiwai, Panoluukia and Kapia, South Kohala, Hawaii, identified by Tax Map Key: 3<sup>rd</sup>/6-2-01:03, 05, as shown on the attached map labeled Exhibit A. At its meeting of November 19, 2009 agenda item D-3, the Board of Land and Natural Resources set-aside a portion of this lease to the Division of Forestry and Wildlife as an addition to their existing Koaia Wildlife Sanctuary which affects a portion of parcel 14-A. The requested lease extension affects the remainder of parcel 14-A and all of parcel 14-B.

AREA:

Original lease area –	2,977.64 acres, more or less.
Area of DOFAW's approved withdrawal –	375 acres, more or less
Area of staff's recommended lease extension –	2,602.64 acres, more or less.

ZONING:

State Land Use District:	Agriculture
County of Hawaii CZO:	A-20a

TRUST LAND STATUS:

Section 5(b) lands of the Hawaii Admission Act  
DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: NO

LEASE CHARACTER OF USE:

Pasture purposes.

TERM OF LEASE:

35 years, commencing on March 1, 1976 and expiring on February 28, 2011.  
Requested extension of 20 years commencing on March 1, 2011 and expiring on  
February 28, 2031.

LEASE ANNUAL RENTAL:

Current rent is \$4,680.00, due in quarterly installments of \$1,170.00 on June 1,  
September 1, December 1 and March 1 of each year.

RENTAL REOPENINGS:

Reopenings in the original term were at the end of the 10<sup>th</sup>, 20<sup>th</sup> and 30<sup>th</sup> years of the  
term. The last rental reopening occurred on March 1, 2006.

Reopenings for the extended term shall be on February 11, 2011 (immediate reopening),  
with one additional reopening on March 1, 2021.

CHAPTER 343 - ENVIRONMENTAL ASSESSMENT:

See Exhibit B attached.

LESSEE'S SELF-FINANCED IMPROVEMENTS:

A summary report of expenditures has been submitted by Lessee. Staff has reviewed the  
details of the report as well as the tax returns provided by Lessee, the report of Lessee's  
certified appraiser, Stewart H. Hussey, dated September 2, 2010, and has also conducted a  
site inspection of the property. Staff confirms the expenses incurred relate to the lease  
property.

The Lessee has made substantial improvements to the perimeter fencing in addition to  
the interior paddock fencing.

DCCA VERIFICATION:

Place of business registration confirmed:	YES <u>X</u>	NO <u>___</u>
Registered business name confirmed:	YES <u>X</u>	NO <u>___</u>
Applicant in good standing confirmed:	YES <u>X</u>	NO <u>___</u>

APPLICANT REQUIREMENTS:

Applicant Parker Ranch, Inc. shall be required to pay for an appraisal for the immediate rental reopening.

REMARKS:

General Lease No. S-4474 was awarded to Richard Smart on August 28, 1975 at public auction for a period of 35 years. A portion of this lease was withdrawn from the lower section for public utility purposes by the Board at its meeting of February 8, 1980 under agenda item F-5. The land that was withdrawn is approximately 15,000 square feet along the Kawaihae Road and is being utilized as an electric substation site.

At its meeting of March 27, 1997, Item D-2, the Board approved the assignment of General Lease No. S-4474, from Richard Smart (deceased) Assignor, to Parker Ranch, Inc., Assignee.

The Division of Forestry and Wildlife through its Natural Area Reserve System (NARS), manages approximately 13.47 acres of land within GL S-4474 as the Koaia Sanctuary under Governor's Executive Order No. 1409. NARS requested an additional set aside of approximately 375 additional acres from lands currently encumbered by GL S-4474.

At its meeting of November 19, 2009 (Item D-3), the Board approved the withdrawal and set aside to the Division of Forestry and Wildlife for the Koaia Forest Sanctuary approximately 375 acres from General Lease No. S-4474.

The Lessee is now requesting an extension of General Lease No. S-4474 so that the expenses incurred through the substantial improvements to the portion of the property outside of the Koaia Forest Sanctuary can be amortized. The Lessee replaced approximately 26,786 linear feet of fence, including perimeter and paddock fencing, and installed additional paddock fencing within the lease area at a cost of \$77,309. This fencing was installed in 2002 and 2006.

The Lessee has provided an appraisal report dated September 2, 2010 from a certified appraiser regarding the economic life of the proposed improvements to the leasehold property. According to the appraiser, the life expectancy of the fencing is estimated to be approximately 30 years. Based on this estimate, the improvements have a remaining useful life of between 21 and 25 years and a depreciated value of \$38,654.

Through a joint effort with the Kohala Watershed Partnership (KWP) Parker Ranch has committed to "restoration areas" within the lease. Approximately 250 acres have been excluded from grazing and ungulate proof fencing has been installed to protect the area.

The Hawaii District Land Office staff conducted a site inspection of the lease on December 7, 2010 and confirmed all the improvements were completed by the Lessee. All improvements to the paddocks and perimeter fencing adhere to the most current conservation plans.

The Lessee is compliant with the terms and conditions of the lease with regards to rent, insurance and performance bond. The Lessee submitted a conservation plan approved by the Chairperson on January 9, 2010.

The Lessee has not had a lease, permit, easement or other disposition of State lands terminated within the last five years due to non-compliance with such terms and conditions.

The last rental reopening occurred on March 1, 2006. There are no further rental reopenings. There are no outstanding rental reopening issues.

The property has been developed, utilized and maintained by the Lessee as a beef cattle operation, substantially for the purpose for which it was leased (pasture).

One final issue with respect to the property is that a community organization called the South Kohala Community Development Plan Action Committee (Committee) has inquired about public access onto this parcel and other State lands in the area. This Committee and others were created by County Council Ordinance No. 08-98. When the Committee initially contacted Land Division about access, staff suggested that the Committee communicate with Lessee on the matter. Staff understands that Lessee is concerned about vandalism to fences and infrastructure if the public granted access onto the land. Staff believes that any public access that could be granted would need to be coordinated with the Lessee and possibly with the Division of Forestry and Wildlife if the purpose of the access is to reach the Kohala Forest Reserve mauka of the lease parcel. The unresolved access issue should not be a bar to the approval of the lease extension.

Staff is recommending that the requested lease extension be granted, subject to DOFAW's approved withdrawal.

RECOMMENDATION:

That the Board, subject to the Applicants fulfilling the Applicant requirements listed above:

1. Authorize the extension of General Lease No. S-4474, Parker Ranch, Inc., Lessee, under the terms and conditions cited above, which are by this reference incorporated herein and further subject to the following:
  - A. The standard terms and conditions of the most current lease extension form, as may be amended from time to time;
  - B. Review and approval by the Department of the Attorney General; and
  - C. Such other conditions as may be prescribed by the Chairperson, which are in the best interests of the State.

Respectfully Submitted,

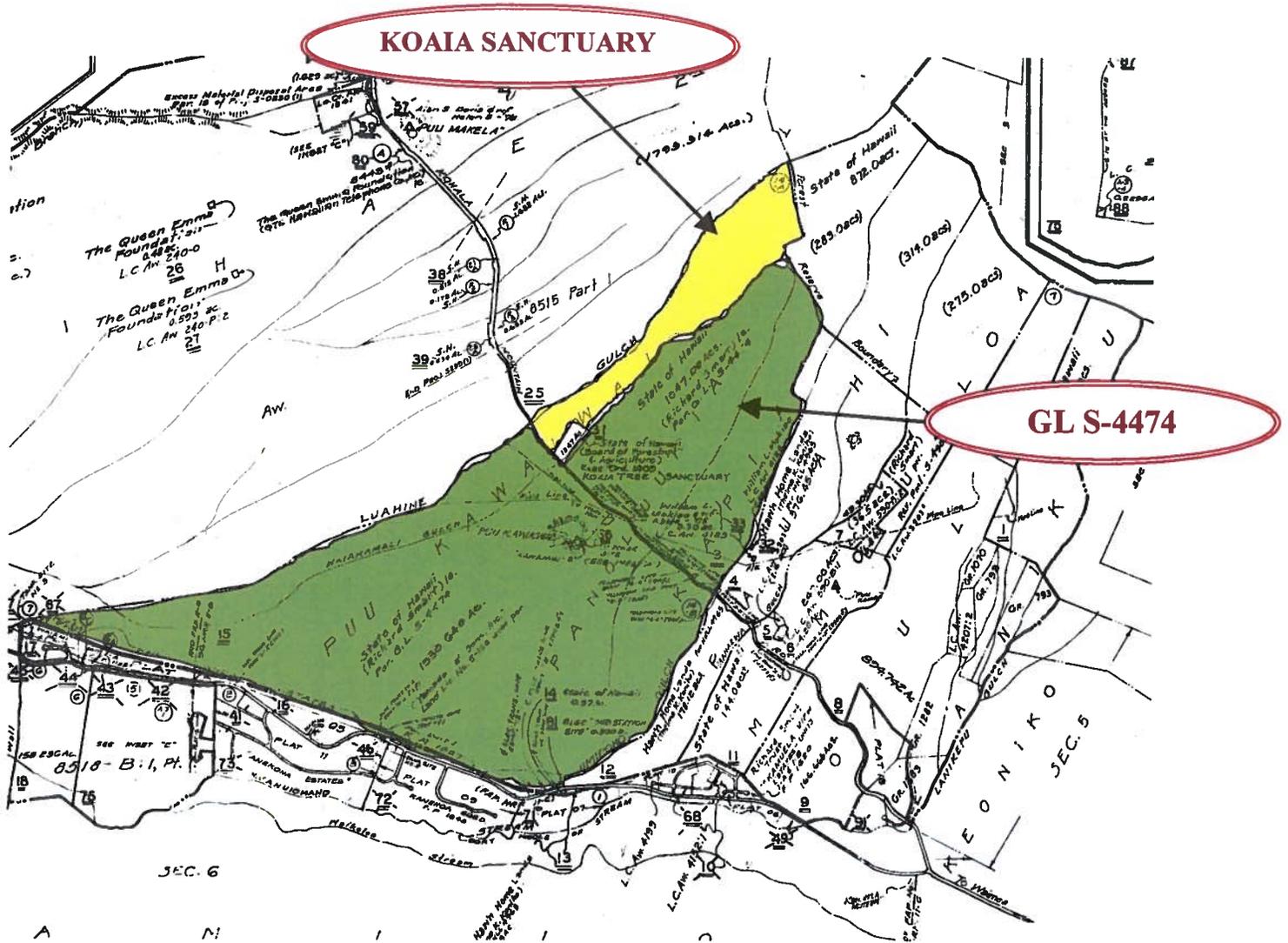
  
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Gordon C. Heit  
Land Agent 

APPROVED FOR SUBMITTAL:

  
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William J. Aila, Jr., Interim Chairperson

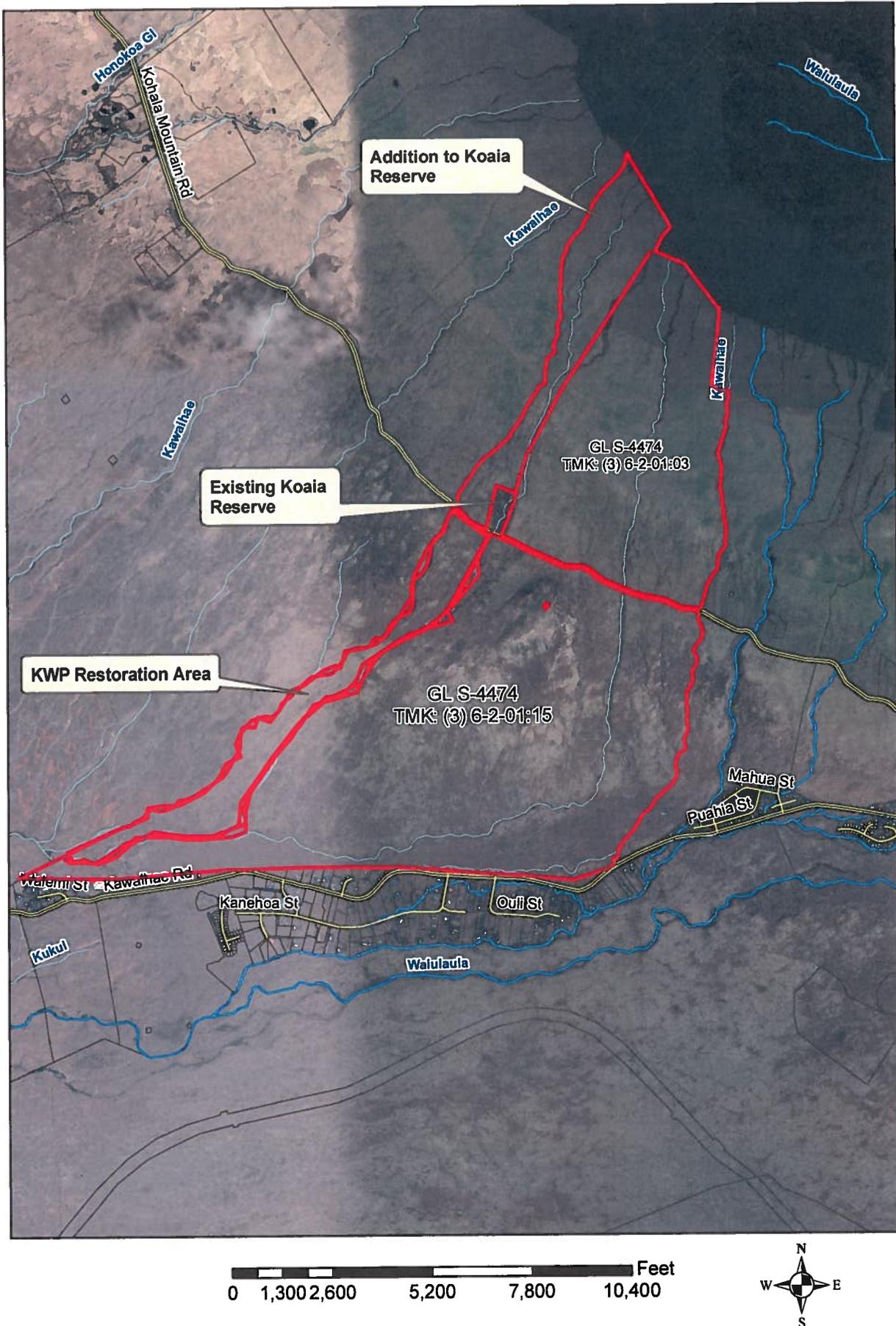
# EXHIBIT A

TMK: 3<sup>RD</sup>/6-2-01:03, 05



# Parker Ranch Lease

EXHIBIT A



NEIL ABERCROMBIE  
GOVERNOR OF HAWAII



**STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES**

POST OFFICE BOX 621  
HONOLULU, HAWAII 96809

**WILLIAM J. AILA, JR.**  
INTERIM CHAIRPERSON  
BOARD OF LAND AND NATURAL RESOURCES  
COMMISSION ON WATER RESOURCE MANAGEMENT

**GUY KAULUKUKUI**  
INTERIM FIRST DEPUTY

**LENORE N. OHYE**  
ACTING DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES  
BOATING AND OCEAN RECREATION  
BUREAU OF CONVEYANCES  
COMMISSION ON WATER RESOURCE MANAGEMENT  
CONSERVATION AND COASTAL LANDS  
CONSERVATION AND RESOURCES ENFORCEMENT  
ENGINEERING  
FORESTRY AND WILDLIFE  
HISTORIC PRESERVATION  
KAIKOOLAWE ISLAND RESERVE COMMISSION  
LAND  
STATE PARKS

**EXEMPTION NOTIFICATION**

From the preparation of an environmental assessment under the authority of Chapter 343, HRS and Chapter 11-200, HAR

**Project Title:** Request for Lease Extension to Parker Ranch, Inc. for Pasture Purposes.

**Project Number:** GL S-4474

**Project Location:** Puu Kawaiwai, Panoluukia and Kapia, South Kohala, Hawaii, Tax Map Key:3<sup>rd</sup>/6-2-01:03, 05.

**Project Description:** The requested parcel is currently leased to Parker Ranch, Inc. for pasture use. The term of the existing lease is set to expire on February 28, 2011. The Lessee has made improvements to the State land and is requesting an extension of the lease so that they may recover the cost of their improvements.

**Consulted Parties:** None

**Exemption Class No.:** In accordance with the "Division of Land Management's Environmental Impact Statement Exemption List", approved by the Environmental Council and dated April 28, 1986, the subject request is exempt from the preparation of an environmental assessment under the following:

Exemption Class No. 1, which states, "Operations, repairs or maintenance of existing structures, facilities, equipment or topographical features, involving negligible or no expansion or change of use beyond that previously existing."

**EXHIBIT "B"**

**Recommendation:**

It is anticipated this project will probably have minimal or no significant effect on the environment and is presumed to be exempt from the preparation of an environmental assessment.



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William J. Aila, Jr., Interim Chairperson

1/20/11

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Date