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

October 28, 2011

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

PSF No: Various
STATEWIDE

Second Amendment to Prior Board Action of December 1, 2010, Item D-3, Designation of Certain Select Properties for Income Generation to Support the Management of Lands under the Jurisdiction of the Board and Department of Land and Natural Resources; relating to various TMKs on the Islands of Oahu, Maui, Hawaii and Kauai as articulated in Exhibit B attached hereto and incorporated herein

BACKGROUND:

The Department of Land and Natural Resources ("DLNR") is responsible for managing approximately 1.3 million acres of public lands and the State's natural and cultural resources. DLNR's responsibilities include managing and maintaining the State's coastal lands and waters, water resources, conservation and forestry lands, historical sites, small boat harbors, parks, and other recreational facilities; performing public safety duties (e.g., flood and rock fall prevention); issuing and managing leases of public lands; maintaining unencumbered public lands; and enforcing DLNR rules and regulations.

To support DLNR efforts to satisfy its fiduciary duties, the Board of Land and Natural Resources ("Land Board") has determined DLNR should utilize a portion of the lands under the Land Board's jurisdiction to generate revenues to support DLNR's management of public lands and programs.

At its meeting of December 1, 2010 approved Agenda Item D-3, a copy of which is attached as **Exhibit I**. By this action, the Land Board designated certain select properties to support the management of lands under its jurisdiction; and authorized the deposit of those revenues, pursuant to Section 171-19, Hawaii Revised Statutes and further subject to any portion the Office of Hawaiian Affairs ("OHA") may be entitled to under applicable law, into the Special Land Development Fund ("SLDF"). At it meeting on February 25, 2011, under agenda item D-10, the Land Board amended its prior action by designating 42 additional properties as Income Producing Assets and authorized those additional revenues to also be deposited into the SLDF. All properties identified in these two actions were limited to commercial, industrial and hotel resort properties or related uses, including renewable energy production and telecommunication facilities.

REMARKS:

At this time staff requests the Land Board to approve a second amendment to its action of December 1, 2010, under Agenda Item D-3. This requested amendment is limited to the designation of five additional DLNR assets, identified in **Exhibit II** attached hereto, as Income Producing Assets; and authorization of revenues from these assets, less any portions thereof that OHA and the Department of Hawaiian Home Lands ("DHHL") may be entitled to under applicable law, to be deposited into the SLDF.

The SLDF provides critical funding to programs necessary for DLNR's management and protection of the State's cultural and natural resources. These programs include various natural hazard investigations and emergency responses to rock falls, flooding, earthquakes, etc. However, the State's weak economic condition resulted in severe budget cuts and numerous reallocations of funds from the SLDF by the Legislature. Consequently, ensuring the SLDF remains financially viable continues to be increasingly vital to DLNR.

Consistent with the criteria previously used to designate properties as Income Producing Assets, the subject assets identified in **Exhibit II**, attached, consist of commercial/industrial related uses, specifically renewable energy production (hydroelectric and wind). Designation of revenues from these assets will result in an estimated $161,000 of additional annual funding to the SLDF, further helping offset budgetary shortfalls in Department program funding.

In addition to the designation of the subject assets as "Income-Producing Assets", staff continues efforts to generate new revenues[1]. Staff's efforts focus on uses consistent with the criteria used in designating properties as "Income-Producing Assets" (i.e. commercial, industrial, and hotel/resort related uses, including but not limited telecommunication and renewable energy uses). To avoid similar repetitive requests to the Land Board in the future, staff further recommends the Land Board authorize revenues generated from State assets (less any allocations that OHA and DHHL may be entitled to under applicable law), to be deposited into the SLDF, provided however that those revenues are generated from commercial, industrial, hotel/resort and related activities, including but not limited to telecommunication and renewable energy uses.

RECOMMENDATION: That the Board:

1. Approve a Second Amendment to its prior Board action of December 1, 2010, under agenda item D-3, which by this reference is incorporated herein, by adding the five assets

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1 As authorized by the Land Board, within the past year Land Division auctioned a 65-year industrial lease, entered into a Development Agreement for the proposed development of a renewable energy park, and have held numerous discussions with several potential developers, including renewable energy producers interested in leasing State lands.

identified in Exhibit II to the amended list of properties previously designated for income production.

2. Authorize the deposit of revenues from State assets (subject to any portion OHA and/or DHHL may be entitled to under applicable law) into the Special Land Development Fund, provided the revenues are the result of commercial, industrial, or hotel/resort related uses, including but not limited to telecommunication and renewable energy uses.

3. All other terms and conditions listed in its December 1, 2010 approval to remain the same.

Respectfully Submitted,

Gavin Chun
Project Development Specialist

APPROVED FOR SUBMITTAL:

William J. Aila, Jr., Chairperson

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

December 1, 2010

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

PSF No: Various
STATEWIDE

Designation of Certain Select Properties for Income Generation to Support the Management of Lands under the Jurisdiction of the Board and Department of Land and Natural Resources; relating to various TMKs on the Islands of Oahu, Maui, Hawaii and Kauai as articulated in Exhibit B attached hereto and incorporated herein.

I. INTRODUCTION

This is a request to the Board of Land and Natural Resources ("Land Board") to designate certain select properties identified in Exhibit B to support the management of lands under the jurisdiction of the Board. The properties identified in Exhibit B are encumbered by leases, permits, etc., and are currently generating revenue primarily from commercial, industrial and resort leases.

II. DISCUSSION

The Department of Land and Natural Resources ("DLNR") is responsible for managing approximately 1.3 million acres of public lands and the State's natural and cultural resources. DLNR's responsibilities include managing and maintaining the State's coastal lands and waters, water resources, conservation and forestry lands, historical sites, small boat harbors, parks, and other recreational facilities; performing public safety duties (e.g., flood and rock fall prevention); issuing and managing leases of public lands; maintaining unencumbered public lands; and enforcing DLNR rules and regulations.

The Special Land and Development Fund has been relied upon to help financially support in part the Department in fulfilling its mission, which includes but is not limited to the management of public lands under the jurisdiction of the Land Board. "Land" not only includes public lands under the jurisdiction of the Board, but also includes submerged lands and all interests therein and the natural resources including water, minerals, and

EXHIBIT "I"

all such things connected with land.[1]

The SLDF is codified within the Hawaii Revised Statutes (HRS), section 171-19, and provides in relevant part the following:

§171-19 Special land and development fund.

(a) There is created in the department a special fund to be designated as the "special land and development fund". Subject to the Hawaiian Homes Commission Act of 1920, as amended, and section 5(f) of the Admission Act of 1959, all proceeds of sale of public lands, including interest on deferred payments; all moneys collected under section 171-58 for mineral and water rights; all rents from leases, licenses, and permits derived from public lands; all moneys collected from lessees of public lands within industrial parks; all fees, fines, and other administrative charges collected under this chapter and chapter 183C; a portion of the highway fuel tax collected under chapter 243; all moneys collected by the department for the commercial use of public trails and trail accesses under the jurisdiction of the department; transient accommodations tax revenues collected pursuant to section 237D-6.5(b)(2); and private contributions for the management, maintenance, and development of trails and accesses shall be set apart in the fund and shall be used only as authorized by the legislature for the following purposes:

(1) To reimburse the general fund of the State for advances made that are required to be reimbursed from the proceeds derived from sales, leases, licenses, or permits of public lands;
(2) For the planning, development, management, operations, or maintenance of all lands and improvements under the control and management of the board, including but not limited to permanent or temporary staff positions who may be appointed without regard to chapter 76;
(3) To repurchase any land, including improvements, in the exercise by the board of any right of repurchase specifically reserved in any patent, deed, lease, or other documents or as provided by law;
(4) For the payment of all appraisal fees; provided that all fees reimbursed to the board shall be deposited in the fund;
(5) For the payment of publication notices as required under this chapter; provided that all or a portion of

1 HRS 171-1 states that the term "[l]and" includes all interests therein and natural resources including water, minerals, and all such things connected with land, unless otherwise expressly provided.

the expenditures may be charged to the purchaser or lessee of public lands or any interest therein under rules adopted by the board;

(6) For the management, maintenance, and development of trails and trail accesses under the jurisdiction of the department;

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(e) All unexpended and unencumbered moneys remaining on balance with the fund at the close of each fiscal year which are deemed, by the director of finance, to be in excess of the moneys necessary to carry out the purposes of this section over the next following fiscal year shall lapse to the credit of the state general fund.

(Underscore added for emphasis). The complete text of H.R.S 171-19, the Special Land and Development Fund (SLDF) is attached hereto as Exhibit A.

DLNR's Land Division generates the primary source of revenues for the SLDF through the issuance and management of leases, permits, land licenses (e.g., timber, quarrying activities, etc.), water licenses, easements and other dispositions. The SLDF covers 100% of the payroll, fringes, operating and maintenance expenses for the DLNR's Land Division, the Office of Conservation and Coastal Lands, the Geothermal program staff, and most recently, the Dam Safety Program as mandated by the 2009 Legislature. The SLDF also covers the payroll and fringes of certain staff from the Commission on Water Resource Management, and has been relied upon by most Divisions and Offices within the Department to cover emergency response, hazard mitigation and budgetary shortfalls in program funding. Over the years, the importance of the SLDF to the Department has correspondingly increased, especially during declining economies and tight budgets.

The Land Division has also been tasked with generating new revenues for the SLDF to support the anticipated debt service that is needed to repair, maintain and upgrade public recreational and support facilities managed by the Department.

Due in part to numerous "special fund" raids, and most recently a decline in tenant revenues, the SLDF's current revenue stream is now barely sufficient to cover the Land Division's basic payroll obligations, and ordinary operating expenses. As such, it is imperative that the Department be productive to generate as much revenues as possible in order to support the Department's programs and operations for the sake and survival of the Department.

DLNR's Land Division manages over 1,300 leases, permits,

licenses, etc. on State lands under the jurisdiction of the Land Board. Non-ceded land revenues that are administered by the Land Division are deposited into the SLDF. In addition, about 1,000 or so of the over 1,300 dispositions involve ceded lands, of which the Land Division pays 20% of the revenues collected to the Office of Hawaiian Affairs (OHA) as required by law. Based on the express language of the SLDF as noted above, the remaining 80% of ceded land revenues (after paying OHA its 20% share) is supposed to be deposited directly into the SLDF and expended by the Department in accordance with HRS 171-19.

Over the years, for various reasons, the 80% portion of ceded land revenues (after paying OHA its 20% share) that was supposed to go to the SLDF, did not and instead, was put to other purposes like supplementing the general fund and, in the past several years, assisting the State with any shortfalls in the fixed annual OHA settlement payment of $15.1 million dollars.2

Recently several governmental programs and entities that had initially not contributed to the OHA settlement began regularly providing their proportionate share of the 20% revenues from ceded lands under their jurisdiction. Accordingly, the shortfall in the settlement payment has decreased, and the 80% portion of the SLDF ceded land revenues can now be returned to the SLDF in accordance with the language of HRS 171-19. Land Division will work with the DLNR Fiscal Office and Department of Budget and Finance each year so that the State collectively meets obligations regarding the settlement. However, after any obligation is met annually, any excess of the SLDF 80% ceded land revenues will be returned to the SLDF so that it may be expended for departmental purposes in accordance with HRS 171-19.3

Staff brings this matter to the Land Board seeking its concurrence in designating certain select commercial, industrial and resort properties identified in Exhibit B as income producing to support the management of public lands under the jurisdiction of the Land Board (which includes submerged lands, the water column, etc.). Such designation and affirmation by the Land Board will assist the Department in assuring the SLDF has adequate revenues to support the Department's land management, and assisting in covering the Department's emergency response,

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2 A shortfall existed due to certain agencies not paying the full 20%, or any portion of the 20% share to OHA. Examples include the Airports Division of the Department of Transportation, the University of Hawaii, and a handful of others. Each nonpaying agency had its own reasons that varied.

3 Trends over the last four years show that Land Division has generated revenues from ceded lands in excess of what has been needed to cover the annual shortfall. To the extent any shortfall may occur in the future, perhaps all special funds in the State that collect revenues from ceded lands ought to be looked at equitably to determine their respective abilities to contribute in excess of the minimum required 20% share. This may be something the next Administration may want to consider.

hazard mitigation, debt service and budgetary shortfalls in program funding in accordance with HRS 171-19. This Board's action would also help to underscore the importance of the SLDF revenues to DLNR's core operations.

Finally, to ensure the Land Division's continued viability and ability to manage encumbered as well as unencumbered public lands, and to generate revenues for the SLDF to support the various missions and mandates of the Department, staff seeks the Board's concurrence and affirmation of annual reviews and consultations between the Chairperson, Land Division Administrator and Fiscal Officer on the fund balance and allocation of those funds for the various departmental programs and priorities, consistent with the statutory limitations on the types of expenditures or transfers allowed under HRS 171-19.

III. CHAPTER 343 - ENVIRONMENTAL ASSESSMENT:

See Exhibit C attached hereto and incorporated herein.

IV. RECOMMENDATION:

Consistent with the text of this written submission and subject to the terms and conditions noted above, that the Board:

1. Approve the Designation of Certain Select Properties indentified in Exhibit "B" for Income Generation to Support the Management of Lands under the Jurisdiction of the Land Board and Department, and authorize the deposit of those revenues (subject to any portion OHA may be entitled to under applicable law) into the Special Land and Development Fund;

2. Concur and affirm staff's recommendation for annual reviews and consultations between the Chairperson, Land Division Administrator and Fiscal Officer on the fund balance and allocation or expenditures of those funds for the various departmental programs, consistent and in accordance with the statutorily allowed expenditures under HRS 171-19.

3. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the Department and the State.

Respectfully Submitted,

Russell Y. Tsuji
Land Division Administrator

APPROVED FOR SUBMITTAL:

Laura H. Thielen, Chairperson

§171-19 Special land and development fund. (a) There is created in the department a special fund to be designated as the "special land and development fund". Subject to the Hawaiian Homes Commission Act of 1920, as amended, and section 5(f) of the Admission Act of 1959, all proceeds of sale of public lands, including interest on deferred payments; all moneys collected under section 171-58 for mineral and water rights; all rents from leases, licenses, and permits derived from public lands; all moneys collected from lessees of public lands within industrial parks; all fees, fines, and other administrative charges collected under this chapter and chapter 183C; a portion of the highway fuel tax collected under chapter 243; all moneys collected by the department for the commercial use of public trails and trail accesses under the jurisdiction of the department; transient accommodations tax revenues collected pursuant to section 237D-6.5(b)(2); and private contributions for the management, maintenance, and development of trails and accesses shall be set apart in the fund and shall be used only as authorized by the legislature for the following purposes:

(1) To reimburse the general fund of the State for advances made that are required to be reimbursed from the proceeds derived from sales, leases, licenses, or permits of public lands;

(2) For the planning, development, management, operations, or maintenance of all lands and improvements under the control and management of the board, including but not limited to permanent or temporary staff positions who may be appointed without regard to chapter 76;

(3) To repurchase any land, including improvements, in the exercise by the board of any right of repurchase specifically reserved in any patent, deed, lease, or other documents or as provided by law;

(4) For the payment of all appraisal fees; provided that all fees reimbursed to the board shall be deposited in the fund;

(5) For the payment of publication notices as required under this chapter; provided that all or a portion of the expenditures may be charged to the purchaser or lessee of public lands or any interest therein under rules adopted by the board;

(6) For the management, maintenance, and development of trails and trail accesses under the jurisdiction of the department;

(7) For the payment to private land developers who have contracted with the board for development of public lands under section 171-60;

(8) For the payment of debt service on revenue bonds issued by the department, and the establishment of debt service and other reserves deemed necessary by the board;

(9) To reimburse the general fund for debt service on general obligation bonds issued to finance departmental projects, where the bonds are designated to be reimbursed from the special land and development fund;

EXHIBIT A

(10) For the protection, planning, management, and regulation of water resources under chapter 174C; and

(11) For other purposes of this chapter.

(b) Notwithstanding the above provisions, but subject to the restrictions contained in section 5(f) of the Admission Act, whenever the board sells remnants to abutting owners, the proceeds therefrom including interest on deferred payments, shall be deposited into the general fund; provided that such proceeds shall be set apart to the appropriate fund where mandatory federal requirements affecting federal funds so require.

(c) Notwithstanding the above limitations on use of the proceeds of sale, where the board sells public lands including the buildings thereon once used but no longer necessary for school purposes at the recommendation and request of the board of education, all net proceeds derived from the sales shall be used for the acquisition of land or for the erection of buildings for school purposes to the extent of an approved building plan in the departmental school district wherein the sales occur. In the absence of any school building program in the district or in the event of any surplus remaining after the completion of buildings constructed pursuant to the approved plan then the proceeds or surplus shall be used in other departmental school districts in the county wherein the sales occur.

(d) When use of the fund is authorized by the legislature for the development of public lands for a particular project, to be disposed of by sale, lease, license, or permit, the board may pay from the fund the costs of the development, including the costs of surveys, construction of roads, water lines, sewer lines, and such other improvements as may be necessary for the development of the lands; provided that the project shall meet with the zoning and subdivision requirements of the appropriate county government in which the lands are located, except that plans and specifications for recreational projects, including access roads therefor, shall not be required to meet with such approval; and provided further that no such development of public lands for disposal by sale, lease, license, or permit shall be made unless appropriate roads, water lines, and other improvements are installed which will make the land usable for the purpose for which it is being disposed at the time of disposition.

(e) <u>All unexpended and unencumbered moneys remaining on balance with the fund at the close of each fiscal year which are deemed, by the director of finance, to be in excess of the moneys necessary to carry out the purposes of this section over the next following fiscal year shall lapse to the credit of the state general fund.</u>

(Underscore added for emphasis).

EXHIBIT A

EXHIBIT B

SUBJECT PROPERTIES

(Selected Properties for Designation of "Income-Producing Assets")

Lease/ Permit No.	TMK	Land Area (Ac.)	Current Annual Lease Rent*	Lessee/Tenant	Comments
Oahu					
GL 5219	1-5-31:333	1.615	$180,000	Tyco International, Ltd	Commercial/Industrial (submerged lands)
RP 7566	2-6-08:29	0.090	405,192	Hilton Hawaiian Village, LLC	Commercial (pier lease)
GL 4095	4-1-13:10	129.859	144,500	Olomana Golf Links Inc.	Recreational/Commercial
GL 3709	4-1-14:04 & 13	105.937	91,200	Oceanic Institute	Research/Commercial
	Subtotals Oahu (4)	**237.495**	**$820,892**		
Maui					
GL 4212	3-9-04:29	1.119	87,739	Western Apt. Supply & Maintenance Co.	Hotel
GL 5731	4-8-01:01	200.000	150,000	Kaheawa Wind Power, LLC	Renewable energy
	Subtotals Maui (2)	**201.119**	**$237,739**		
Hawaii					
GL 5844	2-1-01:12 2-1-05: 13, 16, 17, 27, 32 & 46	70.125	500,000	Hawaii Outdoor Tours	Hotel Resort
GL 3961	2-1-03:05	5.000	101,280	Hilo-Hawaiian Associates	Hotel Resort
GL 3269	2-1-05:20	0.920	49,000	Country Club-Hawaii, Inc.	Hotel Resort
GL 5018	2-1-05:21	1.091	24,540	Bayview Banyan Corp	Hotel Resort
GL 3029	2-1-05:22	1.190	23,860	Reeds Bay Resort Hotel, Ltd.	Hotel Resort
GL 3265	2-1-05:33	0.586	11,460	Hilo Bay Hotel, Inc.	Hotel Resort
GL 3266	2-1-05:34	0.531	10,380	Hilo Bay Hotel, Inc.	Hotel Resort
GL 3267	2-1-05:35	0.495	9,660	Hilo Bay Hotel, Inc.	Hotel Resort
GL 4252	2-1-05:45	0.215	4,300	Hilo Bay Hotel, Inc.	Hotel Resort
GL 5187	2-1-09:06, 07, 42, 48	2.919	50,760	Equilon Enterprises & Aloha Petroleum	Industrial
GL 4323	2-1-10:33	3.706	60,600	Kalanianaole Real Estate & Aloha Petroleum	Industrial
GL 4662	2-1-12:25	1.418	27,300	Southern Foods Group, LP	Industrial
LLO 357	2-1-13:02	14.990	180,000	Yamada and Sons, Inc.	Industrial/Commercial
GL 5001	2-2-32:10	0.988	25,829	Pubtime, inc.	Commercial
GL 3723	2-2-32:11, 85, 86	1.934	27,360	Constructors Hawaii, Inc.	Office
GL 3611	2-2-32:21	2.334	44,790	Wm MacKenzie Trust et al.	Commercial
GL 5642	2-2-32:62 & 63	0.810	27,125	JJCO Properties, LLC	Commercial
GL 3597	2-2-32:64	0.339	11,359	Sure Save Supermarket, Ltd.	Commercial
GL 4333	2-2-37:56	0.448	10,238	Hawaiian Fruit Flavors, inc.	Industrial
GL 5848	2-2-37:63	0.900	72,000	David S. Deluz, Sr., Trustee	Industrial
GL 3935	2-2-37:66	0.304	9,100	Alan R. Nagakura Trustee	Commercial
GL 3592	2-2-32:67 & 78	0.778	16,440	HPM Building Supply	Industrial
GL 3609	2-2-32:68 & 70	2.363	44,190	Hawaii Planing Mill, Ltd.	Commercial
GL 3583	2-2-37:52, 92, 93	2.565	43,000	Yamada Consolidated, Inc.	Commercial/Industrial
GL 4284	2-2-37:81	0.826	17,520	Kapalama Commercial Center	Industrial
GL 4359	2-2-37:88	0.413	8,700	Michael Nakashima	Industrial
GL 4302	2-2-37:89	4.823	73,080	Yamada Transfer, Inc.	Industrial
GL 4663	2-2-37:94	0.916	21,000	Yamada Transfer, Inc.	Industrial
GL 5186	2-2-37:96	0.312	19,500	Hawaii Petroleum, Inc.	Industrial
GL 4664	2-2-37:97	0.391	10,800	Jack D. & John D. Umphrey	Industrial
GL 4665	2-2-37:98	1.019	22,800	DMS Diesel Repair, LLC	Industrial
GL 4330	2-2-37:122	0.416	8,700	Michael T. Nakashima	Industrial
GL 4331	2-2-37:144	0.516	10,060	J.W. McCully, Trustee	Industrial
GL 4332	2-2-37:144	0.546	10,640	J.W. McCully, Trustee	Industrial
GL 3604	2-2-49:02	0.258	8,280	Roger Antonio	Industrial
GL 3620	2-2-49:04	0.604	15,300	Chika Nakano Repair Shop, Inc.	Industrial
GL 3621	2-2-49:06	0.895	20,340	Crescent City Properties, Inc.	Industrial
GL 3601	2-2-49:07	0.775	17,010	William T. White, III	Industrial

* Annual lease rents are rounded to the nearest dollar.

(Continued on following page)

EXHIBIT B (continued)

Lease/ Permit No.	TMK	Land Area (Ac.)	Current Annual Lease Rent*	Lessee/Tenant	Comments
GL 3596	2-2-49:11	0.382	10,200	D.L. Downing	Industrial
GL 3593	2-2-49:12	0.367	10,719	Hilo Automotive Supply Center	Industrial
GL 3619	2-2-49:13	0.321	9,660	Mauna Kea Electric Co.	Industrial
GL 3602	2-2-49:14	0.364	10,620	Mar-Les Corporation	Commercial
GL 3603	2-2-49:15 & 16	0.293	8,400	Arthur K.K. & Cynthia L. Wong	Commercial
GL 3591	2-2-49:17	0.354	10,380	VetPro, Inc.	Commercial
GL 3698	2-2-49:22	0.687	46,800	Bank of Hawaii	Commercial
GL 3716	2-2-50:15	0.556	14,400	Hawaiian Fresh Produce	Commercial
GL 3750	2-2-50:76	0.274	6,900	Art K.K. & Cynthia L. Wong	Commercial
GL 3660	2-2-50:77	0.275	7,300	Hilo Bay Printing Company, Ltd.	Commercial
RP 7391	2-2-50:79	0.356	18,564	Hilo Termite & Pest Control, Ltd.	Commercial
RP 6931	2-2-50:80	0.258	5,232	Kent Kaneko	Industrial
GL 3594	2-2-50:83	0.224	7,440	Raymond T. Izuno	Industrial
GL 3598	2-2-50:85	0.258	8,280	Mauna Kea Infrared, LLC	Commercial
GL 3595	2-2-50:86	0.258	7,140	Opportunity Management Hawaii, Inc.	Industrial
GL 3599	2-2-50:90	0.775	18,300	Central Supply, Inc.	Industrial
GL 3875	2-2-50:93	0.689	26,400	Alternative Energy Marketing, Inc.	Commercial
GL 3622	2-2-50:95	0.320	9,660	Hiroshi & Naoe Matsubara	Industrial
GL 3606	2-2-50:96	0.344	8,400	Hilo Kala Inc.	Industrial
GL 3600	2-2-50:97	0.344	10,200	Hilo Mechanical, inc.	Industrial
GL 3670	2-2-50:98	0.344	8,250	Machida Inc.	Commercial
GL 4443	2-2-58:01	2.049	36,780	I. Kitagawa and Company, Limited	Industrial
GL 4308	2-2-58:02	0.551	14,400	Hilo Sheetmetal, Inc.	Industrial
GL 4307	2-2-58:03	0.278	8,400	GEO's Company, Inc.	Industrial
GL 4306	2-2-58:04	0.331	9,600	Sear's, Roebuck & Co.	Industrial
GL 4667	2-2-58:12	0.559	15,000	A. P. Water Supply	Industrial
GL 3742	2-2-58:14	2.165	48,100	JH Moku Ola, LLC	Industrial
GL 4303	2-2-58:15	0.608	11,280	David De Luz	Industrial
GL 4379	2-2-58:15	0.895	12,480	David De Luz	Industrial
GL 5656	2-2-58:17	0.895	16,000	Big Island Toyota, Inc.	Industrial
GL 3925	2-2-58:20, 21, 22	3.718	66,000	Hawaii Electric Light Co. Inc.	3 industrial-zoned lots
GL 4314	2-2-58:23	0.273	6,060	Scott T. Nakahara	Industrial
GL 4313	2-2-58:24	0.255	5,670	Scott T. Nakahara	Industrial
GL 4283	2-2-58:25	0.439	10,500	Kapalama Commercial Center	Industrial
GL 4312	2-2-58:26	0.439	14,300	Gary J. & Karen Rubio	Industrial
GL 3999	2-2-58:29 & 30	0.918	30,800	Ms Auto, Inc.	Industrial
GL 4310	2-2-58:31	0.459	10,500	Alumside Products, Inc.	Industrial
GL 4309	2-2-58:32	0.459	12,000	Western Pacific Investments	Industrial
GL 4201	2-2-58:33	0.474	10,960	David De Luz, Sr.	Industrial
GL 4300	2-2-58:35 & 40	1.435	19,470	William A. Miller	Industrial
GL 4668	2-2-58:39	0.601	13,830	Myong Nan Park	Industrial
GL 5862	6-9-07:14	1.337	71,500	Global Resort Partners	Hotel Resort
	Subtotal Hawaii (80)	**156.840**	**$2,355,176**		
Kauai					
GL 3832	4-5-11:46	0.593	122,360	Pixar Development, LLC	Hotel Resort
GL 5578	4-5-12:05	0.221	26,910	Pixar Development, LLC	Hotel Resort
	Subtotal Kauai (2)	**0.814**	**$149,270**		
Total (88)		**596.268**	**$3,563,077**		
80% of Revenues to SLDF			**$2,850,462**	**(rounded)**	

* Annual lease rents are rounded to the nearest dollar.

LINDA LINGLE
GOVERNOR OF HAWAII

LAURA H. THIELEN
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT

STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES

POST OFFICE BOX 621
HONOLULU, HAWAII 96809

EXEMPTION NOTIFICATION

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

Project Title: Designation of Selected Properties as "Income-Producing Assets", Reserving these Properties and their Revenues to the Department of Land and Natural Resources to Fund the Management of Public Lands Under the its Jurisdiction.

Project Reference: Public Land Management Funding

Project Location: Various

Project Description: Designation of certain revenue generating properties as "income-producing assets" and reserving these properties to DLNR for the purposes of generating revenues to fund the maintenance and management of public lands under DLNR's jurisdiction.

Consulted Parties: Chairperson's Office, Land Division, and Fiscal Office

Exemption Class No.: This request before the Board is for the an approval to designate certain properties as "income-producing assets." This designation would merely result in an internal accounting change for revenues generated from these lands and would not result in any expansion or change of use beyond that previously existing change. Whereas this request does not constitute a use of State funds, this proposal by itself is not considered an "action" that triggers the need for an environmental assessment.

Revenues generated from these properties and credited to the Special Land and Development Fund

EXHIBIT C

will be used to provided necessary funding for land and resource management activities, including repairs and maintenance to improvements, on public lands that are under DLNR jurisdiction.

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 use of these funds for the repairs and maintenance of public recreational facilities 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."

Recommendation: The designation of these properties as "income-producing assets", including the reservation of their revenues to fund the management of public lands under DLNR's jurisdiction, will probably have minimal or no significant effect on the environment. It is recommended that the Board of Land and Natural Resources find that the proposed action is exempt from the preparation of an environmental assessment at this time.

Inasmuch as the Chapter 343 environmental requirements may apply to any future use of these State-funds for uses not covered by this exemption, DLNR shall be responsible for compliance with Chapter 343, HRS, as amended.

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Laura H. Thielen, Chairperson

_____
Date

EXHIBIT II

SUBJECT ASSETS– Second Amendment
(Selected Additional DLNR Assets for Designation of "Income-Producing")

Doc No.	TMK	Land Area (Ac.)	Current Minimum Annual Rent	Lessee/Permittee	Comments
Maui					
GL 6003	(2) 3-6-001: 014 por & (2) 4-8-001:001 por	135.000	$150,000.00	Kaheawa Wind Power II	21-year lease beginning November 24, 2010 for wind farm purposes. First year rent waived. Payments of minimum annual rent and applicable percentage rents commence November 2011. Revenues are subject to OHA allocation.
Hawaii					
GL 5220	(3) 2-5-009:027	2.009	16,796.88	Wailuku River Hydroelectric Limited Partnership	55-year lease beginning December 3, 1991 for the construction, operation and maintenance of a hydroelectric power plant and appurtenant facilities. In addition to minimum annual rent for land Lessee pays for non-consumptive use of surface water. Revenues are subject to DHHL and OHA allocations.
GL 5365	(3) 2-6-018:004 por. & (3) 2-5-009:005 por	41.406	5,000.00	Wailuku River Hydroelectric Limited Partnership	55-year lease beginning November 29, 1991 for the construction, operation and maintenance of a hydroelectric power plant and appurtenant facilities. Revenues are subject to OHA allocations.
RP 7463	(3) 2-various	N/A	19,962.00	Hawaii Electric Light Company, Inc.	Mo.-to-mo. permit originally beginning December 1, 2010 for the use of water owned and or controlled by the State in the Wailuku River, South Hilo, for hydro-generation of electricity purposes. Revenues are subject to DHHL and OHA allocations.
Kauai					
RP 7340	4-3-01:various	N/A	37,320.00	Kauai Island Utility Cooperative	Mo.to-mo. permit originally beginning August 11, 2003 for the diversion of government-owned water emanating from the Blue Hole diversion for hydroelectric power generation purposes. Revenues are subject to DHHL and OHA allocations.
Estimated Minimum Annual Revenues to SLDF			**$161,000**	**(Rounded; not including OHA/DHHL allocations or percentage/other rents described in leases)**	