

STATE OF HAWAII  
DEPARTMENT OF AGRICULTURE  
AGRICULTURAL RESOURCE MANAGEMENT DIVISION  
Honolulu, Hawaii 96814

June 23, 2017

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

Island of Hawaii

Consent to Lease of Lands under Governor's Executive Order No. 3503 to The Food Basket, Inc., Honalo, North Kona, Island of Hawaii, TMK: (3)7-9-016:018 and 19

CONTROLLING AGENCY:

Department of Agriculture

APPLICANT:

The Food Basket Inc.

LEGAL REFERENCE:

Sections 171-11, Hawaii Revised Statutes, as amended

ZONING:

State Land Use District: Agricultural District  
County of Hawaii CZO: A-1a, Agricultural District

TRUST LAND STATUS:

Acquired after Statehood, i.e. non-ceded

DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: NO

CURRENT USE STATUS:

Governor's Executive Order No. 3503 to Department of Agriculture for marshalling yard purposes

LEASE TERMS & CONDITIONS:LOCATION

Government lands situated at Honalo, North Kona, Island of Hawaii, identified by Tax Map Key: (3) 7-9-016:018 and 019 together with a one-twenty-second (1/22th) undivided interest over (3) 7-9-016:004 and 008, as shown on the attached map labeled Exhibit A.

AREA

Parcel 18 (1.910 acres) and Parcel 19 (5,445 square feet)

CHARACTER OF USE

Agricultural processing of agricultural or aqua-culture products, including marshalling, cooling, treating or transshipping, which are grown, raised or produced within the State; distribution of food to needy families

TERM

35 years, commencement date to be determined; and reopenings in the 10<sup>th</sup>, 20<sup>th</sup> and 30<sup>th</sup> years

RENT AMOUNT

To be determined by independent appraisal

CHAPTER 343 – ENVIRONMENTAL ASSESSMENT:

In accordance with Hawaii Administrative Rule Section 11-200-8(a)(1) and the Exemption List for the Department of Agriculture, as reviewed and concurred upon by the Environmental Council on March 8, 2000, the subject request is exempt from the preparation of an environmental assessment pursuant to Exemption Class No. 1. See Exemption Declaration attached as Exhibit B.

DCCA VERRIFICATION:

Place of business registration confirmed:	YES
Registered business name confirmed:	YES
Applicant in good standing confirmed:	YES

REMARKS:

The subject property is presently encumbered under Governor's Executive Order No. 3503 to the Department of Agriculture for marshalling yard purposes ("North Kona Marshalling Yard"), subject to the encumbrance of General Lease No. S-3003. Pursuant to Chapter 171-11, HRS, the Department of Agriculture (DOA) as the managing agency is empowered to issue leases for the site, if the proposed use is consistent with the Executive Order. The Board of Agriculture has approved the mutual termination of General Lease No. S-3003 upon the issuance of a new general lease (see Exhibit "C") on March 14, 2017 and seeks the Board of Land and Natural Resources' concurrence of this action.

Original Lease

The original General Lease No. S-3003 was with The Kona Producers Cooperative (KPC) with a term of 25 years from December 1, 1993 to November 30, 2018. KPC has submitted a request to terminate General Lease No. S-3003 due to its aging membership who are retiring or have ceased farming activities. On the premises there is an existing building of approximately 5,200 square feet including ground floor area of 4,800 square feet and mezzanine area of 400 square feet, more or less.

Request for a New General Lease

The Department of Agriculture is requesting concurrence by BLNR with BOA's approval of the issuance of a new 35-year lease to The Food Basket Inc., a domestic non-profit corporation. They have been an occupant of the Kona Marshalling Facility since 2009. From the existing building on the premises, they collect and distribute food to needy families which include non-perishables as well as local surplus fruit and vegetable products brought in by local farmers and distributors.

The Food Basket proposes to develop an incubator program that provides facilities and equipment to farming businesses to produce value added products and provide a USDA certified packing facility to process products in accordance with FSMA regulations. Such a facility would also include a certified kitchen for farmers to use to produce value added products utilizing items grown on their farms. Having such services and facilities available would provide economic relief to the local farming businesses which would, in turn, reduce the cost of food to lower income individuals and families, as well as the general public.

In 2016, with the help of local avocado farmers, The Food Basket constructed a turn-key, USDA-Certified packing facility by retrofitting a portion of the existing warehouse at a cost of less than \$5,000. To construct a new packing facility would have cost tens or

hundreds of thousands of dollars, therefore the substantial saving realized was passed on to the farmers thereby allowing for competitive pricing of the avocados for export. Last year, the first shipment of Sharwil avocados was sent to a small distributor in Minnesota. The Sharwil avocado export business now has a future.

The lease rent for the first ten years of a new general lease shall be set by independent appraisal.

Upon obtaining BLNR's concurrence of the issuance of a new thirty-five (35) year lease, a Mutual Cancellation of General Lease No. S-3003 shall be executed to cancel the existing general lease, subject to execution of a new general lease with The Food Basket Inc. as of the effective date of cancellation. The new lease will be for the property and the existing building of approximately 5,200 square feet.

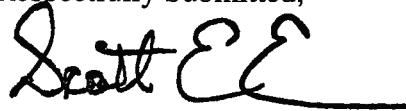
There are no other pertinent issues or concerns. All work will be coordinated by DOA.

**RECOMMENDATION:**

That the Board consent to the general lease between the Hawaii Department of Agriculture and The Food Basket Inc., subject to any applicable conditions cited above which are by this reference incorporated herein and further subject to:

1. Review as to form of the forthcoming lease between the Hawaii Department of Agriculture and The Food Basket Inc. by the Department of the Attorney General, and
2. Such other terms and conditions as may be prescribed by the Chairperson of the Department of Agriculture to best serve the interests of the State.

Respectfully Submitted,



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Scott E. Enright, Chairperson  
Board of Agriculture

ATTACHMENT: EXHIBITS "A", "B" AND "C"

APPROVED FOR SUBMITTAL:



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Suzanne Case, Chairperson  
Board of Land and Natural Resources

7-9-16 3RD DIV



DEPARTMENT OF VALUATION VALUATION MAPS DIVISION STATE OF HAWAII TAX MAP	
MAP NO.	7 9 16
SCALE	AS SHOWN

FOR REAL PROPERTY VALUATION PURPOSES  
SUBJECT TO CHANGE

1. Area of State Land Corp. 1917  
2. Area of owner

PREP. NO. 4420  
DATE 11/1/16  
BY J. S. JONES  
CHECKED BY J. S. JONES  
APPROVED BY J. S. JONES

PREP. NO. 4420  
DATE 11/1/16  
BY J. S. JONES  
CHECKED BY J. S. JONES  
APPROVED BY J. S. JONES

DAVID Y. IGE  
Governor

SHAN S. TSUTSUI  
Lt. Governor



State of Hawaii  
DEPARTMENT OF AGRICULTURE  
1428 South King Street  
Honolulu, Hawaii 96814-2512  
Phone: (808) 973-9600 FAX: (808) 973-9613

EXHIBIT "B"

SCOTT E. ENRIGHT  
Chairperson, Board of Agriculture

PHYLLIS SHIMABUKURO-GEISER  
Deputy to the Chairperson

June \_\_, 2017 (TBD)

**EXEMPTION NOTIFICATION**

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

Project Title:	Issuance of general lease
Project Number:	General Lease No. S-XXXX (TBD)
Project Description:	Issuance of general lease; Hanolo, North Kona, Island of Hawaii; Tax Map Key: (3) 7-9-016:018 and 019
Chapter 343 Trigger(s):	Use of State Land
Consulted Parties:	None
Exemption Class & Description	In accordance with Hawaii Administrative Rule Section 11-200-8(a)(1) and the Exemption List for the Department of Agriculture, as reviewed and concurred upon by the Environmental Council on March 8, 2000, the subject request is exempt from the preparation of an environmental assessment pursuant to Exemption Class No. 1 which states "Operations, repairs or maintenance of existing structures, equipment, or topographical features, involving negligible or no expansion of changes of use beyond that previously existing."
Exemption Item Number and Description:	Exemption Item No. 12 states: "Leases and permits of agricultural parks and other §171-11, HRS, set aside State lands for continuing agricultural and aquacultural uses."

*I have considered the potential effects of the above listed project as provided by Chapter 343, HRS and Chapter 11-200, HAR. I declare that this project will probably have minimal or no significant effect on the environment and is therefore exempt from the preparation of an environmental assessment.*

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Brian Kau, P.E. Date  
Administrator and Chief Engineer  
Agricultural Resource Management Division  
Department of Agriculture



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

March 14, 2017

Board of Agriculture  
Honolulu, Hawaii

**Subject:** REQUESTS FOR APPROVAL TO:  
1) MUTUALLY CANCEL EXISTING GENERAL LEASE NO. S-3003, KONA PRODUCERS COOPERATIVE; AND  
2) ISSUE A NEW GENERAL LEASE TO THE FOOD BASKET, INC.;  
KONA PRODUCE MARSHALLING FACILITY; TMK: 3<sup>RD</sup> DIV/7-9-016:018, HONALO, NORTH KONA, ISLAND OF HAWAII

**Authority:** Sections 171-43.1 and 59, Hawaii Revised Statutes ("HRS")

**Applicant:** The Food Basket Inc.

**Land Area:** Approximately 1.910 acres

**TMK:** 3<sup>RD</sup> DIV/7-9-016:018

**Land Status:** Encumbered by Governor's Executive Order No. 3503, dated February 13, 1991, to the Department of Agriculture for Marshalling Yard Purposes.

**New Lease Rent:** To be determined by appraisal

**Performance Bond:** Twice the Base Annual Rental

**Permitted Use:** Agricultural processing of agricultural or aqua-cultural products, including marshalling, cooling, treating or transshipping, which are grown, raised or produced within the State; distribution of food to needy families

**BACKGROUND:**

In 1991, General Lease No. S-3003 was transferred from the Department of Land and Natural Resources to the Department of Agriculture for management via Governor's Executive Order No. 3503 for marshalling yard purposes. Lessee, Kona Producers Cooperative, has submitted a request to terminate General Lease No. S-3003 due to its aging membership who are retiring or have ceased farming activities.

The Food Basket, Inc., a domestic non-profit corporation, is requesting a new general lease of 35 years, and they have been an occupant of the Kona Marshalling Facility since 2009. They collect and distribute food to needy families which include non-perishables as well as local surplus fruit and vegetable products brought in by local farmers and distributors.

The Food Basket proposes to develop an incubator program that provides facilities and equipment to farming businesses to produce value added products and provide a USDA certified packing facility to process products in accordance with FSMA regulations. Such a facility would also include a certified kitchen for farmers to use to produce value added products utilizing items grown on their farms. Having such services and facilities available would provide economic relief to the local farming businesses which would reduce the cost of food to lower income individuals and families, as well as the general public.

In 2016, with the help of local avocado farmers, The Food Basket constructed a turn-key, USDA-Certified packing facility by retrofitting a portion of the existing warehouse at a cost of less than \$5,000. To construct a new packing facility would have cost tens or hundreds of thousands of dollars, therefore the substantial saving realized was passed on to the farmers thereby allowing for competitive pricing of the avocados for export. Last year, the first shipment of Sharwil avocados was sent to a small distributor in Minnesota. The Sharwil avocado export business now has a future.

The lease rent for the first ten years of a new general lease shall be set by independent appraisal.

So that only one lease agreement is in full force and effect, a Mutual Cancellation of General Lease No. S-3003 shall be executed to cancel the existing general lease, subject to execution of a new general lease with The Food Basket Inc. as of the effective date. The mutual cancellation of General Lease No. S-3003 is agreed upon and executed by the parties and is not due to breach or default by lessee.

Pursuant to Sections 171-43.1 and 59, HRS, a general lease to a non-profit organization is allowed by direct negotiation and without recourse to public auction. The disposition shall be with the concurrence of the Board of Land and Natural Resources.


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RECOMMENDATION:

That the Board approve the requests: 1) to mutually cancel General Lease No. S-3003 with The Kona Producers Cooperative, and 2) for the issuance of a new general lease with The Food Basket Inc., a domestic non-profit corporation in accordance with 171-43.1 and 59, HRS, subject to concurrence of the Board of Land and Natural Resources. The documents herein shall be subject to review and approval as to form by the Department of the Attorney General.

Respectfully submitted,



BRIAN KAU, P.E.  
Administrator, Agricultural  
Resource Management Division

Attachment – Exhibit “A”

APPROVED FOR SUBMISSION



SCOTT E. ENRIGHT  
Chairperson, Board of Agriculture

Approved by the Board of  
Agriculture at its meeting held  
3/14/17  
as agenda item V.B.7

EXHIBIT "A"

