

JOSH GREEN, M.D.
GOVERNOR



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

EDWIN H. SNIFFEN
DIRECTOR

Deputy Directors
DREANALEE K. KALILI
TAMMY L. LEE
ROBIN K. SHISHIDO
JAMES KUNANE TOKIOKA

IN REPLY REFER TO:

HAR-PM.0001375.23

March 23, 2023

Ms. Dawn N. S. Chang, Chairperson
Board of Land and Natural Resources
Kalanimoku Building
1151 Punchbowl Street
Honolulu, Hawaii 96813

Dear Ms. Chang:

HAWAII

Request for Authorization to issue a month-to-month Revocable Permit and a new 35-year Lease by direct negotiation to Hawaiian Cement (HC), for a cement terminal facility and a non-exclusive subsurface pipeline easement to offload cement, situated at Pier 1, Kawaihae Harbor, island of Hawaii, Tax Map Key (TMK) Nos. (3) 6-1-003:023 (P), (3) 6-1-003:038 (P), and (3) 6-1-003:044 (P), Governor's Executive Order Nos. 1988 and 1862.

LEGAL REFERENCE:

Sections 171-6, 171-13, 171-17, 171-35, 171-36, 171-55 and 171-59, Hawaii Revised Statutes, as amended.

APPLICANT:

Hawaiian Cement (Applicant) is a general domestic partnership whose mailing and business address is 99-1300 Halawa Valley Street, Aiea, Hawaii 96701.

CHARACTER OF USE:

Use of fast lands for a cement facility providing storage, wholesale distribution, and delivery of cement in bulk, and a non-exclusive subsurface pipeline easement to offload cement from pier to storage site at Kawaihae Harbor, island of Hawaii.

ITEM M-26

LOCATION:

Portion of Governmental lands at Pier 1, Kawaihae Harbor, island of Hawaii, TMK Nos. (3) 6-1-003:023 (P), (3) 6-1-003:038 (P), and (3) 6-1-003:044 (P), Governor's Executive Order Nos. 1988 and 1862, as shown on the enclosed map labeled Exhibit A.

AREA: See enclosed Exhibit A

AREA	DESCRIPTION	TYPE	SQ. FT.	RATE PER SQ. FT.	MONTHLY RENTAL CHARGE	SECURITY DEPOSIT
1	Wholesale distribution, storage, and delivery of cement in bulk	Improved Land-paved	13,226	\$0.06	\$793.56	\$1,587.12
1a	Non-exclusive subsurface pipeline easement	Improved Land-paved	1,236	\$0.16	\$197.76	\$395.52
					\$991.32	\$1,982.64
					Total Monthly Rental	Total Security Deposit

CONSIDERATION:

Month-to-month rent determined by appraisal as of January 1, 2021, for Revocable Permits in Kawaihae Harbor.

The State of Hawaii, Department of Transportation, Harbors (DOTH), and the Applicant have agreed to the appraised value for the 13,226 square feet of fast land and 1,236 square feet for a non-exclusive subsurface pipeline easement to offload cement under a 35-year Lease Agreement.

The annual consideration is as follows:

- Years 1-5 \$18,330.00
- Years 6-10 \$21,079.48
- Years 11-15 \$24,241.40
- Years 16-25 Reopening with a minimum 15% step-up for the second 5-year period
- Years 26-35 Reopening with a minimum 15% step-up for the second 5-year period

ZONING:

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

COMMENCEMENT DATE:

To be determined by the Director of Transportation.

TRUST LAND STATUS:

Public Land Trust Information System lists TMK No. (3) 6-1-003:023 (P) as subsection 5(b) of the Hawaii Admission Act (ceded lands) and TMK Nos. (3) 6-1-003:038 (P) and (3) 6-1-003:044 (P) as undetermined.

CURRENT USE STATUS:

Currently, the Applicant uses the area and non-exclusive subsurface pipeline easement to support its cement business in Kawaihae Harbor.

LAND TITLE STATUS:

Acquired by the DOTH through eminent domain proceedings; issuance of Governor's Executive Order Nos. 1988 and 1862.

CHAPTER 343 - ENVIRONMENTAL ASSESSMENT:

This use is exempt from the Office of Planning and Sustainable Development, and Environmental Review Program requirements pursuant to Sub-Chapter 11-200.1, Hawaii Administrative Rules (HAR), which exempts the following:

“Exemption Type 1: Operations, repairs or maintenance of existing structures, facilities, equipment, or topographical features, involving minor expansion or minor change of use beyond that previously existing.”

The DOTH deems the action as de minimis and exempts it from the preparation of an exemption notice in accordance with Sub-Chapter 11-200.1-16(b), HAR. The exemption declaration for the action described above, based on the Exemption List for the DOTH, reviewed and concurred to by the Environmental Advisory Council on February 1, 2022, is as follows: “Exemption Type 1, Part 1, Item No. A1.”

REMARKS:

Background:

Currently, the Applicant occupies the premises under a month-to-month Revocable Permit. The Applicant is requesting a 35-year Lease for its facility at Kawaihae Harbor to continue its cement distribution operation and serve the island of Hawaii.

Maritime Related:

The Applicant's Cement Corporation imports cement primarily from Asia to its facility at Kalaeloa Barbers Point Harbor and distributes product to its cement terminals at Hilo Harbor, Kawaihae Harbor, Kahului Harbor, and Nawiliwili Harbor via barge. HC also has crushers on the islands of Oahu and Maui that enable it to provide aggregate products for residential, commercial, and government projects.

Disposition Encourages Competition:

HC is one of several cement companies in Hawaii and the largest cement producer in the State. It has been supplying Hawaii with cement, ready mix concrete, and aggregate for several decades. It is also one of the largest aggregate producers in Hawaii. A large portion of the aggregate produced in the islands is used to repair and construct highways and roads.

RECOMMENDATION:

Based on this submittal, testimony and facts presented, the Department of Transportation recommends that the Board finds that approving the issuance of a month-to-month Revocable Permit and authorizing the Director to negotiate a 35-year Lease with the Applicant, subject to terms and conditions outlined above and incorporated herein by reference, including its conditions and rent, will serve the best interest of the State.

Sincerely,



EDWIN H. SNIFFEN
Director of Transportation

APPROVED FOR SUBMITTAL:

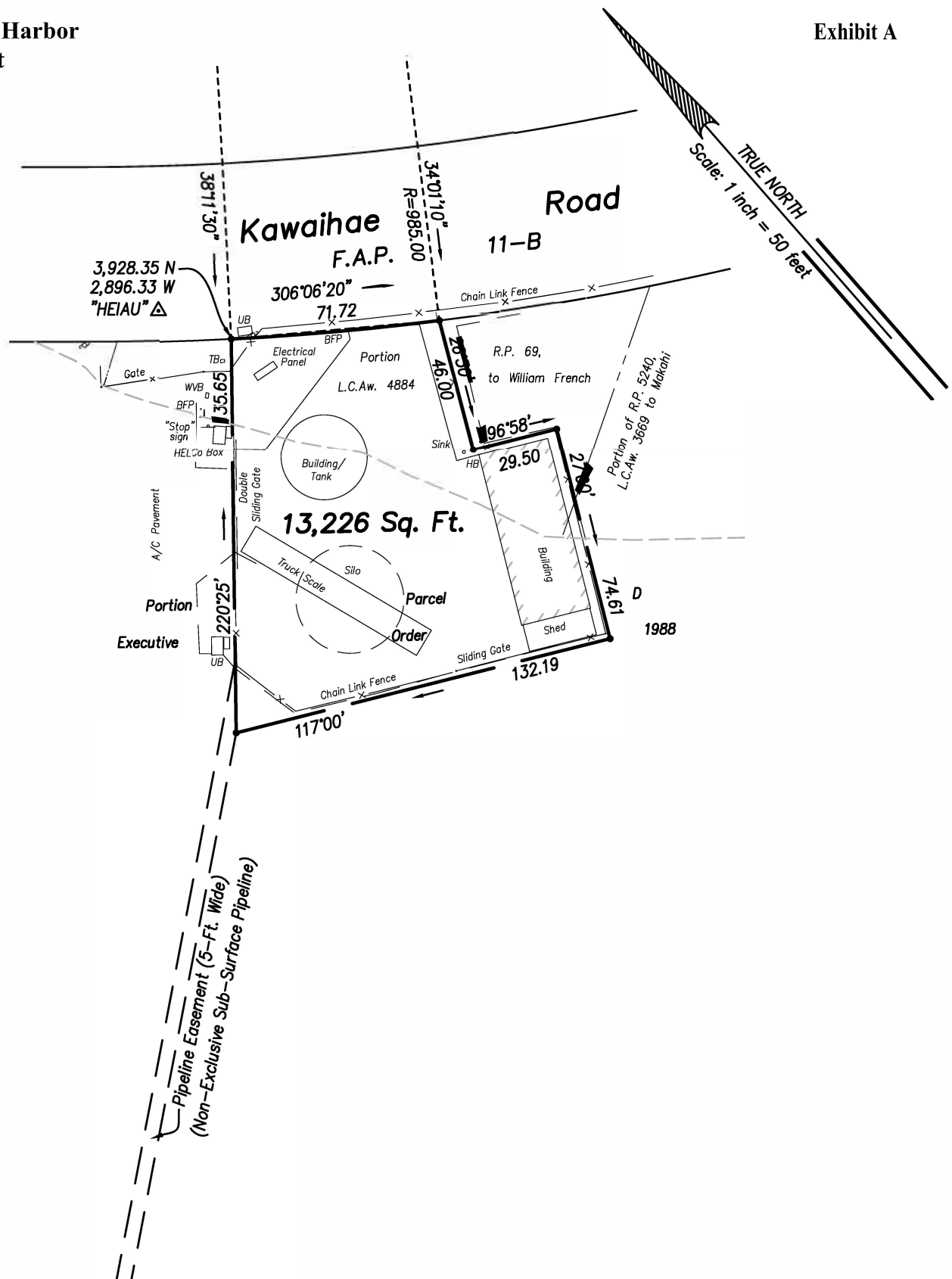


DAWN N. S. CHANG, Chairperson

Enclosure

**Pier 1, Kawaihae Harbor
Hawaiian Cement**

Exhibit A



Legend:

- BFP Backflow Preventor
- HELCo Hawaii Electric Light Co.
- HB Hose Bib
- TB Telephone Booth
- UB Utility Box
- ☉ Utility Pole

State of Hawaii

Department of Transportation

Harbors Division

Hawaiian Cement Corporation
 At Kawaihae Harbor, Kawaihae 1st,
 South Kohala, Island of Hawaii,
 Hawaii Tax Map Key: (3) 6-1-003:
 044