

DAVID Y. IGE
GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

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IN REPLY REFER TO:

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

HAWAII

ISSUANCE OF MONTH-TO-MONTH PERMIT TO HAWAIIAN CEMENT
SITUATED AT PIER 1, KAWAIIHAE HARBOR, HAWAII, TAX MAP KEY
NO. (3) 6-1-003:023 (P), GOVERNOR'S EXECUTIVE ORDER NOS. 2496 AND 1862

LEGAL REFERENCE:

Sections 171-6, 171-13, 171-17, 171-55, and 171-59, Hawaii Revised Statutes (HRS), as amended.

APPLICANT:

Hawaiian Cement (Applicant) is a general domestic partnership whose business registration address is 1136 Union Mall, Suite 301, Honolulu, Hawaii 96813, and mailing address is 99-1300 Halawa Valley Street, Aiea, Hawaii 96701.

CHARACTER OF USE:

The premises shall be used solely for the storage, wholesale distribution and delivery of cement in bulk and non-exclusive subsurface pipeline easement for the transportation of cement in bulk via underground pipelines from pier to storage site. No retailing operations of any type shall be permitted.

LOCATION:

Portion of governmental lands at Pier 1, Kawaihae Harbor, Hawaii, Tax Map Key No. (3) 6-1-003:023 (P), Governor's Executive Order Nos. 2496 and 1862, as shown on the attached maps labeled Exhibits A and B.

ITEM M-11

AREA: See attached Exhibits A and B

AREA	DESCRIPTION	TYPE	SQ. FT.	RATE PER SQ. FT.	MONTHLY RENTAL CHARGE	SECURITY DEPOSIT
1	Cement Storage and Delivery Operations	Improved Land-Paved	12,900	\$ 0.18	\$ 2,322.00	\$ 4,644.00
2	Non-exclusive Subsurface Pipeline Easement	Improved Land-Paved	1,236	\$ 0.14	\$ 173.04	\$ 346.08
Total			14,136		\$ 2,495.04/Month \$ 29,940.48/Annual	\$ 4,990.08

CONSIDERATION:

Determined by appraisal as of March 20, 2019, for Revocable Permits in Kawaihae Harbor, historical data of tenant improvements and a property management staff approved 25% easement disutility discount.

ZONING:

State Land Use Commission: Urban
County of Hawaii: MG-1a (Road)

COMMENCEMENT DATE:

To be determined by the Director of Transportation.

TRUST LAND STATUS:

Subsection 5(b) of the Hawaii Admission Act (Ceded Lands).

CURRENT USE STATUS:

The Applicant currently occupies the premises for the storage, wholesale distribution and delivery of cement in bulk and non-exclusive subsurface pipeline easement for the transportation of cement in bulk via underground pipelines from pier to storage site. No retailing operations of any type shall be permitted.

LAND TITLE STATUS:

Acquired by the Department of Transportation, Harbors Division (DOT Harbors), through eminent domain proceedings; issuance of Governor's Executive Order Nos. 2496 and 1862.

CHAPTER 343 - ENVIRONMENTAL ASSESSMENT:

This use is exempt from the Office of Environmental Quality Control (OEQC) requirements pursuant to Chapter 11-200.1, Hawaii Administrative Rules, "Exemption Class 1: 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."

Anticipated OEQC Declaration of Exemption publication date of October 8, 2019.

REMARKS:

The DOT Harbors has been reviewing all revocable permits and leases to ensure compliance with Chapter 171, HRS. In areas of the law that we can improve, DOT Harbors is initiating plans and actions to comply.

In this matter, the Applicant was issued Harbor Lease No. H-73-13, a thirty-five (35)-year lease effective December 20, 1973. Annual land and improvement rents are \$2,850.00 for the vacant land and \$32.00 for the non-exclusive subsurface pipeline easement for a total annual rent of \$2,882.00. The Applicant has used the lands in accordance with the use including no retailing operations at Kawaihae Harbor.

The DOT Harbors discussed the Applicant's future plans and agreed to a proposed Tenant Master Plan (Master Plan) to: a) consolidate Hawaii Island operations; b) relocate the Kahului Harbor (Maui) operations away from the cargo operating areas; and c) to extend the lease at Nawiliwili Harbor (Kauai). The DOT Harbors understands that implementing the Master Plan will require the Applicant to invest significant capital and long-term leases. In making the investment, the DOT Harbors will not address any rent that may have been owed due to the DOT Harbors' error. The DOT Harbors proposed, and the Applicant agreed, that the Applicant pay the appraised month-to-month permit rates that are effective March 20, 2019.

Implementing the Master Plan.

- **Kawaihae Terminal:** As part of the Hilo Terminal closure, the Applicant will shift its Big Island operations to its Kawaihae Terminal. The Applicant intends to expand the Kawaihae Terminal capabilities by increasing its cement storage capacity with an additional 2,000-ton silo and a larger warehouse on an expanded 19,367 square foot footprint to store additional package products for both Kona and Hilo markets. The Applicant understands that this additional capability will require a Special Management Area and all other required permits. The Applicant requests an interim land document to replace the expired 2008 Harbor Lease No. H-73-13 through 2022, with an option to extend.

- **Hilo Terminal:** The Applicant will close its Hilo Terminal by the end of 2022 as part of the Harbors' container yard expansion plan. The Applicant requested an interim land document to replace the expired 1997 Harbor Lease No. H-92-24 through the end of 2022.
- **Harbors Division's Actions:** The DOT Harbors will correct its oversight of the expired lease and request the Board of Land and Natural Resources (BLNR) to approve a month-to-month permit that is annually renewable pursuant to Section 171-55, HRS, Permits. The month-to-month permit rent will be based on the DOT Harbor's appraised rents effective March 20, 2019.

By the close of calendar year 2020, the DOT Harbors will request the BLNR to approve direct negotiation of a new thirty-five (35)-year lease with the Applicant for the current premises and the additional 19,367 square feet pursuant to Section 171-59, HRS, and approve the one (1)-year waiver of rent in exchange for the Applicant's substantial improvements at the Kawaihae Harbor location.

RECOMMENDATION:

That the Board authorize the DOT Harbors to issue the Applicant a month-to-month revocable permit for the above-stated purposes, subject to the terms and conditions outlined above and incorporated herein by reference, and such terms and conditions as may be prescribed by the Director of Transportation to best serve the interests of the State.

Respectfully submitted,



JADE T. BUTAY
Director of Transportation

APPROVED FOR SUBMITTAL:



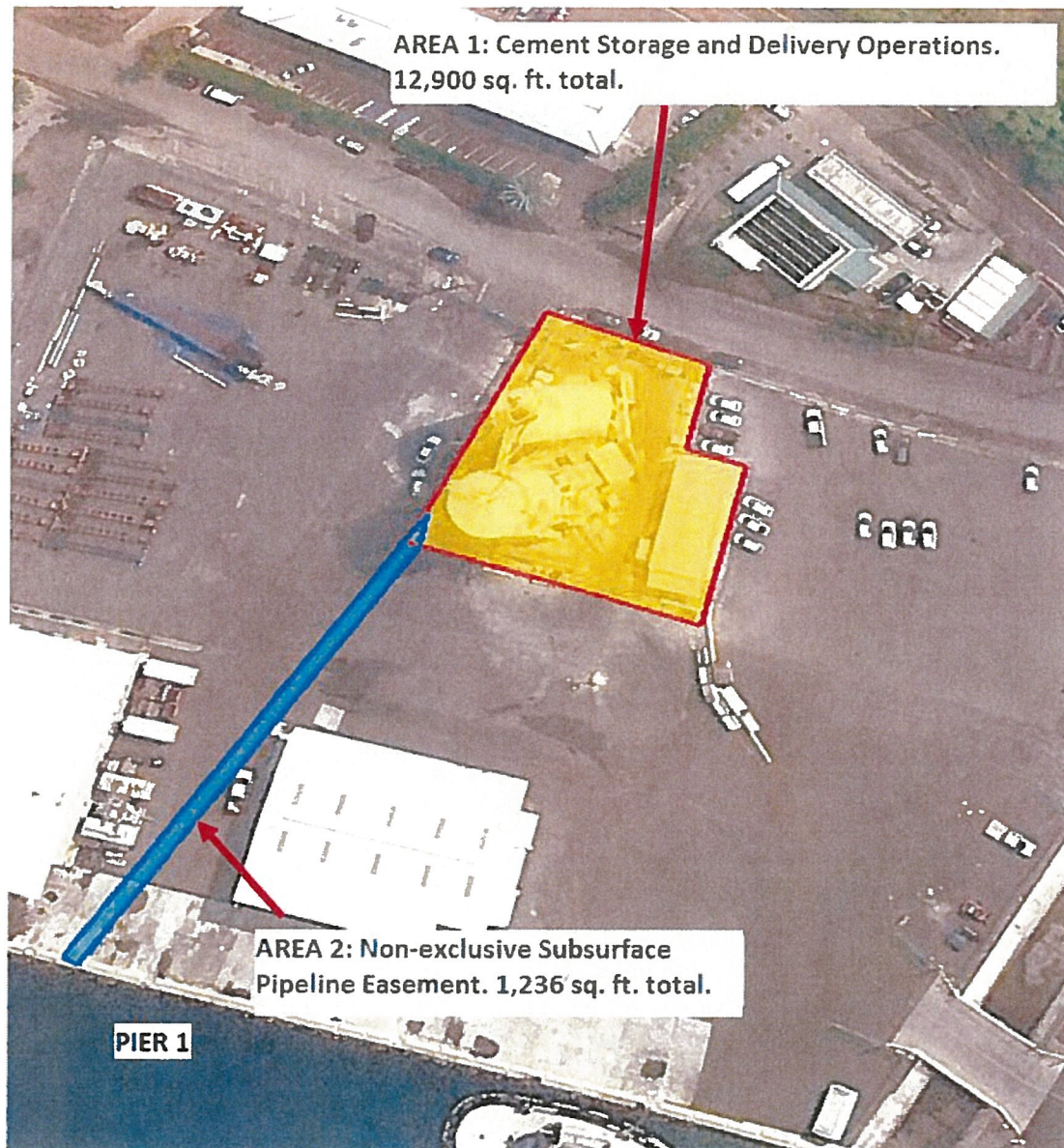
SUZANNE D. CASE
Chairperson and Member
Board of Land and Natural Resources

Attachments: Exhibits A and B

Hawaiian Cement
Kawaihae Harbor, Pier 1



Hawaiian Cement
Kawaihae Harbor, Pier 1



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