

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

January 10, 2025

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

24HD-141
Hawaii

Issuance of Revocable Permits to Mark Mangibin, West Hawaii Community Health Center, Inc, Jerry Koizumi, Anvil Inc., Big Island Courier Service Inc., John Elkjer dba Sustainable Island Products, and Joshua Oili dba Big Island Image Screen Printing for General Industrial Uses Allowed Under the Current County of Hawaii Zoning Code Purposes, Waiakea, South Hilo, Hawaii, Tax Map Key: (3) 2-2-037:081.

Non-Action Item: First Public Hearing on Potential Issuance of New Direct Lease to DWE, Inc. for General Industrial Uses Allowed Under the Current County of Hawaii Zoning Code Purposes, Waiakea, South Hilo, Hawaii, Tax Map Key: (3) 2-2-037:081.

APPLICANTS:

Mark Mangibin, a sole proprietor;
West Hawaii Community Health Center, Inc., a Hawaii non-profit corporation;
Jerry Koizumi, a sole proprietor;
Anvil Inc., a Hawaii corporation;
Big Island Courier Service Inc., a Hawaii corporation;
John Elkjer dba Sustainable Island Products, a sole proprietor; and
Joshua Oili dba Big Island Image Screen Printing, a sole proprietor.

LEGAL REFERENCE:

Sections 171-13, -55 and -59 Hawaii Revised Statutes (HRS), as amended and Act 114, Session Laws of Hawaii (SLH) 2024.

LOCATION:

Portion of Government lands of Waiakea, South Hilo, Hawaii, identified by Tax Map Key: (3) 2-2-037:081, as shown on the attached map labeled Exhibit A.

AREA:

36,000 square feet, more or less.

ZONING:

State Land Use District: Urban
County of Hawaii CZO: MG-1a; general industrial – 1 acre minimum

TRUST LAND STATUS:

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

CURRENT USE STATUS:

Encumbered by General Lease No. S-4284, Kapalama Commercial Center,
Lessee, for industrial purposes. Lease to expire on 01/19/2025.

CHARACTER OF USE FOR REVOCABLE PERMITS AND DIRECT LEASE:

General industrial uses allowed under the current County of Hawaii Zoning Code,
MG-1a purposes.

REVOCABLE PERMIT COMMENCEMENT DATE:

The first day of the month to be determined by the Chairperson.

REVOCABLE PERMIT MONTHLY RENTAL:

As an interim measure staff is recommending charging the same monthly rate
the tenants have been paying, which includes land and improvements.

Mark Mangibin	\$ 3,450/month*	=	\$ 41,400/year
West Hawaii Community Health	\$ 2,650/month	=	\$ 31,800/year
Jerry Koizumi	\$ 1,300/month	=	\$ 15,600/year
Anvil Inc.	\$ 1,050/month	=	\$ 12,600/year
Big Island Courier Service Inc.	\$ 1,000/month	=	\$ 12,000/year
Sustainable Island Products	\$ 3,000/Month	=	\$ 36,000/year
<u>Big Island Image Screen Printing</u>	<u>\$ 1,950/month</u>	=	<u>\$ 23,400/year</u>
Total Rent	\$14,400/month	=	\$172,800/year

*This amount reflects a \$100 discount for assumption of the water account.

COLLATERAL SECURITY DEPOSIT:

Twice the monthly rental for each tenant

DCCA VERIFICATION:

West Hawaii Community Health Center, Inc., Big Island Courier Service Inc., and Anvil, Inc. are in good standing with the Business Registration Division. John Elkjer dba Sustainable Island Products and Joshua Oili dba Big Island Image Screen Printing trade names are currently with Business Registration Division. Mark Mangibin and Jerry Koizumi as sole proprietors are not required to register.

JUSTIFICATION FOR REVOCABLE PERMIT:

Use of revocable permits in this instance is appropriate. The lease is expiring on 01/19/2025. These revocable permits are an interim measure to serve the time between the expiration of the existing lease and issuance of a new direct lease to Mark Mangibin, if approved. Mark Mangibin is one of the existing tenants. Staff finds it imperative to keep the building occupied to prevent vandalism and as not to displace four local businesses. To date, staff has received no inquiries from third parties as to the availability of the site for leasing.

LEASE TERM:

Thirty-five (35) years.

LEASE COMMENCEMENT DATE:

As determined by the Chairperson.

LEASE ANNUAL RENT:

Fair market rent for land and improvements, excluding trade fixtures, to be determined by independent appraiser, subject to review and approval by the Chairperson.

LEASE METHOD OF PAYMENT:

Semi-annual payments, in advance.

LEASE RENTAL REOPENINGS:

At the 10th and 20th years of the lease term, by staff or independent appraiser.

LEASE PERFORMANCE BOND:

Twice the annual fair market rent determined by appraisal in accordance with HRS 171-17. Performance bond to be posted upon execution of lease.

PROPERTY CHARACTERISTICS:

Utilities – Electric, water, telephone and internet.
Slope – Level
Elevation – 30 feet
Rainfall – 135 inches per year
Legal access – Staff has verified legal access from Leilani Street.
Subdivision – Staff has verified the subject property is a legally subdivided lot.
Encumbrances – Currently encumbered by GLS-4284; expires 01/19/2025.

CHAPTER 343 - ENVIRONMENTAL ASSESSMENT:

In accordance with Hawaii Administrative Rules (HAR) § 11-200.1-15 and the Exemption List for the Department of Land and Natural Resources reviewed and concurred on by the Environmental Council on June 5, 2015, the subject request is exempt from the preparation of an environmental assessment pursuant to Exemption Class No. 1 that 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," and Item 51 that states, "Permits, licenses, registrations, and rights-of-entry issued by the Department that are routine in nature, involving negligible impacts beyond that previously existing." The proposed revocable permits are a de minimis action that will probably have minimal or no significant effect on the environment and should be declared exempt from the preparation of an environmental assessment and the requirements of § 11-200.1-17, HAR.

APPLICANT REQUIREMENTS:

Applicant Mark Mangibin shall be required to:

- 1) Assume the water account and be responsible for costs associated with the account. A \$100 rent credit will be given to cover the estimated monthly costs;
- 2) Assume the real property tax account and be responsible for costs associated with the account.

All applicants shall be required to:

- 1) Maintain the common areas of the property;
- 2) Share in the real property tax bill on their proportional share as follows:
Mark Mangibin 24%; Jerry Koizumi 9%; Big Island Courier 7%;
Joshua Oili 14%; Anvil Inc. 7%; John Elkjer 22%;
West Hawaii Comm. Health Center 16%.

BACKGROUND:

General Lease No. S-4284 was sold at public auction on 01/20/1970 to Kapalama Commercial Center, Inc. (KCCI) as unimproved land for industrial purposes. In 1975, KCCI constructed two steel-framed warehouse of one of approximately 9,000 square feet and the other approximately 7,500 square feet. The lease was for a term of 55 years, expiring 01/19/2025.

KCCI used the warehouse for storage of items from an affiliated hotel operation. A review of the lease file does not reveal any requests to sublease the property. However, during the pre-exit inspection it was noted that 13 of the 14 bays are leased to 7 businesses with the current lessee retaining one bay for storage.

In August and September 2024, the lessee was working on trying to get an extension of the lease pursuant to Act 149, SLH 2018, but timing was short and the lessee was not sure it wanted to make the required improvements. Ultimately it decided not to extend the lease and notified sublessees they would have to move out at the end of the year as the lease expires on 01/19/2025.

REMARKS:

A pre-exit inspection was performed on 09/25/2024 and the building and grounds were found to be in good condition with signs of normal wear and tear as to be expected (refer to attached Exhibit B for photos). It is noted that there are seven existing sublessees; none have been consented to by the Board. A final inspection is scheduled for 01/15/2025.

In early October 2024, the Hawaii District Land Office was approached by Mark Mangibin, an existing sublessee, regarding applying for a new lease on the premises and is prepared to make the necessary investments/improvements to qualify for a direct lease pursuant to Act 114, SLH 2024.

Staff spoke with the other six sublessees and they were concerned about losing the warehouse space; noting that securing new space is very difficult and costly and the short timeline has made it virtually impossible for them to relocate by the end of the year. The sublessees are pleased that Mark Mangibin is proposing a

new lease and are more than willing to stay on in the current space. Mark Mangibin desires to keep the existing sublessees in place.

Mark Mangibin has agreed to take on the water account for the entire property as only one meter services the property. The monthly estimate for the water bill is between \$75-\$100. The current rents from sublessees included water. Staff is recommending a \$100 per month rent credit to Mark Mangibin for water costs.

Staff is also recommending that Mark Mangibin be responsible for the real property taxes with the other sublessees reimbursing their proportional share (Mark Mangibin 24%; Jerry Koizumi 9%; Big Island Courier 7%; Joshua Oili 14%; Anvil Inc. 7%; John Elkjer 22%; West Hawaii Comm. Health Center 16%). Real property taxes are currently charged in addition to the monthly rent.

Staff strongly recommends these dispositions as a solution for the current situation. It is not in the best interest of the public trust to have this warehouse sitting vacant during the extensive public auction process. Currently vacant warehouses in the Hilo industrial area are being heavily vandalized. Securing such properties is costly and not very effective, resulting in reduced value of the property.

Further, with the instability of the economy, the existing seven businesses would suffer severe losses if required to relocate in the current market; potentially resulting in failure of one or more of the businesses.

No agency or community comments were solicited as this request would be a continuation of the prior use.

The applicants have 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 proposed use has continued since 1970 and will continue throughout the revocable permits. Such use has resulted in no known significant impacts, whether immediate or cumulative, to the natural, environmental and/or cultural resources in the area. As such, staff believes that the proposed use would involve negligible or no expansion or change in use of the subject area beyond that previously existing.

Non-Action Item: First Public Hearing on Potential New Direct Lease to DWE, Inc.:

Pursuant to Act 114, SLH 2024 (Act 114), the Board now has authority to issue leases by direct negotiation for commercial and industrial uses (along with other uses allowed under Section 171-59, HRS prior to the adoption of Act 114), if the

parcel proposed for lease has an area of 5 acres or less. Here, the subject parcel has an area of 36,000 square feet, more or less, and Mark Mangibin is proposing industrial uses in compliance with County of Hawaii zoning code for general industrial use.

Act 114 also requires a showing that issuance of the direct lease would encourage competition within the relevant industry. Mark Mangibin's proposal allows his continued industrial use, but also allows the continuance of six other business' industrial use. Mark Mangibin is an event equipment rental business. The six other current tenants are a community health center, a muffler shop, a sheet metal contractor/fabricator, a courier service, a wholesale/retail sales of sustainable goods and products and a screen printing shop. A new direct lease will allow all seven businesses to continue current operations, resulting in continued competition within the local industrial community. Without a new direct lease, all seven existing businesses would be subject to relocation or closure.

Another requirement for issuing a lease under Act 114 is that two public hearings must be held before the Board can approve the disposition. Staff has prepared this submittal to serve as the basis for the first public hearing at today's meeting, making consideration of the lease issuance a non-action item. Depending on input from the Board and the public at the hearing, staff intends to return to the Board at a later meeting for a second public hearing prior to the Board's action on Mark Mangibin's request for final lease approval. Although not required by Act 114 or Section 171-59, HRS, staff will also prepare a public notice regarding the proposed disposition and publish it in the newspaper and post it on Land Division's webpage prior to the second meeting.

Finally, Mark Mangibin is proposing to make significant improvements to the premises. He is currently gathering the necessary information and cost estimates. This information shall be provided in the next board submittal for issuance of the direct lease pursuant to Act 114.

RECOMMENDATION: That the Board:

1. Declare that, after considering the potential effects of the proposed disposition as provided by Chapter 343, HRS, and Chapter 11-200.1-16, HAR, this project will probably have minimal or no significant effect on the environment and is therefore exempt from the preparation of an environmental assessment as a de minimis activity.
2. Authorize the issuance of revocable permits to DWE, Inc., Wesco Distribution, Inc., Fastenal Company and John Tavares covering the subject area for uses allowed under the current County of Hawaii Zoning Code, MG-1a purposes 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 revocable permit form, as may be amended from time to time;
- b. Review and approval by the Department of the Attorney General; and
- c. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully Submitted,

Candace Martin

KEM
GCH

Candace Martin
Land Agent

APPROVED FOR SUBMITTAL:



RT

Dawn N. S. Chang, Chairperson

EXHIBIT A

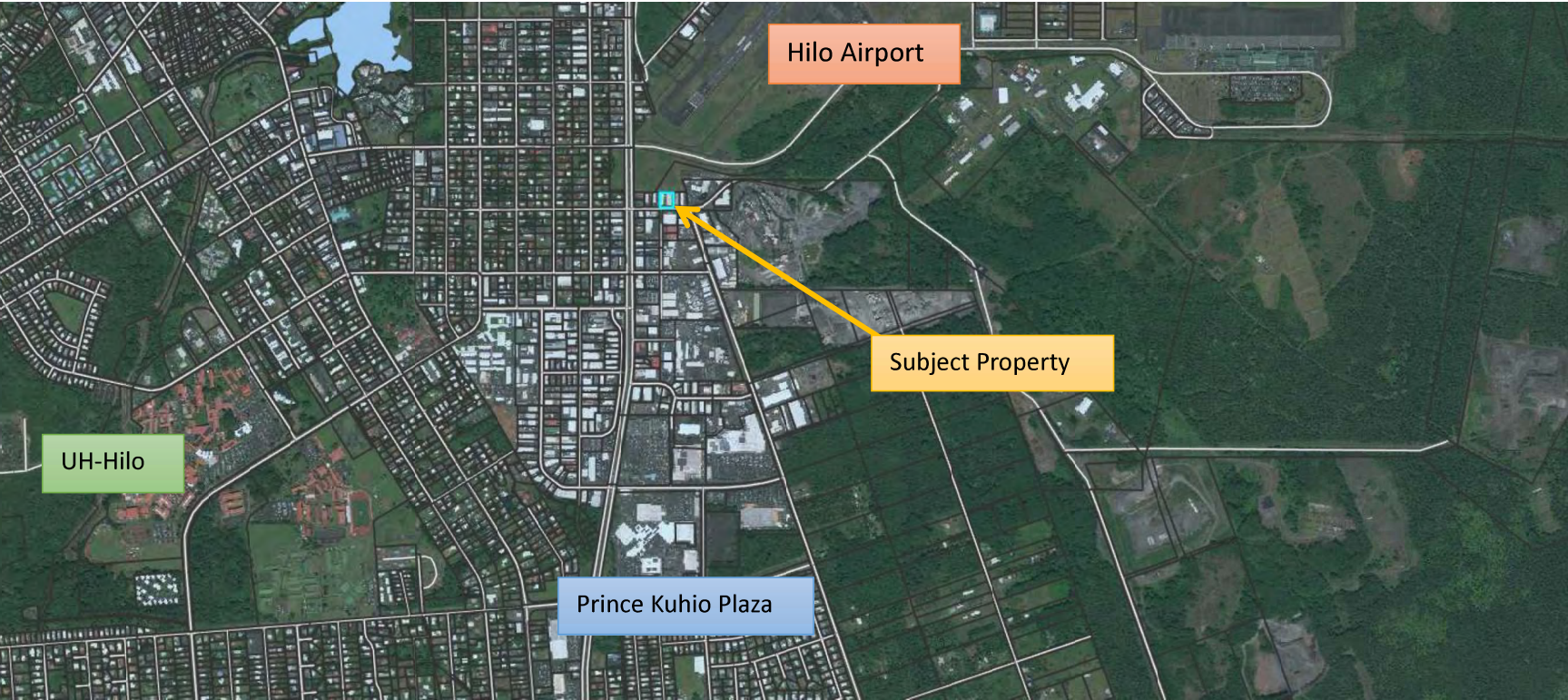


EXHIBIT B

Leilani Street Photos – 9/25/2024



Building on left side of property.
Note separate electric meters for each tenant.

Building on right side of property.
Note separate electric meters for each tenant.



Area between buildings



EXHIBIT B



West Hawaii Community Health Center

Event rental business



Muffler Shop



EXHIBIT B



Sustainable Products Warehouse section

Screen printing shop



Common area restroom. One in each building.